

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

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 001-34530



U.S. CONCRETE, INC.
(Exact name of registrant as specified in its charter)

Delaware

76-0586680

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

331 N. Main Street, Euless, Texas 76039

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (817) 835-4105

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001	USCR	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the last reported sale price of \$49.69 of the registrant's common stock as of June 30, 2019: \$679,967,699. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

As of February 19, 2020, there were 16,699,313 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement related to the registrant's 2020 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	Page
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>ii</u>
<u>PART I</u>	
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1A. Risk Factors</u>	<u>8</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>20</u>
<u>Item 2. Properties</u>	<u>21</u>
<u>Item 3. Legal Proceedings</u>	<u>22</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>22</u>
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>23</u>
<u>Item 6. Selected Financial Data</u>	<u>25</u>
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>38</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>39</u>
<u>Reports of Independent Registered Public Accounting Firms</u>	<u>40</u>
<u>Consolidated Balance Sheets</u>	<u>42</u>
<u>Consolidated Statements of Operations</u>	<u>43</u>
<u>Consolidated Statements of Total Equity</u>	<u>44</u>
<u>Consolidated Statements of Cash Flows</u>	<u>45</u>
<u>Notes to Consolidated Financial Statements</u>	<u>47</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>89</u>
<u>Item 9A. Controls and Procedures</u>	<u>89</u>
<u>Item 9B. Other Information</u>	<u>91</u>
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>91</u>
<u>Item 11. Executive Compensation</u>	<u>91</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>91</u>
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	<u>92</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>92</u>
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>92</u>
<u>Signatures</u>	<u>93</u>

Cautionary Statement Concerning Forward-Looking Statements

Certain statements and information in this Annual Report on Form 10-K may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance and underlying assumptions and other statements, which are not statements of historical facts. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “intends,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “outlook,” “predict,” “potential” or “continue,” the negative of such terms or other comparable terminology. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- general economic and business conditions, which will, among other things, affect demand for commercial and residential construction;
- our ability to successfully implement our operating strategy;
- our ability to successfully identify, manage, and integrate acquisitions;
- governmental requirements and initiatives, including those related to mortgage lending, financing or deductions, funding for public or infrastructure construction, land usage, and environmental, health and safety matters;
- seasonal and inclement weather conditions, which impede the placement of ready-mixed concrete;
- the cyclical nature of, and changes in, the real estate and construction markets, including pricing changes by our competitors;
- our ability to maintain favorable relationships with third parties who supply us with equipment and essential materials;
- our ability to retain key personnel and maintain satisfactory labor relations;
- disruptions, uncertainties or volatility in the credit markets that may limit our, our suppliers' and our customers' access to capital;
- product liability, property damage, results of litigation and other claims and insurance coverage issues;
- our substantial indebtedness and the restrictions imposed on us by the terms of our indebtedness; and
- the effects of currency fluctuations on our results of operations and financial condition.

Known material factors that could cause our actual results to differ from those in the forward-looking statements also include those described in “[Risk Factors](#)” in [Part I, Item 1A](#) of this Annual Report on Form 10-K.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

PART I**Item 1. Business****Overview**

U.S. Concrete, Inc. is a Delaware corporation founded and incorporated in 1997. In this report, we refer to U.S. Concrete, Inc. and its subsidiaries as “we,” “us,” “our,” the “Company,” or “U.S. Concrete,” unless we specifically state otherwise, or the context or content indicates otherwise.

U.S. Concrete is a leading heavy building materials supplier of aggregates and ready-mixed concrete in select geographic markets in the United States, the U.S. Virgin Islands and Canada. The Company is focused on growing both organically and through strategic acquisitions in our target markets, particularly within our aggregate products segment. We are a leading supplier for large-scale commercial and industrial, residential and infrastructure (including streets, highways and other public works) construction projects in high-growth markets across the country. We hold leading vertically integrated (aggregates and ready-mixed concrete) market positions in New York City, New Jersey, Dallas-Fort Worth, West Texas and the San Francisco Bay Area.

In 2017, we completed our largest acquisition to date with the purchase of Polaris Materials Corp. (“Polaris”), a construction aggregate producer in British Columbia, Canada, that sells primarily to customers in the United States. This acquisition added a significant amount of aggregates production and reserves to our portfolio, represented a key step in our vertical integration for the San Francisco Bay Area, and provides us a broader growth platform for the entire West Coast. Beyond our traditional markets, Polaris also serves aggregates-only markets in Southern California and Hawaii. Also in 2017, we acquired Corbett Aggregate Companies, LLC (“Corbett”) located in Quinton, New Jersey, another significant step in vertically integrating our operations. Corbett provided a critical component to our aggregates needs in New York City through our New York Sand & Stone business unit and their network of aggregates terminals.

We operate principally in our East Region (which we define to include New York City, New Jersey, Washington, D.C., and Philadelphia), our Central Region (which we define as Texas and Oklahoma), and our West Region (which we define to include California and British Columbia, Canada) with those markets representing approximately 34%, 34% and 30%, respectively, of our consolidated revenue for 2019. We believe we are well positioned for strong growth in these attractive regions.

Total revenue for 2019 was \$1.5 billion, of which we derived approximately 86.5% from our ready-mixed concrete segment, 9.6% from our aggregate products segment (excluding \$53.5 million sold internally) and 3.9% from our other operations. For 2019, we had net income attributable to U.S. Concrete of \$14.9 million.

We serve substantially all segments of the construction industry in our select geographic markets. Our customers include contractors for commercial and industrial, residential and infrastructure. Ready-mixed concrete product revenue by type of construction activity for the past three years was:

	2019	2018	2017
Commercial and industrial	60%	56%	56%
Residential	22%	25%	26%
Infrastructure	18%	19%	18%

Recent Developments***2020 Acquisition of Aggregates Company in New York***

On February 24, 2020, we acquired all of the equity of Coram Materials Corp. and certain of its affiliates (collectively, “Coram”) for \$142.0 million, subject to certain post-closing adjustments (the “Acquisition”). Coram is a premier provider of high-quality sand and gravel products located on Long Island, New York. Coram’s operations supply natural sand to the New York City area, which is used in concrete and other applications across industry sectors and within all construction categories. Coram owns approximately 41.9 million tons of proven and permitted reserves and approximately 7.5 million tons of proven, but unpermitted, reserves. The Acquisition increases the vertical integration of our New York City operations and reduces our dependency on third-party suppliers. In addition, the Acquisition strengthens our competitive position, while furthering our strategy of expanding into higher margin aggregates businesses at attractive valuations. We funded the purchase price for the Acquisition by borrowing

\$140.0 million under our asset-based revolving credit facility (the “Revolving Facility”). We have additional committed financing to further support our liquidity needs, and we will seek to refinance or replace this borrowing as conditions permit. The remaining \$2.0 million of the purchase price will be paid over the next two years.

