

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

FORM 10-Q

(MARK ONE)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended June 30, 1999 or  
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Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

for the transition period from ----- to -----

Commission file number ----- 1-12977 -----

U.S. CONCRETE, INC.

-----  
(exact name of Registrant as specified in its charter)

Delaware

76-0586680

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

1360 Post Oak Blvd., Suite 800, Houston, Texas

77056

-----  
(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: (713) 350-6040

The number of shares of Common Stock of the Registrant, par value \$.001 per share, outstanding at August 13, 1999 was 16,208,543.

PART I

ITEM 1. FINANCIAL STATEMENTS

PRO FORMA COMBINED FINANCIAL INFORMATION

ORGANIZATION AND BASIS OF PRESENTATION

U.S. Concrete, Inc., a Delaware corporation, was founded in July 1997 to create a leading provider of ready-mixed concrete and related products and services to the construction industry in major markets in the United States. It did not conduct any operations prior to May 1999. On May 28, 1999, it completed an initial public offering of its common stock and concurrently acquired six operating businesses (the "Acquired Businesses"). U.S. Concrete intends to acquire additional companies to expand its operations.

For financial statement presentation purposes, (1) Central Concrete Supply Co., Inc., one of the Acquired Businesses, is presented as the acquirer of the other Acquired Businesses and U.S. Concrete, (2) these acquisitions are accounted for in accordance with the purchase method of accounting and (3) the effective date of the acquisitions is May 31, 1999. As used herein, the term "Company" means (1) Central prior to June 1, 1999 and (2) U.S. Concrete and its consolidated subsidiaries on that date and thereafter.

The accompanying unaudited pro forma combined statements of operations for the six months ended June 30, 1999 and 1998, respectively, assume that U.S. Concrete completed the following transactions on January 1 in each period presented:

- o its issuance and sale in the IPO of 4.4 million shares of its common stock (including shares it sold on the exercise of its underwriters' over-allotment option) at \$8.00 per share;
- o its application of its net proceeds from the IPO;
- o its acquisition of the six Acquired Businesses and its payment of the purchase prices for those businesses; and
- o its refinancing with borrowings under its credit facility of the indebtedness it assumed as a result of the acquisitions.

These statements also reflect pro form adjustments for:

- o certain contractual reductions in salaries, bonuses and benefits to former owners of the Acquired Businesses;
- o elimination of legal, accounting and other professional fees incurred in connection with the acquisitions of the Acquired Businesses;
- o amortization of goodwill resulting from the acquisitions of the Acquired Businesses;
- o reduction in interest expense, net of interest expense on borrowings to fund S corporation distributions by certain of the Acquired Businesses; and
- o adjustments to the federal and state income tax provision based on pro forma operating results.

You should read the accompanying unaudited pro forma combined statements of operations together with the Company's historical unaudited financial statements and notes thereto this report includes. The pro forma adjustments are based on estimates, available information and certain assumptions which may be revised as additional information becomes available. The pro forma financial information does not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred when assumed and are not necessarily representative of the Company's financial position or results of operations for any future period. Since U.S. Concrete and the Acquired Businesses were not under common control or management for all or a portion of the periods presented, historical combined results may not be comparable to, or indicative of, future performance.

U.S. CONCRETE, INC. AND SUBSIDIARIES  
 PRO FORMA COMBINED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS; UNAUDITED)

SIX MONTHS ENDED JUNE 30,	
1999	1998

Sales	\$ 88,505	\$ 82,709
Cost of goods sold	71,801	68,317
	-----	-----
Gross profit	16,704	14,392
Selling, general and administrative expenses	7,085	4,400
Stock compensation charge	2,880	--
Depreciation and amortization	2,256	2,256
	-----	-----
Income from operations	4,483	7,736
Interest expense, net	(361)	(361)
Other income, net	877	233
	-----	-----
Income before provision for income taxes	4,999	7,608
Provision for income taxes	2,138	3,133
	-----	-----
Net income	\$ 2,861	\$ 4,475
	=====	=====
Net income per share:		
Basic	\$ 0.18	\$ 0.28
	=====	=====
Diluted	\$ 0.18	\$ 0.28
	=====	=====
Number of shares used in calculating net income per share:		
Basic	16,209	16,209
	=====	=====
Diluted	16,273	16,209
	=====	=====

The accompanying notes are an integral part of these pro forma combined financial statements.

3

4

U.S. CONCRETE, INC. AND SUBSIDIARIES  
NOTES TO PRO FORMA COMBINED STATEMENTS OF OPERATIONS  
(UNAUDITED)

1. SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE

The following table summarizes the number of shares (in thousands) of common stock used in calculating pro forma net income per share:

	SIX MONTHS ENDED	
	JUNE 30,	
	-----	-----
	1999	1998
	-----	-----
Shares issued to the owners of the Acquired Businesses	8,985	8,985
Shares issued to the initial stockholders and certain management personnel of U.S. Concrete	2,854	2,854
Shares issued in the IPO	4,370	4,370
	-----	-----
Number of shares used in calculating basic net income per share	16,209	16,209
Effect of shares issuable under stock options and warrants based on the treasury stock method	64	--
	-----	-----
Number of shares used in calculating diluted net income per share	16,273	16,209
	=====	=====

4

5

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

	JUNE 30, 1999	DECEMBER 31, 1998
	----- (UNAUDITED)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,122	\$ 4,213
Trade accounts receivable, net	27,576	7,641
Receivables from related parties	4,367	2,712
Inventories	1,786	792
Prepaid expenses	1,549	833
Deferred tax asset	276	--
Other current assets	294	156
	-----	-----
Total current assets	44,970	16,347
	-----	-----
Property, plant and equipment, net	44,493	9,138
Goodwill, net	56,277	--
Cash surrender value of life insurance	--	1,155
Other assets	884	--
	-----	-----
Total assets	\$ 146,624	\$ 26,640
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 137	\$ 1,006
Accounts payable and accrued liabilities	33,281	7,910
	-----	-----
Total current liabilities	33,418	8,916
	-----	-----
Long-term debt, net of current maturities	18,912	2,524
Deferred income taxes	2,991	46
	-----	-----
Total liabilities	55,321	11,486
	-----	-----
Stockholders' equity		
Common stock	16	70
Additional paid-in capital	92,314	554
Retained earnings (deficit)	(1,027)	14,530
	-----	-----
Total stockholders' equity	91,303	15,154
	-----	-----
Total liabilities and stockholders' equity	\$ 146,624	\$ 26,640
	=====	=====

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

5

6

U.S. CONCRETE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS; UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
	-----	-----	-----	-----
Sales	\$ 27,648	\$ 15,775	\$ 40,604	\$ 25,693
Cost of goods sold	22,150	12,793	32,775	21,330
	-----	-----	-----	-----
Gross profit	5,498	2,982	7,829	4,363
Selling, general and administrative expenses	2,134	1,056	3,457	1,656

Stock compensation charge	2,880	--	2,880	--
Depreciation and amortization	666	272	959	460
	-----	-----	-----	-----
Income (loss) from operations	(182)	1,654	533	2,247
Interest income (expense), net	(317)	(20)	(279)	23
Other income (expense), net	145	(25)	334	28
	-----	-----	-----	-----
Income (loss) before income tax provision	(354)	1,609	588	2,298
Income tax provision (benefit)	(97)	852	263	1,114
	-----	-----	-----	-----
Net income (loss)	\$ (257)	\$ 757	\$ 325	\$ 1,184
	=====	=====	=====	=====
Net income (loss) per share:				
Basic	\$ (0.03)	\$ 0.24	\$ 0.05	\$ 0.38
	=====	=====	=====	=====
Diluted	\$ (0.03)	\$ 0.24	\$ 0.05	\$ 0.38
	=====	=====	=====	=====
Number of shares used in calculating net income (loss) per share:				
Basic	8,576	3,120	6,037	3,120
	=====	=====	=====	=====
Diluted	8,576	3,120	6,102	3,120
	=====	=====	=====	=====

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

6

7

U.S. CONCRETE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS; UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 325	\$ 1,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	959	460
Net gain on sale of property, plant and equipment	(215)	--
Change in allowance for doubtful accounts	217	2
Stock compensation charge	2,880	--
Changes in assets and liabilities, excluding effects of acquisitions:		
Trade accounts receivable	(4,361)	(270)
Prepaid expenses and other current assets	(60)	302
Accounts payable and accrued liabilities	3,027	1,409
	-----	-----
Net cash provided operating activities	2,772	3,087
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,240)	(1,112)
Payments for acquisitions accounted for as purchases, net of cash received of \$9,154	(37,051)	--
Proceeds from disposals of property, plant and equipment	959	--
Increase in cash surrender value of life insurance	--	(91)
Other	691	--
	-----	-----
Net cash used in investing activities	(37,641)	(1,203)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	18,700	1,487
Repayments of borrowings	(3,480)	(423)
Proceeds from issuances of common stock	32,512	--
Cash paid related to common stock issuance costs	(3,002)	--
Distributions to stockholders	(4,952)	(1,495)
	-----	-----

Net cash provided by (used in) financing activities	39,778	(431)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,909	1,453
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,213	1,945
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 9,122	\$ 3,398
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 262	\$ 131
Cash paid during the period for income taxes	\$ 137	\$ --
NONCASH FINANCING ACTIVITY:		
Distribution of cash surrender value of life insurance to stockholder	\$ 1,155	\$ --

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

7

8

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

1. ORGANIZATION AND BASIS OF PRESENTATION

U.S. Concrete was founded to create a leading provider of ready-mixed concrete and related products and services to the construction industry in major markets in the United States. U.S. Concrete conducted no operations of its own prior to the closing on May 28, 1999 of (1) its initial public offering of its common stock and (2) its acquisition for shares of its common stock and cash of six operating businesses (the "Acquired Businesses").

For financial statement presentation purposes, (1) Central Concrete Supply Co., Inc., one of the Acquired Businesses, is presented as the acquirer of the other Acquired Businesses and U.S. Concrete, (2) these acquisitions are accounted for in accordance with the purchase method of accounting and (3) the effective date of the acquisitions is May 31, 1999. As used herein, the term "Company" means (1) Central prior to June 1, 1999 and (2) U.S. Concrete and its consolidated subsidiaries on that date and thereafter.

Under applicable regulations of the SEC, the historical financial statements in this report are unaudited and omit information and footnote disclosures that financial statements prepared in accordance with generally accepted accounting principles normally would include. In the opinion of management, (1) the disclosures herein are adequate to make the information presented not misleading and (2) the financial statements reflect all elimination entries and normal adjustments that are necessary for a fair presentation of the results for the interim periods presented.

Operating results for interim periods are not necessarily indicative of the results for full years. You should read these condensed consolidated financial statements together with the audited financial statements and the notes thereto of U.S. Concrete and the Acquired Businesses which U.S. Concrete's registration statement for its IPO includes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company has not added to or changed its accounting policies significantly since December 31, 1998. For a description of these policies, see Note 2 of Notes to Financial Statements of Central in U.S. Concrete's IPO registration statement.

3. SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE

The following table summarizes the number of shares (in thousands) of common stock we have used on a weighted average basis in calculating net income or loss per share:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Shares issued to Central's owners	3,120	3,120	3,120	3,120
Shares issued to owners of Acquired Businesses other than Central	2,127	--	1,069	--
Shares issued to the initial stockholders and certain management personnel of U.S. Concrete	1,832	--	1,095	--
Shares issued in the IPO	1,497	--	753	--
	-----	-----	-----	-----
Number of shares used in calculating basic net income (loss) per share	8,576	3,120	6,037	3,120
Effect of shares issuable under stock options and warrants based on the treasury stock method	--	--	65	--
	-----	-----	-----	-----
Number of shares used in calculating diluted net income (loss) per share	8,576	3,120	6,102	3,120
	=====	=====	=====	=====

8

9

U.S. CONCRETE, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(UNAUDITED)

4. LONG-TERM DEBT

A summary of long-term debt is as follows (dollars in thousands):

	JUNE 30, 1999	DECEMBER 31, 1998
	-----	-----
Secured revolving credit facility	\$ 18,700	\$ --
Notes payable to various financial institutions, secured by mixer trucks, maturing in varying amounts through May 2003, with interest ranging from 7.0% to 9.7%	--	2,860
Notes payable to various financial institutions, secured by various equipment and guaranteed by stockholders, maturing in varying amounts through September 2003, with interest ranging from 4.7% to 8.8%	--	670
Other	349	--
	-----	-----
	19,049	3,530
Less: current maturities	(137)	(1,006)
	-----	-----
Long-term debt, net of current maturities	\$ 18,912	\$ 2,524
	=====	=====

On May 28, 1999, U.S. Concrete entered into a three-year \$75 million revolving credit facility with a group of banks. The Company may use this facility for working capital, to finance acquisitions and for other general corporate purposes. Availability under the facility is tied to the Company's cash flow and liquidity. Advances bear interest, at the Company's option, at a prime rate or

LIBOR, in each case plus a margin keyed to the ratio of the Company's indebtedness to cash flow. Commitment fees are due on any unused borrowing capacity. The facility requires the Company to maintain financial covenants regarding net worth, coverage ratios and additional indebtedness and prohibits dividends by U.S. Concrete. Subsidiary guarantees and pledges of substantially all the Company's fixed assets secure the payment of all obligations owing under the facility.

#### 5. INCOME TAXES

Prior to May 28, 1999, Central and two other Acquired Businesses were S corporations and were not subject to federal income taxes. Effective with their acquisition they became C corporations subject to those taxes, and we have recorded an estimated deferred tax liability to provide for the Company's estimated future income tax liability as a result of the difference between the book and tax bases of the net assets of these corporations. For purposes of these consolidated financial statements, federal and previously inapplicable state income taxes have been provided for the post-acquisition periods.

#### 6. SEGMENT REPORTING

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" requires that companies report separately information about each significant operating segment reviewed by the chief operating decision maker. All segments that meet a threshold of 10% of revenues, reported profit or loss, or combined assets are defined as significant segments. The Company currently operates under one segment and all operations and long-lived assets are in the United States.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with (1) the pro forma and historical financial statements and related notes this report contains and (2) the pro forma and historical financial statements and related notes and managements' discussion and analysis U.S. Concrete's IPO registration statement contains. This discussion contains "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. These statements are based on our current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include, among others, (1) the extent to which we are able to grow through acquisitions, reduce costs and achieve revenue enhancements in our operations, (2) the rate at which we will write off the significant goodwill on our balance sheet, (3) changes in government regulations, (4) competition, (5) Year 2000 issues and (6) other risk factors discussed in U.S. Concrete's IPO registration statement.

We expect to derive substantially all our revenues from the sale of ready-mixed concrete, other concrete products and related construction materials to the construction industry in the United States. We will serve all segments of the construction industry, and our customers will include contractors for commercial, industrial, residential and public works and infrastructure construction. We typically will sell ready-mixed concrete pursuant to daily purchase orders that require us to formulate, prepare and deliver ready-mixed concrete to the job sites of our customers. We generally will recognize our sales from these orders when we deliver the ordered products.

Our cost of goods sold consist principally of the costs we incur in obtaining the cement, aggregates and admixtures we combine to produce ready-mixed concrete and other concrete products in various formulations. We obtain all these materials from third parties and generally have only one day's supply at each of our concrete plants. Our cost of goods sold also includes labor costs and the operating, maintenance and rental expenses we incur in operating our concrete plants and mixer trucks and other vehicles.



Our selling expenses include the salary and incentive compensation we pay our sales force, the salaries and incentive compensation of our sales managers and travel, entertainment and other promotional expenses. Our general and administrative expenses include the salaries and benefits we pay to our executive officers, the senior managers of our local and regional operations, plant managers and administrative staff, as well as office rent and utilities, communications expenses and professional fees.

Our pro forma combined statements of operations include pro forma adjustments to our selling, general and administrative expenses to reflect the reductions in salaries, bonuses and benefits to which owners of the businesses we have acquired agreed would take effect when we acquired them and the elimination of nonrecurring legal, accounting and other professional fees attributable to the acquisitions. Our pro forma combined statements of operations also reflect the substantial increase in income tax expense which will result from the conversion of three of those businesses from S corporations into C corporations.

We expect that our integration of the businesses we have acquired will present opportunities to realize cost savings through the elimination of duplicative functions and the development of economies of scale. We believe that we should be able to:

- o obtain greater discounts from suppliers;
- o borrow at lower interest rates;
- o consolidate insurance programs; and
- o generate savings in other general and administrative areas.

We cannot currently quantify these savings and expect that various incremental costs will partially offset them. These incremental costs include those associated with:

- o our corporate management;
- o our being a public company; and
- o our systems integration, upgrading and replacement.

Our pro forma combined statements of operations reflect neither the cost savings nor the incremental costs we expect, but cannot quantify.

The pro forma combined financial information this report contains covers periods during which the businesses we have acquired had different tax structures and operated independently of each other as private, owner-operated companies. This

information reflects the purchase method of accounting to account for these acquisitions and presents Central as the "accounting acquirer."

