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

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FORM 10-K

(Mark one)        ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2001

OR

   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 000-26025

U. S. CONCRETE, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization) 2925 Briarpark, Suite 500 Houston, Texas (Address of Principal Executive Offices)	76-0586680 (I.R.S. Employer Identification No.) 77042 (Zip Code)
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Registrant's telephone number, including area code: (713) 499-6200

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
None	Not applicable

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$.001 per share  
(Title of class)

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

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

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

As of March 15, 2002, there were 26,768,018 shares of common stock, par value \$.001 per share, of the Registrant issued and outstanding, 20,672,077 of which, having an aggregate market value of \$145.3 million, based on the closing price per share of the common stock of the Registrant reported on the Nasdaq Stock Market on that date, were held by non-affiliates of the Registrant. For purposes of the above statement only, all directors and executive officers of the Registrant are assumed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the Registrant's 2002 Annual Stockholders Meeting are incorporated by reference into Part III of this report.

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Statements we make in this Annual Report on Form 10-K which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks, uncertainties and assumptions, including those to which we refer under the heading "Cautionary Statement Concerning Forward-Looking Statements" following Items 1 and 2 of Part I of this report.

PART I

Items 1 and 2. Business and Properties

General

U.S. Concrete provides ready-mixed concrete and related concrete products and services to the construction industry in several major markets in the United States. As of March 15, 2002, we have 85 fixed and nine portable ready-mixed concrete plants, eight pre-cast concrete plants, three concrete block plants and one aggregates quarry. During 2001, these facilities produced 5.6 million cubic yards of ready-mixed concrete, 7.1 million eight-inch equivalent block units and 1.0 million tons of aggregates.

Our operations consist principally of formulating, preparing, delivering and placing ready-mixed concrete at the job sites of our customers. We provide services intended to reduce our customers' overall construction costs by lowering the installed, or "in-place," cost of concrete. These services include the formulation of new mixtures for specific design uses, on-site and lab-based product quality control and delivery programs we configure to meet our customers' needs.

We completed our initial public offering in May 1999. At the same time, we acquired six ready-mixed concrete and related concrete businesses and began

operating 26 fixed concrete plants in three major markets in the United States. Since our IPO and through March 15, 2002, we have acquired an additional 22 ready-mixed concrete and related concrete businesses, and are operating an additional 59 fixed concrete plants, in seven additional major markets in the United States.

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

#### Industry Overview

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

Year	Sales
----	-----
	(\$ in millions)
1999.....	\$ 25,538
2000.....	\$ 26,629
2001.....	\$ 27,137

According to F.W. Dodge data, the four major segments of the construction industry accounted for the following approximate percentages of the total volume of ready-mixed concrete produced in the United States in 2001:

Residential construction.....	26%
Commercial and industrial construction.....	25%
Street and highway construction and paving.....	21%
Other public works and infrastructure construction.....	28%
	----
Total.....	100%
	----

Ready-mixed concrete is a versatile, low-cost manufactured material the construction industry uses in substantially all its projects. It is a stone-like compound that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various admixtures and cement. Ready-mixed concrete can be manufactured in thousands of

variations which in each instance may reflect a specific design use. Manufacturers of ready-mixed concrete generally maintain less than one day's requirements of raw materials and must coordinate their daily material purchases with the time-sensitive delivery requirements of their customers.

Ready-mixed concrete begins a chemical reaction when mixed and begins to harden and generally becomes difficult to place within 90 minutes after mixing. This characteristic generally limits the market for a permanently installed plant to an area within a 25-mile radius of its location. Concrete manufacturers produce ready-mixed concrete in batches at their plants and use mixer and other trucks to distribute and place it at the job sites of their customers. These manufacturers generally do not provide paving or other finishing services construction contractors or subcontractors typically perform.

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

On the basis of information the National Ready-Mixed Concrete Association has provided to us, we estimate that, in addition to vertically integrated manufacturers of cement and ready-mixed concrete, more than 3,500 independent concrete producers currently operate a total of approximately 5,300 plants in the United States. Larger markets generally have numerous producers competing for business on the basis of price, timing of delivery and reputation for

quality and service. We believe, on the basis of available market information, that the typical ready-mixed concrete company is family-owned and has limited access to capital, limited financial and technical expertise and limited exit strategies for its owners. Given these operating constraints, we believe many ready-mixed concrete companies are finding it difficult to both grow their businesses and compete effectively against larger, more cost-efficient and technically capable competitors. We believe these characteristics in our highly fragmented industry present growth opportunities for a company with a national strategy, focused acquisition program and access to capital.

Barriers to the start-up of a new ready-mixed concrete manufacturing operation historically have been low. In recent years, however, public concerns about dust, process water runoff, noise and heavy mixer and other truck traffic associated with the operation of ready-mixed concrete plants and their general appearance have made obtaining the permits and licenses required for new plants more difficult. Delays in the regulatory process, coupled with the substantial capital investment start-up operations entail, have raised the barriers to entry for those operations.

#### Significant Factors Impacting the Market for Ready-Mixed Concrete

Annual usage of ready-mixed concrete in the United States remains at record levels. We believe three significant factors have contributed to expansion of the market for ready-mixed concrete in particular:

- . the increased level of industry-wide promotional and marketing activities;
- . the development of new and innovative uses for ready-mixed concrete; and
- . the enactment of the federal legislation commonly called TEA-21.

Industry-wide Promotional and Marketing Activities. We believe industry participants have only in recent years focused on and benefited from promotional activities to increase the industry's share of street and highway and residential construction expenditures. Many of these promotional efforts resulted from an industry-wide initiative called RMC 2000, a program established in 1993 under the leadership of our chief executive officer, Eugene P. Martineau. The National Ready Mixed Concrete Association, the industry's largest trade organization, has adopted this program. Its principal goals have been to (1) promote ready-mixed concrete as a building and paving material and (2) improve the overall image of the ready-mixed concrete industry. We believe RMC 2000 has been a catalyst for increased investment in the promotion of concrete.

During 2001, Mr. Martineau participated in a campaign to raise funds for the RMC Research Foundation, a nonprofit organization of which he is a member of the Board of Trustees. The RMC Research Foundation is dedicated to continuous research and enhancing the educational opportunities of the ready-mixed concrete industry. Through March 15, 2002, the RMC Research Foundation had received pledges totaling over \$13 million.

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Development of New and Innovative Ready-mixed Concrete Products. Ready-mixed concrete has many attributes that make it a highly versatile construction material. In recent years, industry participants have developed various product innovations, including:

- . concrete housing;
- . pre-cast modular paving stones;
- . pre-stressed concrete railroad ties to replace wood ties;
- . continuous-slab rail-support systems for rapid transit and heavy-traffic intricate rail lines; and
- . concrete bridges, tunnels and other structures for rapid transit systems.

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

- . highway median barriers;
- . highway sound barriers;
- . paved shoulders to replace less permanent and increasingly costly asphalt shoulders;
- . parking lots providing a long-lasting and aesthetically pleasing urban environment; and
- . colored pavements to mark entrance and exit ramps and lanes of expressways.

Impact of TEA-21. The Federal Transportation Equity Act for the 21st Century, commonly called TEA-21, is the largest public works funding bill in the history of the United States. It became effective in June 1998 and provides a \$218 billion budget for federal highway, transit and safety spending for the six-year period from 1998 through 2003. This represents a 43% increase over the funding levels similar federal funding programs authorized for the 1992-1997 period. Although road and highway construction and paving accounted for only 12% of our 2001 sales, we believe we should benefit from the impact we expect TEA-21 will have on the overall demand for ready-mixed concrete in the United States.

#### Our Business Strategy

Our objective is to continue expanding the geographic scope of our operations and become the leading value-added provider of ready-mixed concrete and related products and services in each of our markets. We plan to achieve this objective by (1) continuing to make acquisitions and (2) continuing to implement our national operating strategy aimed at increasing revenue growth and market share, achieving cost efficiencies and enhancing profitability.

Growth Through Acquisitions. The significant costs and regulatory requirements involved in building new plants make acquisitions an important element of our growth strategy. Our acquisition program targets opportunities for (1) expansion in our existing markets and (2) entering new geographic markets in the United States.

- . Expanding in Existing Markets. We seek to continue acquiring other well-established companies operating in our existing markets in order to expand our market penetration. We have acquired operating companies in Northern California, Michigan, North Texas, Memphis/Northern Mississippi, Northern New Jersey/Southern New York, Knoxville and the Washington, D.C. area following our initial entry into these markets. By expanding in existing markets through acquisitions, we expect to continue realizing various operating synergies, including:
  - . increased market coverage;
  - . improved utilization and range of mixer trucks because of access to additional plants;
  - . customer cross-selling opportunities; and
  - . reduced operating and overhead costs.

- . Entering New Geographic Markets. We seek to continue entering new geographic markets that have a balanced mix of residential, commercial, industrial and public sector concrete consumption and have demonstrated adequate sustainable demand and prospects for growth. In each new market we enter, we target for acquisition one or more leading local or regional companies that can serve as platform businesses into which we can consolidate other operations. Important criteria for these acquisition candidates include historically successful operating results, established customer relationships and superior operational management personnel, whom we generally will seek to retain. Since our formation in May 1999 and through March 15, 2002, we have entered into new geographic markets in San Diego, North Texas/Southwest Oklahoma, Memphis/Northern Mississippi, Knoxville, Phoenix, Delaware and Michigan.

Implementation of National Operating Strategy. We designed our national

operating strategy (1) to increase revenues and market share through improved marketing and sales initiatives and enhanced operations and (2) to achieve cost efficiencies.

- . Improving Marketing and Sales Initiatives and Enhancing Operations. Our basic operating strategy emphasizes the sale of value-added product to customers who are more focused on reducing their installed, or in-place, concrete costs than on the price per cubic yard of the ready-mixed concrete they purchase. Key elements of our service-oriented strategy include:
  - . providing corporate-level marketing and sales expertise;
  - . establishing and implementing company-wide quality control improvements;
  - . providing technical services expertise to optimize mix designs and develop innovative new products;
  - . continuing to develop and implement training programs that emphasize successful marketing, sales and training techniques and the sale of high-margin concrete mix designs; and
  - . investing in computer and communications technology at each of our locations to improve communications, purchasing, accounting, dispatch, truck tracking, delivery efficiency, reliability of equipment and customer service.
- . Achieving Cost Efficiencies. We strive over time to reduce the total operating expenses of the businesses we acquire by eliminating or consolidating some of the functions each business performed separately prior to its acquisition. In addition, we believe that, as we continue to increase in size on both a local market and national level, we should experience reduced costs as a percentage of net sales compared to those of the individual businesses we acquire in such areas as:
  - . materials procurement;
  - . purchases of mixer trucks and other equipment, spare parts and tools;
  - . vehicle and equipment maintenance;
  - . providing technical services expertise to optimize mix designs and achieve raw materials cost savings;
  - . employee benefit plans; and
  - . insurance and other risk management programs.

#### Products and Services

Ready-Mixed Concrete. Our ready-mixed concrete products consist of proportioned mixes we prepare and deliver in unhardened plastic states for placement and shaping into their designed forms. Selecting the optimum mix for a job entails determining not only the ingredients that will produce the desired permeability, strength, appearance and other properties of the concrete after it has hardened and cured, but also the ingredients necessary to achieve a workable consistency considering the weather and other conditions at the job site. We believe we can achieve product differentiation for the mixes we offer because of the variety of mixes we can produce, our volume production capacity and our scheduling,

delivery and placement reliability. We also believe we distinguish ourselves with our value-added service approach that emphasizes reducing our customers' overall construction costs by lowering the installed, or in-place, cost of concrete and the time required for construction.

From a contractor's perspective, the in-place cost of concrete includes both the amount paid to the ready-mixed concrete manufacturer and the internal costs associated with the labor and equipment the contractor provides. A contractor's unit cost of concrete is often only a small component of the total

in-place cost that takes into account all the labor and equipment costs required to place and finish the ready-mixed concrete, including the cost of additional labor and time lost as a result of substandard products or delivery delays not covered by warranty or insurance. By carefully designing proper mixes and using advances in mixing technology, we can assist our customers in reducing the amount of reinforcing steel and labor they will require in various applications.

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

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

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

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

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

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

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

Our ready-mixed concrete operations comprised 86% of our 2001 revenues.

Pre-Cast Concrete. We produce pre-cast concrete products at five of our Northern California plants, at one of our New Jersey plants, at our San Diego, California plant and at our Phoenix, Arizona plant. Our pre-cast concrete products consist of ready-mixed concrete we produce and then pour into molds at our plant sites. These operations produce a wide variety of specialized finished products, including specialty engineered structures, custom signage, manholes, catch basins, highway barriers and curb inlets. After the concrete sets, we strip the molds from the products and ship the finished product to our customers. Because these products are not perishable, pre-cast concrete plants can serve a much larger market than ready-mixed concrete plants.

Our pre-cast operations comprised 10% of our 2001 revenues.

Building Materials (Including Concrete Masonry). Our building materials operations supply various materials, products and tools contractors use in the

concrete construction industry. These materials include rebar, wire mesh, color additives, curing compounds, grouts, wooden forms, hard hats, rubber boots, gloves, trowels, lime slurry used to stabilize foundations and numerous other items. We also produce concrete masonry at plants in Michigan, Delaware and New Jersey. Our building materials operations are generally located near our ready-mixed concrete operations.

Our building materials operations comprised 4% of our 2001 revenues.

Aggregates. We produce crushed stone aggregates from our granite quarry site located in Hamburg, New Jersey. We sell these aggregates for use in commercial, residential and public works projects primarily in Northern New Jersey and Orange County, New York. Annual production at this site is approximately one million tons of aggregates, and we estimate the quarry has approximately 46 million tons of remaining mineral reserves. We acquired this quarry in early 2002 to serve its growing market and to provide a stable supply of crushed stone aggregates to our existing ready-mixed concrete operations in the Northern New Jersey market. We intend to explore additional opportunities to integrate aggregates businesses into our existing operations.