Our Competitive Strengths

Large, high quality, vertically integrated asset base in attractive construction markets

Our core competitive strength lies in building strong, vertically integrated market positions in complex urban environments that require manufacturing and time-sensitive delivery of high performance concrete in challenging settings.

We have developed strategic raw materials sourcing capabilities, particularly our aggregate and sand vertical integration in areas of the country where aggregates are expensive and depleting. These sources coupled with our water borne and strategically located docks further strengthens our self-supply model.

Our ability to internally source aggregates requirements for our most challenging projects, and in every market we serve, gives us a distinct competitive strength. Zoning and permitting regulations make it difficult to permit new quarries and ready-mixed concrete plants in many of the markets we serve. This acts as a barrier to entry that makes our strong market positions more valuable. In addition, our business is uniquely local and given the relatively low selling price of aggregates, transportation costs can quickly exceed the product cost. Further, due to the occurrence of chemical reactions during transport, concrete is a perishable product and must be unloaded within 60 to 90 minutes from being loaded into the mixer truck at the concrete batch plant. These factors serve to make our strategic locations near highly attractive, large and growing construction markets a meaningful competitive advantage.

Our sourcing network extends and supports our large, high quality asset base, which is comprised of more than 195 ready mixed concrete plant facilities, 19 aggregates facilities and seven distribution terminals, and is well positioned to supply large, complex projects in large metropolitan markets that are difficult to serve. Such projects include infrastructure projects with complex Federal Highway Administration or Federal Aviation Administration specifications and extensive delivery requirements. Our comprehensive asset base enables greater efficiencies and asset utilization, while scale leverages purchasing power advantages and delivery and asset utilization efficiencies.

Our national research laboratory, while working closely with each of our regional laboratories, is developing industry leading solutions and ensuring local capability needs are met. Concrete mix design expertise and the ability to meet stringent specifications through the work of these labs is yet another competitive strength that ties the more upstream raw material sourcing and asset base to our downstream value-added products.

Top 3 positions in favorable geographic markets with attractive fundamentals

We operate in favorable construction markets where we believe we have an advantage compared to our competitors given our ability to handle complex projects across a broad array of industry sectors. We have a large, high-quality asset base focused in the Texas/Oklahoma, Northern California, New York City/New Jersey, Washington, D.C. and U.S. Virgin Islands markets. Our management team believes we have a leading market position in all of our geographic markets.

Focus on environmental sustainability

Sustainability and environmentally friendly solutions continue to grow and be in high demand in our industry, and we expect domestic and global sustainable demand to continue to grow at attractive rates. We are a leader in the sustainable concrete market and we take pride in our commitment to deliver these critical solutions. We were the first company in the United States concrete industry to adopt the 2030 Challenge to develop Environmental Product Declarations (“EPD”) for our ready-mixed concrete products. This challenge, issued by Architecture 2030, calls on architecture, planning and building industries worldwide to specify, design and manufacture products that meet specific carbon reduction targets between now and the year 2030. Our operating unit in Northern California, Central Concrete Supply Co., was the first of our business units to adopt the challenge, and our EPD adoption spread across the Company. Currently, our operating units combined have over 15,000 EPDs.

Beyond EPDs, we have found a competitive strength in low CO₂ concrete mix designs aimed at reducing a construction project's total carbon footprint. Our national and regional research laboratories have developed significant expertise in concrete mix design, enabling industry leading solutions while ensuring local capability needs are met. For example, our early development of EF[®] Technology lead to development and adoption of many CO₂ reducing capabilities from raw material substitution to injecting CO₂ into concrete mixes to sequester it and improve the performance of the concrete.

Our EF Technology innovation and other sustainability measures also positively affect the performance of the final product, further enhancing our value proposition.

Long-term customer relationships

Our management and sales personnel focus on developing and maintaining successful long-term relationships with our key customers. Customer concentration in our key markets allows us to better serve our new and existing customers with expedited delivery, lower transportation costs and scale efficiencies. Key elements of our customer-focused approach include (i) corporate-level marketing and sales expertise; (ii) technical service expertise to develop innovative new branded products; and (iii) training programs that emphasize successful marketing and sales techniques that focus on the sale of high margin concrete mix designs.

Our customer engagement model results in contractors returning year after year to us as a supplier they can trust. In 2019, no single customer or project accounted for more than 10% of our total revenue. Our broad, yet targeted, customer base enables us to develop an efficient, stable business model and tap into the market in a variety of ways. We believe that by providing high quality, reliable services and customized products and solutions, we are able to maintain important long-term relationships. To further entrench our customer relationships, we have invested in technology, such as our proprietary dispatch and analytics system, Where's My Concrete?TM, providing a higher level of service and real-time information to our customers.

A top supplier to large and complex commercial projects

We provide alternative solutions for designers and contractors by offering value-added concrete products, such as color-conditioned, fiber-reinforced, steel reinforced and high-performance concrete. We believe this innovation enhances our ability to compete for and win supply contracts for some of the largest and most prestigious commercial projects.

Solid balance sheet and ample liquidity

We have successfully improved our financial performance by refocusing our financial objectives over the past several years. Our management team has focused on reducing our cost structure while expanding our existing and acquired businesses in our core operating regions to drive strong performance. As a result, we have grown revenue, improved profit margins and increased liquidity. We benefit from available liquidity through our Revolving Facility and cash flow from operations. We believe our solid balance sheet and ample liquidity will allow us to take advantage of strategic opportunities as well as provide ample cushion against general downturns in economic activity.

Demonstrable track record of successful acquisitions

Our ability to replicate our business model successfully through strategic acquisitions is another competitive strength. Our mergers and acquisitions team has deep industry relationships, which facilitate proprietary sourcing of successful acquisitions. A repeatable acquisition and integration process maximizes our synergies.

Experienced management team.