RESULTS OF OPERATIONS - PRO FORMA COMBINED

The following table sets forth for us on a pro forma combined basis selected statement of operations information and that information as a percentage of sales for the periods indicated.

	SIX MONTHS ENDED JUNE 30,			
	----- 1999		1998 -----	
	(dollars in thousands)			
Sales	\$88,505	100.0%	\$82,709	100.0%
Cost of goods sold	71,801	81.1	68,317	82.6
	-----	-----	-----	-----

Gross profit	16,704	18.9	14,392	17.4
Selling, general and administrative expenses	7,085	8.0	4,400	5.3
Stock compensation charge	2,880	3.3	--	0.0
Depreciation and amortization	2,256	2.5	2,256	2.7
	-----	-----	-----	-----
Income from operations	\$ 4,483	5.1%	\$ 7,736	9.4%
	=====	=====	=====	=====

#### Sales

Sales increased \$5.8 million, or 7.0%, from \$82.7 million in the 1998 period to \$88.5 million in the 1999 period primarily as a result of higher average sales prices for ready-mixed concrete in the San Francisco Bay area and increased sales of pre-cast products and building materials.

#### Gross Profit

Gross profit increased \$2.3 million, or 16.0%, from \$14.4 million in the 1998 period to \$16.7 million in the 1999 period. Gross margins increased from 17.4% in the 1998 period to 18.9% in the 1999 period primarily because of higher average sales prices and the strong marginal contribution from those increased prices attributable to the portion of our business that is of a fixed-cost nature.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$2.7 million, or 61.0%, from \$4.4 million in the 1998 period to \$7.1 million in the 1999 period primarily because of: (1) additions to the administrative infrastructure of several of the businesses; (2) higher average compensation levels for operations personnel; (3) 1999 costs associated with the establishment of U.S. Concrete's executive management and administrative infrastructure; and (4) 1999 professional fees, travel expenses and other costs attributable to the IPO. As a percentage of sales, these expenses increased from 5.3% in the 1998 period to 8.0% in the 1999 period.

#### Stock Compensation Charge

The 1999 stock compensation charge represents a noncash charge related to 400,000 shares of common stock U.S. Concrete issued in December 1998 and March 1999 to management and nonemployee directors at a nominal cost. The amount of this charge reflected a fair value of \$7.20 per share, which represented a 10% discount from the initial offering price to the public of \$8.00 per share in the IPO.

11

12

#### RESULTS OF OPERATIONS - HISTORICAL

The following table sets forth for us selected historical statement of operations information and that information as a percentage of sales for the periods indicated. For periods prior to June 1, 1999, the information relates to Central on a stand-alone basis. For the period beginning June 1, 1999, the information relates to U.S. Concrete and its subsidiaries on a consolidated basis and presents Central as the accounting acquirer. Except as we note below, the consolidation of operating results beginning on June 1, 1999 principally accounts for the changes in the 1999 periods from the 1998 periods.

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	1999		1998		1999		1998	
	(dollars in thousands)							
Sales	\$ 27,648	100.0%	\$ 15,775	100.0%	\$ 40,604	100.0%	\$ 25,693	100.0%
Cost of goods sold	22,150	80.1	12,793	81.1	32,775	80.7	21,330	83.0
Gross profit	5,498	19.9	2,982	18.9	7,829	19.3	4,363	17.0
Selling, general and administrative expenses	2,134	7.7	1,056	6.7	3,457	8.5	1,656	6.4
Stock compensation charge	2,880	10.4	--	0.0	2,880	7.1	--	0.0
Depreciation and amortization	666	2.4	272	1.7	959	2.4	460	1.8

Income (loss) from operations	\$ (182)	(0.6)%	\$ 1,654	10.5%	\$ 533	1.3%	\$ 2,247	8.8%
	=====	=====	=====	=====	=====	=====	=====	=====

## Sales

Sales increased \$11.9 million, or 75.3%, and \$14.9 million, or 58.0%, for the three- and six-month periods ended June 30, 1999, as compared with the same periods in 1998.

## Gross Profit

Gross profit increased \$2.5 million, or 84.4%, and \$3.5 million, or 79.4%, for the three- and six-month periods ended June 30, 1999, as compared with the same periods in 1998. Gross margins increased from 18.9% in the three months ended June 30, 1998 to 19.9% in the three months ended June 30, 1999 and increased from 17.0% in the six months ended June 30, 1998 to 19.3% in the six months ended June 30, 1999.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$1.1 million, or 102.1%, and \$1.8 million, or 108.8%, for the three- and six-month periods ended June 30, 1999, as compared with the same periods in 1998.

## Stock Compensation Charge

The 1999 stock compensation charge represents a noncash charge related to 400,000 shares of common stock U.S. Concrete issued in December 1998 and March 1999 to management and nonemployee directors at a nominal cost. The amount of this charge reflected a fair value of \$7.20 per share, which represented a 10% discount from the initial offering price to the public of \$8.00 per share in the IPO.

## LIQUIDITY AND CAPITAL RESOURCES

On May 28, 1999, U.S. Concrete completed its initial public offering, in which it issued and sold 3.8 million shares of its common stock. Its net proceeds from the IPO (after underwriting discounts, commissions and offering expenses) were approximately \$24.0 million. Concurrently, U.S. Concrete acquired six operating businesses in separate transactions for consideration of \$22.3 million in cash and 9.0 million shares of common stock. On June 11, 1999, its underwriters exercised their over-allotment option to acquire an additional 570,000 shares of common stock at the offering price of \$8.00 per share, providing U.S. Concrete with \$4.3 million (net of underwriting discounts and commissions) of additional proceeds from the IPO.

On May 28, 1999, U.S. Concrete entered into a \$75 million secured revolving credit facility with a group of banks and borrowed approximately \$22.7 million, principally to refinance outstanding indebtedness of the Acquired Businesses. At June 30, 1999, \$18.7 million was outstanding under the facility.

The credit facility is a three-year revolving credit facility of up to \$75.0 million, with a \$5.0 million sublimit for letters of credit issued on our behalf, we may use for the following purposes:

- o finance acquisitions;
- o working capital; and
- o for general corporate purposes.

Our subsidiaries have guaranteed the repayment of all amounts due under the facility, and we secured the facility with the capital stock and assets of our subsidiaries. The facility will:

- o require the consent of the lenders for acquisitions;
- o prohibit the payment of cash dividends by U.S. Concrete;

- o restrict our ability to incur additional indebtedness; and
- o require us to comply with stringent financial covenants.

The failure to comply with these covenants and restrictions would constitute an event of default under the facility. Our borrowing capacity under the facility will vary from time to time depending on our satisfaction of several financial tests.

We anticipate that our consolidated cash flow from our operations will exceed our normal working capital needs, debt service requirements and the amount of our planned capital expenditures, excluding acquisitions, for at least the next 12 months.

Our growth strategy will require substantial capital. We currently intend to finance future acquisitions through issuances of our common stock or debt securities, including convertible debt securities, and borrowings under our credit facility. Using debt to complete acquisitions could substantially limit our operational and financial flexibility. The extent to which we will be able or willing to use our common stock to make acquisitions will depend on its market value from time to time and the willingness of potential sellers to accept it as full or partial payment. Using our common stock for this purpose may result in significant dilution to our then existing stockholders. To the extent we are unable to use our common stock to make future acquisitions, our ability to grow will be limited by the extent to which we are able to raise capital for this purpose, as well as to expand existing operations, through debt or additional equity financings. If we are unable to obtain additional capital on acceptable terms, we may be required to reduce the scope of our presently anticipated expansion, which could materially adversely affect our business and the value of our common stock.

We cannot accurately predict the timing, size and success of our acquisition efforts or our associated potential capital commitments.

Changes in working capital accounts and property, plant and equipment between December 31, 1998 and June 30, 1999 are driven primarily by the acquisitions of the Acquired Businesses.

#### YEAR 2000 COMPLIANCE

Many software applications, computer hardware and related equipment and systems that use embedded technology, such as microprocessors, rely on two digits rather than four to represent years in performing computations and decision-making functions. These programs, hardware items and systems may fail on January 1, 2000 or earlier because they misinterpret "00" as the year 1900 rather than 2000. These failures could have an adverse effect on us because of our direct dependence on our own applications, equipment and systems and our indirect dependence on those of third parties.

Our year 2000 program consists of the following phases:

- o identifying all items that may be affected by the year 2000;
- o investigating those items for year 2000 compliance;
- o assessing the potential impact of year 2000 noncompliance;
- o designing solutions for noncompliant items;
- o repairing and replacing any noncompliant items and testing those improvements; and
- o contingency planning.

Each business we have acquired has assigned one or more individuals in its organization year 2000 responsibility. We have also assigned an individual overall year 2000 responsibility to track and coordinate the efforts of the individual companies. Although we are following the general steps we outlined above, we do not consider preparation and

maintenance of formal inventories and risk rankings, detailed test plans and documentation of results necessary because of the small number of information technology systems each company uses.

Each business we have acquired has completed identification of its mission-critical information technology hardware and software, including business applications, operations software, service providers and product suppliers that may be affected by the year 2000. We are in the process of identifying the potential impact of embedded technologies on the companies. We estimate that we have completed 90% of this process and expect to complete it by September 30, 1999.

We are also contacting various third parties to obtain representations and assurances that their hardware, embedded technology systems and software which we use or will impact us are, or will be modified on a timely basis to be, year 2000 compliant. We identified approximately 50 third parties to be contacted, based on our identification of those persons as being either significant service providers or materials suppliers to our business. These third parties include banks, cement and aggregates suppliers, gas, electricity and water suppliers and telephone companies. All the third parties that have responded have stated that they are or expect to be year 2000 compliant by the end of 1999. We expect to have this part of our program completed by September 30, 1999. To date, our costs associated with assessing and monitoring the progress of third parties in resolving their year 2000 issues have not been significant, and we do not expect to incur any material costs in the future relating to this aspect of our year 2000 program.

Most of the businesses we have acquired are in the solution design phase of their efforts to determine whether noncompliant information hardware and software systems can be repaired or replaced. We estimate that we have completed approximately 75% of this phase and expect to complete it by September 30, 1999.

As part of our consolidation of our initial businesses, we are replacing some of their financial and other systems in order to obtain internal consistency. Some systems we are replacing happen not to be year 2000 compliant, but we would replace them in all events this year and are not including the cost of their replacements as a part of our year 2000 program.

We have decided not to develop formal budgets or perform detailed analysis of the costs associated with this effort. We based this decision on the low number of systems that comprise our technical environment and the fact that our year 2000 efforts are being addressed during the normal course of business. We estimate our external costs of our year 2000 program total approximately \$50,000 to date and expect that any additional costs of this program will be nominal. We expect to pay these costs with the cash flow from our consolidated operations. We have incurred substantially all these costs in investigating systems for year 2000 compliance and have not incurred any material costs to replace or repair noncompliant systems. We have not deferred other information technology projects because of our year 2000 efforts.

We have not yet begun a formal analysis of various failure scenarios or their potential impact or possible contingency plans. If we identify significant risks related to year 2000 compliance or our progress deviates from our anticipated program, we will develop contingency plans as necessary. We expect that we will develop any necessary contingency plans in the fourth quarter of 1999 and that these will primarily consist of replacing noncompliant third-party suppliers or making arrangements with compliant third-party suppliers to back up any delivery failures and developing backup procedures to handle the failure of any of our internal systems.

We do not anticipate any material adverse effect from year 2000 failures, but you have no guarantee that we will achieve total compliance. Factors that give rise to this uncertainty include our possible failure to identify all susceptible systems, noncompliance by third parties whose systems and operations impact us and a possible loss of technical resources to perform the work.

While we do not expect our worst-case year 2000 noncompliance scenarios to occur, possible effects of such scenarios include:

- o loss of gas, electricity, water or phone service;

- o failures or delays in the daily delivery of raw materials;
- o equipment failures;
- o an interruption in our ability to collect amounts due from customers; and
- o loss of accurate accounting records.

Depending on the length of any noncompliance or system failure, any of these situations could have a material adverse impact on our ability to serve our customers in a timely manner and result in lost business and revenues or increased costs.

14

15

This disclosure is subject to protection under the Year 2000 Information and Readiness Disclosure Act of 1998, 15 U.S.C. I (1999), as a "Year 2000 Statement" and "Year 2000 Readiness Disclosure" as that Act defines those terms.

#### SEASONALITY; FLUCTUATIONS OF QUARTERLY RESULTS

Reflecting the levels of construction activity, the demand for ready-mixed concrete is highly seasonal. We believe that this demand may be as much as three times greater in a prime summer month than in a slow winter month and that the six-month period of May through October is the peak demand period. Consequently, we expect that our sales generally will be lower in the first and fourth calendar quarters. Because we incur fixed costs, such as wages, rent and other expenses throughout the year, we expect our gross profit margins will be disproportionately lower than our sales in these quarters. Even during traditional peak periods, sustained periods of inclement weather and other extreme weather conditions can slow or delay construction and thus slow or delay our sales. Quarterly results may also be materially affected by the timing of acquisitions, variations in sales prices, the timing and magnitude of acquisition assimilation costs and regional economic conditions. Additionally, the industry can be highly cyclical, and the general condition of the economy and a variety of other factors beyond our control can affect its level of activity. Our volume of business may be adversely affected by declines in construction activity.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We have not purchased any futures contracts nor have we purchased or held any derivative financial instruments for trading purposes during the six months ended June 30, 1999.

Our borrowings under our credit facility are subject to the risk that interest rates may increase. For example, a 10 percent increase in LIBOR (a benchmark pursuant to which interest rates applicable to borrowings under the credit facility may be set) would have increased our pro forma consolidated interest by \$18,000 for the quarter ended June 30, 1999 and \$36,000 for the six months ended June 30, 1999. We have not entered into any interest rate swaps or other hedging arrangements with respect to the interest obligations under the credit facility.

15

16

## PART II

#### ITEM 1. LEGAL PROCEEDINGS

We have been from time to time, and currently are, subject to claims and litigation brought by employees, customers and third parties for personal injuries, property damages, product defects and delay damages, that have, or

allegedly have, resulted from the conduct of our operations. Currently, we do not have pending any litigation that, separately or in the aggregate, if adversely determined, we believe would have a material adverse effect on our business, financial condition or results of operations. We expect that in the future we will from time to time be a party to litigation or administrative proceedings which arise in the normal course of our business.

## ITEM 2. CHANGE IN SECURITIES AND USE OF PROCEEDS

### (b) Issuance or Modification of Securities.

Our credit facility prohibits us from (1) redeeming, retiring or otherwise acquiring, directly or indirectly, any shares of our common stock and (2) making any dividends or distributions of cash or property to any of our stockholders without the prior written consent of the lenders.

### (c) Unregistered Sales of Securities.

Set forth below is certain information concerning all sales of securities by U.S. Concrete during the three-month period ended June 30, 1999 that were not registered under the Securities Act.

On May 28, 1999, we issued 8,985,288 shares of common stock to the stockholders of the Acquired Businesses as part of the consideration for the acquisitions of the Acquired Businesses. These shares of common stock were issued without registration under the Securities Act in reliance on the exemption provided by Section 4(2) of the Securities Act.

Also on May 28, 1999, we issued 1,602,255 shares of our common stock on conversion of the one share of our Class A common stock that was outstanding on that date. Those shares of common stock were issued without registration under the Securities Act in reliance on the exemption provided by Section 3(a)(9) of the Securities Act.

Also on May 28, 1999, we issued warrants to purchase an aggregate of 200,000 shares of our common stock to Scott & Stringfellow, Inc. and Sanders Morris Mundy Inc., the representatives of the underwriters for the IPO. The warrants were issued as part of the underwriting consideration in connection with the IPO. The warrants are exercisable at a purchase price of \$8.00 per share of common stock (which is equivalent to the initial per share offering price to the public in the IPO). The warrants will expire on May 28, 2002. The warrants were issued without registration under the Securities Act in reliance on the exemption provided by Section 4(2) of the Securities Act.

### (d) Use of Proceeds.

The shares of common stock issued and sold in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (Reg. No. 333-74855), which the SEC declared effective on May 25, 1999. That registration statement initially registered an indeterminate number of shares of common stock having a maximum aggregate offering price of \$41,515,000. Subsequently, we determined to offer 3,800,000 shares of common stock in the IPO and granted the underwriters a 30-day option to purchase up to 570,000 additional shares, solely to cover over-allotments. The IPO was completed through a syndicate of underwriters for which Scott & Stringfellow, Inc. and Sanders Morris Mundy Inc. acted as representatives.

In the IPO, we issued and sold 3,800,000 shares of common stock on May 28, 1999 at an initial public offering price of \$8.00 per share, resulting in gross proceeds of \$30,400,000. On June 8, 1999, we issued and sold an additional 570,000 shares of common stock on the exercise in full of the underwriters' over-allotment option granted in connection with the IPO, resulting in additional gross proceeds of \$4,560,000. Following the closing of the sale of those shares, the IPO terminated.