#### Operations

The businesses we have acquired have made substantial capital investments in equipment, systems and personnel at their respective plants to facilitate continuous multi-customer deliveries of highly perishable products. In any given market, we may maintain a number of plants whose production we centrally coordinate to meet customer production requirements. We must be able to adapt constantly to continually changing delivery schedules.

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

- . capital availability;
- . production consistency requirements;
- . daily production capacity requirements; and
- . job-site location.

A wet batch plant generally costs more, but yields greater consistency in the concrete produced and has greater daily production capacity, than a dry batch plant. We believe that a wet batch plant having an hourly capacity of 250 cubic yards currently would cost approximately \$1.5 million, while a dry batch plant having the same capacity currently would cost approximately \$0.7 million. At March 15, 2002, we operated 13 wet batch plants and 72 dry batch plants.

The market primarily will drive our future plant decisions. The relevant market factors include:

- . the expected production demand for the plant;
- . the expected types of projects the plant will service; and
- . the desired location of the plant.

Generally, plants intended primarily to serve high-volume, commercial or public works projects will be wet batch plants, while plants intended primarily to serve low-volume, residential construction projects will be dry batch plants. From time to time, we also may use portable plants, which include both wet batch and dry batch facilities, to service large, long-term jobs and jobs in remote locations.

The batch operator in a dry batch plant simultaneously loads the dry components of stone, sand and cement with water and admixtures in a mixer truck that begins the mixing process during loading and completes that process while driving to the job site. In a wet batch plant, the batch operator blends the dry



components and water in a plant mixer from which he loads the already mixed concrete into the mixer truck, which leaves for the job site promptly after loading.

Mixer trucks slowly rotate their loads on route to job sites in order to maintain product consistency. A mixer truck typically has a load capacity of nine cubic yards, or approximately 18 tons, and a useful life of 12 years. Depending on the type of batch plant from which the mixer trucks generally are loaded, some components of the mixer trucks will require refurbishment after three to nine years. A new truck of this size currently costs approximately \$125,000. At March 15, 2002, we operated a fleet of approximately 960 mixer trucks.

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

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

- . the customer service office coordinates the timing and delivery of the concrete to the job site;
- . a load operator supervises and coordinates the receipt of the necessary raw materials and operates the hopper that dispenses those materials into the appropriate storage bins;
- . a batch operator, using a computerized batch panel, prepares the specified mixture from the order and oversees the loading of the mixer truck with either dry ingredients and water in a dry batch plant or the already-mixed concrete in a wet batch plant; and
- . the driver of the mixer truck delivers the load to the job site, discharges the load and, after washing the truck, departs at the direction of the dispatch office.

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

- . loading concrete;
- . in route to a particular job site;
- . on the job site;
- . discharging concrete;
- . being washed; or

- . in route to a particular plant.

The system is updated continuously via signals received from the individual truck operators as to their status. In this manner, the dispatcher can determine the optimal routing and timing of subsequent deliveries by each mixer truck and monitor the performance of each driver.

A plant manager oversees the operation of each plant. Our employees also include:

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

We generally operate on a single shift with some overtime operation during the construction season. On occasion, however, we may have projects that require deliveries around the clock.

#### Cement and Raw Materials

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

#### Sales and Marketing

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

#### Customers

Of our 2001 sales, we made approximately 51% to commercial and industrial construction contractors, approximately 31% to residential construction contractors, approximately 12% to street and highway construction contractors and approximately 6% to other public works and infrastructure contractors. In 2001, no single customer or project accounted for more than 4% of our total sales.

We rely heavily on repeat customers. Our management and dedicated sales personnel are responsible for developing and maintaining successful long-term relationships with key customers. We believe that by expanding our operations into more geographic markets, we will be in a better position to market to and service large nationwide and regional contractors.

#### Training and Safety

Our future success will depend, in part, on the extent to which we can attract, retain and motivate qualified employees. We believe that our ability to do so will depend on the quality of our recruiting, training, compensation and benefits, the

opportunities we afford for advancement and our safety record. Historically, we have supported and funded continuing education programs for our employees. We intend to continue and expand these programs. We require all field employees to attend periodic safety training meetings and all drivers to participate in training seminars followed by certification testing. The responsibilities of our national safety director include managing and executing a unified, company-wide safety program.

Competition

The ready-mixed concrete industry is highly competitive. Our competitive position in a market depends largely on the location and operating costs of our ready-mixed concrete plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or simple jobs, principally in residential construction, while timeliness of delivery and consistency of quality and service as well as price are the principal competitive factors among suppliers for large or complex jobs. Our competitors range from small, owner-operated private companies to subsidiaries or operating units of large, vertically integrated cement manufacturing and concrete products companies. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do have a competitive advantage over us for jobs that are particularly price-sensitive. Competitors having greater financial resources to build plants in new areas or pay for acquisitions also have competitive advantages over us.

Employees

At March 15, 2002, we had approximately 414 salaried employees, including executive officers, management personnel, sales personnel, technical personnel, administrative staff and clerical personnel, and approximately 1,695 hourly personnel generally employed on an as-needed basis, including truck drivers. The number of employees fluctuates depending on the number and size of projects ongoing at any particular time, which may be impacted by variations in weather conditions throughout the year.

At March 15, 2002, approximately 940 of our employees were represented by labor unions having collective bargaining agreements with us. Generally, these agreements have multi-year terms and expire on a staggered basis. Under these agreements, we pay specified wages to covered employees, observe designated workplace rules and make payments to multi-employer pension plans and employee benefit trusts rather than administering the funds on behalf of these employees.

None of the businesses we have acquired has experienced any strikes or significant work stoppages in the past five years. We believe our relationships with our employees and union representatives are satisfactory.

Facilities and Equipment

At March 15, 2002, we operated a fleet of approximately 960 owned and leased mixer trucks and 550 other vehicles. Our own mechanics service most of the fleet. We believe these vehicles generally are well maintained and adequate for our operations. The average age of the mixer trucks is approximately 6.5 years.

The table below summarizes the operations at our facilities at March 15, 2002. We believe that these facilities are sufficient for our immediate needs. The ready-mixed volumes in the table represent the pro forma 2001 volumes produced by each location.

Location	Ready-Mixed			Pre-Cast	Block	Aggregates	Ready-Mixed Volume (in thousands of cubic yards)
	Fixed	Portable	Total				
Northern California .....	20	--	20	5	--	--	2,108
Atlantic Region .....	27	6	33	1	2	1	1,557
North Texas/Southwest Oklahoma .....	16	2	18	--	--	--	787
Michigan .....	11	--	11	--	1	--	647
Tennessee/Northern Mississippi .....	11	1	12	--	--	--	469
Southern California/Arizona .....	--	--	--	2	--	--	--
	85	9	94	8	3	1	5,568

Governmental Regulation and Environmental Matters

A wide range of federal, state and local laws apply to our operations, including such matters as:

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

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

Environmental laws that impact our operations include those relating to air quality, solid waste management and water quality. Environmental laws are complex and subject to frequent change. These laws impose strict liability in some cases without regard to negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, businesses may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws also may expose us to liability for the conduct of or conditions caused by others, or for acts that complied with all applicable laws when performed. We have conducted Phase I investigations to assess environmental conditions on substantially all the real properties we own or lease and have engaged independent environmental consulting firms in that connection. We have not identified any environmental concerns we believe are likely to have a material adverse effect on our business, financial condition or results of operations, but you have no assurance material liabilities will not occur. You also have no assurance our compliance with amended, new or more stringent laws, stricter interpretations of existing laws or the future discovery of environmental conditions will not require additional, material expenditures. OSHA regulations establish requirements our training programs must meet.

We have all material permits and licenses we need to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our capital expenditures relating to environmental matters were not material in 2001. We currently do not anticipate any material adverse effect on our business or financial position as a result of our future compliance with existing environmental laws controlling the discharge of materials into the environment.

#### Product Warranties

Our operations involve providing ready-mixed and other concrete formulations that must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. If we fail or are unable to provide product meeting these requirements and specifications, material claims may arise against us and our reputation could be damaged.

#### Insurance

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

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

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

In addition, various statements this report contains, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. Those forward-looking statements appear in Items 1 and 2--"Business and Properties" and Item 3--"Legal Proceedings" in Part I of this report and in Item 7--"Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the notes to our consolidated financial statements in Item 8 of Part II of this report and elsewhere in this report. These forward-looking statements speak only as of the date of this report, we disclaim any obligation to update these statements and we caution you not to rely unduly on them. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

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

could cause our actual results to differ materially from those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed most of these factors in more detail elsewhere in this report. These factors are not necessarily all the important factors that could affect us. Unpredictable or unknown factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises. We advise our existing and potential security holders that they should (1) be aware that important factors to which we do not refer above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

### Item 3. Legal Proceedings

Bay-Crete Transportation & Materials, LLC alleges in a lawsuit it filed on July 11, 2000 in California Superior Court in San Mateo County, against our subsidiary, Central, and us that it possesses beneficiary rights under a 1983 contract to purchase annually up to 200,000 cubic yards of ready-mixed concrete from Central until March 30, 2082. Under that contract, the purchase price would consist of Central's direct materials costs and an overhead fee. Bay-Crete alleges that we breached that contract by refusing to acknowledge Bay-Crete's rights as a beneficiary of that contract. It is seeking damages of \$500 million of lost profits spread over the next 81 years. Central and we each filed an answer and cross-complaint in August 2000 which seeks declaratory relief for a determination that Bay-Crete is not entitled to use the contract. In addition, the cross-complaints seek damages for improper conduct by Bay-Crete, the general manager of Bay-Crete and a member of Bay-Crete for making demands under the contract in violation of an order of the United States Bankruptcy Court for the Northern District of California, San Francisco Division. A predecessor to Central previously prevailed in the defense of a similar action brought by the general manager of Bay-Crete under a related agreement, and Central and we believe we have meritorious defenses to Bay-Crete's claim and intend to vigorously defend this suit.

In September 2001, we entered into a settlement agreement relating to a complaint that Del Webb California Corp. filed on June 29, 2001 in the Superior Court of the State of California for the County of Sacramento against one of our subsidiaries, Central, and two other companies. The complaint related to concrete produced by Central and delivered for use in a large, single-family home tract-construction project in northern California. The complaint (1) alleged various causes of action relating to concrete that Central manufactured using a batch mix that did not meet Del Webb's specifications and (2) sought relief including damages of at least \$7 million. Under the settlement agreement entered into among the plaintiff and its parent company, Central, U.S. Concrete and one of the other defendants in the case, Central agreed to accept a back charge in the amount of \$608,000 from Del Webb, effectively eliminating a receivable from Del Webb in that amount, and pay an additional \$2.2 million to Del Webb. In connection with the settlement, Central, U.S. Concrete and the other settling defendant also entered into a two-year supply agreement with Del Webb to continue to provide concrete for use in Del Webb's project in northern California at an agreed-to selling price adjustment from the price charged by Central (which we believe approximates the discount we would provide for a contract with similar volume). In December 2001, the Superior Court determined that the parties entered into the settlement in good faith and the matter was concluded. We recorded the \$608,000 and \$2.2 million charges as selling, general and administrative expenses in the second and third quarters, respectively, of 2001.

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

We believe that the resolution of all litigation currently pending or threatened against us or any of our subsidiaries (including the dispute with Bay-Crete we describe above) will not have a material adverse effect on our business or financial condition; however, because of the inherent uncertainty of litigation, we cannot assure you that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our results of operations for the fiscal period in which that resolution occurs. We expect 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 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our security holders during the fourth quarter of 2001.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock began trading on The Nasdaq Stock Market in May 1999 under the symbol "RMIX." As of March 15, 2002, 26.7 million shares of our common stock were outstanding, held by approximately 880 stockholders of record. The number of record holders does not necessarily bear any relationship to the number of beneficial owners of our common stock.

The following table sets forth the range of high and low bid prices for our common stock on The Nasdaq Stock Market for the periods indicated:

	2001		2000	
	High	Low	High	Low
First Quarter.....	\$ 9.13	\$ 6.13	\$ 7.88	\$ 6.00
Second Quarter .....	9.25	7.17	8.13	6.00
Third Quarter .....	8.51	6.65	8.19	6.00
Fourth Quarter .....	7.45	5.73	7.31	5.69

The last reported bid price for our common stock on The Nasdaq Stock Market on March 15, 2002 was \$7.03 per share.

We have not paid or declared any dividends since our formation and currently intend to retain earnings to fund our working capital. Any future dividends will be at the discretion of our board of directors after taking into account various factors it deems relevant, including our financial condition and performance, cash needs, income tax consequences and the restrictions Delaware and other applicable laws and our credit facilities then impose. Our credit facility prohibits the payment of cash dividends on our common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" in Item 7 of this report and Note 7 of our Notes to Consolidated Financial Statements in Item 8 of this report.

Recent Sales of Unregistered Securities

Between October 1, 2001 and December 31, 2001, we issued 742,448 shares of common stock as part of the consideration we paid to two former owners of a business we acquired in that period. We issued those shares without registration under the Securities Act in reliance on the exemption Section 4(2) of the Securities Act provides for transactions not involving any public offering.

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Item 6. Selected Financial Data

We acquired seven businesses in 2001, six businesses in 2000 and 14 in 1999 (including our initial six acquisitions), all of which we have accounted for under the purchase method of accounting (see Note 3 "Business Combinations" in

Item 8). Our financial statements present Central Concrete Supply Co., Inc., one of our initial six acquisitions, as the acquirer of the other 26 businesses and U.S. Concrete. The following historical financial information is of Central prior to June 1, 1999 and of U.S. Concrete and its consolidated subsidiaries after that date. The historical financial information for Central as of December 31, 1998 and 1997, and for the years ended December 31, 1998 and 1997, derives from the audited financial statements of Central. See the historical financial statements and related notes this document contains.