Our senior management team consists of 14 executives with an average of more than 20 years of industry experience and is comprised of individuals with a proven track record in the construction materials industry. Our Chief Executive Officer and Chairman of the Board, William J. Sandbrook, and our President and Chief Operating Officer, Ronnie Pruitt, both have over 25 years of construction materials industry experience. Our management team's deep market knowledge enables us to effectively assess potential new opportunities to solidify our leading market presence. We will continue to focus on recruiting and retaining motivated and knowledgeable professional managers to continue to develop our business and maintain our leading market positions.

These strengths give us distinct competitive advantages, and together have allowed us to grow and continue our positive momentum into the future. The ability to self-supply aggregates and use our technical expertise to design and track our shipments, coupled with our intense focus on operational excellence will further our model of continuous improvement.

Our Business Strategy

We strive to be the top one or two producer in the ready-mixed concrete markets we serve and operate in some of the fastest growing and most attractive metropolitan markets in the United States, including New York City, Philadelphia, Washington, D.C., Dallas-Fort Worth and the San Francisco Bay Area. These markets represent five of the top 12 metropolitan statistical areas.

Our business is uniquely local. Given the relatively low selling price of aggregates, transportation costs can quickly exceed the product cost. Further, due to the chemical reaction while in the mixer truck, concrete is a perishable product and must be unloaded within 60 to 90 minutes from being loaded at the concrete batch plant.

Our business strategies are (1) vertically integrate through aggregates, (2) market focus, including growing our markets through acquisitions, (3) do what we know and (4) focus on growing profits.

Vertically integrate through aggregates

Our ready-mixed concrete operations consume a significant amount of aggregates. Aggregates are a major component in ready-mixed concrete, comprising approximately 75% by weight. We believe our ready-mixed concrete operations where we are vertically integrated through aggregates have a competitive advantage. Internally sourcing aggregates provides a consistent and reliable stream of raw materials for our ready-mixed concrete operations. In addition to consuming high margin aggregates internally, third party sales are available for other aggregate products. These high margin sales enhance our profitability. Aggregates also provide an additional growth segment for us to expand through strategic acquisitions.

Market focus - Go where the people are

Markets drive our strategic growth initiatives. There are 11 identified megaregions in the United States that drive 75% of the gross domestic product and house 70% of the nation's population, but only represent 20% of the U.S. land mass. By focusing on these megaregions, we can be very deliberate on how and when we enter markets. Further, by being selective on which markets we want to be in and the projects we want to pursue, we can spend more time on developing relationships with the targets we prioritize. We are focused on building strong, defensible positions in strong, growing and vibrant markets, which are very difficult to replicate.

Do what we know

We expect to be a leading supplier of heavy building materials in our current and future markets. We are dedicated to increasing our aggregates positions and related downstream products, such as ready-mixed concrete.

Drive margin improvement

We are focused on driving continuous improvement, resulting in increasing profit margins. We believe we are best in class in ready-mixed concrete margins, but there is still more work to be done. We will continue to push new technology, sales programs, raw material sourcing, and any opportunity to drive more profit while operating safely.

Our Industry

The aggregates industry produces engineered granular materials consisting of crushed stone, gravel, and sand of varying mineralogies, manufactured to specific grades and sizes for use in downstream construction applications. Crushed stone, sand, and gravel are used as aggregate in foundations for infrastructure and buildings or as road base. Crushed stone is also an input to cement, concrete products, and personal consumer goods. The National Stone, Sand & Gravel Association ("NSSGA") estimates that the U.S. domestic production and use of construction aggregates amounted to 2.5 billion tons of crushed stone, sand and gravel, valued at \$25.1 billion. The aggregates industry employs approximately 100,000 highly skilled men and women. Due to high transportation costs, approximately 90% of aggregates are consumed within 50 miles of the place of extraction.

Ready-mixed concrete manufacturers produce concrete and deliver it in an unhardened state to end users, such as contractors, who then place and form the concrete at construction sites. Downstream applications include commercial, industrial, residential, infrastructure, and other construction sectors. The industry is composed of varying sized family owned businesses to multi-national corporations. As concrete is a perishable product, production facilities are typically located within 60 to 90 minutes from construction projects. The National Ready Mixed Concrete Association ("NRMCA") estimated there were about 6,800 ready-mixed concrete plants and 70,000 ready-mixed concrete mixer trucks that delivered approximately 371 million cubic yards of product to the point of placement, accounting for \$40 billion in revenue across the United States in 2019.

The key drivers for aggregates and ready-mixed concrete include infrastructure funding, residential construction spending, private nonresidential construction spending, fluctuations in interest rates, weather conditions, and national, regional and local economic conditions. Ready-mixed concrete and aggregates are used in streets and highways, foundations and suspended floors, tilt walls, transportation terminals, sporting stadiums and petrochemical plants, among other uses. Private investment is influenced by long-term interest rates. A low inflationary outlook and interest rate stability foster investment in construction markets, which increases the demand for ready-mixed concrete and aggregates.

We expect that U.S. infrastructure, including transportation, water and other systems, will continue to benefit from strong investment for years to come. The country's vast network of transportation infrastructure, power grids and communications facilities are aging and in need of repair and upgrade. In 2017, the American Society of Civil Engineers gave U.S. infrastructure a grade of D+, indicating significant under investment. In 2018, the Department of Transportation reported that 64% of highways were in less than good condition and 25% of bridges were in need of significant repair amounting to an estimated backlog of \$836 billion of capital and investment needs.

U.S. residential new construction peaked in 2006 before the economic downturn drove new home construction to Depression-era levels. Since 2011, the recovery of residential new construction has generated increasing demand for aggregates and concrete. We expect the housing recovery to continue, supported by strong job creation, a high level of consumer confidence, and millennials increasingly entering the housing market. Average industry forecasts from leading industry associations (e.g., National Association of Homebuilders, National Association of Realtors, Mortgage Bankers Association and Fannie Mae) suggests total housing starts (both single and multi-family) will grow from 1.29 million in 2019 to 1.39 million in 2021, representing a 3.6% compounded annual growth rate.

The non-residential construction market contracted significantly during the economic downturn as the construction of commercial buildings such as office buildings, warehouses, commercial and industrial buildings slowed. In recent years, however, the market has experienced sustained growth as the economy continues a slow but steady recovery. The steady recovery of the non-residential construction industry is observed in the Dodge Momentum Index, a leading indicator which has shown steady improvement in the market since the economic downturn. We expect continued job growth, low office vacancy rates, and overall gross domestic product ("GDP") growth to continue to support the non-residential construction market. According to the American Institute of Architects Consensus Construction Forecast, the U.S. non-residential construction sector is expected to grow 1.5% through 2020, followed by 0.9% growth in 2021.