From May 25, 1999 through June 30, 1999, we incurred the following expenses for our own account in connection with the issuance and distribution of the shares of common stock registered pursuant to our IPO registration statement, none of which constituted direct or indirect payments to any of our officers, directors or any of their associates, any person

owning 10% or more of U.S. Concrete or any of its affiliates (other expenses represent a reasonable estimate of actual costs incurred):

Underwriting discounts and commissions	\$2,447,200
Finders' fees	0
Expenses paid to or for Underwriters	0
Other expenses	\$4,200,000
	-----
Total expenses	\$6,647,200

The net proceeds we received from the IPO (including the issuance and sale of the shares of common stock pursuant to the over-allotment option), after deducting the expenses detailed above, were \$28,312,800.

From May 25, 1999 through June 30, 1999, we have applied the following amounts of our net proceeds from the IPO:

Use of Proceeds	Payment to Others	Payment to Officers, Directors and 10% Stockholders
-----	-----	-----
Construction of plant, building and facilities	--	--
Purchase and installation of machinery and equipment	--	--
Purchase of real estate	--	--
Acquisition of other businesses	\$8,919,533	\$13,392,467
Repayment of indebtedness	\$6,000,800	--
Working capital	--	--
Temporary investments (specified below)	--	--

Temporary investments consist of money market accounts available on a daily basis.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Pursuant to a unanimous written consent signed by each of our stockholders as of April 19, 1999, our stockholders approved an amendment to our restated certificate of incorporation to (1) increase the number of authorized shares of capital stock of U.S. Concrete to 70,000,001 shares, (2) amend the conversion ratio of the one share of our Class A common stock that was then issued and outstanding (and which has since been converted into 1,602,255 shares of our common stock), (3) increase the minimum number of directors who will constitute our whole Board of Directors to not less than three and to specifically provide for the election, term and removal of directors, (4) effective after the first date as of which we had a class or series of capital stock registered under the Securities Exchange Act of 1934, prohibit action by written consent of our stockholders and to require that stockholder action may only be taken at an annual or special meeting of our stockholders, (5) limit the personal liability of our directors to us or our stockholders, (6) expressly authorize our Board of Directors to adopt, amend or repeal our Bylaws without any action on the part of our stockholders, except as applicable law or our Bylaws provide otherwise and (7) provide for certain procedures when a compromise or arrangement is proposed between us and our creditors or any class of them and/or between us and our stockholders or any class of them.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Description
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).

17

18

- 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).
- 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).
- 3.1\* -- Restated Certificate of Incorporation of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 3.1).
- 3.2\* -- Bylaws of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 3.2).
- 4.1\* -- Form of Certificate representing common stock (Form S-1 (Reg. No. 333-74855), Exhibit 4.1).
- 4.2\* -- Form of Registration Rights Agreement by and among U.S. Concrete and the stockholders listed on the signature pages thereto (Form S-1 (Reg. No. 333-74855), Exhibit 4.2).
- 4.3\* -- Funding Agreement dated as of September 10, 1999 by and between U.S. Concrete and Main Street Merchant Partners II, L.P. (Form S-1 (Reg. No. 333-74855), Exhibit 4.3).
- 4.4\* -- Rights Agreement by and between U.S. Concrete and American Stock Transfer & Trust Company, including form of Rights Certificate attached as Exhibit B thereto (Form S-1 (Reg. No. 333-74855), Exhibit 4.4).
- 4.5\* -- Form of Warrant Agreement among U.S. Concrete, Scott & Stringfellow, Inc. and Sanders Morris Mundy, Inc. (Form S-1 (Reg. No. 333-74855), Exhibit 1.2).
- 4.6 -- Credit Agreement, dated as of May 28, 1999, among U.S. Concrete, Inc., as Borrower, the Guarantors named therein and Chase Bank of Texas, National Association, NationsBank, N.A. (D/B/A Bank of America, N.A.), Bank One, Texas, NA, Credit Lyonnais New York Branch and the other Lenders named therein.
- 4.7 -- First Amendment to Credit Agreement, dated as of June 30, 1999, among U.S. Concrete, Inc., as Borrower, the Guarantors

named therein and Chase Bank of Texas, National Association, NationsBank, N.A. (D/B/A Bank of America, N.A.), Bank One, Texas, NA, Credit Lyonaiss New York Branch and the other Lenders named therein.,

U.S. Concrete and some of its subsidiaries are parties to debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of U.S. Concrete and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, U.S. Concrete agrees to furnish a copy of those instruments to the SEC on request.

10.1\* -- 1999 Incentive Plan of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 10.1).

10.2\* -- Employment Agreement between U.S. Concrete and William T. Albanese (Form S-1 (Reg. No. 333-74855), Exhibit 10.2).

18

19

10.3\* -- Form of Employment Agreement between U.S. Concrete and Michael W. Harlan (Form S-1 (Reg. No. 333-74855), Exhibit 10.3).

10.4\* -- Form of Employment Agreement between U.S. Concrete and Eugene P. Martineau (Form S-1 (Reg. No. 333-74855), Exhibit 10.4).

10.5\* -- Employment Agreement between U.S. Concrete and Michael D. Mitschele (Form S-1 (Reg. No. 333-74855), Exhibit 10.5).

10.6\* -- Employment Agreement between U.S. Concrete and Charles W. Sommer (Form S-1 (Reg. No. 333-74855), Exhibit 10.6).

10.7\* -- Employment Agreement between U.S. Concrete and Neil J. Vannucci (Form S-1 (Reg. No. 333-74855), Exhibit 10.7).

10.8\* -- Employment Agreement between U.S. Concrete and Robert S. Walker (Form S-1 (Reg. No. 333-74855), Exhibit 10.8).

10.9\* -- Form of Indemnification Agreement between U.S. Concrete and each of its directors and officers (Form S-1 (Reg. No. 333-74855), Exhibit 10.9).

10.10\* -- Form of Employment Agreement between U.S. Concrete and Terry Green (Form S-1 (Reg. No. 333-74855), Exhibit 10.10).

27.1 -- Financial Data Schedule.

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\* Incorporated by reference to the filing indicated.

(b) Reports on Form 8-K.

None.

19

20

SIGNATURE

Pursuant to the requirements 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.

U.S. CONCRETE, INC.

Dated: August 13, 1999

/s/ MICHAEL W. HARLAN

-----  
By: Michael W. Harlan  
Senior Vice President --  
Chief Financial Officer

20

21

INDEX TO EXHIBITS

- 4.6 -- Credit Agreement, dated as of May 28, 1999, among U.S. Concrete, Inc., as Borrower, the Guarantors named therein and Chase Bank of Texas, National Association, NationsBank, N.A. (D/B/A Bank of America, N.A.), Bank One, Texas, NA, Credit Lyonaiss New York Branch and the other Lenders named therein.
- 4.7 -- First Amendment to Credit Agreement, dated as of June 30, 1999, among U.S. Concrete, Inc., as Borrower, the Guarantors named therein and Chase Bank of Texas, National Association, NationsBank, N.A. (D/B/A Bank of America, N.A.), Bank One, Texas, NA, Credit Lyonaiss New York Branch and the other Lenders named therein.,
- U.S. Concrete and some of its subsidiaries are parties to debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of U.S. Concrete and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, U.S. Concrete agrees to furnish a copy of those instruments to the SEC on request.
- 27.1 -- Financial Data Schedule.

CREDIT AGREEMENT

among

U.S. CONCRETE, INC.  
as the Borrower,

THE GUARANTORS,  
party hereto,

THE LENDERS,  
party hereto

and

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION,  
as Administrative Agent

and  
NATIONSBANK, N.A. (D/B/A BANK OF AMERICA, N.A.)  
as Syndication Agent

and  
BANK ONE, TEXAS, NA  
as co-agent

and  
CREDIT LYONNAIS NEW YORK BRANCH  
as co-agent

and  
CHASE SECURITIES INC.,  
as Sole Book Manager and Lead Arranger

MAY 28, 1999

ANDREWS & KURTH L.L.P.  
COUNSEL TO THE ADMINISTRATIVE AGENT

TABLE OF CONTENTS

	PAGE
ARTICLE I - Definitions.....	1
SECTION 1.01. Defined Terms.....	1
SECTION 1.02. Classification of Loans and Borrowings.....	17
SECTION 1.03. Terms Generally.....	17
SECTION 1.04. Accounting Terms; GAAP.....	18
ARTICLE II - The Credits.....	18
SECTION 2.01. Commitments.....	18
SECTION 2.02. Loans and Borrowings.....	18
SECTION 2.03. Requests for Revolving Borrowings.....	19
SECTION 2.04. Letters of Credit.....	20
SECTION 2.05. Funding of Borrowings.....	24
SECTION 2.06. Interest Elections.....	24
SECTION 2.07. Termination and Reduction of Commitments.....	26
SECTION 2.08. Repayment of Loans; Evidence of Debt.....	26
SECTION 2.09. Prepayment of Loans.....	27
SECTION 2.10. Fees.....	27

SECTION 2.11.	Interest.....	28
SECTION 2.12.	Alternate Rate of Interest.....	29
SECTION 2.13.	Increased Costs.....	30
SECTION 2.14.		
Break Funding Payments.....		31
SECTION 2.15.	Taxes.....	31
SECTION 2.16.	Payments Generally; Pro Rata Treatment; Sharing of Set-offs.....	32
SECTION 2.17.	Mitigation Obligations; Replacement of Lenders.....	34
SECTION 2.18.	Effect of Increased Costs.....	35
ARTICLE III - Representations and Warranties.....		35
SECTION 3.01.	Organization; Powers.....	35
SECTION 3.02.	Authorization; Enforceability.....	35
SECTION 3.03.	Governmental Approvals; No Conflicts.....	35
SECTION 3.04.	Financial Condition; No Material Adverse Change.....	36
SECTION 3.05.	Properties.....	36
SECTION 3.06.	Litigation and Environmental Matters.....	37
SECTION 3.07.	Compliance with Laws and Agreements.....	37
SECTION 3.08.	Investment and Holding Company Status.....	37
SECTION 3.09.	Taxes.....	38
SECTION 3.10.	ERISA.....	38
SECTION 3.11.	Disclosure.....	38
SECTION 3.12.	Year 2000.....	38
SECTION 3.13.	Solvency.....	38
SECTION 3.14.	Insurance.....	39
SECTION 3.15.	Registration Statement.....	39
SECTION 3.16.	Subsidiaries.....	39
ARTICLE IV - Conditions.....		39
SECTION 4.01.	Effective Date.....	39
SECTION 4.02.	Each Credit Event.....	43
ARTICLE V - Affirmative Covenants.....		44
SECTION 5.01.	Financial Statements; and Other Information.....	44
SECTION 5.02.	Notices of Material Events.....	46
SECTION 5.03.	Existence; Conduct of Business; Location.....	46
SECTION 5.04.	Payment of Obligations.....	46
SECTION 5.05.	Maintenance of Properties; Insurance.....	47
SECTION 5.06.	Books and Records; Inspection Rights; Audits.....	47
SECTION 5.07.	Compliance with Laws.....	48
SECTION 5.08.	Use of Proceeds and Letters of Credit.....	48
SECTION 5.09.	Subsidiaries.....	48
SECTION 5.10.	Collateral.....	48
SECTION 5.11.	Employee Agreements.....	49
SECTION 5.12.	Compliance With Leases.....	49
ARTICLE VI - Negative Covenants.....		50
SECTION 6.01.	Indebtedness.....	50
SECTION 6.02.	Liens.....	50
SECTION 6.03.	Fundamental Changes.....	51
SECTION 6.04.	Investments, Loans, Advances, Guarantees and Acquisitions.....	52
SECTION 6.05.	Restricted Payments.....	52
SECTION 6.06.	Transactions with Affiliates.....	52
SECTION 6.07.	Restrictive Agreements.....	52
SECTION 6.08.	Financial Ratios.....	53
SECTION 6.09.	Net Worth.....	54
SECTION 6.10.	Capital Expenditures.....	54
SECTION 6.11.	Limitation of Acquisitions.....	54
SECTION 6.12.	Hedging Agreement.....	56
SECTION 6.13.	Additional Borrowings Under Union Bank Indebtedness.....	56
ARTICLE VII - Events of Default and Remedies.....		56
SECTION 7.01.	Events of Default.....	56
SECTION 7.02.	Remedies.....	58
ARTICLE VIII - The Administrative Agent.....		59
ARTICLE IX - Miscellaneous.....		61
SECTION 9.01.	Notices.....	61

SECTION 9.02.	Waivers; Amendments.....	62
SECTION 9.03.	Expenses; Indemnity; Damage Waiver.....	63
SECTION 9.04.	Successors and Assigns.....	64
SECTION 9.05.	Survival.....	66
SECTION 9.06.	Counterparts; Integration; Effectiveness.....	67
SECTION 9.07.	Severability.....	67
SECTION 9.08.	Right of Setoff.....	67
SECTION 9.09.	Governing Law; Jurisdiction; Consent to Service of Process.....	67
SECTION 9.10.	WAIVER OF JURY TRIAL.....	68
SECTION 9.11.	Headings.....	69
SECTION 9.12.	Confidentiality.....	69
SECTION 9.13.	Interest Rate Limitation.....	69
SECTION 9.14.	FINAL AGREEMENT OF THE PARTIES.....	70
SECTION 9.15.	Limited Liability.....	70
ARTICLE X - Guaranty.....		71
SECTION 10.01.	Guaranty.....	71
SECTION 10.02.	Continuing Guaranty.....	71
SECTION 10.03.	Effect of Debtor Relief Laws.....	72
SECTION 10.04.	Partial Waiver of Subrogation.....	73
SECTION 10.05.	Subordination.....	73
SECTION 10.06.	Waiver.....	74
SECTION 10.07.	Full Force and Effect.....	74
SECTION 10.08.	Termination of Guaranty.....	75

SCHEDULES:

- Schedule 2.01 -- Commitments
- Schedule 3.05(b) -- Leases
- Schedule 3.05(d) -- Location of Business/Chief Executive Office
- Schedule 3.06 -- Disclosed Matters
- Schedule 3.16 -- Subsidiaries
- Schedule 6.01 -- Existing Indebtedness
- Schedule 6.04 -- Existing Investments
- Schedule 6.07 -- Existing Restrictions

EXHIBITS:

- Exhibit A -- Form of Assignment and Acceptance
- Exhibit 6.11 -- Form of Availability Information

-iii-

THIS AGREEMENT dated as of May 28, 1999, among the Borrower, the Guarantors, the Lenders, NationsBank, N.A. (D/B/A Bank of America, N.A.) as syndication agent, Bank One, Texas, NA, as co-agent, Credit Lyonnais New York Branch, as co-agent and the Administrative Agent(1).

The Borrower desires to acquire the Founding Companies, the acquisition of which is to be financed through an initial public offering. The Borrower has requested that the Lenders provide the Borrower with a credit facility pursuant to which the Lenders will commit to make revolving credit loans of up to \$75,000,000, the proceeds of which shall be used (a) to finance certain of the acquisition costs associated with acquiring the Founding Companies, (b) to refinance certain existing indebtedness of the Borrower and the Founding Companies, post acquisition, (c) to finance the acquisition of any Qualified Company in accordance with the terms hereof and (d) for other general corporate purposes.

In connection therewith, the Administrative Agent has agreed to serve as the Administrative Agent for the Lenders.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, the Borrower, the Administrative Agent and the Lenders agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers

to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Effective Date, by which the Borrower or any of its Subsidiaries (a) acquires all or substantially all of the assets of any Qualified Company, or division thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires all of the securities of or outstanding ownership interests or control of any Qualified Company.

"Acquisition Documents" means each Agreement and Plan of Reorganization executed by the Founding Companies, each dated March 22, 1999 and in each case among the Borrower, the applicable Founding Company and the stockholders of such Founding Company and all other written agreements, documents, instruments and certificates now or hereafter executed and

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- (1) The capitalized terms used in this introductory paragraph are defined in Article I, Definitions.

6

delivered by any Person required to be delivered to consummate any Acquisition and any and all amendments, supplements, and other modifications thereof.

"Add-Back Adjustments" means the pro forma adjustments of the types referred to in 17 CFR 210.11-02(b)(6).