	Year Ended December 31				
	2001	2000	1999	1998	1997
	(in thousands)				
Statement of Operations Information:					
Sales .....	\$493,591	\$394,636	\$167,912	\$ 66,499	\$ 53,631
Cost of goods sold .....	396,769	314,297	135,195	53,974	43,794
Gross profit .....	96,822	80,339	32,717	12,525	9,837
Selling, general and administrative expenses .....	44,933	27,741	9,491	4,712	4,265
Stock compensation charge .....	2,124	--	2,880	--	--
Depreciation and amortization .....	13,828	11,212	3,453	930	1,330
Income from operations .....	35,937	41,386	16,893	6,883	4,242
Interest expense, net .....	19,386	14,095	1,708	165	226
Other income, net .....	652	1,319	663	36	26
Income before income tax provision .....	17,203	28,610	15,848	6,754	4,042
Income tax provision (benefit) .....	7,658	11,750	7,658	100	(457)
Net income .....	\$ 9,545	\$ 16,860	\$ 8,190	\$ 6,654	\$ 4,499

	December 31				
	2001	2000	1999	1998	1997
	(in thousands)				
Balance Sheet Information:					
Working capital .....	\$ 46,941	\$ 43,185	\$ 14,578	\$ 7,431	\$ 4,899
Total assets .....	430,836	357,490	212,734	26,640	19,837
Long-term debt, including current maturities .....	163,775	157,134	57,375	3,530	2,660
Total stockholders' equity .....	188,315	150,555	110,793	15,154	10,731

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

Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the heading "Cautionary Statement Concerning Forward-Looking Statements" following Items 1 and 2 of Part I of this report and under the heading "Factors That May Affect Our Future Operating Results" below.

### Overview

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

Our cost of goods sold consists principally of the costs we incur in obtaining the cement, aggregates and admixtures we combine to produce ready-mixed concrete and other concrete products in various formulations. We obtain substantially

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. These expenses also include office rent and utilities, communications expenses and professional fees.

We purchased seven operating businesses in 2001, six operating businesses in 2000 and 14 operating businesses in 1999, all of which we have accounted for in accordance with the purchase method of accounting. Our financial statements present Central Concrete Supply Co., Inc., one of our initial six acquisitions, as the acquirer of the other businesses and U.S. Concrete. These financial statements are those of Central prior to June 1, 1999 and of U.S. Concrete and its consolidated subsidiaries after that date.

#### Factors That May Affect Our Future Operating 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 materially lower in the first and fourth calendar quarters. Because we incur fixed costs, such as wages, rent, depreciation and other selling, general and administrative 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.

You should not rely on (1) quarterly comparisons of our revenues and operating results as indicators of our future performance or (2) the results of any quarterly period during a year as an indicator of results you may expect for that entire year.

Demand for ready-mixed concrete and other concrete products depends on the level of activity in the construction industry. That industry is cyclical in nature, and the general condition of the economy and a variety of other factors beyond our control affect its level of activity. These factors include, among others:

- . the availability of funds for public or infrastructure construction;
- . commercial and residential vacancy levels;
- . changes in interest rates;
- . the availability of short- and long-term financing;
- . inflation;
- . consumer spending habits; and
- . employment levels.

The construction industry can exhibit substantial variations in activity across the country as a result of these factors impacting regional and local economies differently.

Markets for ready-mixed concrete generally are local. Our results of operations are susceptible to swings in the level of construction activity which may occur in our markets.

Ready-mixed concrete is highly price-sensitive. Our prices are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions and market conditions, all of which are beyond our

control. Because of the fixed-cost nature of our business, our overall profitability is sensitive to minor variations in sales volumes and small shifts in the balance between supply and demand.

Competitive conditions in our industry also may affect our future operating results.

As we acquire additional businesses in the future, we will include the operating results of those businesses in our consolidated operating results from

their respective acquisition dates. Consequently, the magnitude and timing of our future acquisitions will affect our operating results.

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

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Under this new standard, which we discuss under "New Accounting Pronouncements" below, the new requirements for assessing whether goodwill assets have been impaired involve analyses of fair value. This information, and its use in assessing goodwill, will entail some degree of subjective assessments.

#### Results of Operations

The following table sets forth for us selected historical statement of operations information and that information as a percentage of sales for the years indicated. These financial statements are those of Central prior to June 1, 1999 and of U.S. Concrete and its consolidated subsidiaries after that date. Except as we note below, our acquisitions in 2001 primarily account for the changes in 2001 from 2000, and our acquisitions in 2000 primarily account for the changes in 2000 from 1999.

	Year Ended December 31					
	2001		2000		1999	
	(dollars in thousands)					
Sales .....	\$493,591	100.0%	\$394,636	100.0%	\$167,912	100.0%
Cost of goods sold .....	396,769	80.4	314,297	79.6	135,195	80.5
Gross profit .....	96,822	19.6	80,339	20.4	32,717	19.5
Selling, general and administrative expenses .....	44,933	9.1	27,741	7.0	9,491	5.7
Special compensation charge .....	2,124	0.4	--	--	2,880	1.7
Depreciation and amortization .....	13,828	2.8	11,212	2.9	3,453	2.1
Income from operations .....	35,937	7.3	41,386	10.5	16,893	10.0
Interest expense, net .....	19,386	3.9	14,095	3.6	1,708	1.0
Other income, net .....	652	0.1	1,319	0.4	663	0.4
Income before income tax provision .....	17,203	3.5	28,610	7.3	15,848	9.4
Income tax provision .....	7,658	1.6	11,750	3.0	7,658	4.5
Net income .....	\$ 9,545	1.9%	\$ 16,860	4.3%	\$ 8,190	4.9%

#### 2001 Compared to 2000

**Sales.** Sales increased \$99.0 million, or 25.1%, from \$394.6 million in 2000 to \$493.6 million in 2001.

**Gross profit.** Gross profit increased \$16.5 million, or 20.5%, from \$80.3 million in 2000 to \$96.8 million in 2001. Gross margins decreased from 20.4% in 2000 to 19.6% in 2001, primarily because of decreases in sales volume in several of our primary markets resulting principally from a slowdown in construction activity attributable to general and local economic conditions and weather conditions in some of our markets.

**Selling, general and administrative expenses.** Selling, general and administrative expenses increased \$17.2 million, or 62.0%, from \$27.7 million in 2000 to \$44.9 million in 2001. The increase in selling, general and administrative expenses as a percentage of sales is primarily attributable to management additions in some of our markets and a pretax charge of \$2.2 million we recorded in the third quarter of 2001 to settle the Del Webb litigation and a \$608,000 pretax charge in the second quarter of 2001 to reserve a portion of our accounts receivable related to the Del Webb project. Final effectiveness and payment of the settlement occurred in December 2001.

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**Special compensation charge.** We granted additional compensation to members of our management team and some of our key employees in recognition of the overall contribution made by those employees to our various 2001 capital-raising initiatives. This one-time award is in addition to our recurring annual incentive compensation program.

**Depreciation and amortization.** Depreciation and amortization expense increased \$2.6 million, or 23.3%, from \$11.2 million in 2000 to \$13.8 million in 2001. This increase includes amortization of the goodwill attributable to our acquisition activity. At December 31, 2001, the annualized amount of this noncash expense was \$5.8 million. For additional information, see the discussion below of new accounting standards relating to goodwill under "New Accounting Pronouncements."

Interest expense, net. Interest expense, net, increased \$5.3 million from \$14.1 million in 2000 to \$19.4 million in 2001. This increase was attributable to borrowings we made to pay the cash portion of the purchase prices for our acquisitions and the issuance of \$95 million of 12.00% senior subordinated notes in November 2000. At December 31, 2001, we had outstanding borrowings totaling \$163.8 million, at a weighted average interest cost of 9.1% per annum. Based on this weighted average interest rate, the impact of the senior subordinated notes on interest expense is an increase of \$6.6 million, or \$0.15 per share, on an annualized after-tax basis.

Other income, net. Other income, net, decreased \$667,000, or 50.6%, from \$1.3 million in 2000 to \$0.6 million in 2001. This decrease is attributable to gains realized in 2000 on the sale of a customer contract, a gain from the involuntary conversion of property and other items of income that were not replicated in 2001.

Income tax provision. We provided for income taxes of \$7.7 million in 2001, a decrease of \$4.1 million from our provision in 2000. The decrease in income taxes is principally the result of lower taxable income our operations generated during 2001. Additionally, the effective tax rate increased from 41.1% to 44.5% due to the effect of the non-deductible portion of our goodwill amortization on our lower taxable income.

#### 2000 Compared to 1999

Sales. Sales increased \$226.7 million, or 135.0%, from \$167.9 million in 1999 to \$394.6 million in 2000.

Gross profit. Gross profit increased \$47.6 million, or 145.6%, from \$32.7 million in 1999 to \$80.3 million in 2000. Gross margins increased from 19.5% in 1999 to 20.4% in 2000, primarily because of improved pricing terms we negotiated with key materials suppliers in our major ready-mixed concrete markets.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$18.3 million, or 192.3%, from \$9.5 million in 1999 to \$27.7 million in 2000. The increase in selling, general and administrative expenses as a percentage of sales is attributable to additions to the corporate overhead infrastructure to accommodate our growth strategy and management additions in certain of our markets.

Special compensation charge. The 1999 stock compensation charge represents a noncash charge for the 400,000 shares of common stock we 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 our IPO.

Depreciation and amortization. Depreciation and amortization expense increased \$7.8 million, or 224.7%, from \$3.5 million in 1999 to \$11.2 million in 2000. This increase includes amortization of the goodwill attributable to our acquisition activity. At December 31, 2000, the annualized amount of this noncash expense was \$4.9 million. For additional information, see the discussion below of new accounting standards relating to goodwill under "New Accounting Pronouncements."

Interest expense, net. Interest expense, net, increased \$12.4 million from \$1.7 million in 1999 to \$14.1 million in 2000. This increase was attributable principally to borrowings we made to pay the cash portion of the purchase prices for our acquisitions. At December 31, 2000, we had outstanding borrowings totaling \$157.1 million, at a weighted average interest cost of 10.7% per annum.

Other income, net. Other income, net, increased \$656,000, or 98.9%, from \$663,000 in 1999 to \$1.3 million in 2000. This increase is attributable to the sale of a customer contract, a gain from the involuntary conversion of property and other items of income.

Income tax provision. We provided for income taxes of \$11.8 million in 2000, an increase of \$4.1 million from our provision in 1999. The increase is principally attributable to an overall increase in taxable earnings for 2000 resulting from

our operating activities. In addition, in the first five months of 1999, Central operated as an S Corporation and thus made no provision for income taxes during that period. The increase in our overall income tax provision is partially offset by a decrease in our effective income tax rate from 48.3% in 1999 to 41.1% in 2000. The higher rate in 1999 primarily resulted from the income tax expense we recognized as a result of the conversion of Central from an S Corporation to a C Corporation and a nondeductible stock compensation charge we recognized during that year.

#### Liquidity and Capital Resources

##### Free Cash Flow

Free cash flow is defined as cash provided by operating activities less net capital expenditures (that is, purchases of property, plant and equipment less proceeds from disposals of property, plant and equipment). If free cash flow is positive, it represents funds available to invest in acquisitions or to reduce outstanding debt or equity. If free cash flow is negative, it represents a requirement to utilize additional debt or equity capital resources.

Our historical free cash flow is presented as follows (in thousands):

	Year Ended December 31		
	2001	2000	1999
Net cash provided by operating activities .....	\$ 44,874	\$ 9,583	\$ 9,046
Less: purchases of property, plant and equipment .....	(10,859)	(8,205)	(7,547)
Add: proceeds from disposals of property, plant and equipment ...	2,214	2,156	1,031
Free cash flow .....	\$ 36,229	\$ 3,534	\$ 2,530

The increase in free cash flow from 2000 to 2001 was primarily attributable to improvements in working capital changes. These working capital change improvements resulted from a more disciplined focus on various aspects of cash management, including accelerated customer billings and collections at many of our operating subsidiaries and more effective management of vendor payables. The increase in free cash flow from 1999 to 2000 was primarily attributable to higher net earnings and noncash charges, partially offset by unfavorable working capital changes.

##### Acquisitions

The following table summarizes the amount we paid for acquisitions during the indicated periods (in thousands):

	Year Ended December 31		
	2001	2000	1999
Cash consideration .....	\$ 49,303	\$ 98,918	\$ 78,565
Less: Cash received from acquired companies .....	(2,174)	(3,961)	(10,070)
Cash paid, net of cash acquired .....	47,129	94,957	68,495
Fair value of common stock issued .....	12,375	22,357	67,050
Direct acquisition costs incurred .....	2,613	3,261	8,406
Total purchase costs incurred, net of cash acquired ....	\$ 62,117	\$120,575	\$143,951

##### Capital Resources

On July 18, 2001, we issued in a public offering 1.8 million shares of our common stock at a price to the public of \$8.00 per share. We used the net proceeds of \$13.6 million to repay borrowings under our credit facility.

On August 31, 2001, we amended and restated our secured revolving credit facility. The terms of the facility are substantially unchanged, except that we extended the maturity of the facility from May 2002 to May 2004 and reduced the size of the facility from \$200 million to \$188 million. We had \$68.6 million of

outstanding borrowings under our credit facility at December 31, 2001. Our borrowing capacity under the facility varies from time to time depending on our satisfaction of several financial tests. We may use the facility for the following purposes:

- . financing acquisitions;

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- . funding the internal expansion of our operations;
- . working capital; and
- . general corporate purposes.

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

- . requires the consent of the lenders for all acquisitions;
- . prohibits the payment of cash dividends on our common stock;
- . limits our ability to incur additional indebtedness; and
- . requires us to comply with financial covenants.

Our failure to comply with these covenants and restrictions would constitute an event of default under the facility.

At December 31, 2001, we had \$119.4 million of remaining capacity under this facility, of which we could borrow \$16.1 million based on our leverage ratio at that date. Our ability to borrow additional amounts would increase to the extent that we use the facility to fund the acquisition of additional businesses with positive cash flow.

On November 10, 2000, we issued and sold to institutional investors in a private placement \$95 million aggregate principal amount of our 12.00% senior subordinated notes due November 10, 2010 for \$95 million in cash. The terms of these notes require us to repay them in equal annual installments of approximately \$13.6 million on November 10 in each of the years 2004 through 2010. We used the net proceeds from our sale of the notes to reduce amounts outstanding under our credit facility.

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.

The continuation of our growth strategy will require substantial capital. We currently intend to finance future acquisitions through issuances of our equity or debt securities, including convertible 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 or convertible securities for this purpose may result in 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.