Our Products

Aggregate products

We produce crushed stone, sand and gravel from 19 aggregates facilities located in New Jersey, Texas, Oklahoma, the U.S. Virgin Islands and British Columbia, Canada. We sell these aggregates for use in commercial, industrial and public works projects in the markets we serve, as well as consume them internally in the production of ready-mixed concrete. We produced approximately 11.5 million tons of aggregates during the year ended December 31, 2019, with British Columbia, Canada representing 43%, Texas and Oklahoma representing 32%, New Jersey representing 22% and the U.S. Virgin Islands representing 3% of the total production. While we consumed 34% of this production internally in 2019, we currently sell the majority of our aggregate products to third parties. We believe our aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability.

Ready-mixed concrete

Our standard ready-mixed concrete products consist of proportioned mixes we produce and deliver in an unhardened plastic state for placement and shaping into designed forms at the job site. 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. Additionally, we believe our environmentally friendly technology initiative, which utilizes alternative materials and mix designs that result in lower CO₂ emissions, helps differentiate us from our competitors. We also believe we distinguish ourselves with our value-added service approach that emphasizes reducing our customers' overall construction costs by reducing the in-place cost of concrete and the time required for construction.

Our volumetric concrete operations, the largest volumetric operation in the country, expand our ready-mixed concrete delivery and service offerings primarily in Texas. Volumetric ready-mixed concrete trucks mix concrete to the customer's specification on the job site, better serving smaller jobs and specialized applications, and allowing flexibility for servicing remote job locations. Because of their versatility, these trucks offer the contractor multiple options for a single job without the inconvenience or added costs typically associated with standard ready-mixed trucks delivering special or short-loads to a job site. Because of their unique on-demand production capabilities, these trucks minimize the amount of wasted concrete, which improves margins and reduces environmental impact.

We also provide portable and mobile concrete plants for high-volume or remote projects. While currently operating predominantly in our existing regions, our fast-track mobilization business unit, U.S. Concrete On-Site, Inc., can dispatch a portable or mobile ready-mixed concrete plant anywhere in the continental U.S. These mobile solutions have reached an exceptional level of turnkey operations customized to deliver outstanding on-site solutions for all types of concrete construction. Not only are we providing industry leading concrete production operations to our customers, we are providing technical services and a substantial mitigation of risk with on-site production.

Other

Other products include our building materials stores, hauling operations, aggregates distribution terminals, a recycled aggregates operation and concrete blocks. Two specific products included in this category are ARIDUS® Rapid Drying Concrete technology and the Where's My Concrete? family of web and mobile applications.

ARIDUS Rapid Drying Concrete reduces the drying time and risks associated with excess moisture vapor in concrete slabs, enabling faster, more effective floor topping installations. ARIDUS was developed and patented by U.S. Concrete's National Research Laboratory, USC Technologies, Inc., to address changes in environmental government regulations that limit or restrict volatile organic compounds in flooring adhesives.

Where's My Concrete? is our real-time cloud-based data delivery program that helps concrete producers provide value-added service and transparency to their customers, while improving their own business through critical analytics and operational efficiencies. We use this program in our operations as well as market it to third parties.

Sources and Availability of Raw Materials

We obtain most of the raw materials necessary to manufacture ready-mixed concrete on a daily basis. These materials include water, cement and other cementitious materials (such as fly ash and slag), aggregates (stone, gravel, and sand), and chemical admixtures. A standard cubic yard of concrete typically weighs 4,125 pounds and includes approximately 250 pounds of water, 550 pounds of cementitious material, 1,525 pounds of sand, and 1,800 pounds of stone.

Cement is the binding agent used to bind water, crushed stone, and sand, in the production of ready-mixed concrete. Other industrial byproducts such as fly ash from coal burning power plants and slag from the manufacture of iron and silica fume have cementitious properties that allow it to be used as a substitute for cement, depending on specification. We purchase cementitious materials from a few suppliers in each of our major geographic markets. Aggregates are typically produced locally and are procured from a network of internal and external suppliers in each of our markets. In 2019, our ready-mixed concrete businesses purchased 34% of their aggregate products needs from internally operated quarries and sites. Chemical admixtures are generally purchased from suppliers under national purchasing agreements.

With the exception of chemical admixtures, each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Inventory levels do not decline significantly or comparatively with declines in revenue during seasonally lower periods. We generally maintain inventory at specified levels to maximize purchasing efficiencies and to be able to respond quickly to customer demand. Generally, we negotiate with suppliers on a company-wide basis and at the local market level to obtain the most competitive pricing available.

Competition

Because of the impact of transportation costs on the aggregates industry, our competition in the aggregates product segment tends to be limited to producers in proximity to each of our facilities. The industry is highly fragmented and includes smaller private aggregates producers in addition to large, national companies. All of our locations experience competition from local companies in addition to larger public companies. Competition is based on location, price, quality of aggregates and level of customer service. Our primary public company competitors are Cemex S.A.B. de C.V., CRH PLC, Heidelberg Cement AG, LafargeHolcim Ltd., Martin Marietta Materials, Inc., Summit Materials, Inc. and Vulcan Materials Company. Companies in the industry tend to grow by acquiring existing facilities to enter new markets or expand their existing market positions.

The ready-mixed concrete industry is highly competitive. Our leadership position in a market depends largely on the location and operating costs of our plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or less complex jobs, such as residential construction. However, the ability to meet demanding specifications for strength or sustainability, timeliness of delivery and consistency of quality and service, in addition to price, are the principal competitive factors among suppliers for large or complex jobs. Our competitors range from small, owner-operated private companies to subsidiaries of operating units of large, vertically integrated manufacturers of cement and aggregates. Our vertically integrated

competitors generally have greater financial and marketing resources than we have, providing them with a competitive advantage. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do will have a competitive advantage over us for jobs that are particularly price-sensitive. Competitors having greater financial resources or less financial leverage than we do may be able to invest more in new mixer trucks, ready-mixed concrete plants and other production equipment or pay for acquisitions, which could provide them a competitive advantage over us.

Employees

As of December 31, 2019, we had 712 salaried employees, including executive officers and management, sales, technical, administrative and clerical personnel and 2,461 hourly personnel. The number of employees fluctuates depending on the number and size of projects ongoing at any particular time, which may be impacted by variations in weather conditions throughout the year.