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means Chase Bank of Texas, National Association, a national banking association, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this agreement, as the same may be amended, amended and restated, modified or supplemented from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Margin" means, for any day during any period between two successive Financial Statement Delivery Dates commencing on the first Financial Statement Delivery Date in such period and ending on the day before the following Financial Statement Delivery Date, with respect to any ABR Loan, Eurodollar Revolving Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable margin per annum set forth in the appropriate column below under the caption "ABR Spread", "Eurodollar Spread" or "Commitment Fee Rate", as the case may be, for the ratio of Funded Debt to EBITDA for the fiscal period for which such financial statements were delivered as of the Financial Statement Delivery Date:

Ratio of Funded Debt to EBITDA -----	ABR Spread -----	Eurodollar Spread -----	Commitment Fee Rate -----
> 2.0 to 1.0 < 2.25 -	1.25%	2.25%	.50%
> 1.5 to 1.0 < 2.0 -	1.00%	2.00%	.50%
> 1.0 to 1.0 < 1.5 -	.75%	1.75%	.375%
> 0.5 to 1.0 < 1.0 -	.50%	1.50%	.375%
< .05 to 1.0	.25%	1.25%	.25%

As of the date hereof and until delivery of the Financial Statements for the period ending December 31, 1999 required under Section 5.01, the Applicable Margin for Eurodollar Loans shall be 1.75% per annum, for ABR Loans, .75% per annum, and the Commitment Fee Rate shall be .375% per annum; provided, that if the ratio of Funded Debt to EBITDA for the preceding period is equal to or greater than 1.5 to 1.0, the Applicable Margin for such period shall be as set forth in the appropriate column above.

For purposes of the foregoing, (i) if sufficient information does not exist to calculate the Applicable Margin, Eurodollar Loans shall not be available to the Borrower and the Applicable Margin for ABR Loans shall be 1.25% per annum and for the commitment fee shall be .500%; and (ii) if the Ratio of Funded Debt to EBITDA shall change upon delivery of any financial statement required under Section 5.01, such change shall be effective as of the date on which any such financial statement is delivered, IRRESPECTIVE OF WHETHER IT IS IN THE MIDDLE OF AN INTEREST PERIOD OR WHEN NOTICE OF SUCH CHANGE SHALL HAVE BEEN FURNISHED BY THE BORROWER TO THE AGENT AND THE LENDERS PURSUANT TO SECTION 5.01(c) HEREOF OR OTHERWISE. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means U.S. Concrete, Inc., a Delaware corporation.



"Borrowing" means Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in Houston, Texas are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" of any Person means the expenditures for any purchase or other acquisition of any asset (other than for any Acquisition) which are required to be classified and accounted for as a capital asset on a consolidated balance sheet of such Person under GAAP and the amount of such expenditures shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Certificate of Title" means any written instrument which may be issued solely by and under the authority of any jurisdiction for any vehicle which is required by such jurisdiction to be licensed or registered.

"Change in Control" means (a) the failure of Vincent Foster to be Chairman of the Board of Directors of the Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group other than the shareholders of the Borrower beneficially as shown on page 60 of the Registration Statement.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof having the effect of law by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.13(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

-4-

9

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all of the material assets of the Borrower and its Subsidiaries, including, all accounts, inventory, vehicles, equipment (including rolling stock), furniture, fixtures, general intangibles, capital stock of subsidiaries and all real property and leasehold estates (including improvements thereon) held by such Person.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$75,000,000.00.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning specified in Section 2.11(c).

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "\$" refers to lawful money of the United States of America.

EBITDA means, determined for the most recently ended period of four full fiscal quarters of the Borrower, the sum of:

(a) consolidated operating income of the Borrower before any deduction for federal, state and local income and franchise taxes, excluding any extraordinary gains or losses, plus (to the extent deducted in determining income for such period) the aggregate amount which was deducted for such period in determining such income for interest expense, depreciation expense and amortization expense, plus, for each such period that includes the fiscal quarter ended

-5-

10

December 31, 1998 of the Borrower, the noncash, nonrecurring stock compensation charge of the Borrower in the year ended December 31, 1998, as reflected in the Registration Statement, plus, for each such period that includes the fiscal quarter ended March 31, 1999 of the Borrower, the noncash, nonrecurring stock compensation charge of the Borrower in that fiscal quarter as reflected in the Registration Statement, plus, for each such period that includes the Effective Date, the Add-Back Adjustments of the Founding Companies from the beginning of such period to the Effective Date; provided, that for any such period that includes the Effective Date, EBITDA under this subparagraph (a) will be determined as if the Borrower and the Founding Companies had been a consolidated entity from the beginning of such period; and

(b) for each Qualified Company whose Acquisition by the Borrower occurs during the four quarters preceding the date as of which EBITDA is calculated and with respect to the period beginning four quarters prior to the calculation of EBITDA through the date of such Acquisition, the sum of the consolidated operating income of such Qualified Company before any deduction for federal, state and local income and franchise taxes, excluding any extraordinary gains or losses, plus the aggregate amount which was deducted for such period in determining such income for interest expense, depreciation expense and amortization expense, and plus Add-Back Adjustments of such Qualified Company; provided, said pre-acquisition EBITDA of any Qualified Company shall be included in EBITDA only to the extent any such amount (i) is not included in subparagraph (a) above, (ii) if the statement of operations of such Qualified Company for its most recently ended fiscal year prior to its Acquisition (or, if that fiscal year is not a calendar year, for the most recently ended calendar year, at the option of the Borrower) has been audited by independent public accountants of

recognized standing, is derived from that audited statement and from such Qualified Company's interim unaudited statement of operations prepared on the same basis as that audited statement for the period since the year covered in that audited statement and (iii) if not included in clause (ii) of this proviso, is (A) approved for inclusion in such calculation by the Required Lenders or (B) not in excess of \$1,000,000 in the aggregate for all such Acquisitions during any rolling 12-month period.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all final laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters to the extent binding on the Borrower and its Subsidiaries and their properties.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal

-6-

11

of any Hazardous Materials in a manner that results in damage to the environment, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower

-7-

12

under Section 2.17(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.15(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief executive officer or the chief financial officer of the Borrower.

"Financial Statement Delivery Date" means the earlier of the date on which the financial statements of the Borrower are delivered or are required to be delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b), as the case may be.

"Founding Companies" means Central Concrete Supply Co., Inc., a California corporation; Walker's Concrete, Inc., a California corporation; Bay Cities Building Materials Co., Inc., a California corporation; Opportunity Concrete Corporation, a District of Columbia corporation; Baer Concrete, Incorporated, a New Jersey corporation; and R.G. Evans/Associates d/b/a/ Santa Rosa Cast Products Co., a California corporation.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Funded Debt" means, as to any Person on a consolidated basis, all Indebtedness for borrowed money evidenced by a note, agreement, debenture, bond or similar writing and requiring periodic payments of interest and/or principal, Capitalized Lease Obligations, the aggregate LC Exposure and Indebtedness evidenced by any Guaranty of Indebtedness other than the Guaranty of the Indebtedness hereunder.

"GAAP" means generally accepted accounting principles in the United States of America.

-8-

13

"Governmental Authority" means the government of the United

States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guaranty" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" means the Persons on the signature pages hereto under the caption "Guarantors" and any other Person that shall become a Guarantor hereunder pursuant to Section 5.09.

"Guaranteed Obligations" has the meaning specified in Section 10.01 hereof.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any foreign currency exchange agreement, commodity price protection agreement or other currency exchange rate or commodity price hedging arrangement.

"Highest Lawful Rate" means as to any Lender, the maximum nonusurious rate of interest that, under applicable law, may be contracted for, taken, reserved, charged or received by such Lender on the Loans or under the Loan Documents at any time or from time to time. If the maximum rate of interest which, under applicable law, any of the Lenders is permitted to charge the Borrower on its Loans shall change after the date hereof, to the extent permitted by applicable law, the Highest Lawful Rate applicable to such Loans shall be automatically increased or decreased, as

-9-

14

the case may be, as of the effective time of such change without notice to the Borrower or any other Person.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person (excluding accounts payable and accrued liabilities incurred in the ordinary course of business), (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable and accrued liabilities incurred in the ordinary course of business), (f) all Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guaranties by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of Letters of Credit, any other letters of credit, letters of guaranty supporting Indebtedness and the net amount under any

Interest Rate Risk Indebtedness, any and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Information Memorandum" means the Confidential Information Memorandum dated April 1999 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period

-10-

15

shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Risk Agreement" means the program, and all documents related thereto, for the hedging of interest rate risk provided for in any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar arrangement entered into by the Borrower with any Lender for the purpose of reducing its exposure to interest rate fluctuations in connection with this Agreement and not for speculative purposes.

"Interest Rate Risk Indebtedness" means all obligations and Indebtedness of the Borrower to one or more of the Lenders with respect to the program for the hedging of interest rate risk provided for in any Interest Rate Risk Agreement.

"Issuing Bank" means Chase Bank of Texas, National Association, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.04(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the

aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Leases" means those certain lease agreements executed by any Person, as lessor, and the Borrower or any Subsidiary, as lessee (or any lease agreement, sublease or other similar arrangement entered into by the Borrower or any Subsidiary after the Effective Date) under the terms of which the Borrower or any Subsidiary occupies or uses real property and any improvements located thereon in the ordinary course of its business.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

-11-

16

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Notes, the Security Documents, any Interest Rate Risk Agreement with any of the Lenders, any applications or requests for Letters of Credit hereunder and all documents related thereto.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Maintenance Capital Expenditure" of any Person means the actual depreciation expense required to be classified and accounted for as depreciation expense on a consolidated income statement of such Person under GAAP.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower and its Subsidiaries taken as a whole, to perform any of its obligations under this Agreement or (c) the material rights of or benefits available to the Lenders under this Agreement to enforce collection of the Obligations.

"Material Indebtedness" means Indebtedness (other than the

Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements or Interest Rate Risk Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$500,000 outstanding. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging

-12-

17

Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means three (3) years from the date of execution hereof.

"Maximum Guaranteed Amount" means the maximum amount which any Subsidiary could pay or agree to pay under its Guaranty of the Obligations contained in Article X hereof without having such agreement or payment set aside as a fraudulent transfer or similar action under the Bankruptcy Code Title II (United States Code) or applicable state or foreign law.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means the promissory note executed by the Borrower payable to each Lender in the amount of such Lender's Commitment.

"Obligations" means all obligations of the Borrower and each of its Subsidiaries hereunder and under each of the other Loan Documents for the payment of money the performance of any action or any other type of obligation.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested or otherwise exist in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business or are being contested or otherwise exist in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

-13-

18

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Section 7.01; and



(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any Indebtedness and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower and its Subsidiaries, taken as a whole, including all of such as disclosures in the preliminary title reports prepared by Chicago Title Insurance Company in connection with the Security Documents executed and delivered pursuant to Section 4.01(c)(iv);

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's; and

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000.

(d) accounts receivable and payroll advances in the ordinary course of business;

(e) other advances and loans to officers and employees of the Borrower or any Subsidiary, so long as the aggregate principal amount of such advances and loans does not exceed \$250,000 at any one time outstanding;

(f) Interest Rate Risk Indebtedness with respect to any Indebtedness that is permitted by the terms of this Agreement to be outstanding; and

-14-

19

(g) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, worker's compensation and performance and other similar deposits in the ordinary course of business.

"Permitted Liens" means, collectively, Permitted Encumbrances and Liens permitted under Section 6.02 of this Agreement.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreements" means (a) that certain Pledge Agreement dated May 28, 1999 executed by the Borrower to the Administrative Agent for the

benefit of itself and the Lenders pledging the shares of stock of each of its Subsidiaries as security for its Obligations and (b) that certain Pledge Agreement dated May 28, 1999 executed by Bay Cities Building Materials Co., Inc. to the Administrative Agent for the benefit of itself and the Lenders pledging the shares of stock of its subsidiary as security for its guaranty contained in Article X of this Agreement.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase Bank of Texas, National Association as its prime rate in effect at its principal office in Houston, Texas; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Qualified Company" means any provider of ready-mixed concrete, concrete products or related products and services to the construction industry in major markets in the United States.

"Register" has the meaning set forth in Section 9.04.

"Registration Statement" means that certain Registration Statement of the Borrower on Form S-1 filed with the SEC on March 23, 1999, as amended prior to the Effective Date.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing at least 662/3% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

-15-

20

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property, except distributions payable in capital stock) with respect to any shares of any class of capital stock of the Borrower or any Subsidiary (other than distributions to the Borrower or any Subsidiary), or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower, any option, warrant or other right to acquire any such shares of capital stock of the Borrower or any debt of the Borrower subordinated to the Obligations.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"Santa Rosa" means R.G. Evans/Associates dba Santa Rosa Cast Products Co., a California corporation.

"Security Agreement" means that certain Security Agreement dated May 28, 1999 executed by each of the Borrower and its direct and indirect subsidiaries to the Administrative Agent for the benefit of itself and the Lenders.

"Security Documents" means the guaranty of each of the Founding Companies contained in Article X hereof, together with any guaranty delivered pursuant to Section 5.09 hereof, the Pledge Agreement, the Security Agreement and all those certain security agreements, pledge agreements, mortgages, deeds of trust, guaranty agreements, landlord's consents, estoppels, assignments, UCC financing statements and all similar documents executed by any Person in connection herewith including those listed in Section 4.01(c) hereof, together with any agreements delivered pursuant to Section 5.09 or Section 5.10 hereof, granting to the Administrative Agent for the benefit of the Lenders a first Lien and security interest in substantially all of the Collateral of the

Borrower and its Subsidiaries as security for the Obligations, subject to Permitted Liens.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

-16-

21

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held.

"Subsidiary" means any direct or indirect subsidiary of the Borrower.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such

Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed

-17-

22

to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

## ARTICLE II

### The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

-18-

23

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$1,000,000, unless such Borrowing represents a Borrowing of all of the unused Commitment. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than

\$1,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 7 Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., Houston, Texas time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 10:00 a.m., Houston, Texas time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e) may be given not later than 10:00 a.m., Houston, Texas time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

-19-

24

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or teletype (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date

of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (and any substantially contemporaneous amendment, reduction or release of any LC Exposure) (i) the LC Exposure shall not exceed \$5,000,000.00 and (ii) the sum of the total Revolving Credit Exposures shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the

-20-

25

Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, Houston, Texas time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Houston, Texas time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, Houston, Texas time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., Houston, Texas time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such

payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under

-21-

26

any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder other than any matter arising out of the gross negligence or willful misconduct of the Issuing Bank, the Administrative Agent or any of their employees, officers, agents, successors and assigns. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank, the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, acting in good faith, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit. Any standby Letter of Credit issued hereunder shall be subject to the International Standby Practices (ISP 98) (as used in this Section, the "ISP"), all documentary Letters of Credit issued hereunder shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce, Publication No. 500 (as used in this Section, the "UCP") and, all Letters of Credit to the extent not inconsistent therewith, shall be subject to the Uniform Commercial Code of the State of Texas. The Borrower agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in accordance with the standards of care specified in the ISP or the UCP, as applicable, shall not result in any liability of the Issuing Bank to the Borrower.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter

-22-

of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.11(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (c) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.10(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives written notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Section 7.01. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest

earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity



of the Loans has been accelerated, be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence and continuance of an Event of Default, (i) such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived or (ii) any amount of such cash collateral in excess of the unpaid Obligations shall be returned to the Borrower upon the Borrower's written request.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:30 p.m., Houston, Texas time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in Houston, Texas or other location as designated by the Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate requested by the Borrower to be applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods

-24-

29

therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified

pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such

-25-

30

Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if a Default has occurred and is continuing, then, so long as a Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the sum of the LC Exposure plus the aggregate principal amount of outstanding Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. In the event of any termination, the Administrative Agent and the Lenders agree to use their best efforts to execute releases or assignments of Liens, and take other reasonable actions as may be reasonably requested by the Borrower at the expense of the Borrower. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving

Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and

-26-

31

payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) The Loans made by each Lender shall be evidenced by a Note payable to said Lender.

SECTION 2.09. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by teletype) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., Houston, Texas time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., Houston, Texas time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.11.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue as shown in the column for Commitment Fee Rate in the definitions of Applicable Margin on the daily average Commitment of each Lender less the Revolving Credit Exposure for such Lender during the period from and including the date of this Agreement to but excluding the date on which such Commitment terminates. Accrued and unpaid commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any unpaid commitment fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to each Letter of Credit issued hereunder equal to the greater of (A) the then Applicable Margin as interest on Eurodollar Revolving Loans multiplied by the face amount of each Letter of Credit or (B) \$500, and (ii) to the Issuing Bank a fronting fee, equal to .25% per annum multiplied times the face amount of such Letter of Credit, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees shall be payable in arrears on the last day of March, June, September and December of each year; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of letter of credit related fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the lesser of: (i) the Alternate Base Rate plus the Applicable Margin and (ii) the Highest Lawful Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the lesser of: (i) the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin and (ii) the Highest Lawful Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the lesser of: (i) (x) in the case of overdue principal of any Loan, 2% per annum plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (y) in the case of any other amount, 2% per annum plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section (such increased rate per annum in (x) or (y) being, the "Default Rate") and (ii) the Highest Lawful Rate.