#### Other Commitments

As is common in our industry, we have entered into certain off-balance sheet arrangements in the ordinary course of business that result in risks our

balance sheets do not directly reflect. Our significant off-balance sheet transactions are liabilities associated with noncancelable operating leases and letter of credit obligations.

We enter into noncancelable operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for use of the facilities, vehicles and equipment rather than purchasing them. At the end of the lease, we have no further obligation to the lessor. We may decide to cancel or terminate a lease before the end of its term, in which event we typically would be liable to the lessor for the remaining lease payments under the term of the lease.

We did not have any letters of credit outstanding under our facility at December 31, 2001. In March 2002, we issued a \$50,000 letter of credit to a municipality in New Jersey in connection with our obligation to perform reclamation services on the closure of an aggregates quarry operation that we purchased in January 2002. The cost of this reclamation is being accrued over the life of the quarry, which is currently estimated to be in excess of 40 years.

Our future contractual obligations are as follows (in thousands):

	2002	2003	2004	2005	2006	Thereafter	Total
Debt obligations.....	\$ 77	\$ 61	\$82,209	\$13,571	\$13,571	\$54,286	\$163,775
Operating lease obligations.....	10,509	7,956	6,419	4,453	3,962	9,038	42,337

In January 2002, we entered into an underwriting agreement that allows us to issue a limited number of shares of our common stock through an underwriter over a two-year period. To the extent that we do not raise a minimum amount through the issuance of equity under this agreement over its two-year term, we would be required to pay the underwriter up to \$100,000 in stand-by fees.

Related-Party Transactions

We enter into transactions in the normal course of business with related parties. These transactions consist principally of operating leases under which we lease facilities from former owners of our acquired businesses or their affiliates and include transactions with some of our officers and directors or their affiliates. See note 10 (Related-Party Transactions) to our consolidated financial statements included in Item 8 to this report for a description of these transactions.

Critical Accounting Policies

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," we have identified our critical accounting policies based on the significance of the accounting policy to our overall financial statement presentation, as well as the complexity of the accounting policy and its use of estimates and subjective assessments. We have concluded that our critical accounting policies are the use of estimates in the recording of allowance for doubtful accounts, realization of goodwill, accruals for self-insurance, accruals for income tax provision and the valuation and useful lives of property, plant and equipment. See note 2 (Significant Accounting Policies) to our consolidated financial statements included in Item 8 to this report for a complete discussion of these accounting policies.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria for recording intangible assets other than goodwill in connection with business combinations. SFAS No. 142 requires companies to assess goodwill assets for impairment each year, and more frequently if circumstances suggest an impairment may have occurred. SFAS No. 142 also introduces a more stringent framework for

assessing goodwill impairment than the approach previously required. In addition, SFAS No. 142 discontinues the regular charge, or amortization, of goodwill assets against income.

SFAS No. 141 was effective immediately. SFAS No. 142 became effective for us beginning January 1, 2002. We will show any impairment loss we recognize in accordance with SFAS No. 142 as the cumulative effect of a change in accounting principle in our income statement. Under this treatment, our income statement would show after-tax results of operations both with and without the cumulative effect of the change in accounting principle recognizing an impairment.

We are currently reviewing these new accounting standards. Under the prior standards, we recognized a non-cash charge of approximately \$1.4 million per quarter in our consolidated income statement to amortize our goodwill assets over 40-year lives. We ended this amortization on January 1, 2002, under the new standards.

On the basis of a preliminary review of the new standards and currently available information, we believe we will record a non-cash, after-tax goodwill impairment charge, reflected as the cumulative effect of a change in accounting principle, of between \$20 million and \$25 million in the first quarter of 2002.

We have specifically provided for the possibility of a non-cash charge in the terms of our credit facility and accordingly expect no impact from such an impairment charge on our compliance with that facility.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 covers all legally enforceable obligations associated with the retirement of tangible long-lived assets. SFAS No. 143

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requires recording the fair value of a liability for an asset retirement obligation in the period incurred. SFAS 143 is effective for us beginning January 1, 2003. Upon adoption of SFAS 143, we would be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs and accumulated depreciation. We have yet to determine the impact that the adoption of SFAS No. 143 will have on our consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The new standard went into effect beginning January 1, 2002, and we are currently reviewing and evaluating the effects this standard will have on our reported financial condition, results of operations and accounting policies and practices.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires entities to recognize all derivative instruments, including certain derivative instruments embedded in other contracts, as assets or liabilities in their balance sheets and measure them at fair value. It also requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. We adopted this standard effective January 1, 2001. Because we did not engage in holding or trading derivative instruments, this standard has had no impact through 2001.

#### Inflation

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

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

Borrowings under our revolving credit facility expose us to certain market risks. Outstanding borrowings under our credit facility were \$68.6 million at December 31, 2001. A change of one percent in the interest rate would cause a pretax change in interest expense of approximately \$686,000 or \$0.01 per diluted share, on an annual after-tax basis. We did not enter into our credit facility

for trading purposes. The credit facility carries interest at a pre-agreed percentage point spread from either the prime interest rate, or a one, two, three or six month Eurodollar interest rate.

Item 8. Financial Statements and Supplementary Data

U.S. CONCRETE, INC.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To U.S. Concrete, Inc.:

We have audited the accompanying consolidated balance sheets of U.S. Concrete, Inc., a Delaware corporation, and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Concrete, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas  
February 26, 2002



U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except share amounts)

	ASSETS	
	-----	
	December 31	
	2001	2000
	-----	-----
Current assets:		
Cash and cash equivalents .....	\$ 7,127	\$ 711
Trade accounts receivable, net .....	72,326	62,641
Inventories .....	16,499	9,494
Deferred income taxes .....	1,851	1,653
Prepaid expenses and other current assets .....	7,444	5,106
	-----	-----
Total current assets .....	105,247	79,605
	-----	-----
Property, plant and equipment, net .....	100,309	82,993
Goodwill, net .....	219,868	188,921
Other assets .....	5,412	5,971
	-----	-----
Total assets .....	\$430,836	\$357,490
	=====	=====
	LIABILITIES AND STOCKHOLDERS' EQUITY	
	-----	
Current liabilities:		
Current maturities of long-term debt .....	\$ 77	\$ 107
Accounts payable and accrued liabilities .....	58,229	36,313
	-----	-----
Total current liabilities .....	58,306	36,420
	-----	-----
Long-term debt, net of current maturities .....	163,698	157,027
Deferred income taxes .....	20,517	13,488
	-----	-----
Total liabilities .....	242,521	206,935
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding .....	--	--
Common stock, \$0.001 par value; 60,000,000 shares authorized; 26,711,094 and 22,452,036 shares issued and outstanding in 2001 and 2000, respectively ..	27	22
Additional paid-in capital .....	155,380	127,170
Retained earnings .....	32,908	23,363
	-----	-----
Total stockholders' equity .....	188,315	150,555
	-----	-----
Total liabilities and stockholders' equity .....	\$430,836	\$357,490
	=====	=====

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

U.S. CONCRETE, INC. AND SUBSIDIARIES

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

	Year Ended December 31		
	2001	2000	1999
	-----	-----	-----
Sales .....	\$493,591	\$394,636	\$167,912

Cost of goods sold .....	396,769	314,297	135,195
Gross profit .....	96,822	80,339	32,717
Selling, general and administrative expenses .....	44,933	27,741	9,491
Special compensation charge .....	2,124	--	2,880
Depreciation and amortization .....	13,828	11,212	3,453
Income from operations .....	35,937	41,386	16,893
Interest expense, net .....	19,386	14,095	1,708
Other income, net .....	652	1,319	663
Income before income tax provision .....	17,203	28,610	15,848
Income tax provision .....	7,658	11,750	7,658
Net income .....	\$ 9,545	\$ 16,860	\$ 8,190
Earnings per share:			
Basic .....	\$ 0.39	\$ 0.78	\$ 0.70
Diluted .....	\$ 0.39	\$ 0.78	\$ 0.70
Number of shares used in calculating earnings per share:			
Basic .....	24,551	21,573	11,770
Diluted .....	24,621	21,592	11,783

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

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U.S. CONCRETE, INC. AND SUBSIDIARIES

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity
	Shares	Amount			
BALANCE, December 31, 1998 .....	3,120	\$ 3	\$ 621	\$ 14,530	\$ 15,154
Initial public offering, net of offering costs ..	4,370	4	27,668	--	27,672
Acquisitions of founding companies .....	8,319	10	57,904	(6,064)	51,850
Acquisitions of purchased companies .....	2,430	2	15,198	--	15,200
Distributions to stockholders .....	--	--	--	(10,153)	(10,153)
Stock compensation charge .....	400	--	2,880	--	2,880
Net income .....	--	--	--	8,190	8,190
BALANCE, December 31, 1999 .....	18,639	19	104,271	6,503	110,793
Acquisitions of purchased companies .....	3,710	2	22,355	--	22,357
Stock issued under employee stock purchase plan .....	103	1	544	--	545
Net income .....	--	--	--	16,860	16,860
BALANCE, December 31, 2000 .....	22,452	22	127,170	23,363	150,555
Public offering, net of offering costs .....	1,820	2	13,600	--	13,602
Acquisitions of purchased companies .....	2,076	3	12,372	--	12,375
Stock issued under employee stock purchase plan .....	226	--	1,242	--	1,242
Stock option exercises .....	17	--	125	--	125
Stock issued to board member .....	12	--	95	--	95
Stock issued in connection with special compensation charge .....	108	--	776	--	776
Net income .....	--	--	--	9,545	9,545
BALANCE, December 31, 2001 .....	26,711	\$ 27	\$ 155,380	\$ 32,908	\$ 188,315

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

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U.S. CONCRETE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31		
	2001	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 9,545	\$ 16,860	\$ 8,190
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	13,828	11,212	3,453
Debt issuance cost amortization .....	1,719	1,099	123
Net loss (gain) on sale of property, plant and equipment .....	77	(435)	(218)
Deferred income tax provision .....	4,881	3,011	762
Provision for doubtful accounts .....	2,507	220	118
Stock compensation .....	871	--	2,880
Changes in assets and liabilities, excluding effects of acquisitions:			
Receivables .....	3,953	(4,194)	(5,372)
Prepaid expenses and other current assets .....	(1,801)	(2,623)	69
Accounts payable and accrued liabilities .....	9,294	(15,567)	(959)
Net cash provided by operating activities .....	44,874	9,583	9,046
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment .....	(10,859)	(8,205)	(7,547)
Payments for acquisitions, net of cash received of \$2,174, \$3,961 and \$10,070 .....	(47,129)	(94,957)	(68,495)
Payment of direct costs in connection with acquisitions .....	(2,613)	(3,261)	(8,406)
Proceeds from disposals of property, plant and equipment .....	2,214	2,156	1,031
Net cash used in investing activities .....	(58,387)	(104,267)	(83,417)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings .....	6,620	192,900	57,266
Repayments of borrowings .....	(113)	(93,141)	(3,607)
Proceeds from issuances of common stock .....	15,200	545	32,512
Cash paid related to common stock issuance costs .....	(180)	(242)	(4,373)
Debt issuance costs .....	(1,598)	(5,294)	(860)
Distributions to stockholders .....	--	--	(10,153)
Net cash provided by financing activities .....	19,929	94,768	70,785
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	6,416	84	(3,586)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD .....	711	627	4,213
CASH AND CASH EQUIVALENTS AT END OF PERIOD .....	\$ 7,127	\$ 711	\$ 627
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid for interest .....	\$ 17,865	\$ 12,377	\$ 1,412
Cash paid for income taxes .....	\$ 336	\$ 12,340	\$ 4,973
<b>NONCASH FINANCING ACTIVITY:</b>			
Distribution of cash surrender value of life insurance to stockholder .....	\$ --	\$ --	\$ 1,155

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

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## U.S. CONCRETE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. 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 the initial public offering of its common stock and concurrently acquired six operating businesses. From the date of its IPO through December 31, 2001, U.S. Concrete acquired 21 additional operating businesses. Its financial statements reflect the operations of the businesses it acquired after May 31, 1999 from their respective dates of acquisition.

U.S. Concrete's future success depends on a number of factors, which include integrating operations successfully, identifying and acquiring satisfactory acquisition candidates, obtaining acquisition financing, managing growth, attracting and retaining qualified management and employees, complying with government regulations and other regulatory requirements or contract specifications and addressing risks associated with competition, seasonality and quarterly fluctuations.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The consolidated financial statements consist of the accounts of U.S.

Concrete and its wholly owned subsidiaries. All significant intercompany account balances and transactions have been eliminated.

#### Cash and Cash Equivalents

U.S. Concrete records as cash equivalents all highly liquid investments having maturities of three months or less at the date of purchase.

#### Inventories

Inventories consist primarily of raw materials, pre-cast products, building materials and repair parts that U.S. Concrete holds for use or sale in the ordinary course of business. It uses the first-in, first-out method to value inventories at the lower of cost or market. For each of the three years ended December 31, 2001, management believes U.S. Concrete incurred no material impairments in the carrying value of its inventories.

#### Prepaid Expenses

Prepaid expenses primarily include amounts U.S. Concrete has paid for insurance, licenses, property taxes, rent and maintenance contracts. It expenses or amortizes all prepaid amounts as used or over the period of benefit, as applicable.

#### Property, Plant and Equipment, Net

U.S. Concrete states property, plant and equipment at cost, unless impaired, and uses the straight-line method to compute depreciation of these assets over their estimated useful lives. It capitalizes leasehold improvements on properties it holds under operating leases and amortizes them over the lesser of their estimated useful lives or the applicable lease term. It states equipment it holds under capital leases at the net present value of the future minimum lease payments at the inception of the applicable leases and amortizes that equipment over the lesser of the life of the lease or the estimated useful life of the asset.

U.S. Concrete expenses maintenance and repair costs when incurred and capitalizes and depreciates expenditures for major renewals and betterments that extend the useful lives of its existing assets. When U.S. Concrete retires or disposes of property, plant or equipment, it removes the related cost and accumulated depreciation from its accounts and reflects any resulting gain or loss in its statements of operations.