Governmental Regulation and Environmental Matters

A wide range of federal, state and local laws, ordinances and regulations apply to our operations, including the following matters:

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

In many instances, we are required to have various certificates, permits, or licenses to conduct our business. Our failure to maintain these required authorizations or to comply with applicable laws or other governmental requirements could result in substantial fines or possible revocation of our authority to conduct some of our operations. Delays in obtaining approvals for the transfer or grant of authorizations, or failures to obtain new authorizations, could impede acquisition efforts.

Environmental laws that impact our operations include those relating to air quality, solid waste management and water quality. These laws are complex and subject to frequent change. They impose strict liability in some cases without regard to negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, businesses may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws also may expose us to liability for the conduct of, or conditions caused by, others or for acts that complied with all applicable laws when performed.

We have conducted Phase I environmental site assessments, which are non-intrusive investigations conducted to evaluate the potential for significant on-site environmental impacts, on substantially all the real properties we own or lease and have engaged independent environmental consulting firms to complete those assessments. We have not identified any environmental concerns associated with those properties that we believe are likely to have a material adverse effect on our business, financial position, results of operations, or cash flows, but we can provide no assurance material liabilities will not occur. In addition, our compliance with any amended, new or more stringent laws, stricter interpretations of existing laws, or the future discovery of environmental conditions could require additional, material expenditures.

We believe 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. We have certain emissions credits that expand our sales capacity in California for Polaris aggregate products.

Available Information

We file annual, quarterly and current reports, proxy statements, amendments to these reports filed or furnished pursuant to Section 13(a) or 15(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and other information with the Securities Exchange Commission (the "SEC"). Our SEC filings are available to the public over the internet at the SEC's website address, www.sec.gov. Our SEC filings are also available on our website, free of charge, at www.us-concrete.com as soon as reasonably practicable after we electronically file those materials with, or furnish them to, the SEC.

Item 1A. Risk Factors

The following risk factors represent our current view of the known material risks facing our businesses and are important to understanding our business. These important factors, among others, sometimes have affected, or in the future could affect, our actual results and could cause our actual consolidated results during 2020 and beyond, to differ materially from those expressed in any forward-looking statements made by us or on our behalf. In addition, these risks and uncertainties could adversely impact our business, financial condition, results of operations, cash flows, common stock price and the price of our debt. Further, the risk factors described below are not the only risks we face. Our business, financial condition and results of operations may also be affected by additional risks and uncertainties that are not currently known to us, that we currently consider immaterial, or that are not specific to us. This discussion includes a number of forward-looking statements. Please see “Cautionary Statement Concerning Forward-Looking Statements” preceding Item 1 of this report.

Business Risks

Our business depends on activity within the construction industry and the economic strength of our principal markets.

We serve substantially all end markets of the construction industry, and our results of operations are directly affected by the level of activity in the construction industry in the geographic markets we serve. Demand for our products, particularly in the commercial and industrial and residential construction markets, could decline if companies and consumers cannot obtain credit for construction projects or if a slow down in economic activity results in delays or cancellations of projects. During 2019, commercial and industrial construction and residential construction accounted for 60% and 22% of our ready-mixed concrete revenue, respectively. In addition, federal and state budget issues may limit the funding available for infrastructure spending, particularly street, highway and other public works projects, which accounted for 18% of our revenue in 2019.

We operate principally in the East Region (New York City, New Jersey, Washington, D.C. and Philadelphia); Central Region (Texas and Oklahoma); and West Region (California and British Columbia, Canada) with those markets representing approximately 34%, 34% and 30%, respectively, of our consolidated revenue for 2019. Our earnings depend on the economic strength of these markets because of the high cost to transport our products relative to their price. If economic and construction activity diminishes in our principal markets, our results of operations and liquidity could be materially adversely affected.

There are risks related to our internal growth and operating strategy.

Our ability to generate internal growth will be affected by, among other factors, our ability to:

- attract new customers;
- differentiate ourselves in a competitive market by emphasizing new product development and value added services;
- hire and retain employees; and
- minimize operating and overhead expenses.

Our inability to achieve internal growth could materially and adversely affect our business, financial condition, results of operations, liquidity and cash flows.

One key component of our operating strategy is to operate our businesses on a decentralized basis, with local or regional management retaining responsibility for day-to-day operations, profitability and the internal growth of the individual business. If we do not implement and maintain proper overall business controls, this decentralized operating strategy could result in inconsistent operating and financial practices and our overall profitability could be adversely affected.

Our failure to successfully identify, complete, manage and integrate acquisitions could reduce our earnings and slow our growth.

We have completed numerous acquisitions, including most recently the Acquisition. On an ongoing basis, as part of our strategy to pursue growth opportunities, we continue to evaluate strategic acquisition opportunities that have the potential to support and strengthen our business. There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, the willingness of acquisition candidates we identify to sell; our ability to obtain financing or capital, if needed, on satisfactory terms; and, in some cases, regulatory approvals. The investigation of acquisition candidates and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial

management time and attention and substantial costs for accountants, attorneys and others. If we fail to complete any acquisition for any reason, including events beyond our control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Potential acquisition targets may be in geographic regions in which we do not currently operate, which could result in unforeseen operating difficulties and difficulties in coordinating geographically dispersed operations, personnel and facilities. In addition, if we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements. Compliance with regulatory requirements may impose substantial additional obligations on us and our management, cause us to expend additional time and resources in compliance activities and increase our exposure to penalties or fines for non-compliance with such additional legal requirements. Our recently completed acquisitions and any future acquisitions could cause us to become involved in labor, commercial, or regulatory disputes or litigation related to any new enterprises and could require us to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage local or regional management and additional employees. Upon completion of an acquisition, key members of the acquired company management team may resign, which could require us to attract and retain new management and could make it difficult to maintain customer relationships. Our inability to effectively manage the integration of our completed and future acquisitions could prevent us from realizing expected rates of return on an acquired business and could have a material and adverse effect on our business, financial condition, results of operations, liquidity and cash flows.

Tightening of mortgage lending or mortgage financing requirements, higher interest rates or the limitation of the home mortgage interest deduction and the property tax deduction could adversely affect the residential construction market and reduce the demand for new home construction.