(d) Accrued and unpaid interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the

Commitments; provided that (i) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (ii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued and unpaid interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a

year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be prima facie evidence of the correctness thereof.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent reasonably determines (which determination shall be prima facie evidence of the correctness thereof) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that they have reasonably determined in good faith that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period; or

(c) any Lender advises the Administrative Agent of any Change in Law or that the interpretation thereof by any Governmental Authority shall make it unlawful for such Lender to make or maintain any Eurodollar Borrowing or Eurodollar Loan or to give effect to its obligations as contemplated hereby.

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist (which notice the Administrative Agent agrees to give promptly after a reasonable basis therefor exists), (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective; (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) with respect to clause (c) above, require that all outstanding Eurodollar Loans made by such Lender be converted to ABR Loans, in which

-29-

34

event all such Eurodollar Loans of such Lender shall be automatically converted to ABR Loans as of the effective date of such notice.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as, in the reasonable judgment of the affected Lender, will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts reasonably determined by such Lender as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be prima facie evidence of the correctness thereof. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within fifteen (15) days after receipt thereof.

-30-

35

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be prima facie evidence of the correctness thereof. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and

without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made,

-31-

36

(ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within fifteen (15) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, prima facie evidence of the correctness thereof.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, Houston, Texas time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 712 Main St., Houston, Texas 77002 and except that payments pursuant to Sections 2.13, 2.14, 2.15 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof.

-32-

37

If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise, after the occurrence and during the continuance of an Event of Default, against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact

-33-

38

made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(d) or (e), 2.05(b) or 2.16(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.



SECTION 2.17. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall, following a request by Borrower, use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to Section 2.15, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior

-34-

39

thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.18. Effect of Increased Costs. The provisions of Sections 2.04, 2.13, 2.14, 2.15, 2.16 and 2.17 shall be interpreted in the broadest possible terms to include any increased costs, payments or reduced income for any reason, including but specifically not by way of limitation, due to taxes, capital adequacy provisions, reserve requirements, withholding obligations, costs due to the payment of any sums on a date other than the regularly scheduled date or for any other reason. The Borrower does hereby indemnify and hold harmless the Administrative Agent and each Lender for all such costs and does hereby agree to pay same or cover the Administrative Agent's or any Lender's expenses or losses in regard to same. The Borrower shall pay such sums to the Administrative Agent or to any Lender as are necessary to mitigate all such items. This obligation is in addition to all other Obligations of the Borrower hereunder.

ARTICLE III

Representations and Warranties

The Borrower for itself and each of its Subsidiaries, and each Subsidiary as to itself, represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required except, in each case, where the failure to do so,

individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. Each of the Borrower and its Subsidiaries has the corporate power and authority to execute, deliver and perform its obligations hereunder and under the Loan Documents to which it is a party and all such action has been duly authorized by all necessary corporate and, if required, stockholder action. The Loan Documents to which each such Person is a party have been duly executed and delivered by such Person and constitute a legal, valid and binding obligation of such Person, enforceable in accordance with the respective terms thereof, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation including, without limitations, ERISA or the

-35-

40

charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, except under agreements evidencing certain Indebtedness owing by Walker's Concrete, Inc. to Union Bank of California or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries other than Permitted Encumbrances and Liens granted pursuant to the Loan Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders (i) the audited balance sheets and statements of operations, stockholder's equity and cash flows of each of the Founding Companies (except for Santa Rosa) as of and for the fiscal year ended December 31, 1998, reported on by Arthur Andersen LLP, (ii) the Borrower's unaudited pro forma combined statement of operations for the fiscal year ended December 31, 1998 and (iii) the Borrower's unaudited pro forma combined balance sheets and statement of operations as of and for the period ending March 31, 1999. Such audited financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the applicable Founding Company and its consolidated subsidiaries as of such dates and for such periods in accordance with GAAP. Such pro forma financial statements fairly present the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such period in accordance with GAAP, subject to the assumptions and qualifications set forth in the Registration Statement.

(b) Since March 31, 1999, there has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, subject to no Liens except those in favor of the Administrative Agent and other Permitted Liens, and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Schedule 3.05(b) describes all of the Leases in effect as of the Effective Date (copies of each of which have been provided to the Administrative Agent), each of which (i) has been duly executed and delivered by and constitutes the legal, valid and binding obligation of, the Borrower or the Subsidiary, as the case may be, party thereto in accordance with its terms,

except for creditors' rights and equitable principles, (ii) to the knowledge of the Borrower and the Subsidiary that is a party thereto, is in full force and effect and there is no default thereunder and (iii) has not been amended or modified, nor any provisions thereof waived, except for matters affecting the enforceability, effectiveness, breaches or amendments and modifications which in the aggregate are not reasonably likely to result in a Material Adverse Effect.

-36-

41

(c) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(d) The place of business or chief executive office of each of the Borrower and each Subsidiary is at the location shown on Schedule 3.05(d) or at such other locations as disclosed to the Administrative Agent in writing after the date hereof. The federal employee identification number for each of the Borrower and its Subsidiaries is set forth on Schedule 3.05(d).

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits, arbitrations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower or any Subsidiary, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any reasonable basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, in each case, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No default has occurred and is continuing hereunder or under any such other document.

SECTION 3.08. Investment and Holding Company Status. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

-37-

42

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries

has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. Each of the Borrower and its Subsidiaries has disclosed to the Lenders all material agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other written reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and the Administrative Agent and the Lenders acknowledge that such projections are not facts and that actual results will differ.

SECTION 3.12. Year 2000. Any reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others or with which Borrower's systems interface) and the testing of all such systems and equipment, as so reprogrammed, will be completed by September 30, 1999. The cost to the Borrower of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower (including, without limitation, reprogramming errors and the failure of others' systems or equipment) is not reasonably expected to result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower to conduct its business without Material Adverse Effect.

SECTION 3.13 Solvency. After giving effect to the Loans and the terms of this Agreement, the Borrower and each of its Subsidiaries, taken as a whole, have assets that exceed their liabilities, are able to pay their debts as they accrue and has reasonable capital to carry on their business.

-38-

43

SECTION 3.14 Insurance. Each of the Borrower and its Subsidiaries maintains insurance of such types as is usually carried by corporations of established reputation engaged in the same or similar businesses and similarly situated with financially sound, responsible and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on) and in such amounts (and with co-insurance and deductibles) as such insurance is usually carried by corporations of established reputation and engaged in the same or similar businesses and similarly situated, or self insurance programs, but in any event, with respect to improvements to real property and tangible personal property insuring the full replacement cost of such improvement and such tangible personal property, subject to standard and customary deductibles.

SECTION 3.15. Registration Statement. The Registration

Statement contains no material misstatement of fact or omitted any material fact or any fact necessary to make the statement contained therein not materially misleading in the light of the circumstances in which made and with respect to the Borrower and the Founding Companies taken as a whole.

SECTION 3.16. Subsidiaries. Schedule 3.16 contains an accurate list of all of the Subsidiaries of the Borrower as of the Effective Date setting forth their respective jurisdictions of organization and the percentage of their respective capital stock owned by the Borrower or any Subsidiary. All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and non-assessable.

#### ARTICLE IV

##### Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which the Administrative Agent shall have received the following (or such shall have been waived in accordance with Section 9.02), each in form and substance reasonably satisfactory to the Administrative Agent unless otherwise required:

(a) this Agreement executed by the Borrower;

(b) one Note for each Lender, each executed by the Borrower and payable to the order of said Lender in the amount of its Commitment;

(c) the following Security Documents executed by the parties thereto granting to the Administrative Agent and the Lenders a first and prior Lien on the collateral described therein (subject only to Permitted Liens) as security for the Obligations;

(i) the Pledge Agreements;

-39-

44

(ii) the Security Agreement;

(iii) a Guaranty from each Founding Company included in Article X hereof;

(iv) The following mortgages, deeds of trust, assignments and related documents in regard to the real property owned by the following Subsidiaries in the jurisdictions listed:

(A) Baer Concrete, Incorporated:

- (1) leasehold interest in Roseland, Essex County, New Jersey; and
- (2) leasehold interest in Bernardsville, Somerset County, New Jersey.

(B) Bay Cities Building Materials Co., Inc.:

- (1) fee interest (150 South Linden Ave., So. San Francisco) San Francisco County, California;
- (2) fee interest (1305 San Mateo Ave., So. San Francisco) San Francisco County, California;
- (3) fee interest (11911 Brentwood, Byron) Contra Costa County, California;
- (4) fee interest (830 W. Elkhorn, Rio Linda) Sacramento County, California;
- (5) fee interest (3527 Durock Road, Cameron

Park) El Dorado County, California;

- (6) fee interest (7228 Survey Road, Elk Grove) Sacramento County, California; and
- (7) leasehold interest (201 South Linden, So. San Francisco) San Francisco County, California.

(C) Central Concrete Supply Co., Inc.:

- (1) fee interest (790, 858, 866, 870 and 889 Stockton Ave. and 661 and 681 University Ave., San Jose) Santa Clara County, California; and

-40-

45

- (2) leasehold interests (610 McKendrie St. and 755 Stockton Ave., San Jose) Santa Clara County, California.

(D) Walker's Concrete, Inc.:

- (1) fee interest (1844 West Winton, Hayward) Alameda County, California; and
- (2) fee interest (457 Queens Lane, San Jose) Santa Clara County, California.

(v) Landlord's Consent, Acknowledgment and Estoppel Certificates executed on behalf of any landlord under any leasehold estate covered by any deed of trust/mortgage delivered under clause (iv) above if requested by the Administrative Agent; and

(vi) UCC-1 Financing Statements as reasonably requested by the Administrative Agent;

(d) a Borrowing Request with respect to the initial Borrowing meeting the requirements of Section 2.03;

(e) a certificate of an officer and of the secretary or an assistant secretary of the Borrower and each Subsidiary certifying, inter alia, (i) true and complete copies of each of the articles or certificate of incorporation, as amended and in effect, of such Person, the bylaws, as amended and in effect, of such Person and the resolutions adopted by the Board of Directors of such Person (A) authorizing the execution, delivery and performance by such Person of the Loan Documents to which it is or will be a party and, as to the Borrower, the Loans to be made hereunder, (B) approving the forms of the Loan Documents to which it is or will be a party and which will be delivered at or prior to the date of the initial Borrowing and (C) authorizing officers of such Person to execute and deliver the Loan Documents to which it is or will be a party and any related documents, including, any agreement contemplated by this Agreement and (ii) the incumbency and specimen signatures of the officers of such Person executing any documents on its behalf;

(f) a signed enforceability opinion addressed to the Administrative Agent and the Lenders from Baker & Botts, L.L.P., counsel to the Borrower and its Subsidiaries, in form and substance satisfactory to the Administrative Agent and the Lenders and their counsel;

(g) evidence that the Borrower has completed an initial public offering pursuant to the Registration Statement and has received gross cash proceeds of not less than \$23,000,000 from the initial public offering of common stock of the Borrower;

-41-

(h) evidence of completion of the Borrower's Acquisition of each of the Founding Companies as contemplated by the Registration Statement prior to the initial Loan, including certified copies of the Acquisition Documents for each of the Founding Companies, the terms and conditions of which shall be in full force and effect and shall not have been amended, modified or waived in any material respect except with the Administrative Agent's express prior written consent;

(i) a certificate of a Financial Officer of the Borrower certifying that immediately following Acquisition of the Founding Companies, Funded Debt of the Borrower and its Subsidiaries does not exceed \$22,200,000, net of cash required to be maintained by any Founding Company pursuant to its Acquisition Documents but including Indebtedness permitted under Section 6.01(e);

(j) evidence that employment agreements have been entered into with certain key employees of the Borrower and with the senior management of the Founding Companies as contemplated by the Registration Statement;

(k) reliance letters addressed to the Administrative Agent and the Lenders in respect of each opinion of counsel delivered in connection with the Acquisition Documents signed in connection with the Acquisition of the Founding Companies;

(l) a copy, certified by a Financial Officer of the Borrower, of the (i) the audited balance sheets and statements of operations, stockholders' equity and cash flows of each of the Founding Companies (except for Santa Rosa) as of and for the fiscal year ended December 31, 1998, reported on by Arthur Andersen LLP, (ii) the Borrower's unaudited pro forma combined statement of operations for the fiscal year ended December 31, 1998 and (iii) the Borrower's unaudited pro forma combined balance sheet and statement of operations as of and for the period ending March 31, 1999;

(m) a summary review by the Administrative Agent of the audit work performed by Arthur Anderson LLP on behalf of the Borrower and each Founding Company reasonably satisfactory to the Required Lenders;

(n) the payment to the Administrative Agent and the Lenders, as applicable, of all fees and expenses (other than the fees and disbursements of Andrews & Kurth L.L.P. pursuant to Section 9.03 which will be paid within 30 days of the Closing) which payments may be made with proceeds of the initial Advance;

(o) certificates of appropriate public officials as to the existence, good standing and qualification to do business as a foreign corporation, as applicable, of the Borrower and each Subsidiary each jurisdiction in which the ownership of its properties or the conduct of its business requires such qualifications and where the failure to so qualify would have a Material Adverse Effect;

-42-

(p) environmental site assessments reasonably satisfactory to the Administrative Agent on all real property owned or leased by the Borrower and the Founding Companies;

(q) a preliminary title report issued by Chicago Title Insurance Company in favor of the Administrative Agent for the benefit of the Lenders for each of the properties such to a deed of trust/mortgage to be delivered pursuant to Section 4.01(c)(iii);

(r) certificates of insurance showing the Administrative Agent as loss payee or additional insured, as appropriate, and a schedule of existing insurance, in each case reasonably satisfactory to the Administrative Agent evidencing the existence of all insurance required to be maintained pursuant to

Section 5.05;

(s) determination that no material part of the property covered by the mortgages to be delivered pursuant to Section 4.01(c)(iii) lies in a Special Flood Hazard Area or other hazard or flood plain area however designated, as determined in accordance with the criteria established by the Federal Insurance Administration or any other governmental authority having jurisdiction over the subject property;

(t) if prepared, a copy of any management letter and report by Arthur Andersen LLP prepared in connection with its due diligence and asset valuation of the Borrower and the Founding Companies;

(u) lien searches on the Borrower and its Subsidiaries in the jurisdictions requested by the Administrative Agent, together with waivers from the holders of any Liens (other than Permitted Liens) as reasonably requested by the Administrative Agent; and

(v) such other consents, approvals, opinions or documents as the Administrative Agent or the Lenders may reasonably request.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) or prior to 2:00 p.m., Houston, Texas time, on May 28, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The effectiveness of this Agreement and the obligation of each Lender to make a Loan on the occasion of any Borrowing which increases the aggregate principal amount of the Obligations, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment,

-43-

48

renewal or extension of such Letter of Credit, as applicable, except to the extent such representations and warranties relate to a prior date or after prior notice to the Administrative Agent are untrue or incorrect as a result of transactions permitted by the Loan Documents.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

#### ARTICLE V

##### Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower for itself and each of its Subsidiaries and each Subsidiary, for itself, covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:



(a) within 90 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related consolidated statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case (commencing with the financial statements for the 2000 fiscal year) in comparative form the figures for the previous fiscal year, all reported on by Arthur Andersen LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the consolidated financial position and consolidated results of operations of the Borrower and its consolidated Subsidiaries in conformity with GAAP, and all to be prepared in accordance with GAAP consistently applied, except to the extent the Borrower's independent auditors concur with any such inconsistency;

(b) within 45 days after the end of each fiscal quarter (excluding any quarter containing the Borrower's fiscal year end) of the Borrower, beginning with the quarters ended June 30, 1999, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case (commencing with financial statements for periods ending after

-44-

49

the first anniversary of the Effective Date) in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the consolidated financial condition and consolidated results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, except for such changes with which the Borrower's independent auditors concur, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.08, 6.09, 6.10 and 6.11 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly upon receipt thereof, a copy of any management letter or report submitted to the Borrower by its independent accountants in connection with any regular or special audit;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally;

(g) as soon as available and in any event within sixty (60) days after the end of each fiscal year of the Borrower, the annual financial projections and budgets of the Borrower and its Subsidiaries;

(h) concurrently with the delivery of financial statements

under (a) or (b) above, a summary of (i) all of the fee and leasehold properties of the Borrower and its Subsidiaries including location and indicating whether such property is subject to a Lien in favor of the Administrative Agent, and (ii) all vehicles and rolling stock of the Borrower and its Subsidiaries, including description and serial number; and

-45-

50

(i) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) subject to the retention of the Borrower's attorney-client privilege, the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that could reasonably be expected to have a Material Adverse Effect; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business; Location. (a) The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, unless the failure to so maintain would not reasonably be expected to have a Material Adverse Effect.

(b) The Borrower will promptly notify the Administrative Agent of any change of the Borrower's or any Subsidiary's name, corporate structure, federal employer identification number, address of its principal place of business or chief executive office where such Person maintains its books and records.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

-46-

51

SECTION 5.05. Maintenance of Properties; Insurance. (a) The Borrower will, and will cause each of its Subsidiaries to, keep and maintain all

property material to the conduct of its business in good working order and condition, force majeure and ordinary wear and tear excepted.