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#### Goodwill

Goodwill represents the amount by which the total purchase price U.S. Concrete has paid to acquire businesses accounted for as purchases exceeds the estimated fair value of the net assets acquired. It amortizes goodwill on a straight-line basis over 40 years. As of December 31, 2001 and 2000, accumulated amortization was \$10.8 million and \$5.4 million, respectively. For additional information, see the discussion of new accounting standards related to goodwill below in this note under New Accounting Pronouncements.

#### Debt Issue Costs

Other long-term assets include debt issue costs related to U.S. Concrete's credit facility and subordinated notes (see Note 7 for discussion). U.S. Concrete amortizes these costs as interest expense over the scheduled maturity period of the debt. As of December 31, 2001 and 2000, accumulated amortization of debt issue costs was \$2.9 million and \$1.2 million, respectively.

#### Allowance for Doubtful Accounts

U.S. Concrete provides an allowance for accounts receivable it believes it may not collect in full. A provision for bad debt expense recorded to selling, general and administrative expenses increases the allowance. Accounts receivable which are written off U.S. Concrete's books decrease the allowance. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical results reported by the concrete industry, U.S. Concrete's historical loss experience, customer-by-customer analyses of U.S. Concrete's accounts receivable balances each period and subjective assessments of U.S. Concrete's

future bad debt exposure.

#### Sales and Expenses

U.S. Concrete derives its sales primarily from the production and delivery of ready-mixed concrete and related products and materials. It recognizes sales when products are delivered. Cost of goods sold consists primarily of product costs and operating expenses. Operating expenses consist primarily of wages, benefits and other expenses attributable to plant operations, repairs and maintenance and delivery costs. Selling expenses consist primarily of sales commissions, salaries of sales managers, travel and entertainment expenses and trade show expenses. General and administrative expenses consist primarily of executive and administrative compensation and benefits, office rent, utilities, communication and technology expenses and professional fees.

#### Insurance Programs

U.S. Concrete maintains third-party insurance coverage in amounts and against the risks it believes are reasonable. Under certain components of its insurance program, U.S. Concrete shares the risk of loss with its insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. U.S. Concrete funds these deductibles and records an expense for expected losses under the programs. The expected losses are determined using a combination of U.S. Concrete's historical loss experience and subjective assessments of U.S. Concrete's future loss exposure.

#### Income Taxes

U.S. Concrete uses the liability method of accounting for income taxes. Under this method, it records deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and uses enacted tax rates and laws that will be in effect when it recovers those assets or settles those liabilities, as the case may be, to measure those taxes.

U.S. Concrete files a consolidated federal income tax return, which includes the operations of all acquired businesses for periods subsequent to their respective acquisition dates. The acquired businesses file "short period" federal income tax returns for the period from their last fiscal year through their respective acquisition dates.

#### Fair Value of Financial Instruments

The financial instruments of U.S. Concrete consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt. Management considers the book values of these items to be representative of their respective fair values.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that U.S. Concrete considers significant in the preparation of its financial statements include those related to its allowance for doubtful accounts, realization of goodwill, accruals for self-insurance, accruals for income tax provision and the valuation and useful lives of property, plant and equipment.

#### Valuation of Long-Lived Assets

U.S. Concrete reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the expected future undiscounted cash flows of an asset it intends to hold for use is less than the carrying amount of the asset, it will recognize a loss equal to the difference between the fair value (calculated by discounting the estimated future operating cash flows) and the carrying amount of the asset. If it intends to dispose of an asset that is impaired, it will recognize a loss equal to the difference between the estimated fair value of the asset, less estimated costs to sell, and its carrying amount.

#### Reclassifications

U.S. Concrete has made various reclassifications to amounts in prior period financial statements to conform with its current period presentation.

#### Earnings per Share

Since U.S. Concrete's consolidated financial statements present Central, one of its initial acquisitions, as the acquirer as of June 1, 1999 of U.S. Concrete and its other acquired businesses, U.S. Concrete uses the shares of its common stock beneficially owned by the former owners of Central in the calculation of its earnings per share for all periods prior to that date.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share for each of the periods shown (in thousands, except per share amounts). Basic earnings represent earnings per weighted average outstanding share, while diluted earnings represent those earnings as diluted by potentially dilutive securities such as outstanding options.

	Year Ended December 31		
	2001	2000	1999
Numerator:			
Net income.....	\$ 9,545	\$ 16,860	\$ 8,190
Denominator:			
Weighted average common shares outstanding-basic.....	24,551	21,573	11,770
Effect of dilutive stock options.....	70	19	13
Weighted average common shares outstanding-diluted.....	24,621	21,592	11,783
Earnings per share:			
Basic.....	\$ 0.39	\$ 0.78	\$ 0.70
Diluted.....	\$ 0.39	\$ 0.78	\$ 0.70

For the years ended December 31, 2001, 2000 and 1999, options to purchase 1.9 million, 2.1 million and 1.3 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common stock.

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#### Comprehensive Income

In the first quarter of 1999, U.S. Concrete adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which requires the display of comprehensive income and its components in the financial statements. Comprehensive income represents all changes in equity of an entity during the reporting period, except those resulting from investments by and distributions to stockholders. For each of the three years in the period ended December 31, 2001, no material differences exist between the historical consolidated net income and consolidated comprehensive income of U.S. Concrete.

#### Segment Information

U.S. Concrete has adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes standards for the manner by which public enterprises are to report information about operating segments in annual financial statements and requires the reporting of selected information about operating segments in interim financial reports issued to stockholders. All segments that meet a threshold of 10% of revenues, reported profit or loss or combined assets are defined as significant segments. U.S. Concrete currently operates as one segment comprised of its ready-mixed concrete and related products. All of its operations, sales and long-lived assets are in the United States.

#### New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies criteria for recording intangible assets other than goodwill in connection with business combinations. SFAS No. 142 requires companies to assess goodwill assets for impairment each year, and more frequently if circumstances suggest an impairment may have occurred. SFAS No. 142 also introduces a more stringent framework for assessing goodwill impairment than the approach previously required. In addition, SFAS No. 142 discontinues the regular charge, or amortization, of goodwill assets against income.

SFAS No. 141 was effective immediately. SFAS No. 142 became effective for U.S. Concrete beginning January 1, 2002. U.S. Concrete will show any impairment loss it recognizes in accordance with SFAS No. 142 as the cumulative effect of a change in accounting principle in its income statement. Under this treatment, its income statement would show after-tax results of operations both with and

without the cumulative effect of the change in accounting principle recognizing an impairment.

U.S. Concrete is currently reviewing these new accounting standards. Under the prior standards, it recognized a non-cash charge of approximately \$1.4 million per quarter in its consolidated income statement to amortize its goodwill assets over 40-year lives. U.S. Concrete ended this amortization on January 1, 2002, under the new standards.

On the basis of a preliminary review of the new standards and currently available information, U.S. Concrete believes it will record a non-cash, after-tax goodwill impairment charge, reflected as the cumulative effect of a change in accounting principle, of between \$20 million and \$25 million in the first quarter of 2002.

U.S. Concrete has specifically provided for the possibility of a non-cash charge in the terms of its credit facility and accordingly expects no impact from such an impairment charge on its compliance with that facility.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 covers all legally enforceable obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 requires recording the fair value of a liability for an asset retirement obligation in the period incurred. SFAS 143 is effective for U.S. Concrete beginning January 1, 2003. Upon adoption of SFAS 143, U.S. Concrete would be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs and accumulated depreciation. U.S. Concrete has yet to determine the impact that the adoption of SFAS No. 143 will have on its consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board (APB) 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary,

Unusual and Infrequently Occurring Events and Transactions." The new standard went into effect beginning January 1, 2002, and U.S. Concrete is currently reviewing and evaluating the effects this standard will have on its reported financial condition, results of operations and accounting policies and practices.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires entities to recognize all derivative instruments, including certain derivative instruments embedded in other contracts, as assets or liabilities in their balance sheets and measure them at fair value. It also requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. U.S. Concrete adopted this standard effective January 1, 2001. Because it did not engage in holding or trading derivative instruments, this standard has had no impact through 2001.

3. BUSINESS COMBINATIONS

U.S. Concrete effected seven acquisitions in 2001, six in 2000 and 14 in 1999, including its initial six acquisitions at the time of its IPO, all of which were accounted for as purchases. The accompanying balance sheet at December 31, 2001 includes the preliminary allocations of the purchase prices of the 2001 acquisitions and is subject to final adjustment. The following tables summarize the number of acquisitions completed and aggregate consideration U.S. Concrete paid in these transactions:

Acquisitions completed:	2001	2000	1999
	-----	-----	-----
Ready-mixed businesses .....	5	5	11
Pre-cast businesses .....	2	1	3
	-	-	--
Total .....	7	6	14
	=	=	==

Consideration (in thousands):	2001	2000	1999
	-----	-----	-----
Cash .....	\$ 49,303	\$ 98,918	\$ 78,565

Fair value of common stock issued .....	12,375	22,357	67,050
Total .....	\$ 61,678	\$ 121,275	\$ 145,615

The following summarized unaudited pro forma consolidated financial information adjusts the historical consolidated financial information by assuming that all 2000 and 2001 acquisitions occurred on January 1, 2000 (in thousands, except per share data):

	Year Ended December 31	
	2001	2000
	(unaudited)	
Revenues.....	\$ 519,222	\$ 511,781
Net income.....	\$ 10,082	\$ 17,770
Basic earnings per share.....	\$ 0.38	\$ 0.73
Diluted earnings per share.....	\$ 0.38	\$ 0.73

Pro forma adjustments these amounts include primarily relate to:

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

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The pro forma financial information does not purport to represent what the combined financial results of operations of U.S. Concrete actually would have been if these transactions and events had in fact occurred when assumed and are not necessarily representative of its financial results of operations for any future period.

In connection with the acquisitions, U.S. Concrete has determined the resulting goodwill as follows (in thousands):

	2001	2000	1999
Cash consideration .....	\$ 49,303	\$ 98,918	\$ 78,565
Less: cash received from acquired companies .....	(2,174)	(3,961)	(10,070)
Cash paid, net of cash acquired .....	47,129	94,957	68,495
Fair value of common stock issued.....	12,375	22,357	67,050
Direct acquisition costs incurred.....	2,613	3,261	8,406
Total purchase costs incurred, net of cash acquired .....	62,117	120,575	143,951
Fair value of assets acquired, net of cash acquired.....	40,056	48,546	75,067
Less: fair value of assumed liabilities .....	(14,257)	(15,700)	(37,699)
Fair value of net assets acquired, net of cash acquired.....	25,799	32,846	37,368
Costs incurred in excess of net assets acquired.....	\$ 36,318	\$ 87,729	\$ 106,583

The amounts relating to the 2001 acquisitions are preliminary and subject to final adjustment.

#### 4. SPECIAL COMPENSATION AND LITIGATION CHARGES

Special Compensation Charges



Effective April 10, 2001, U.S. Concrete granted incentive compensation to members of its management team and some of its key employees in recognition of the overall contribution those employees made to its various 2001 capital raising initiatives. This one-time capital raising incentive compensation award is in addition to U.S. Concrete's recurring annual incentive compensation program. The total incentive compensation for all recipients is summarized as follows (in thousands):

	Stock Awards (Senior Management)	Cash Awards (Field Personnel)	Total
	-----	-----	-----
Shares of common stock granted	108	--	108
Value of common stock granted	\$ 776	\$ --	\$ 776
Cash payments	631	717	1,348
	-----	-----	-----
Charge before income tax benefit	1,407	717	2,124
Income tax benefit	(633)	(323)	(956)
	-----	-----	-----
Charge after benefit from income taxes	\$ 774	\$ 394	\$ 1,168
	=====	=====	=====
Cash charge after benefit from income taxes	\$ (2)	\$ 394	\$ 392
	=====	=====	=====

The shares of common stock issued as incentive compensation to the stock award recipients are not subject to any vesting requirements or transfer restrictions, other than any applicable transfer restrictions under federal or state securities laws.

The fair market value of U.S. Concrete's common stock on the incentive compensation grant date was \$7.19 per share. The one-time capital raising incentive compensation charge was \$2.1 million on a pretax basis, \$1.2 million on an after-tax basis and \$392,000 on an after-tax cash basis. U.S. Concrete recognized this charge as an expense in the second quarter of 2001.

In the second quarter of 1999, U.S. Concrete recorded a \$2.9 million noncash charge for 400,000 shares of its common stock issued in December 1998 and March 1999 to management and nonemployee directors at a nominal cost.

#### Litigation Charges

In September 2001, U.S. Concrete and Central entered into a settlement agreement with Del Webb relating to litigation initiated against U.S. Concrete and others involving claims of defective concrete provided by Central for use in a large, single-family home tract-construction project in Northern California. Under the settlement agreement, U.S. Concrete agreed to accept a back charge in the amount of \$608,000 from Del Webb and pay an additional \$2.2 million to Del Webb. U.S. Concrete recorded the \$608,000 and \$2.2 million charges as selling, general and administrative expenses in the second and third quarters, respectively, of 2001. See Note 12 for additional information.