Approximately 22% of our revenue for 2019 was from residential construction contractors. Tightening of mortgage lending, mortgage financing requirements or higher interest rates could adversely affect the ability to obtain credit for some borrowers, or reduce the demand for new home construction, which could have a material adverse effect on our business and results of operations. In addition, the limitation of the home mortgage interest and property tax deductions could reduce the demand for new home construction, which could have a material adverse effect on our business and results of operations. A downturn in new home construction could also adversely affect our customers focused in residential construction, possibly resulting in slower payments, higher default rates in our accounts receivable and an overall increase in working capital.

Our ready-mixed concrete segment's revenue attributable to street, highway and other public works projects could be negatively impacted by a decrease or delay in governmental spending.

During 2019, approximately 18% of our ready-mixed concrete revenue was from street, highway and other public works projects. Construction activity on streets, highways and other public works projects is directly related to the amount of government funding available for such projects, which is affected by budget constraints currently being experienced by federal, state and local governments. In addition, prolonged government shutdowns or reductions in government spending, may result in us experiencing delayed orders, delayed payments and declines in revenue, profitability and cash flows. Reduced levels of governmental funding for public works projects or delays in that funding could adversely affect our business, financial condition, results of operations and cash flows.

Our business is seasonal and subject to adverse weather.

Since our business is primarily conducted outdoors, erratic weather patterns, seasonal changes and other weather-related conditions affect our business. Adverse weather conditions, including hurricanes and tropical storms, cold weather, snow and heavy or sustained rainfall, reduce construction activity, restrict the demand for our products and impede our ability to efficiently deliver concrete. Adverse weather conditions could also increase our costs and reduce our production output as a result of power loss, needed plant and equipment repairs, delays in obtaining permits, time required to remove water from flooded operations and similar events. In addition, during periods of extended adverse weather or other operational delays, we may elect to continue to pay certain hourly employees to maintain our workforce, which may adversely impact our results of operations. Severe drought conditions can also restrict available water supplies and restrict production. Consequently, these events could adversely affect our business, financial condition, results of operations, liquidity and cash flows.

Our operating results may vary significantly from one reporting period to another and may be adversely affected by the cyclical nature of the markets we serve.

The relative demand for our products is a function of the highly cyclical construction industry. As a result, our revenue may be adversely affected by declines in the construction industry generally and in our regional markets. Our results also may be materially affected by:

- the level of commercial and residential construction in our regional markets, including reductions in the demand for new residential housing construction below current or historical levels;
- the availability of funds for public or infrastructure construction from local, state and federal sources;
- unexpected events that delay or adversely affect our ability to deliver concrete according to our customers' requirements;
- changes in interest rates and lending standards;
- changes in the mix of our customers and business, which result in periodic variations in the margins on jobs performed during any particular quarter;
- the timing and cost of acquisitions and difficulties or costs encountered when integrating acquisitions;
- the budgetary spending patterns of customers;
- increases in construction and design costs;
- power outages and other unexpected delays;
- our ability to control costs and maintain quality;
- pricing pressure due to changes in asset utilization or economic weakness;
- employment levels; and
- regional or general economic conditions.

Accordingly, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for the entire year. Furthermore, negative trends in the ready-mixed concrete or aggregates industries or in our geographic markets could have material adverse effects on our business, financial condition, results of operations, liquidity and cash flows.

Significant downturn in the construction industry may result in an impairment of our goodwill.

We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. During our annual impairment test, we may identify events or changes in circumstances that could indicate the fair value of one or more of our reporting units is below its carrying value. For example, a significant downturn in the construction industry may have an adverse effect on the fair value of our reporting units. A decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, non-cash write-down of goodwill.

Our business depends on the availability of aggregate reserves or deposits and our ability to mine them economically.

Aggregates are a key component of ready-mixed concrete. In 2019, our ready-mixed concrete businesses purchased 34% of their aggregates needs from internally operated quarries and sites and 66% from third parties. In addition, in 2019, our aggregates segment sold \$141.7 million of aggregates to third parties and \$53.5 million of aggregates to our ready-mixed concrete operations, generating a total Adjusted EBITDA of \$53.8 million.

Because aggregates are inexpensive, they are generally cost prohibitive to transport long distances, except in large quantities by water. As a result, access to local supplies of aggregates, whether mined locally or shipped there by water, is critical to the operations of our ready-mixed concrete business. One of our most significant challenges is finding aggregate deposits that we can mine economically with appropriate permits, either within our markets or in long-haul transportation corridors that can economically serve our markets. Due to urban growth, available quarrying locations have been reduced, and communities have imposed restrictions on mining, making aggregates supplies scarce in certain markets. If we are unable to access economical sources of aggregates either internally or from third parties, our business, financial condition, results of operations, liquidity and cash flows might be materially and adversely affected.

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

Our competitive position in a given market depends largely on the location and operating costs of our plants and prevailing prices in that market. Price is the primary competitive factor among suppliers for small or less complex jobs, principally in residential construction. However, timeliness of delivery and consistency of quality and service, as well as price, are the principal competitive factors among suppliers for large or complex jobs. Concrete manufacturers like us generally obtain customer contracts through local sales and marketing efforts directed at general contractors, developers, governmental agencies and homebuilders. As a result, we depend on local relationships. We generally do not have long-term sales contracts with our customers.

Our competitors range from small, owner-operated private companies to subsidiaries or operating units of large, vertically integrated manufacturers of cement and aggregates. Our vertically integrated competitors generally have greater manufacturing, financial and marketing resources than we have, providing them with competitive advantages. Competitors having lower operating costs than we do or having the financial resources to enable them to accept lower margins than we do may have competitive advantages over us for jobs that are particularly price-sensitive. Competitors having greater financial resources or less financial leverage than we do to invest in new mixer trucks, build plants in new areas, or pay for acquisitions also may have competitive advantages over us.

We depend on third parties for concrete equipment and materials essential to operate our business.

We rely on third parties to sell or lease property, plant and equipment to us and to provide us with materials, including cement, aggregates and other materials, necessary for our operations. We cannot assure you that our favorable working relationships with our suppliers will continue in the future. Also, there have historically been periods of supply shortages in the concrete industry, particularly in a strong economy.

If we are unable to purchase or lease necessary properties or equipment, our operations could be severely impacted. If we lose our supply contracts and receive insufficient supplies from third parties to meet our customers' needs or if our suppliers experience price increases or disruptions to their business, such as labor disputes, supply shortages, or distribution problems, our business, financial condition, results of operations, liquidity and cash flows could be materially and adversely affected.