(b) The Borrower will, and will cause each of its Subsidiaries to, maintain (i) "all risk" insurance (at replacement cost) against loss or damage to all property of the Borrower and its Subsidiaries, (ii) commercial general liability insurance (including contractual liability, independent contractors, products liability and completed operations coverage, (iii) professional liability insurance (errors and omissions), (iv) directors and officers liability insurance (v) workers compensation/employers liability insurance (in amounts not less than minimum applicable statutory requirements), (vi) automobile liability insurance, (vii) surety bond program and (viii) such other insurance of such types as is usually carried by corporations of established reputation engaged in the same or similar businesses and similarly situated, and in each case with financially sound, responsible and reputable insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on) and in such amounts (and with co-insurance and deductibles) as such insurance is usually carried by corporations of established reputation and engaged in the same or similar businesses and similarly situated, or self insurance programs reasonably satisfactory to the Administrative Agent in respect of employee health insurance programs only, but in any event, with respect to improvements to real property and tangible personal property insuring the full replacement cost of such improvements and the tangible personal property, subject to standard and customary deductibles.

SECTION 5.06. Books and Records; Inspection Rights; Audits.

(a) The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities which shall, to the maximum extent possible, be kept in accordance with GAAP. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested so long as the Borrower has an opportunity to have a representative participate or be present.

(b) The Borrower will, and will cause each of its Subsidiaries to, permit representatives designated by the Administrative Agent to conduct a review of the assets and perform an audit of the computer systems and equipment of the Borrower and its Subsidiaries prior to December 31, 1999, the results of which shall be reasonably satisfactory to the Required Lenders; and, to the extent any changes, revisions, upgrades or equipment are necessary to remedy such results, the Borrower will, and will cause each of its Subsidiaries to, complete installation or implementation of such within 90 days of the completion of the review and audit.

-47-

52

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property including, without limitation, ERISA and all Environmental Laws, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only for (a) subject to Section 4.01(i), for Acquisition of the Founding Companies, (b) refinancing Indebtedness existing on the Effective Date, (c) subject to Section 6.11, making acquisitions of the stock or assets of any Qualified Company and (d) for other general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the regulations of the Board, including Regulations U and X. Letters of Credit will be issued only to support activities in connection with the uses permitted hereunder.

SECTION 5.09. Subsidiaries. Promptly upon any Person becoming a Subsidiary of the Borrower, the Borrower will (a) cause such Person to execute, in form and substance satisfactory to the Administrative Agent, (i) a security agreement, deed of trust, mortgage, leasehold mortgage and/or other security agreement granting a first priority perfected security interest in all its material assets as collateral for the Loans, subject only to Permitted Liens; provided that the Administrative Agent may waive, without the consent of any Lender, the requirement that security interests be granted on any leasehold interest if the underlying lease by its terms expressly prohibits such assignment, (ii) UCC-1 financing statements to be filed in connection with such security interest, (ii) a guaranty sufficient to obligate such Subsidiary for repayment of all or a portion of the Loans and such other documents as the Administrative Agent may request, all in form and substance reasonably satisfactory to the Administrative Agent, and (b) execute, and cause any Subsidiary to execute, as applicable, a pledge agreement in form and substance reasonably satisfactory to the Administrative Agent pledging the shares of stock of such Subsidiary and deliver the certificates evidencing such shares to the Administrative Agent.

SECTION 5.10. Collateral. (a) The Borrower will, and will cause each of its Subsidiaries to, (i) within 60 days of the Effective Date provide to the Administrative Agent all Certificates of Title for each vehicle with a gross vehicle weight in excess of 40,000 pounds, including all mixer trucks and aggregate delivery trucks, owned by the Borrower or any Subsidiary for the purpose of having the Administrative Agent for the benefit of the Lenders recorded as lienholder on each of such Certificates of Title, (ii) have recorded on each Certificate of Title for any vehicle weighing in excess of 40,000 pounds acquired after the Effective Date, the Administrative Agent as lienholder for the benefit of the Lenders; provided, that in either case and so long as there is no Default or Event of Default, any Certificate of Title which evidences the Administrative Agent as lienholder for the benefit of the Lenders shall be returned to the Borrower, and (iii) use reasonably commercial efforts to provide to the Administrative Agent within 30 days of the Effective Date landlord's consents to the assignment of leasehold estates not pledged pursuant to Section 4.01(c) (iv)

-48-

53

and to execute leasehold deeds of trust or mortgages, subject only to Permitted Liens, granting a first priority perfected security interest in such leasehold interests.

(b) Upon acquisition of any interest in real property, the Borrower will, and will cause each of its Subsidiaries to, execute in form and substance reasonably satisfactory to the Administrative Agent, a deed of trust, mortgage or leasehold mortgage, as applicable, granting a first priority perfected Lien on such property as collateral for the Loans, subject only to Permitted Liens.

(c) The Borrower will, and will cause each of its Subsidiaries to, use reasonably commercial efforts in negotiating any material new lease or the renewal or extension of any existing lease covering real property to provide in such lease that the interest of the lessee may be hypothecated without any further approval of the landlord.

(d) The Borrower shall provide to the Administrative Agent certified copies of Requests for Information or Copies (Form UCC-11) or equivalent commercially obtained reports, dated within 30 days of the Effective Date listing all effective financing statements which name any of the Borrower or any Founding Company or any of their Subsidiaries (under any of their present names and any previous names) as debtor and which are filed in all jurisdictions in which the Borrower or any of its Subsidiaries owns property or conducts business, together with copies of such financing statements.

(e) The Borrower shall provide to the Administrative Agent, upon request, a bring down or date down certificate to any preliminary title reports provided pursuant to Section 4.01(q), as evidence to the Administrative Agent of satisfactory release of any financing or tax lien encumbering any property subject to the Security Documents delivered pursuant to Section

4.01(c)(iv).

SECTION 5.11. Employee Agreements. Upon request of the Administrative Agent, the Borrower and its Subsidiaries shall provide to the Administrative Agent copies of all material agreements relating to the employees of the Borrower and its Subsidiaries, including all collective bargaining agreements, employment contracts, non-compete agreements, employee savings, employee retirement and employee benefit plans. Upon request of the Administrative Agent, the Borrower will provide a list of (a) each employment agreement between the Borrower and each of its officers, (b) each employment agreement between any Subsidiary and the key employees of such Subsidiary (or its predecessor), (c) each union with which any Subsidiary of the Borrower has entered into a collective bargaining agreement, and (iv) each employee pension benefit plan (as defined in ERISA) sponsored by the Borrower or any Subsidiary.

SECTION 5.12. Compliance With Leases. The Borrower shall, and shall cause each of its Subsidiaries to, perform and observe all covenants, agreements, terms, conditions and limitations applicable to such Person contained in any Lease and shall do all things necessary to keep unimpaired all of its rights thereunder and to prevent any default thereunder or any forfeiture or

-49-

54

impairment thereof, except as to any nonperformance, nonobservance, default or forfeiture which would not reasonably be expected to result in a Material Adverse Effect.

## ARTICLE VI

### Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees and other amounts payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) Indebtedness of the Borrower to any wholly-owned Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;

(d) Indebtedness of the Borrower or any Subsidiary incurred to finance, or assumed in connection with, any Acquisition or the acquisition of other assets, including Capital Lease Obligations and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such Acquisition or acquisition, (ii) such Indebtedness was not incurred by such Person in contemplation of such Acquisition and (iii) the aggregate principal amount of Indebtedness permitted by clause (b) above and this clause (d) shall not exceed 5% of the consolidated tangible net worth of the Borrower at any time outstanding;

(e) Indebtedness in the amount of \$9,000,000 to the shareholders of certain of the Founding Companies as described in the Registration Statement, which Indebtedness will be due and owing within 90 days after the Effective Date; and

(f) Interest Rate Risk Indebtedness.

SECTION 6.02. Liens. The Borrower will not, and will not

permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter

-50-

55

acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) Any Lien on any property or asset of the Borrower or any Subsidiary securing Indebtedness permitted in Section 6.01(b) or 6.01(d); provided that (i) such Lien shall not apply to any other property or asset other than accessions, improvements, upgrades and the proceeds thereof of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens in favor of the Administrative Agent securing the Obligations; and

(d) Liens securing potential prepayment obligations of Walker's Concrete, Inc. to Union Bank of California encumbering assets of Walker's Concrete, Inc., provided, (i) no further Indebtedness is owing by the Company or any Subsidiary to said bank, and (ii) said Liens are fully extinguished and released prior to June 30, 1999; and

(e) Renewals and extensions of the above on similar terms and conditions.

SECTION 6.03. Fundamental Changes. (a) The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving Person, (ii) any Subsidiary may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary, (iii) the Borrower or any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary and (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

-51-

56

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or

otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) investments by the Borrower existing on the date hereof as set forth on Schedule 6.04, including investments in its direct and indirect Subsidiaries;

(c) equity investments by the Company or any Subsidiary in any Subsidiary and loans or advances made by the Borrower to any wholly-owned Subsidiary and made by any wholly-owned Subsidiary to the Borrower or any other Subsidiary; and

(d) subject to the limitations contained in Section 6.11, investments in the stock, warrants, stock appreciation rights, other securities and/or other assets of Qualified Companies.

SECTION 6.05. Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except Subsidiaries may declare and pay dividends to the Borrower and the Borrower may redeem capital stock in an aggregate amount not to exceed \$500,000.

SECTION 6.06. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its wholly owned Subsidiaries not involving any other Affiliate, (c) any Restricted Payment permitted by Section 6.05, (d) compensation and other benefits paid to officers, directors and employees, (e) transactions contemplated by the Acquisition of the Founding Companies and (f) other arrangements in effect on the date hereof and disclosed in the Registration Statement.

SECTION 6.07. Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other

-52-

57

Subsidiary or to guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement or the Loan Documents, (ii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iii) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (iv) and the foregoing shall not apply to restrictions

(A) existing on the Effective Date;

(B) relating to any Indebtedness of any Subsidiary existing at the date on which such Subsidiary was acquired by the Company or any Subsidiary (other than Indebtedness incurred in anticipation of such Acquisition);

(C) effecting a refinancing of Indebtedness incurred pursuant to an agreement referred to in the foregoing clauses (a) and (b), so long as the encumbrances and restrictions contained in any such refinancing agreement are no more restrictive than the encumbrances and restrictions contained in such agreements;

(D) constituting restrictions on the sale or other disposition of any Property securing Indebtedness as a result of a Permitted Encumbrance on such property; and

(E) constituting provisions contained in agreements or instruments relating to Indebtedness which prohibit the transfer of all or substantially all of the assets of the obligor thereunder unless the transferee shall assume the obligations of the obligor under such agreement or instrument.

SECTION 6.08. Financial Ratios. The following financial ratios will be calculated as of each Financial Statement Delivery Date for the immediately preceding period of four quarters to which the financial statements relate after giving pro forma effect to the Acquisition of the Founding Companies.

(a) Fixed Charge Coverage Ratio. The Borrower will not at any time permit the ratio of (i) EBITDA (excluding any EBITDA computed pursuant to clause (b) of the definition of EBITDA) minus cash federal, state and local income and franchise taxes actually paid during such period (or, for any period prior to the Acquisition of the Founding Companies, 40.8% of pro forma consolidated pre-tax net income of the Borrower and its Subsidiaries for such included period), to (ii) cash interest expense, actually paid during such period (including the interest expense portion of any payments on Capitalized Lease Obligations but net of cash interest income actually received during such period) plus Maintenance Capital Expenditures for said period, to be less than 2.25 to 1.0 at any time during the term hereof. For purposes of determining interest expense during the first four quarters of this Agreement, actual cash interest expense for any period from the Effective Date

-53-

58

through the end of the period being calculated shall be annualized and interest expense prior to the Effective Date shall be disregarded.

(b) Asset Coverage Ratio. The Borrower will not at any time permit the ratio of: (a) (i) accounts receivable plus (ii) inventory plus (iii) the net book value of all property, plant and equipment in each case as reflected on the financial statements delivered pursuant to Section 5.01, to (b) Funded Debt, to be less than 1.5 to 1.0.

(c) Leverage Ratio. The Borrower will not at any time permit the ratio of (i) Funded Debt to (ii) EBITDA, to be greater than 2.25 to 1.00.

SECTION 6.09. Net Worth. The Borrower will not permit at any time during the term hereof consolidated net worth to be less than eighty-five percent (85%) of the proforma, consolidated net worth as shown in the Registration Statement, plus fifty percent (50%) of after tax net income (if positive) of the Borrower and its Subsidiaries since the date hereof for each theretofore completed fiscal year during the term hereof, plus one hundred percent (100%) of the net cash proceeds theretofore received subsequent to the Effective Date from the issuance of any capital stock by the Borrower or any Subsidiary (other than from the Borrower or another Subsidiary) subsequent to the date hereof.

SECTION 6.10. Capital Expenditures. The Borrower will not, and will not permit its Subsidiaries to, make any Capital Expenditure (including any Capitalized Lease Obligations) if, after giving effect thereto, the aggregate of all such expenditures would exceed \$10,000,000 during any fiscal year.

SECTION 6.11. Limitation of Acquisitions. The Borrower will not, and will not permit any Subsidiary to, acquire any stock or assets of any Qualified Company (other than the Founding Companies) without the prior written consent of the Required Lenders if (a) the consideration (defined as total net cash to be paid plus Indebtedness to be assumed) for any such proposed acquisition exceeds 7.50% of the consolidated net worth of the Borrower and its Subsidiaries (pre-acquisition) as reflected in the most recent consolidated balance sheet delivered pursuant to Section 5.01 hereof or (b) the total consideration (defined as total net cash to be paid plus Indebtedness to be assumed plus the value of any stock of the Borrower or any Subsidiary given as



consideration, as reflected on the Borrower's consolidated balance sheet, plus related Acquisition costs) exceeds 15.0% of the consolidated net worth of the Borrower and its Subsidiaries (pre-acquisition) as reflected on the most recent consolidated balance sheet delivered pursuant to Section 5.01 hereof; and provided the Borrower is in compliance with all of the following:

(i) no Default or Event of Default is in existence at the time of the consummation of such proposed Acquisition or would exist after giving effect thereto, all representations and warrants contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties were made on and as of the date of such proposed Acquisition (both before and

-54-

59

after giving effect thereto), and no other agreement, contract or instrument to which the Borrower is a party restricts such proposed Acquisition;

(ii) the Borrower shall have given the Administrative Agent and the Lenders at least ten (10) Business Days prior written notice of any such proposed Acquisition (each of such notices, a "Permitted Acquisition Notice"), which notice must be timely provided and must be accompanied by all of the information required in this Section 6.11 and shall (A) contain the estimated date such proposed Acquisition is scheduled to be consummated, (B) attach a true and correct copy of the draft purchase agreement (if available), letter of intent, description of material terms or similar agreements executed by the parties thereto in connection with such proposed Acquisition, (C) contain the estimated aggregate purchase price of such proposed Acquisition and the estimated amount of related costs and expenses and the intended method of financing thereof, and (D) contain the estimated amount of Loans required to effect such proposed Acquisition;

(iii) concurrently with delivery of the Permitted Acquisition Notice, the Borrower shall have provided the Administrative Agent and the Lenders with all information related to the proposed Acquisition as is reasonably required in the form of Acquisition Information worksheet attached hereto as Exhibit 6.11, and, promptly upon request, such additional information as the Administrative Agent shall reasonably request, including, delivery of the expert reports (if any) prepared by accounting, environmental, and/or other experts which the Borrower has obtained and the Administrative Agent shall reasonably request;

(iv) (A) as soon as available but not less than the earlier of three (3) days after the execution thereof, a copy of the executed principal Acquisition Documents with respect to such proposed Acquisition and (B) at the time of delivery of the Acquisition Documents, certification from the Borrower as to the purchase price for the Acquisition (or a formula therefor) and the estimated amount of all related costs, fees and expenses and that, except as described, there are no other amounts which will be payable in connection with such proposed Acquisition;

(v) recalculations of the calculations set forth in the certificate most recently delivered pursuant to Section 5.01(c) are made by the Borrower of compliance with the covenants contained in Section 6.08 through 6.11, inclusive, and such recalculations shall show that during the period of four fiscal quarters covered by that certificate, on a pro forma basis, the Borrower would have been in compliance therewith;

(vi) the Borrower shall have delivered updated schedules to any Acquisition Agreement related to such proposed Acquisition to the Administrative Agent; and

-55-

(vii) prior to the consummation of the proposed Acquisition, the Borrower shall furnish the Administrative Agent and the Lenders an officer's certificate executed by a Financial Officer of the Borrower, certifying as to compliance with the requirements of the applicable preceding clauses (i) through (vi), containing the calculations required in this Section 6.11. The consummation of each Acquisition shall be deemed to be a representation and warranty by the Borrower that all conditions thereto have been satisfied and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder; and

further provided, that for any Acquisition, regardless of the consideration paid, the Borrower must be in compliance with clauses (i) and (iii) above.