#### 5. PROPERTY, PLANT AND EQUIPMENT

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

	Useful Lives in Years	December 31	
		2001	2000
	-----	-----	-----
Land .....	--	\$ 15,182	\$ 12,657
Buildings and improvements .....	10-40	11,773	5,395
Machinery and equipment .....	10-30	40,822	35,880

Mixers, trucks and other vehicles .....	6-12	53,785	45,496
Furniture and fixtures .....	3-10	1,397	1,075
Construction in progress .....	--	3,194	1,010
		-----	-----
		126,153	101,513
Less: accumulated depreciation .....		(25,844)	(18,520)
		-----	-----
		\$ 100,309	\$ 82,993
		=====	=====

6. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in U.S. Concrete's allowance for doubtful accounts receivable consists of the following (in thousands):

	December 31		
	2001	2000	1999
	-----	-----	-----
Balance, beginning of period .....	\$ 1,627	\$ 730	\$ 97
Additions from acquisitions .....	1,031	1,085	686
Provision for doubtful accounts .....	2,507	220	118
Uncollectible receivables written off, net of recoveries .....	(1,498)	(408)	(171)
	-----	-----	-----
Balance, end of period .....	\$ 3,667	\$ 1,627	\$ 730
	=====	=====	=====

Inventory consists of the following (in thousands):

	December 31	
	2001	2000
	-----	-----
Raw materials .....	\$ 5,699	\$ 3,768
Pre-cast products .....	6,530	3,210
Building materials for resale .....	3,157	1,500
Repair parts .....	1,113	1,016
	-----	-----
	\$ 16,499	\$ 9,494
	=====	=====

Accounts payable and accrued liabilities consist of the following (in thousands):

	December 31	
	2001	2000
	-----	-----
Accounts payable .....	\$ 37,568	\$ 25,283
Accrued compensation and benefits .....	6,449	3,895
Accrued interest .....	1,729	1,890
Accrued income taxes .....	2,467	--
Other .....	10,016	5,245
	-----	-----
	\$ 58,229	\$ 36,313
	=====	=====

7. LONG-TERM DEBT

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

	December 31	
	2001	2000
Secured revolving credit facility .....	\$ 68,620	\$ 62,000
12.00% senior subordinated notes .....	95,000	95,000
Other .....	155	134
	-----	-----
	163,775	157,134
Less: current maturities .....	(77)	(107)
	-----	-----
Long-term debt, net of current maturities .....	\$ 163,698	\$ 157,027
	=====	=====

On August 31, 2001, U.S. Concrete amended and restated its secured revolving credit facility. The terms of the facility are substantially unchanged, except that the parties extended the maturity of the facility from May 2002 to May 2004 and reduced the size of the facility from \$200 million to \$188 million. U.S. Concrete may use this facility for working capital, to finance acquisitions and for other general corporate purposes. Availability under the facility is tied to various affirmative and negative financial covenants, including leverage ratios, an asset coverage ratio, a minimum net worth calculation, a limitation on additional indebtedness, lender consent for acquisitions and a prohibition of cash dividends on U.S. Concrete's common stock. Subsidiary guarantees and pledges of substantially all U.S. Concrete's fixed assets and subsidiary capital stock secure the payment of all obligations owing under the facility. Advances bear interest at the prime rate or LIBOR, at U.S. Concrete's option, in each case plus a margin keyed to the ratio of consolidated indebtedness to cash flow. A commitment fee, based on the ratio of consolidated indebtedness to cash flow, is paid on any unused borrowing capacity. At December 31, 2001, U.S. Concrete had borrowings totaling \$68.6 million outstanding under this facility at a weighted average interest cost of 5.1%. At December 31, 2001, U.S. Concrete had \$119.4 million of remaining capacity under this facility, of which it could borrow \$16.1 million based on its leverage ratio at that date; however, its ability to borrow additional amounts would increase to the extent that it uses the facility to fund the acquisition of additional businesses with positive cash flow.

On November 10, 2000, U.S. Concrete issued and sold to institutional investors in a private placement \$95 million aggregate principal amount of its 12.00% senior subordinated notes due November 10, 2010 for \$95 million in cash. The terms of these notes require repayment in equal annual installments of approximately \$13.6 million on November 10 in each of the years 2004 through 2010. These notes are subordinated in right of payment to the credit facility and are guaranteed by the subsidiaries of U.S. Concrete. The notes require U.S. Concrete to comply with affirmative and financial covenants generally consistent with those required under the credit facility. U.S. Concrete used the net proceeds from the sale of these notes to repay borrowings under the secured revolving credit facility.

Aggregate maturities of long-term debt are as follows (in thousands):

Year Ending December 31	
2002.....	\$ 77
2003.....	61
2004.....	82,209
2005.....	13,571
2006.....	13,571
Thereafter .....	54,286
	-----
Total	\$163,775
	=====

## 8. STOCKHOLDERS' EQUITY

### Initial Public Offering

In May 1999, U.S. Concrete completed its IPO, issuing 3.8 million shares of its common stock to the public at a price of \$8.00 per share, resulting in net proceeds to U.S. Concrete of \$23.5 million, after deducting offering costs. In June 1999, it sold an additional 570,000 shares of common stock on the exercise

of the underwriters' over-allotment option. It realized net proceeds from this sale of \$4.2 million.

Warrants

In connection with the IPO, U.S. Concrete issued warrants to the underwriters to purchase 200,000 shares of common stock at an exercise price of \$8.00 per share. These warrants expire in May 2002. U.S. Concrete issued warrants to purchase an additional 100,000 shares of common stock to such parties in May 2000 at an exercise price of \$8.00 per share for advisory services performed by them in connection with an acquisition. These warrants expire in May 2003. At December 31, 2001 and 2000, all these warrants remained outstanding.

Stock Options

U.S. Concrete's 1999 and 2001 incentive plans enable U.S. Concrete to grant non-qualified options, restricted stock, deferred stock, incentive stock options, stock appreciation rights and other long-term incentive awards to employees and nonemployee directors of U.S. Concrete and nonemployee consultants and other independent contractors who provide services to U.S. Concrete. Options granted under these plans generally vest over a four-year period and expire if not exercised prior to the 10th anniversary following the grant date. The number of shares available for awards under these plans was 1.8 million (including 594,000 under the 2001 plan) as of December 31, 2001 and 1.0 million as of December 31, 2000. The board of directors of U.S. Concrete may, in its discretion, grant additional awards or establish other compensation plans.

The following table summarizes stock option activity (in thousands, except prices):

	Options	Weighted Average Exercise Price
	-----	-----
Options outstanding at December 31, 1998	--	\$ --
Granted .....	1,425	7.93
Exercised .....	--	--
Forfeited .....	(32)	8.13
	-----	
Options outstanding at December 31, 1999	1,393	7.93
Granted .....	1,205	7.52
Exercised .....	--	--
Forfeited .....	(198)	7.68
	-----	
Options outstanding at December 31, 2000	2,400	7.74
Granted .....	1,179	7.07
Exercised .....	(17)	6.81
Forfeited .....	(148)	7.52
	-----	
Options outstanding at December 31, 2001	3,414	\$ 7.53
	=====	
Options exercisable at December 31, 2001	955	\$ 7.84
	=====	
Option exercise price range at December 31, 2001.	\$6.13 - \$8.75	

The weighted average remaining contractual life of the options at December 31, 2001 was 8.1 years.

As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," U.S. Concrete accounts for stock option awards in accordance with APB Opinion No. 25. The exercise prices of all options U.S. Concrete awarded during 2001 and 2000 were at least equal to the fair market values of the common stock on the dates of grant. As a result, under APB No. 25, it did not recognize any compensation expense attributable to these options. Had it determined compensation expense under the SFAS No. 123 method, its net income and earnings per share during 2001 and 2000 would have been the following pro forma amounts (in thousands, except per share amounts):

	Year Ended December 31		
	2001	2000	1999
Net income			
As reported.....	\$ 9,545	\$ 16,860	\$ 8,190
Pro forma.....	\$ 8,117	\$ 16,076	\$ 7,699
Diluted earnings per share			
As reported.....	\$ 0.39	\$ 0.78	\$ 0.70
Pro forma.....	\$ 0.33	\$ 0.74	\$ 0.65

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The effects of applying SFAS No. 123 in the pro forma disclosure may not be indicative of future amounts because U.S. Concrete expects to make additional awards. For purposes of this disclosure, U.S. Concrete estimated the fair value of each option grant on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31		
	2001	2000	1999
Expected dividend yield.....	0.0 %	0.0 %	0.0 %
Expected stock price volatility.....	54.2 %	48.2 %	54.7 %
Risk-free interest rate.....	5.0 %	5.0 %	6.0 %
Expected life of options.....	10 years	10 years	10 years

#### Employee Stock Purchase Plan

In May 2000, U.S. Concrete's Board of Directors adopted, and its stockholders approved, the U.S. Concrete 2000 Employee Stock Purchase Plan (the "ESPP"). The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986. All U.S. Concrete personnel that are customarily employed for at least 20 hours per week and five months per calendar year are eligible to participate in the ESPP. Under the ESPP, employees electing to participate are granted the right to purchase shares of U.S. Concrete common stock at a price generally equal to 85% of the lower of the fair market value of a share of U.S. Concrete common stock on the first or last day of the offering period.

#### 9. INCOME TAXES

U.S. Concrete's consolidated federal and state tax returns include the results of operations of acquired businesses from their dates of acquisition.

The amounts of consolidated federal and state income tax provisions are as follows (in thousands):

	Year Ended December 31		
	2001	2000	1999
Current:			
Federal .....	\$ 2,346	\$ 7,617	\$ 6,398
State .....	431	1,122	498
	2,777	8,739	6,896
Deferred:			
Federal .....	4,532	2,646	700
State .....	349	365	62
	4,881	3,011	762
	\$ 7,658	\$ 11,750	\$ 7,658

A reconciliation of U.S. Concrete's effective income tax rate to the

amounts calculated by applying the federal statutory corporate tax rate of 35% is as follows (in thousands):

	Year Ended December 31		
	2001	2000	1999
Tax at statutory rate .....	\$ 6,021	\$ 10,013	\$ 5,547
Add (deduct):			
State income taxes .....	507	967	364
Nondeductible expenses .....	1,068	960	405
Nondeductible compensation charge ...	--	--	1,008
Income taxed to former Central owners .....	--	--	(590)
Deferred tax charge for S Corporation taxes .....	--	--	924
Other .....	62	(190)	--
Income tax provision .....	\$ 7,658	\$ 11,750	\$ 7,658
Effective income tax rate .....	44.5%	41.1%	48.3%

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Deferred income tax provisions result from temporary differences in the recognition of expenses for financial reporting purposes and for tax reporting purposes. U.S. Concrete presents the effects of those differences as deferred income tax liabilities and assets, as follows (in thousands):

	December 31	
	2001	2000
Deferred income tax liabilities:		
Property and equipment, net .....	\$ 14,149	\$ 10,407
Goodwill .....	4,206	1,689
Other .....	2,568	1,816
Total deferred income tax liabilities .....	20,923	13,912
Deferred income tax assets:		
Allowance for doubtful accounts .....	752	433
Accrued expenses .....	1,099	1,220
Other .....	406	424
Total deferred income tax assets .....	2,257	2,077
Net deferred income tax liabilities .....	\$ 18,666	\$ 11,835

	December 31	
	2001	2000
Allowance for doubtful accounts .....	\$ 752	\$ 433
Accrued expenses .....	1,099	1,220
Current portion of deferred income tax assets .....	1,851	1,653
Net deferred income tax liabilities .....	18,666	11,835
Long-term portion of net deferred income tax liabilities .....	\$ 20,517	\$ 13,488

Prior to their respective acquisitions, Central and other acquired businesses were S Corporations and were not subject to federal income taxes. Effective with their acquisition they became subject to those taxes, and U.S. Concrete has recorded an estimated deferred tax liability to provide for its estimated future income tax liability as a result of the difference between the book and tax bases of the net assets of these corporations as of the dates of their acquisitions. These consolidated financial statements reflect the federal

and state income taxes of these corporations since their dates of acquisition.

#### 10. RELATED-PARTY TRANSACTIONS

U.S. Concrete enters into transactions in the normal course of business with related parties. These transactions consist principally of operating leases under which U.S. Concrete leases facilities from former owners of its acquired businesses or their affiliates.

On completion of its acquisition of Beall Industries, Inc. and four related companies in February 2000, U.S. Concrete entered into eight new facilities leases with their former stockholders or affiliates of those stockholders. The leases generally provide for initial lease terms of five years, with three five-year renewal options U.S. Concrete may exercise. U.S. Concrete must pay an aggregate of \$250,800 in current annual rent during the initial terms of these leases. Robert S. Beall, a former owner of these companies, beneficially owns more than 5% of the outstanding shares of U.S. Concrete's common stock.

On completion of its IPO, U.S. Concrete entered into new facilities leases, or extended existing leases, with former stockholders or affiliates of former stockholders of Central and Eastern Concrete Materials, Inc. (formerly known as Baer Concrete, Incorporated). Those leases generally provide for initial lease terms of 15 to 20 years, with one or more extension options U.S. Concrete may exercise. The following summarizes the current annual rentals U.S. Concrete must pay during the initial lease terms:

	Number of Facilities	Aggregate Annual Rentals
	-----	-----
Central.....	2	\$300,000
Eastern.....	2	285,000

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William T. Albanese, a former owner of Central, and Michael D. Mitschele, the former owner of Eastern, are members of U.S. Concrete's board of directors.

U.S. Concrete's related party leases are for periods generally ranging from three to 20 years. Aggregate lease payments under these leases were approximately \$2.8 million in 2001, \$2.0 million in 2000, and \$607,000 in 1999. The schedule of minimum lease payments in Note 12 includes U.S. Concrete's future commitments under these leases.

Central purchased building materials from a company owned by two trusts of which William T. Albanese and Thomas J. Albanese are co-trustees. Central's purchases from this company totaled \$310,000, \$122,000 and \$233,000 in 2001, 2000 and 1999, respectively. U.S. Concrete believes the amounts it paid for these building materials were fair and substantially equivalent to amounts it would have paid to an unaffiliated third party. Both trusts sold their interest in this company in early 2002.

Central sold ready-mixed concrete to a company owned by a cousin of Messrs. Albanese and Albanese. Central's sales to this company totaled \$15.8 million, \$15.4 million and \$13.5 million in 2001, 2000 and 1999, respectively. U.S. Concrete believes the amounts it received for this ready-mixed concrete were fair and substantially equivalent to amounts it would have received from an unaffiliated third party.

Beall Concrete Enterprises, Ltd., one of U.S. Concrete's subsidiaries, purchases aggregates from time to time from a company that Robert S. Beall has controlled since June 2001. Beall Concrete Enterprise's purchases from this company totaled \$119,327 in 2001. U.S. Concrete believes the amount it paid for these purchases was fair and substantially equivalent to amounts it would have paid to an unaffiliated third party.

Robert S. Beall purchased ready-mixed concrete from Beall Concrete Enterprises during 2001 in the amount of \$118,792 in connection with the development of a real estate project. U.S. Concrete believes the amounts it received for this ready-mixed concrete were fair and substantially equivalent to amounts it would have received from an unaffiliated third party.