We use large amounts of electricity and diesel fuel that are subject to potential reliability issues, supply constraints, and significant price fluctuation, which could affect our financial position, operating results and liquidity.

In our production and distribution processes, we consume significant amounts of electricity and diesel fuel. The availability and pricing of these resources are subject to market forces that are beyond our control. Furthermore, we are vulnerable to any reliability issues experienced by our suppliers, which also are beyond our control. Our suppliers contract separately for the purchase of such resources and our sources of supply could be interrupted should our suppliers not be able to obtain these materials due to higher demand or other factors that interrupt their availability. Variability in the supply and prices of these resources could materially affect our financial position, results of operations and liquidity from period to period.

Delays or interruptions of our transportation logistics could affect operating results.

Our products are distributed to our markets either by trucks, which are primarily Company-owned and/or Company-managed, or ships. Transportation logistics play an important role in allowing us to supply products to our customers. Any significant delays, disruptions, or the non-availability of our transportation support system could negatively affect our operations. Transportation operations are subject to factors outside of our control, including capacity constraints, high fuel costs and various hazards, including extreme weather conditions and slowdowns due to labor strikes and other work stoppages. If there are material changes in the availability or cost of transportation services, we may not be able to arrange alternative and timely means to transport our products or fuels at a reasonable cost, which could materially affect our financial position and results of operations.

A significant disruption of our information technology systems may harm our business.

We are dependent on our own and our third-party providers' information technology to support many facets of our business. If our information technology systems are breached, shutdown, destroyed or fail due to cyberattack, unauthorized access, natural disaster or equipment breakdown, by employees, malicious third parties, or other unauthorized persons, our business could be negatively impacted, proprietary information could be lost, stolen or destroyed, and our reputation could be damaged. We take

measures to protect our information technology systems and data from such occurrences, but as cyberattacks become increasingly sophisticated, there can be no guarantee that our actions, efforts, and security measures adopted will always prevent them. Further, while we maintain cyber insurance, it may not be sufficient to cover all losses that result from interruptions or breaches of our information technology systems. Any such disruptions could have a material adverse effect on our financial condition, results of operations and liquidity.

The departure of key personnel could affect our financial results.

We depend on the efforts of our officers and, in many cases, on senior management of our businesses. Our success depends on retaining our officers and senior-level managers. We need to ensure that key personnel are compensated fairly and competitively to reduce the risk of their departure to our competitors or other industries. Effective succession planning is also important for our long-term success. Our failure to ensure effective transfers of knowledge and smooth transitions involving senior-level management could adversely affect our strategic planning and execution. To the extent we are unable to attract or retain qualified management personnel, or effectively implement succession plans, our business, financial condition, results of operations, liquidity and cash flows could be materially and adversely affected. We do not carry key personnel life insurance on any of our employees.

Shortages of qualified employees may harm our business.

Our ability to provide high-quality products and services on a timely basis depends on our success in employing an adequate number of skilled plant managers, technicians and drivers. Like many of our competitors, we experience shortages of qualified personnel from time to time. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy, and our labor expenses may increase as a result of a shortage in the supply of skilled personnel.

Collective bargaining agreements, work stoppages, and other labor relations matters may result in increases in our operating costs, disruptions in our business and decreases in our earnings.

As of December 31, 2019, approximately 34.0% of our employees were covered by collective bargaining agreements, which expire between 2018 and 2024. We are actively negotiating two of our contracts which had expired as of December 31, 2019. Our inability to negotiate acceptable new contracts or extensions of existing contracts with these unions could cause work stoppages by the affected employees. In addition, any new contracts or extensions could result in increased operating costs attributable to both union and nonunion employees. If any such work stoppages were to occur, or if other of our employees were to become represented by a union, we could experience a significant disruption of our operations and higher ongoing labor costs, which could materially and adversely affect our business, financial condition, results of operations, liquidity and cash flows. Also, labor relations matters affecting our suppliers of cement and aggregates could adversely impact our business from time to time.

Participation in multi-employer defined benefit plans may impact our financial condition, results of operations and cash flows.

We actively contribute to 17 multi-employer defined benefit plans, which are subject to the requirements of the Pension Protection Act of 2006 (the "PPA"). For multi-employer defined benefit plans, the PPA established new funding requirements or rehabilitation requirements, additional funding rules for plans that are in endangered or critical status and enhanced disclosure requirements to participants regarding a plan's funding status. The Worker, Retiree and Employer Recovery Act of 2008 (the "WRERA") provided some funding relief to defined benefit plan sponsors affected by the financial crisis. The WRERA allowed multi-employer plan sponsors to elect to freeze their funded status at the same funding status as the preceding plan year (for example, a calendar year plan that was not in critical or endangered status for 2008 was able to elect to retain that status for 2009) and sponsors of multi-employer plans in endangered or critical status in plan years beginning in 2008 or 2009 were allowed a three-year extension of funding improvement or rehabilitation plans (extending the timeline for these plans to achieve their goals from 10 years to 13 years, or from 15 years to 18 years for seriously endangered plans). A number of the multi-employer pension plans to which we contribute are underfunded and are currently subject to funding improvement or rehabilitation requirements. Additionally, if we were to withdraw partially or completely from any plan that is underfunded, we would be liable for a proportionate share of that plan's unfunded vested benefits. Based on the information available from plan administrators, we believe that our portion of the contingent liability in the case of a full or partial withdrawal from or termination of several of these plans or the inability of plan sponsors to meet the funding or rehabilitation requirements would be material to our financial condition, results of operations and cash flows.

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

Generally, our customers are price-sensitive. Prices for our products are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions and market conditions, all of which are beyond our control. Our overall profitability is sensitive to price changes, and variations in sales volumes and pricing could have a material adverse effect.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our results of operations and cash flows.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our results of operations and cash flows. Remedies are available to us in the event of nonpayment, including liens or other legal remedies; however, cash flows may be delayed or we may receive significantly less than the amount owed to us. In the event of any customer's breach, we may also choose to renegotiate any agreement on less favorable terms for us to preserve the customer relationship.

Instability in the financial and credit sectors may impact our business and financial condition in ways that we currently cannot predict.

Adverse or worsening economic trends could have a negative impact on our suppliers and our customers and their financial condition and liquidity, which could cause them to fail to meet their obligations to us and could have a material adverse effect on our revenue, income from operations and cash flows. The uncertainty and volatility of the financial and credit sectors could have further impacts on our business and financial condition that we currently cannot predict or anticipate.