SECTION 6.12. Hedging Agreement. The Borrower will not, and will not permit any Subsidiary to, enter into any Hedging Agreement.

SECTION 6.13 Additional Borrowings Under Union Bank Indebtedness. The Company will not, and will not permit any Subsidiary, including, without limitation, Walker's Concrete, Inc., to borrow, accept any advances under, or in any manner increase its liability in respect of, the documents evidencing certain Indebtedness and obligations of said Subsidiary to Union Bank of California, N.A.

## ARTICLE VII

### Events of Default and Remedies

#### SECTION 7.01. Events of Default.

The following events ("Events of Default") shall constitute Events of Default hereunder:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Section 7.01) payable under this Agreement, when and as the same shall become due and payable;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with

-56-

this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02(a), 5.03 (with respect to the Borrower's existence) or 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Section 7.01), and such failure shall continue unremedied for a period of fifteen (15) days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in the holder of any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Section 7.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

-57-

62

(j) the Borrower or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$500,000 (not covered by insurance subject to customary deductible) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding (i) \$500,000 in any year or (ii) \$500,000 for all periods;

(m) a Change in Control shall occur; or

(n) any material Loan Document shall be determined by the Administrative Agent, in its good faith judgment to be unenforceable in any material respect or Borrower or any Subsidiary shall claim such to be the case other than in accordance with its terms or the terms of the other Loan Documents.

SECTION 7.02. Remedies. On the occurrence of any event described in Section 7.01 (other than an event with respect to the Borrower described in clause (h) or (i) thereof), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of

the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued and unpaid interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without notice, presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of Section 7.01 of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, (iii) set off any amounts of the Borrower or any Subsidiary held by it, (d) exercise any other rights or remedies described in the other Loan Documents, including, without limitation, each of the Security Documents, and (iv) exercise such other rights as are available to lenders and secured parties at law or in equity.

-58-

63

#### ARTICLE VIII

##### The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries or Affiliates that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or

genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person.

-59-

64

The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in Houston, Texas, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its subagents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

-60-

65

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

- (a) if to the Borrower or to any Guarantor,

U.S. Concrete  
1360 Post Oak Blvd., Suite 800  
Houston, Texas 77056  
Attention: Michael Harlan  
Telephone No.: (713) 350-6017  
Telecopy No.: (713) 350-6001

- (b) if to the Administrative Agent,

Chase Bank of Texas, National Association  
712 Main Street, 5th Floor East  
Houston, Texas 77002  
Attention: Michael Ondruch  
Telephone No.: (713) 216-5324  
Telecopy No.: (713) 216-6004

with copies to

The Chase Manhattan Bank  
Agency Services  
One Chase Manhattan Plaza, 8th Floor  
New York, New York 10081  
Attention: Muniram Appanna  
Telecopy No.: (212) 552-7940  
Telephone No.: (212) 552-7943

- (c) if to the Issuing Bank,

Chase Bank of Texas, National Association  
712 Main Street, 5th Floor East  
Houston, Texas 77002  
Attention: Michael Ondruch  
Telecopy No.: (713) 216-6004  
Telephone No.: (713) 216-5324

-61-

66

(d) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) To the extent permitted by law, no failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. To the extent permitted by law, the rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. To the extent permitted by law, no waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance

and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees or other amounts payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release any Collateral securing the Obligations, without the written consent of each Lender, provided that the Administrative Agent may release any collateral sold or transferred as permitted under this Agreement by the Borrower or any Subsidiary in the ordinary course of business, (vi) release any Guarantor or any other Person liable for the repayment of the Obligations, without the written consent of each Lender or (vii) change any of the provisions of this Section or the definition

-62-

67

of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Bank hereunder without the prior written consent of the Administrative Agent and the Issuing Bank, as the case may be.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation, execution and delivery of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, the Security Documents and the other Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of-pocket expenses incurred during any workout or restructuring of such Loans or Letters of Credit.

(b) The Borrower shall and hereby does indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, the Security Documents and the other Loan Documents or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other

transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED THAT IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT SUCH INDEMNITY SHALL BE APPLICABLE REGARDLESS OF WHETHER ANY LOSS OR LIABILITY WAS CAUSED BY ANY INDEMNITEE'S OWN NEGLIGENCE OR ARISES FROM ANY

-63-

68

THEORY OF STRICT LIABILITY BUT SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF SUCH INDEMNITEE.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than fifteen (15) days after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure, the Issuing Bank) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's



Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 and 9.03).

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in Houston, Texas a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be prima facie evidence of the correctness thereof, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a

portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain

the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13, 2.14 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.15(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 9.03 and

-66-

71

Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually

executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. Without limiting the remedies provided for in Article VIII hereof, if an Event of Default shall have occurred and be continuing and after acceleration of the Obligations, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender to or for the credit or the account of the Borrower or any Guarantor against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement, its Notes or the Obligations and although Obligations may be unmaturing. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) THIS AGREEMENT, ALL NOTES, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith SHALL BE DEEMED TO BE CONTRACTS AND AGREEMENTS UNDER THE LAWS OF THE STATE OF TEXAS AND OF THE UNITED STATES OF AMERICA AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF TEXAS AND OF THE UNITED STATES. Without limitation of the foregoing, nothing in this Agreement, or in the Notes or in any other Loan Document shall be deemed to constitute a waiver of any rights which any Lender may have under

-67-

72

applicable federal legislation relating to the amount of interest which such Lender may contract for, take, receive or charge in respect of the Loan and the Loan Documents, including any right to take, receive, reserve and charge interest at the rate allowed by the law of the state where any Lender is located. The Administrative Agent, each Lender and the Borrower further agree that insofar as the provisions of the Texas Finance Code, Chapter 303, as amended, are applicable to the determination of the Highest Lawful Rate with respect to the Notes and the Obligations hereunder and under the other Loan Documents, the indicated rate ceiling of such Code shall be applicable; provided, however, that to the extent permitted by such Code, the Administrative Agent may from time to time by notice to the Borrower revise the election of such interest rate ceiling as such ceiling affects the then current or future balances of the Loans. The provisions of the Texas Finance Code, Chapter 346, do not apply to this Agreement, any Note issued hereunder or the other Loan Documents.

(b) THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE DISTRICT COURTS OF HARRIS COUNTY, TEXAS AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF TEXAS, SITTING IN HOUSTON, TEXAS AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY

OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.01. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT

-68-

73

OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential) to be used solely in connection with the administration of the Loan Documents, (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Each provision in this Agreement and each other Loan Document is expressly limited so that in no event whatsoever shall the amount paid, or otherwise agreed to be paid, to the Administrative Agent or any Lender, or charged, contracted for, reserved, taken or received by the Administrative Agent or any Lender, for the use, forbearance or detention of the money to be loaned under this Agreement or any Loan Document

or otherwise (including any sums paid as required by any covenant or obligation contained herein or in any other

-69-

74

Loan Document which is for the use, forbearance or detention of such money), exceed that amount of money which would cause the effective rate of interest to exceed the Highest Lawful Rate, and all amounts owed under this Agreement and each other Loan Document shall be held to be subject to reduction to the effect that such amounts so paid or agreed to be paid, charged, contracted for, reserved, taken or received which are for the use, forbearance or detention of money under this Agreement or such Loan Document shall in no event exceed that amount of money which would cause the effective rate of interest to exceed the Highest Lawful Rate. Anything in any Note or any other Loan Document to the contrary notwithstanding, the Borrower shall not be required to pay unearned interest on any Note and the Borrower shall not be required to pay interest on the Obligations at a rate in excess of the Highest Lawful Rate, and if the effective rate of interest which would otherwise be payable under such Note and such Loan Documents would exceed the Highest Lawful Rate, or if the holder of such Note shall receive any unearned interest or shall receive monies that are deemed to constitute interest which would increase the effective rate of interest payable by the Borrower under such Note and the other Loan Documents to a rate in excess of the Highest Lawful Rate, then (a) the amount of interest which would otherwise be payable by the Borrower shall be reduced to the amount allowed under applicable law and (b) any unearned interest paid by the Borrower or any interest paid by the Borrower in excess of the Highest Lawful Rate shall in the first instance be credited on the principal of the Obligations of the Borrower (or if all such Obligations shall have been paid in full, refunded to the Borrower). It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, reserved, taken, charged or received by any Lender under the Notes and the Obligations and under the other Loan Documents are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate, and shall be made, to the extent permitted by usury laws applicable to such Lender, by amortizing, prorating and spreading in equal parts during the period of the full stated term of the Notes and this Agreement and all interest at any time contracted for, charged or received by such Lender in connection therewith.

SECTION 9.14. FINAL AGREEMENT OF THE PARTIES. THIS AGREEMENT (INCLUDING THE SCHEDULES AND EXHIBITS HERETO), THE NOTES, THE GUARANTY IN ARTICLE X HEREOF, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SECTION 9.15. Limited Liability. No director, officer, employee, incorporator or stockholder of the Borrower or any Subsidiary, as such, shall have any liability for any obligations of the Borrower under the Notes, the Guarantors under the Guaranty or the Loan Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Lender waives and releases all such liability. The waiver and release are part of the consideration for Transactions.

-70-

75

#### ARTICLE X

##### Guaranty

SECTION 10.01. Guaranty. In consideration of, and in order to induce the Lenders to make the Loans hereunder, each Guarantor hereby absolutely, unconditionally and irrevocably, jointly and severally guarantees the punctual payment and performance when due, whether at stated maturity, by

acceleration or otherwise, of the Obligations, and all other obligations and covenants of the Borrower now or hereafter existing under this Agreement, the Notes and the other Loan Documents whether for principal, interest (including interest accruing or becoming owing both prior to and subsequent to the commencement of any proceeding against or with respect to the Borrower under any chapter of the Bankruptcy Code), Fees, commissions, expenses (including reasonable attorneys' fees and expenses) or otherwise, and all reasonable costs and expenses, if any, incurred by the Administrative Agent or any Lender in connection with enforcing any rights under this Guaranty (all such obligations being the "Guaranteed Obligations"), and agrees to pay any and all reasonable expenses incurred by each Lender and the Administrative Agent in enforcing this Guaranty; provided that notwithstanding anything contained herein or in any of the Loan Documents to the contrary, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed such Guarantor's Maximum Guaranteed Amount, and provided further, each Guarantor shall be unconditionally required to pay all amounts demanded of it hereunder prior to any determination of such Maximum Guaranteed Amount and the recipient of such payment, if so required by a final non-appealable order of a court of competent jurisdiction, shall then be liable for the refund of any excess amounts. If any such rebate or refund is ever required, all other Guarantors (and the Borrower) shall be fully liable for the repayment thereof to the maximum extent allowed by applicable law. This Guaranty is an absolute, unconditional, present and continuing guaranty of payment and not of collectibility and is in no way conditioned upon any attempt to collect from the Borrower or any other action, occurrence or circumstance whatsoever. Each Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Guaranteed Amount of such Guarantor without impairing this Guaranty or affecting the rights and remedies of the Lenders hereunder.

SECTION 10.02. Continuing Guaranty. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement, the Notes and the other Loan Documents. Each Guarantor agrees that the Guaranteed Obligations and Loan Documents may be extended or renewed, and Loans repaid and reborrowed in whole or in part, without notice to or assent by such Guarantor, and that it will remain bound upon this Guaranty notwithstanding any extension, renewal or other alteration of any Guaranteed Obligations or Loan Documents, or any repayment and reborrowing of Loans. To the maximum extent permitted by applicable law, the obligations of each Guarantor under this Guaranty shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms hereof under any circumstances whatsoever, including:

-71-

76

(a) any extension, renewal, modification, settlement, compromise, waiver or release in respect of any Guaranteed Obligations;

(b) any extension, renewal, amendment, modification, rescission, waiver or release in respect of any Loan Documents;

(c) any release, exchange, substitution, non-perfection or invalidity of, or failure to exercise rights or remedies with respect to, any direct or indirect security for any Guaranteed Obligations, including the release of any Guarantor or other Person liable on any Guaranteed Obligations;

(d) any change in the corporate existence, structure or ownership of the Borrower, any Guarantor, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Borrower, such Guarantor, any other Guarantor or any of their respective assets;

(e) the existence of any claim, defense, set-off or other rights or remedies which such Guarantor at any time may have against the Borrower, or the Borrower or such Guarantor may have at any time against the Administrative Agent, any Lender, any other Guarantor or any other Person, whether in connection with this Guaranty, the Loan Documents, the transactions contemplated thereby or any other transaction other than by the payment in full by the Borrower of the Guaranteed Obligations after the termination of the Commitments of the Lenders;

(f) any invalidity or unenforceability for any reason of this Agreement or other Loan Documents, or any provision of law purporting to prohibit the payment or performance by the Borrower, such Guarantor or any other Guarantor of the Guaranteed Obligations or Loan Documents, or of any other obligation to the Administrative Agent or any Lender; or

(g) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

SECTION 10.03. Effect of Debtor Relief Laws. If after receipt of any payment of, or proceeds of any security applied (or intended to be applied) to the payment of all or any part of the Guaranteed Obligations, the Administrative Agent or any Lender is for any reason compelled to surrender or voluntarily surrenders (under circumstances in which it believes it could reasonably be expected to be so compelled if it did not voluntarily surrender), such payment or proceeds to any Person (a) because such payment or application of proceeds is or may be avoided, invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, fraudulent conveyance, fraudulent transfer, impermissible set-off or a diversion of trust funds or (b) for any other similar reason, including (i) any judgment, decree or order of any court or administrative body having jurisdiction over the Administrative Agent, any Lender or any of their respective properties or (ii) any settlement or compromise of any such claim effected by the Administrative Agent or any Lender with any such claimant (including the Borrower), then the Guaranteed Obligations or part thereof intended to be satisfied shall be reinstated and continue, and this Guaranty shall continue in

-72-

77

full force as if such payment or proceeds have not been received, notwithstanding any revocation thereof or the cancellation of any Note or any other instrument evidencing any Guaranteed Obligations or otherwise; and the Guarantors, jointly and severally, shall be liable to pay the Administrative Agent and the Lenders, and hereby do indemnify the Administrative Agent and the Lenders and hold them harmless for the amount of such payment or proceeds so surrendered and all expenses (including reasonable attorneys' fees, court costs and expenses attributable thereto) incurred by the Administrative Agent or any Lender in the defense of any claim made against it that any payment or proceeds received by the Administrative Agent or any Lender in respect of all or part of the Guaranteed Obligations must be surrendered. The provisions of this paragraph shall survive the termination of this Guaranty, and any satisfaction and discharge of the Borrower by virtue of any payment, court order or any federal or state law.

SECTION 10.04. Partial Waiver of Subrogation. Notwithstanding any payment or payments made by any Guarantor hereunder, or any set-off or application by the Administrative Agent or any Lender of any security or of any credits or claims, no Guarantor will assert or exercise any rights of the Administrative Agent or any Lender or of such Guarantor against the Borrower to recover the amount of any payment made by such Guarantor to the Administrative Agent or any Lender hereunder by way of any claim, remedy or subrogation, reimbursement, exoneration, contribution, indemnity, participation or otherwise arising by contract, by statute, under common law or otherwise, and such Guarantor shall not have any right to exercise any right of recourse to or any claim against assets or property of the Borrower, in each case unless and until the Obligations of the Borrower guaranteed hereby have been fully and finally satisfied. Until such time (but not thereafter), each Guarantor hereby expressly waives any right to exercise any claim, right or remedy which such Guarantor may now have or hereafter acquire against the Borrower that arises under this Agreement or any other Loan Document or from the performance by any Guarantor of the Guaranty hereunder including any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification or participation in any claim, right or remedy of the Administrative Agent or any Lender against the Borrower or any Guarantor, or any security that the Administrative Agent or any Lender now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise. If any amount shall be paid to a Guarantor by the Borrower or another Guarantor after payment in full of the Obligations, and the Obligations shall thereafter be reinstated in whole or in part and the Administrative Agent or any Lender forced to repay any sums received by any of them in payment of the Obligations, this Guaranty shall be automatically reinstated and such amount shall be held in trust for the benefit of the Administrative Agent and the Lenders and shall

forthwith be paid to the Administrative Agent to be credited and applied to the Guaranteed Obligations, whether matured or unmatured. The provisions of this paragraph shall survive the termination of this Guaranty, and any satisfaction and discharge of the Borrower by virtue of any payment, court order or any federal or state law.