U.S. Concrete provides advances to employees in the normal course of business that are repaid directly or through deductions from payroll. During 2000, U.S. Concrete extended loans of \$175,000 to Mr. Martineau, its chief

executive officer and one of its directors, and \$125,000 to Mr. Harlan, its chief financial officer and one of its directors. These amounts were outstanding under the loans at December 31, 2001. U.S. Concrete subsequently forgave these loans in 2002. The expense related to the forgiveness of these loans was recorded by U.S. Concrete in 2001. The loans, which were payable in full on March 1, 2005, did not bear interest.

U.S. Concrete's venture capital partner, Main Street Equity Ventures II, L.P., of which Vincent D. Foster, U.S. Concrete's chairman, is a senior managing director, advanced funds to U.S. Concrete from August 1998 until May 1999 totaling \$1.7 million to enable it to pay its expenses in connection with the completion of its IPO and concurrent acquisitions of six operating businesses. U.S. Concrete repaid these advances, including interest accrued at the rate of 6% per year, from the gross proceeds of its IPO. U.S. Concrete paid Main Street \$213,000, \$403,000 and \$180,000 in 2001, 2000 and 1999, respectively, for reimbursement of expenses related to U.S. Concrete's acquisition program and certain financings.

In March 2001, U.S. Concrete modified its non-compete arrangements with Neil J. Vannucci, one of its directors. U.S. Concrete originally established these arrangements in the acquisition agreement for Bay Cities Building Materials Co., Inc., of which he is a former stockholder. The modifications further limit Mr. Vannucci's right to compete against U.S. Concrete in exchange for three annual cash payments of \$138,000 each to Mr. Vannucci or a designate of Mr. Vannucci, of which U.S. Concrete paid \$92,000 in 2001.

Effective April 2001, U.S. Concrete granted incentive compensation to Mr. Foster, the Chairman of its Board, in the amount of 5,400 unrestricted shares of its common stock, valued at \$7.19 per share, and \$25,900 in cash in recognition of the overall contribution made by Mr. Foster to its various 2001 capital raising initiatives.

T. William Porter, a member of U.S. Concrete's board of directors, is the Chairman of Porter & Hedges, L.L.P., a Houston, Texas law firm. Porter & Hedges, L.L.P. performed some legal services for U.S. Concrete in 2001, however the amount of fees paid to them was not material.

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In September 2001, U.S. Concrete issued 12,000 restricted shares of its common stock, valued at \$7.97 per share, to Mr. Porter for nominal consideration and paid to Mr. Porter \$64,000 in connection with his election to its board.

#### 11. RISK CONCENTRATION

U.S. Concrete grants credit, generally without collateral, to its customers, which include general contractors, municipalities and commercial companies located solely in the United States. Consequently, it is subject to potential credit risk related to changes in business and economic factors throughout the United States. U.S. Concrete generally has lien rights in the work it performs, and concentrations of credit risk are limited because of the diversity of its customer base. Further, management believes that its contract acceptance, billing and collection policies are adequate to minimize any potential credit risk.

U.S. Concrete maintains cash balances at financial institutions, which may at times be in excess of federally insured levels. It has not incurred losses related to these balances during the three-year period ended December 31, 2001.

#### 12. COMMITMENTS AND CONTINGENCIES

##### Litigation and Other Claims

Bay-Crete Transportation & Materials, LLC alleges in a lawsuit it filed on July 11, 2000 in California Superior Court in San Mateo County, against U.S. Concrete's subsidiary, Central, and U.S. Concrete that it possesses beneficiary rights under a 1983 contract to purchase annually up to 200,000 cubic yards of ready-mixed concrete from Central until March 30, 2082. Under that contract, the purchase price would consist of Central's direct materials costs and an overhead fee. Bay-Crete alleges that U.S. Concrete breached that contract by refusing to acknowledge Bay-Crete's rights as a beneficiary of that contract. It is seeking damages of \$500 million of lost profits spread over the next 81 years. Central and U.S. Concrete each filed an answer and cross-complaint in August 2000 which seeks declaratory relief for a determination that Bay-Crete is not entitled to



use the contract. In addition, the cross-complaints seek damages for improper conduct by Bay-Crete, the general manager of Bay-Crete and a member of Bay-Crete for making demands under the contract in violation of an order of the United States Bankruptcy Court for the Northern District of California, San Francisco Division. A predecessor to Central previously prevailed in the defense of a similar action brought by the general manager of Bay-Crete under a related agreement, and Central and U.S. Concrete believe they have meritorious defenses to Bay-Crete's claim and intend to vigorously defend this suit.

In September 2001, U.S. Concrete entered into a settlement agreement relating to a complaint that Del Webb California Corp. filed on June 29, 2001 in the Superior Court of the State of California for the County of Sacramento against one of its subsidiaries, Central, and two other companies. The complaint related to concrete produced by Central and delivered for use in a large, single-family home tract-construction project in northern California. The complaint (1) alleged various causes of action relating to concrete that Central manufactured using a batch mix that did not meet Del Webb's specifications and (2) sought relief including damages of at least \$7 million. Under the settlement agreement entered into among the plaintiff and its parent company, Central, U.S. Concrete and one of the other defendants in the case, Central agreed to accept a back charge in the amount of \$608,000 from Del Webb, effectively eliminating a receivable from Del Webb in that amount, and pay an additional \$2.2 million to Del Webb. In connection with the settlement, Central, U.S. Concrete and the other settling defendant also entered into a two-year supply agreement with Del Webb to continue to provide concrete for use in Del Webb's project in northern California at an agreed-to selling price adjustment from the price charged by Central (which U.S. Concrete believes approximates the discount it would provide for a contract with similar volume). In December 2001, the Superior Court determined that the parties entered into the settlement in good faith and the matter was concluded. U.S. Concrete recorded the \$608,000 and \$2.2 million charges as selling, general and administrative expenses in the second and third quarters, respectively, of 2001.

From time to time, and currently, U.S. Concrete is subject to various other claims and litigation brought by employees, customers and other third parties for, among other matters, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of its operations.

U.S. Concrete believes that the resolution of all litigation currently pending or threatened against it or any of its subsidiaries (including the dispute with Bay-Crete described above) will not have a material adverse effect on its business or financial condition; however, because of the inherent uncertainty of litigation, U.S. Concrete cannot assure you that the resolution of any particular claim or proceeding to which it is a party will not have a material adverse effect on its results of

operations for the fiscal period in which that resolution occurs. U.S. Concrete expects in the future it will from time to time be a party to litigation or administrative proceedings which arise in the normal course of its business.

Lease Payments

U.S. Concrete leases tracts of land, facilities and equipment it uses in its operations. Rental expense under operating leases was \$11.1 million, \$5.5 million and \$2.0 million in 2001, 2000 and 1999, respectively. Minimum future annual lease payments under U.S. Concrete's noncancellable leases are as follows (in thousands):

Year Ending December 31 -----	
2002 .....	\$ 10,544
2003 .....	7,991
2004 .....	6,454
2005 .....	4,733
2006 .....	3,892
Thereafter .....	8,952
	-----
	\$ 42,566
	=====

## Insurance Programs

U.S. Concrete maintains third-party insurance coverage in amounts and against the risks it believes are reasonable. Under certain components of its insurance program, U.S. Concrete shares the risk of loss with its insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. U.S. Concrete funds these deductibles and records an expense for expected losses under the programs. The expected losses are determined using a combination of U.S. Concrete's historical loss experience and subjective assessments of U.S. Concrete's future loss exposure.

## Underwriting Arrangement

In January 2002, U.S. Concrete entered into an underwriting agreement that allows U.S. Concrete to issue a limited number of shares of its common stock through an underwriter over a two-year period. To the extent that U.S. Concrete does not raise a minimum amount through the issuance of equity under this agreement over its two-year term, it would be required to pay the underwriter up to \$100,000 in stand-by fees.

## 13. SIGNIFICANT CUSTOMERS

Significant customers are defined as those customers who comprised greater than 10% of a company's revenues in a given period. U.S. Concrete did not have any significant customers during 2001, 2000 or 1999.

## 14. SIGNIFICANT SUPPLIERS

Significant suppliers are defined as those suppliers who comprised greater than 10% of a company's cost of goods sold in a given period. Significant suppliers represented purchases (as a percentage of total cost of goods sold) as follows:

	Year Ended December 31		
	2001	2000	1999
Supplier A .....	11.7%	10.9%	23.3%
Supplier B .....	0.7	5.0	17.4

## 15. EMPLOYEE BENEFIT PLANS

In February 2000, U.S. Concrete established a defined contribution 401(k) profit sharing plan for employees meeting various employment requirements. Eligible employees may contribute amounts up to the lesser of 15% of their annual compensation or the maximum amount IRS regulations permit. U.S. Concrete matches 100% of employee contributions up to a maximum of 5% of their compensation. U.S. Concrete paid matching contributions of \$1.9 million during 2001 and \$865,000 during 2000.

U.S. Concrete maintained defined contribution profit-sharing and money purchase pension plans for the non-union employees of certain of its companies for the period from their acquisition by U.S. Concrete through the date that those companies adopted the U.S. Concrete 401(k) plan. Contributions made to these plans were approximately \$143,000, \$0 and \$816,000 in 2001, 2000 and 1999, respectively.

U.S. Concrete's subsidiaries are parties to various collective bargaining agreements with labor unions having multi-year terms that expire on a staggered basis. Under these agreements, U.S. Concrete pays specified wages to covered employees, observes designated workplace rules and makes payments to multi-employer pension plans and employee benefit trusts rather than administering the funds on behalf of these employees.

In connection with its collective bargaining agreements U.S. Concrete participates with other companies in the unions' multi-employer pension plans. These plans cover substantially all of U.S. Concrete's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes liabilities on employers who are contributors to a multi-employer plan in the event of the

employer's withdrawal from, or on termination of that plan. During 2001, Carrier Excavation and Foundation Company, a subsidiary of U.S. Concrete, withdrew from the multi-employer pension plan of the union that represented various of its employees. That union disclaimed interest in representing those employees. U.S. Concrete has no plans to withdraw from any other multi-employer plans. These plans do not maintain information on net assets and actuarial present value of the accumulated share of the plans' unfunded vested benefits allocable to U.S. Concrete, and amounts, if any, for which U.S. Concrete may be contingently liable, including with respect to Carrier's plan withdrawal, are not ascertainable at this time. U.S. Concrete made contributions to these plans of \$10.9 million in 2001, \$9.0 million in 2000 and \$4.2 million in 1999.

16. SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited; in thousands, except per share data)

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
2001				
Sales .....	\$ 89,878	\$136,299	\$138,587	\$128,827
Income from operations .....	1,666	13,408	11,883	8,980
Net income (loss) .....	(1,827)	4,982	3,785	2,605
Basic earnings (loss) per share	(0.08)	0.21	0.15	0.10
Diluted earnings (loss) per share	(0.08)	0.21	0.15	0.10
2000				
Sales .....	\$ 67,990	\$106,486	\$116,590	\$103,570
Income from operations .....	4,553	13,991	15,203	7,639
Net income .....	1,516	6,666	6,732	1,946
Basic earnings per share .....	0.08	0.31	0.31	0.09
Diluted earnings per share ...	0.08	0.31	0.31	0.09

17. SUBSEQUENT EVENTS

Acquisitions

From January 1 through March 15, 2002, U.S. Concrete acquired one business. The aggregate consideration it paid in this transaction consisted of \$17.1 million in cash and was funded by U.S. Concrete's secured credit facility.

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

None.

PART III

In Items 10, 11, 12 and 13 below, we are incorporating by reference the information we refer to in those Items from the definitive proxy statement for our 2002 Annual Meeting of Stockholders. We intend to file that definitive proxy statement with the SEC by April 30, 2002.

Item 10. Directors and Executive Officers of the Registrant

Please see the information appearing under the headings "Proposal No. 1--Election of Directors" and "Executive Officers" in the definitive proxy statement for our 2002 Annual Meeting of Stockholders for the information this Item 10 requires.

Item 11. Executive Compensation

Please see the information appearing under the heading "Executive Compensation and Other Matters" in the definitive proxy statement for our 2002 Annual Meeting of Stockholders for the information this Item 11 requires.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Please see the information appearing under the heading "Security Ownership of Certain Beneficial Owners and Management" in the definitive proxy statement for our 2002 Annual Meeting of Stockholders for the information this Item 12 requires.

Item 13. Certain Relationships and Related Transactions

Please see the information appearing under the heading "Certain Transactions" in the definitive proxy statement for our 2002 Annual Meeting of Stockholders for the information this Item 13 requires.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements.

See Index to Consolidated Financial Statements on page 20.

(2) Financial Statement Schedules.

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

(3) Exhibits.

Exhibit Number -----	Description -----
3.1*--	Restated Certificate of Incorporation of U.S. Concrete (Form S-1 (Reg. No. 333-74855), Exhibit 3.1).
3.2*--	Amended and Restated Bylaws of U.S. Concrete, as amended (Post Effective Amendment No. 1 to Form S-3 (Reg. No. 333-42860), Exhibit 4.2).
3.3*--	Certificate of Designation of Junior Participating Preferred Stock (Form 10-Q for the quarter ended June 30, 2000 (File No. 000-26025, Exhibit 3.3).

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Exhibit Number -----	Description -----
4.1*--	Amended and Restated Credit Agreement, dated as of August 31, 2001, among U.S. Concrete, the Guarantors named therein, the Lenders named therein, The Chase Manhattan Bank, as administrative agent, Credit Lyonnais New York Branch and First Union National Bank, as syndication agents, Branch Banking & Trust Company, as documentation agent, and J.P. Morgan Securities, Inc., as sole bookrunner and lead arranger. (Form 10-Q for the quarter ended September 30, 2001 (File No. 000-26025), Exhibit 4.1).
	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.
4.2*--	Form of certificate representing common stock (Form S-1 (Reg. No. 333-74855), Exhibit 4.3).
4.3*--	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).
4.4*--	First Amendment to Note Purchase Agreement, dated November 30, 2001, among U.S. Concrete, Inc., The Prudential Insurance Company of America, Metropolitan Life Insurance Company, Teachers Insurance & Annuity Association, Connecticut General Life Insurance Company, Allstate Life Insurance Company, Allstate Life Insurance Company of New York and Southern Farm Bureau Life Insurance Company.
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).
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).
- 10.11\*+---Employment Agreement between U.S. Concrete and Donald C. Wayne (Form 10-K for the year ended December 31, 1999 (File No. 000-26025), Exhibit 10.11).
- 10.12\*+---Amended and Restated Indemnification Agreements dated August 17, 2000 between U.S. Concrete and each of its directors and officers (Form 10-Q for the quarter ended September 30, 2000 (File No. 000-26025, Exhibit 10.1).
- 10.13\*+---Indemnification Agreement dated August 17, 2000 between U.S. Concrete and Raymond C. Turpin (Form 10-Q for the quarter ended September 30, 2000 (File No. 000-26025, Exhibit 10.2).
- 10.14\*-- Promissory Note, dated March 2, 2000, issued by Michael W. Harlan to U.S. Concrete, Inc. (Form 10-K for the year ended December 31, 2001 (File No. 000-26205), Exhibit 10.14).
- 10.15\*-- Promissory Note, dated March 2, 2000, issued by Eugene P. Martineau to U.S. Concrete, Inc. (Form 10-K for the year ended December 31, 2001 (File No. 000-26205), Exhibit 10.15).
- 10.16\*-- Agreement, dated March 15, 2000, between U.S. Concrete, Inc. and Neil J. Vannucci (Form 10-K for the year ended December 31, 2001 (File No. 000-26205), Exhibit 10.16).
- 10.17\*-- Underwriting Agreement, dated July 12, 2001, between U.S. Concrete and BB&T Capital Markets, a division of Scott & Stringfellow, Inc. (Form 8-K dated July 13, 2001 (File No. 000-26025), Exhibit 1.1).
- 10.18\*-- Flexible Underwritten Equity Facility (FUEL(R)) Agreement dated as of January 7, 2002 between Ramius Securities, LLC and U.S. Concrete (Form S-3 (Reg. No. 333-42860), Exhibit 1.2).
- 10.19\*-- Amended and restated engagement letter agreement dated as of January 18, 2002 between Credit Lyonnais Securities (USA) Inc. and U.S. Concrete (Form S-3 (Reg. No. 333-42860), Exhibit 1.3).

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Exhibit Number -----	Description -----
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21--Subsidiaries

23--Consent of independent public accountants.

99--Letter to SEC regarding Arthur Andersen quality control system.

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 \* Incorporated by reference to the filing indicated.  
 + Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

None

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SIGNATURES

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

U.S. CONCRETE, INC.

Date: March 22, 2002

By: /s/ EUGENE P. MARTINEAU

-----  
Eugene P. Martineau  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 22, 2002.

Signature	Title
-----	-----
/s/ EUGENE P. MARTINEAU ----- Eugene P. Martineau	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ MICHAEL W. HARLAN ----- Michael W. Harlan	Chief Financial Officer and Director (Principal Financial Officer)
/s/ CHARLES W. SOMMER ----- Charles W. Sommer	Vice President and Controller (Principal Accounting Officer)
/s/ VINCENT D. FOSTER ----- Vincent D. Foster	Director
/s/ WILLIAM T. ALBANESE ----- William T. Albanese	Director
/s/ JOHN R. COLSON ----- John R. Colson	Director
/s/ MICHAEL D. MITSCHLE ----- Michael D. Mitschele	Director
/s/ T. WILLIAM PORTER ----- T. William Porter	Director
/s/ MURRAY S. SIMPSON ----- Murray S. Simpson	Director
/s/ NEIL J. VANNUCCI ----- Neil J. Vannucci	Director
/s/ ROBERT S. WALKER ----- Robert S. Walker	Director

FIRST AMENDMENT TO NOTE AGREEMENT

THIS FIRST AMENDMENT TO NOTE AGREEMENT (this "Amendment"), dated as of November 30, 2001, among U.S. CONCRETE, INC., a Delaware corporation (the "Company"), and the financial institutions listed on the signature pages hereto as Purchasers (the "Purchasers"), amends the Agreement referred to below. All capitalized terms used herein and not otherwise defined shall have the meanings provided such terms in the Agreement referred to below.

W I T N E S S E T H :  
- - - - -

WHEREAS, the Company and the Purchasers are parties to a Note Agreement, dated as of November 10, 2000 (as amended, modified and/or supplemented prior to the date hereof, the "Agreement"); and

WHEREAS, the Company has requested that the Purchasers amend the Agreement to modify the definitions of Consolidated Net Earnings, EBITDA and Pro Forma Operating Income as contained in this Amendment and the Purchasers are willing to amend such term in accordance with the terms of this Amendment;

NOW, THEREFORE, it is agreed:

1. The Purchasers and the Company hereby amend the definitions of "EBITDA", "Consolidated Net Earnings" and "Pro Forma Operating Income" in Section 11 of the Agreement as follows:

"Consolidated Net Earnings" of any Person for any period shall mean the net income (or loss) of such Person and its Subsidiaries for such period, excluding (i) any extraordinary items, (ii) any equity interest of such Person in the unremitted earnings of any Person which is not a Subsidiary of such Person and (iii) all non-cash gains as determined on a consolidated basis in accordance with generally accepted accounting principles.

"EBITDA" shall mean, for any period, the sum of:

(i) the Consolidated Net Earnings of the Company for such period, plus (to the extent deducted in determining Consolidated Net Earnings of the Company for such period) the aggregate amount of federal, state and local income and franchise taxes, interest

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expense, depreciation expense and amortization expense and other non-cash charges for such period; and

(ii) to the extent not included in determining the amount in clause (i), above, for such period, Pro Forma Operating Income.

"Pro Forma Operating Income" shall mean for each Qualified Company whose Acquisition by the Company occurs during the four consecutive fiscal quarter period preceding the date as of which EBITDA is being calculated and with respect to the period beginning four fiscal quarters prior to the calculation of EBITDA through the date of such Acquisition, the sum of Consolidated Net Earnings of such Qualified Company for such period, plus (to the extent deducted in determining Consolidated Net Earnings of such Qualified Company for such period) the aggregate amount of federal, state and local income and franchise taxes, interest expense, depreciation expense and amortization expense and other non-cash charges for such period, plus or minus, as applicable, Add-Back Adjustments with respect to such Qualified Company, in the case of each such item equal to the amount of such item as set forth in the pro forma presentation of the results of such Acquisition contained in the applicable form filed or to be filed by the Company with the Securities and Exchange Commission reporting such Acquisition.

2. In order to induce the Purchasers to enter into this Amendment, the Company hereby represents and warrants that no Default or Event of Default exists as of the Effective Date (as defined below) after giving effect to this Amendment.

3. In order to induce the Purchasers to enter into this Amendment, each of the parties listed on the signature page as Guarantors hereby ratifies and confirms that the Guaranty Agreement of such Guarantor remains in full force and effect after giving effect to this Amendment.

4. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Agreement.

5. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

6. THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK (EXCLUDING ANY CONFLICTS OF LAW RULES WHICH WOULD OTHERWISE CAUSE THIS AMENDMENT TO BE CONSTRUED OR ENFORCED IN ACCORDANCE WITH OR THE RIGHTS OF THE PARTIES TO BE GOVERNED BY THE LAWS OF ANY OTHER JURISDICTION).

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7. This Amendment shall become effective on the date (the "Effective Date") when the Company and the Required Holders shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile transmission) the same to the Company.

8. From and after the Effective Date, all references in the Agreement shall be deemed to be references to the Agreement as amended hereby.

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IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute and deliver this Amendment as of the date first above written.

"Company"

U.S. CONCRETE, INC.

By: /s/ MICHAEL W. HARLAN

-----  
Michael W. Harlan  
Senior Vice President

"Purchasers"

THE PRUDENTIAL INSURANCE COMPANY OF  
AMERICA

By: /s/ CHRIS BRUCE

-----  
Vice President

METROPOLITAN LIFE INSURANCE COMPANY

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

TEACHERS INSURANCE & ANNUITY ASSOCIATION



OF AMERICA

By: /s/ LOREN S. ARCHIBALD  
-----  
Managing Director

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CONNECTICUT GENERAL LIFE INSURANCE  
COMPANY

By: CIGNA, Investments, Inc. (authorized  
agent)

By: /s/ DEBRA J. HEIGHT  
-----  
Title: Managing Director

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ PATRICIA WILSON  
-----

By: /s/ DANIEL C. LEIMBACH  
-----

ALLSTATE LIFE INSURANCE COMPANY OF NEW  
YORK

By: /s/ PATRICIA WILSON  
-----

By: /s/ DANIEL C. LEIMBACH  
-----

SOUTHERN FARM BUREAU LIFE INSURANCE  
COMPANY

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

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Acknowledged and Agreed to:

"Guarantors"

- AFTM CORPORATION, a Michigan corporation
- AMERICAN CONCRETE PRODUCTS, INC., a California corporation
- ATLAS-TUCK CONCRETE, INC., an Oklahoma corporation
- BEALL INDUSTRIES, INC., a Texas corporation
- BEALL MANAGEMENT, INC., a Texas corporation
- CENTRAL CONCRETE CORP., a Delaware corporation
- CENTRAL CONCRETE SUPPLY CO., INC., a California corporation
- CENTRAL PRECAST CONCRETE, INC., a California corporation
- CORDEN, INC., a Michigan corporation
- CORNILLIE FUEL & SUPPLY, INC., a Michigan corporation
- CORNILLIE LEASING, INC., a Michigan corporation
- DENCOR, INC., a Michigan corporation
- DYNA, INC., a Delaware corporation
- E.B. METZEN, INC., a Michigan corporation
- EASTERN CONCRETE MATERIALS, INC., a New Jersey corporation
- FENDT TRANSIT MIX, INC., a Michigan corporation
- HUNTER EQUIPMENT COMPANY, a Michigan corporation
- SUPERIOR CONCRETE MATERIALS, INC. (f/k/a) OPPORTUNITY CONCRETE CORPORATION, a District of Columbia corporation
- READY MIX CONCRETE COMPANY OF KNOXVILLE, a Delaware corporation
- SAN DIEGO PRECAST CONCRETE, INC., a Delaware corporation

SIERRA PRECAST, INC., a California corporation  
SMITH PRE-CAST, INC., a Delaware corporation  
USC GP, INC., a Delaware corporation  
USC MIDSOUTH, INC., a Delaware corporation  
WYOMING CONCRETE INDUSTRIES, INC., a Delaware corporation

By: /s/ MICHAEL W. HARLAN

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Michael W. Harlan  
Vice President

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USC MANAGEMENT CO., LP,  
a Texas limited partnership

By: USC GP, INC., its General Partner

By: /s/ MICHAEL W. HARLAN

-----  
Michael W. Harlan  
Vice President

BEALL CONCRETE ENTERPRISES, LTD.,  
a Texas limited partnership

By: BEALL MANAGEMENT, INC.,  
its General Partner

By: /s/ MICHAEL W. HARLAN

-----  
Michael W. Harlan  
Vice President

CARRIER EXCAVATION AND FOUNDATION  
COMPANY, a Delaware corporation

CONCRETE XX ACQUISITION, INC., a  
Delaware corporation

PREMIX CONCRETE CORP., a Delaware corporation

SUPERIOR REDI-MIX, INC., a Michigan corporation

By: /s/ CHARLES W. SOMMER

-----  
Charles W. Sommer  
Vice President

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B.W.B., INC. OF MICHIGAN, a Delaware corporation

CENTRAL CONCRETE CORP., a Delaware corporation

OLIVE BRANCH READY MIX, INC., a Delaware corporation

SUPERIOR MATERIALS COMPANY, INC., a Delaware corporation

By: /s/ DONALD WAYNE

-----  
Donald Wayne  
Vice President

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Subsidiaries of U.S. Concrete, Inc.  
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Central Concrete Supply Co., Inc.  
Superior Concrete Materials, Inc.  
Carrier Excavation and Foundation Company  
Ready Mix Concrete Company of Knoxville  
San Diego Precast Concrete, Inc.  
Fendt Transit Mix, Inc.  
Hunter Equipment Company  
AFTM Corporation  
DYNA, Inc.  
Olive Branch Ready Mix, Inc.  
Cornillie Fuel & Supply, Inc.  
Cornillie Leasing, Inc.  
Beall Industries, Inc.  
Beall Management, Inc.  
Beall Concrete Enterprises, Ltd.  
Beall Investment Corporation, Inc.  
Atlas-Tuck Concrete, Inc.  
B.W.B., Inc. of Michigan  
Premix Concrete Corp.  
Superior Materials Company, Inc.  
Superior Redi-Mix, Inc.  
Concrete XX Acquisition, Inc.  
E.B. Metzen, Inc.  
Central Precast Concrete, Inc.  
Eastern Concrete Materials, Inc.  
Sierra Precast, Inc.  
American Concrete Products, Inc.  
Smith Pre-Cast, Inc.  
Central Concrete Corp.  
Wyoming Concrete Industries, Inc.  
USC Atlantic, Inc.  
USC Management Co., L.P.  
USC Michigan, Inc.  
USC Midsouth, Inc.  
USC GP, Inc.  
USC LP, Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement on Form S-8 on July 20, 1999 File No. 333-83273, the Company's previously filed Registration Statement on Form S-3 on August 21, 2000 File No. 333-42850, the Company's previously filed Registration Statement on Form S-8 on December 29, 2000 File No. 333-52980, and the Company's previously filed Registration Statement on Form S-8 on May 11, 2001 File No. 333-60710.

ARTHUR ANDERSEN LLP

Houston, Texas  
March 29, 2002

To the U.S. Securities and Exchange Commission:

Arthur Andersen LLP ("Andersen") has represented to U.S. Concrete, Inc. that the audit of its consolidated financial statements as of December 31, 2001 and for the year then ended was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on audits and availability of national office consultation. Availability of personnel at foreign affiliates of Andersen is not relevant to this audit.