SECTION 10.05. Subordination. If any Guarantor becomes the holder of any indebtedness payable by the Borrower or another Guarantor, each Guarantor hereby subordinates all indebtedness owing to it from the Borrower or such other Guarantor to all indebtedness of the Borrower to the Administrative Agent and the Lenders, and agrees that during the continuance of

-73-

78

any Event of Default it shall not accept any payment on the same until payment in full of the Obligations of the Borrower under this Agreement and the other Loan Documents after the termination of the Commitments of the Lenders and shall in no circumstance whatsoever attempt to set-off or reduce any obligations hereunder because of such indebtedness. If any amount shall nevertheless be paid in violation of the foregoing to a Guarantor by the Borrower or another Guarantor prior to payment in full of the Guaranteed Obligations, such amount shall be held in trust for the benefit of the Administrative Agent and the Lenders and shall forthwith be paid to the Administrative Agent to be credited and applied to the Guaranteed Obligations, whether matured or unmatured.

SECTION 10.06. Waiver. To the extent permitted by applicable law, each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and waives presentment, demand of payment, notice of intent to accelerate, notice of dishonor or nonpayment and any requirement that the Administrative Agent or any Lender institute suit, collection proceedings or take any other action to collect the Guaranteed Obligations, including any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Lien against any property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral (it being the intention of the Administrative Agent, the Lenders and each Guarantor that this Guaranty is to be a guaranty of payment and not of collection). It shall not be necessary for the Administrative Agent or any Lender, in order to enforce any payment by any Guarantor hereunder, to institute suit or exhaust its rights and remedies against the Borrower, any other Guarantor or any other Person, including others liable to pay any Guaranteed Obligations, or to enforce its rights against any security ever given to secure payment thereof. Each Guarantor hereby expressly waives to the maximum extent permitted by applicable law each and every right to which it may be entitled by virtue of the suretyship laws of the State of Texas, including any and all rights it may have pursuant to Rule 31, Texas Rules of Civil Procedure, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code. Each Guarantor hereby waives marshaling of assets and liabilities, notice by the Administrative Agent or any Lender of any indebtedness or liability to which such Lender applies or may apply any amounts received by such Lender, and of the creation, advancement, increase, existence, extension, renewal, rearrangement or modification of the Guaranteed Obligations. Each Guarantor expressly waives, to the extent permitted by applicable law, the benefit of any and all laws providing for exemption of property from execution or for valuation and appraisal upon foreclosure.

SECTION 10.07. Full Force and Effect. This Guaranty is a continuing guaranty and shall remain in full force and effect until all of the Obligations of the Borrower under this Agreement and the other Loan Documents and all other amounts payable under this Guaranty have been paid in full (after the termination of the Commitments of the Lenders). All rights, remedies and powers provided in this Guaranty may be exercised, and all waivers contained in this Guaranty may be enforced, only to the extent that the exercise or enforcement thereof does not violate any provisions of applicable law which may not be waived.



SECTION 10.08. Termination of Guaranty. Upon the sale or other disposition (by merger or otherwise) of a Guarantor (or all or substantially all of its property and assets) to a Person other than the Borrower or another Guarantor and pursuant to a transaction that is otherwise in compliance with this Agreement, such Guarantor (unless it otherwise remains a Subsidiary) shall be deemed released from its Guaranty and the related Obligations set forth in this Agreement; provided no Default or Event of Default shall have occurred and be continuing and provided further that any such termination shall occur only to the extent that all Obligations of such Guarantor under all of its guarantees of and under all of its pledges of assets or other security interests which secure, other Indebtedness of the Company shall also terminate or be released upon such sale or other disposition.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

U.S. CONCRETE, INC., a Delaware corporation

By

-----  
Name: Michael W. Harlan  
Title: Senior Vice President

GUARANTORS:

- Baer Concrete, Incorporated , a New Jersey corporation
- Bay Cities Building Materials Co., Inc., a California corporation
- B.C.B.M. Transport, Inc., a California corporation
- Central Concrete Supply Co., Inc., a California corporation
- Opportunity Concrete Corporation , a District of Columbia corporation
- R.G. Evans/Associates  
d/b/a/ Santa Rosa Cast Products Co., a California corporation
- Walker's Concrete, Inc., a California corporation

By

-----  
Name: Eugene P. Martineau  
Title: Senior Vice President

ADMINISTRATIVE AGENT/LENDER:

CHASE BANK OF TEXAS,  
NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: Michael E. Ondruch  
Title: Vice President

ADDRESS FOR NOTICE:

Chase Bank of Texas, National Association  
712 Main Street  
5 CCB East-MS 78  
Houston, Texas 77008

Telephone: (713) 216-5324  
Telecopy: (713) 216-6004

Attn.: Michael Ondruch

82

SYNDICATION AGENT/LENDER:

NATIONSBANK, N.A.  
(D/B/A BANK OF AMERICA, N.A.)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ADDRESS FOR NOTICE:

NATIONSBANK, N.A.  
(D/B/A BANK OF AMERICA, N.A.)  
700 Louisiana, 7th Floor  
Houston, Texas 77002

Telephone: (713) 247-7756  
Telecopy: (713) 247-7748

Attn: William Borus

83

CO-AGENT/LENDER:

BANK ONE TEXAS, NA

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADDRESS FOR NOTICE:

BANK ONE, TEXAS, NA  
910 Travis Street, 7th Floor  
Houston, Texas 77002

Telephone: (713) 751-3806  
Telecopy: (713) 751-6199

Attn: John Elam

84

CO-AGENT/LENDER:

CREDIT LYONNAIS  
NEW YORK BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADDRESS FOR NOTICE:

CREDIT LYONNAIS  
NEW YORK BRANCH  
2200 Ross Avenue, Suite 4400W  
Dallas, Texas 75201

Telephone: (214) 220-2303  
Telecopy: (214) 220-2323

Attn: Blake Wright

85

LENDER:

THE BANK OF NOVA SCOTIA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADDRESS FOR NOTICE:

THE BANK OF NOVA SCOTIA

1100 Louisiana, Suite 3000  
Houston, Texas 77002

Telephone: (713) 759-3448  
Telecopy: (713) 752-2425

Attn.: Tracy Nguyen

86

LENDER:

BRANCH BANKING & TRUST COMPANY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ADDRESS FOR NOTICE:

BRANCH BANKING & TRUST COMPANY  
110 South Stratford Rd., Suite 301  
Winston Salem, NC 27104

Telephone: (336) 733-3259  
Telecopy: (336) 733-3254

Attn: Cory Boyte

87

LENDER:

COMERICA BANK

By: \_\_\_\_\_

Mark B. Grover  
Vice President

ADDRESS FOR NOTICE:

COMERICA BANK  
4100 Spring Valley, Suite 900  
Dallas, Texas 75244

Telephone: (972) 361-2545  
Telecopy: (972) 361-2550

Attn: Mark B. Grover

88

[FORM OF]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of [ ] (as amended and in effect on the date hereof, the "Credit Agreement"), among [ ], the Lenders named therein and Chase Bank of Texas, N.A., as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Assignment Date and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, together with the participations in Letters of Credit, LC Disbursements held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.15(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 9.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

89

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment

("Assignment Date"):

Principal Amount Assigned (and identifying information as to individual Loans)	Percentage Assigned of Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
---	---

Facility

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Commitment Assigned:	\$		%
Revolving Loans:			
Loans:			

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor], as Assignor

By: \_\_\_\_\_  
 Name:  
 Title:

[Name of Assignee], as Assignee

By: \_\_\_\_\_  
 Name:  
 Title:

The undersigned hereby consent to the within assignment: 8/

-

[Name of Borrower],	Chase Bank of Texas, N.A., as Administrative Agent,
---------------------	--

By: \_\_\_\_\_  
 Name:  
 Title:

By: \_\_\_\_\_  
 Name:  
 Title:

Chase Bank of Texas, N.A.,  
as Issuing Bank

By:



-----  
ACQUISITION INFORMATION WORKSHEET  
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LTM	Pro	EBITDA
Revenues	Forma	Margin
	LTM	
	EBITDA	

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FIRST AMENDMENT TO  
CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), effective as of June 30, 1999, is entered into by and among U.S. CONCRETE, INC., a Delaware corporation, (the "Company"), the Guarantors party thereto, the Lenders signatory hereto under the caption "Lenders" (together with each other Person who becomes a Lender, collectively, the "Lenders") and CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, a national banking association, individually as a Lender, and as administrative agent for the other Lenders (in such capacity, together with any other Person who becomes the administrative agent, the "Administrative Agent"), NationsBank, N.A. (D/B/A Bank of America, N.A.), as Syndication Agent, and Bank One, Texas, NA and Credit Lyonnais New York Branch, as Co-Agents for the Lenders.

PRELIMINARY STATEMENT

WHEREAS, the Company, the Guarantors, the Lenders, the Administrative Agent, the syndication agent and the co-agents have entered into that certain Credit Agreement dated as of May 28, 1999 (said Credit Agreement, as amended and as may be amended, extended, supplemented or amended and restated from time to time, the "Credit Agreement"); and

WHEREAS, the Company has requested the Lenders and the Administrative Agent to amend and modify certain terms of the Credit Agreement; and

WHEREAS, the Lenders and the Administrative Agent have agreed to do so to the extent reflected in this Amendment, provided that each of the Company and the Guarantors ratifies and confirms all of its respective obligations under the Credit Agreement and the Loan Documents and agrees to make certain other amendments as set forth here.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration and the mutual benefits, covenants and agreements herein expresses, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms and Overall Changes. All capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

2. Amendment to Section 5.10. Section 5.10 of the Credit Agreement is hereby restated in its entirety to read as follows:

"SECTION 5.10. Collateral . (a) The Borrower will, and will cause each of its Subsidiaries to, (i) within 60 days of the Effective Date provide evidence satisfactory to the Administrative Agent that substantially all Certificates of Title for each vehicle with a gross vehicle weight in excess of 40,000 pounds, including all mixer trucks and aggregate delivery trucks, owned by the Borrower or any Subsidiary have been submitted to the appropriate state department of motor vehicles or other regulatory authority as appropriate for the jurisdiction of location of such vehicle for the purpose of having the Administrative Agent for the benefit of the Lenders recorded as lienholder on each of such Certificates of Title, (ii) within 30 days of the acquisition after the Effective Date of any vehicle weighing in excess of 40,000 pounds, provide evidence satisfactory to the Administrative Agent that the Certificate of Title for such newly acquired vehicle shall have been submitted to the appropriate state department of motor vehicles or other regulatory authority as

appropriate for the jurisdiction of location of such vehicle for the purpose of having the Administrative Agent for the benefit of the Lenders recorded as lienholder on each such Certificate of Title; provided, that in either case of (i) or (ii) above and so long as there is no Default or Event of Default, any Certificate of Title which evidences the Administrative Agent for the benefit of the Lenders as lienholder shall be returned to the Borrower, (iii) promptly upon receipt, provide to the Administrative Agent a copy of each Certificate of Title submitted pursuant to clause (i) and (ii) above showing the Administrative Agent as lienholder and (iv) use reasonably commercial efforts to provide to the Administrative Agent within 60 days of the Effective Date landlord's consents to the assignment of leasehold estates not pledged pursuant to Section 4.01(c)(iv) and to execute leasehold deeds of trust or mortgages, subject only to Permitted Liens, granting a first priority perfected security interest in such leasehold interests.

(b) Upon acquisition of any (i) fee interest in any real property or (ii) material leasehold interest in any real property used in the operation (as opposed to administration) of the business of the Borrower or any Subsidiary, the Borrower will, and will cause each of its Subsidiaries to, (y) execute in form and substance reasonably satisfactory to the Administrative Agent, a deed of trust or mortgage, as applicable, in respect of such fee interest and (z) use reasonably commercial efforts to execute in form and substance reasonably satisfactory to the Administrative Agent, a leasehold deed of trust or mortgage, as applicable, in each case granting a first priority perfected Lien on such property as collateral for the Loans, subject only to Permitted Liens.

(c) The Borrower will, and will cause each of its Subsidiaries to, use reasonably commercial efforts in negotiating any material new lease or the

3

renewal or extension of any existing lease covering real property to provide in such lease that the interest of the lessee may be hypothecated without any further approval of the landlord.

(d) The Borrower shall provide to the Administrative Agent certified copies of Requests for Information or Copies (Form UCC-11) or equivalent commercially obtained reports, dated within 90 days of the Effective Date listing all effective financing statements which name any of the Borrower or any Founding Company or any of their Subsidiaries (under any of their present names and any previous names) as debtor and which are filed in all jurisdictions in which the Borrower or any of its Subsidiaries owns property or conducts business, together with copies of such financing statements.

(e) The Borrower shall provide to the Administrative Agent, upon request, a bring down or date down certificate to any preliminary title reports provided pursuant to Section 4.01(q), as evidence to the Administrative Agent of satisfactory release of any financing or tax lien encumbering any property subject to the Security Documents delivered pursuant to Section 4.01(c)(iv)."

3. Amendment to Section 6.02(d). Section 6.02(d) of the Credit Agreement is restated in its entirety to read as follows:

"(d) Liens securing potential prepayment obligations of Walker's Concrete, Inc. to Union Bank of California encumbering assets of Walker's Concrete, Inc.; provided (i) no further Indebtedness is owing by the Borrower or any Subsidiary to said bank and (ii) said Liens are fully extinguished and released prior to July 31, 1999; and"

4. Ratification. Each of the Company and each Guarantor hereby ratifies all of its obligations under the Credit Agreement and each of the Loan Documents to which it is a party, and agrees and acknowledges that the Credit Agreement and each of the Loan Documents to which it is a party shall continue

in full force and effect as amended and modified by this Amendment. Nothing in this Amendment extinguishes, novates or releases any right, claim, lien, security interest or entitlement of any of the Lenders or the Administrative Agent created by or contained in any of such documents nor is the Company or any Guarantor released from any covenant, warranty or obligation created by or contained herein.

5. Representations and Warranties. Each of the Company and each Guarantor hereby represents and warrants to the Administrative Agent and the Lenders that (a) this Amendment has been duly executed and delivered on behalf of the Company and such Guarantor, as the case may be,

4

subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, (b) this Amendment constitutes a valid and legally binding agreement enforceable against the Company or such Guarantor, as the case may be, in accordance with its terms, (c) the representations and warranties contained in the Credit Agreement and the Loan Documents are true and correct on and as of the date hereof in all material respects as though made as of the date hereof, except as heretofore otherwise disclosed in writing to the Administrative Agent, (d) no Default exists under the Credit Agreement or under any of Loan Document and (e) the execution, delivery and performance of this Amendment has been duly authorized by the Company and each Guarantor.

6. Conditions to Effectiveness. This Amendment shall be effective upon the execution and delivery hereof by all parties to the Administrative Agent and receipt by the Administrative Agent of (a) this Amendment and (b) a certificate of an officer of the Company certifying that all conditions in Section 4.02 of the Credit Agreement shall be satisfied.

7. Counterparts. This Amendment may be signed in any number of counterparts, which may be delivered in original or facsimile form each of which shall be construed as an original, but all of which together shall constitute one and the same instrument.

8. Governing Law. THIS AGREEMENT, ALL NOTES, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith SHALL BE DEEMED TO BE CONTRACTS AND AGREEMENTS UNDER THE LAWS OF THE STATE OF TEXAS AND OF THE UNITED STATES OF AMERICA AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF TEXAS AND OF THE UNITED STATES.

9. Final Agreement of the Parties. THIS AMENDMENT AND THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

5

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

COMPANY:

U.S. CONCRETE

By:

Michael W. Harlan  
Senior Vice President

GUARANTORS:

Baer Concrete, Incorporated, a New Jersey  
corporation  
Bay Cities Building Materials Co., Inc., a  
California corporation  
B.C.B.M. Transport, Inc., a California  
corporation  
Central Concrete Supply Co., Inc. a  
California corporation  
Opportunity Concrete Corporation, a  
District of Columbia corporation  
R.G. Evans/Associates, d/b/a/ Santa Rosa  
Cast Products Co., a California  
corporation  
Walker's Concrete, Inc., a California  
corporation

By:  
Michael W. Harlan  
Vice President

6

ADMINISTRATIVE AGENT/LENDER:

CHASE BANK OF TEXAS,  
NATIONAL ASSOCIATION

By:  
James R. Dolphin  
Senior Vice President

7

SYNDICATION AGENT/LENDER:

NATIONSBANK, N.A.  
(D/B/A BANK OF AMERICA, N.A.)

By:  
Name:  
Title:

LENDER:

THE BANK OF NOVA SCOTIA

By:

Name:

Title:

CO-AGENT/LENDER:

BANK ONE, TEXAS, N.A.

By:

Name:

Title:

LENDER:

BRANCH BANKING & TRUST COMPANY

By:

Name:

Title:

LENDER:

COMERICA BANK

By:

Name:

Title:

12

CO-AGENT/LENDER:

CREDIT LYONNAIS  
NEW YORK BRANCH

By:

Name:

Title:

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