Turmoil in the global financial system could have an impact on our business and our financial condition. Accordingly, our ability to access the capital markets could be restricted or be available only on unfavorable terms. Limited access to the capital markets could adversely impact our ability to take advantage of business opportunities or react to changing economic and business conditions and could adversely impact our ability to execute our long-term growth strategy. Ultimately, we could be required to reduce our future capital expenditures substantially. Such a reduction could have a material adverse effect on our revenue, income from operations and cash flows.

If one or more of the lenders under our Revolving Facility, which provides for aggregate borrowings of up to \$350.0 million, subject to the borrowing base, were to become unable or unwilling to perform their obligations under that facility, our borrowing capacity could be reduced. Our inability to borrow additional amounts under our Revolving Facility could limit our ability to fund our operations and growth.

Governmental regulations, including environmental regulations, may result in increases in our operating costs and capital expenditures and decreases in our earnings.

A wide range of federal, state and local laws, ordinances and regulations apply to our operations, including the following matters:

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

In many instances, we must have various certificates, permits, or licenses to conduct our business. Our failure to maintain required certificates, permits, or licenses or to comply with applicable governmental requirements could result in substantial fines or possible revocation of our authority to conduct some of our operations. Delays in obtaining approvals for the transfer or grant of certificates, permits or licenses, or failure to obtain new certificates, permits or licenses, could impede the implementation of any acquisitions.

Governmental requirements that impact our operations include those relating to air quality, solid and hazardous waste management and cleanup and water quality. These requirements are complex and subject to change. Certain laws, such as the Comprehensive Environmental Response, Compensation and Liability Act, can impose strict liability in some cases without regard

to negligence or fault, including for the conduct of or conditions caused by others, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements, or the future discovery of environmental conditions may require us to make unanticipated material expenditures. In addition, we may fail to identify, or obtain indemnification for, environmental liabilities of acquired businesses.

Our operations are subject to various hazards that may cause personal injury or property damage and increase our operating costs.

Operating mixer trucks, particularly when loaded, exposes our drivers and others to traffic hazards. Our drivers are subject to the usual hazards associated with providing services on construction sites, while our plant personnel are subject to the hazards associated with moving and storing large quantities of heavy raw materials. Operating hazards can cause personal injury and loss of life, damage to or destruction of property, plant and equipment and environmental damage. Although we conduct training programs designed to reduce these risks, we cannot eliminate these risks. We maintain insurance coverage against certain workers' compensation, automobile and general liability risks. Under certain components of our insurance program, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. This insurance may not be adequate to cover all losses or liabilities we may incur in our operations, and we may not be able to maintain insurance of the types or at levels we deem necessary or adequate, or at rates we consider reasonable. A partially or completely uninsured claim, if successful and of sufficient magnitude, could have a material adverse effect on us.

The insurance policies we maintain are subject to varying levels of deductibles. Losses up to the deductible amounts are accrued based on our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. If we were to experience insurance claims or costs above our estimates, our business, financial condition, results of operations, liquidity and cash flows might be materially and adversely affected.

There are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. These provisions provide for the identification of material weaknesses in internal control over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and disclosure controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of the Company or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

If, as a result of deficiencies in our internal controls, we cannot provide reliable financial statements, our business decision process may be adversely affected, our business and operating results could be harmed, investors could lose confidence in our reported financial information, the market price of our securities could decrease, and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. In addition, failure to maintain effective internal control over our financial reporting could result in investigations or sanctions by regulatory authorities. In addition, discovery and disclosure of a material weakness, by definition, could have a material adverse impact on our financial statements. Such an occurrence could discourage certain customers or suppliers from doing business with us, result in higher borrowing costs and affect how our stock trades. This could in turn affect our ability to access public debt or equity markets for capital.

The adoption of new accounting standards may affect our financial results.

The accounting standards we apply in preparing our financial statements are reviewed by regulatory bodies and are changed from time to time. New or revised accounting standards could, either positively or negatively, affect results reported for periods

after adoption of the standards as compared to the prior periods, or require retrospective application changing results reported for prior periods.

The Sarbanes-Oxley Act of 2002 and other related rules and regulations, have increased the scope, complexity and cost of corporate governance. Reports from the Public Company Accounting Oversight Board's ("PCAOB") inspections of public accounting firms continue to outline findings and recommendations that could require these firms to perform additional work as part of their financial statement audits. The Company's costs to respond to these additional requirements may increase.

U.S. tax legislation enacted in 2017 may adversely affect our business, results of operations, financial condition and cash flows.

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, the following that impact us: (1) reduction of the U.S. federal corporate income tax rate from 35% to 21%; (2) extension and expansion of the bonus depreciation provisions; (3) creation of a new limitation on deductible interest expense; (4) repeal of the domestic production activities deduction; (5) enactment of a provision designed to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries; (6) further limitation of the deductibility of certain executive compensation; and (7) limitation of certain other deductions. We have established a valuation allowance related to the interest expense limitation carryforward attribute resulting from the Tax Act, which we do not believe is more likely than not to be realized under the current interpretation of the applicable statute. Certain provisions of the Tax Act, primarily the interest expense limitation, have resulted in our effective income tax rate being substantially higher than the U.S. federal statutory rate of 21.0%.

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

Our operations involve providing products that must meet building code or other regulatory requirements and contractual specifications for durability, stress-level capacity, weight-bearing capacity and other characteristics. If we fail or are unable to provide products meeting these requirements and specifications, material claims may arise against us, and our reputation could be damaged. In the past, we have had significant claims of this kind asserted against us that we have resolved. There currently are claims, and we expect that in the future there will be additional claims, of this kind asserted against us. If a significant product-related claim or claims are resolved against us in the future, that resolution may have a material adverse effect on our business, financial condition, results of operations, liquidity and cash flows.

Some of our plants are susceptible to damage from natural disasters, for which we have a limited amount of insurance; our business and profitability could be adversely affected if the operations of one or more of our facilities were interrupted or shut down as the result of a natural disaster.

We maintain only a limited amount of insurance for natural disasters. A natural disaster or other serious disruption to our facilities due to earthquake, hurricane, fire, flood, severe weather or any other cause could substantially disrupt our operations. In addition, we could incur significantly higher costs during the time it takes us to reopen or replace one or more of our facilities, which may or may not be reimbursed by insurance. The adverse effects of a natural disaster could materially and adversely affect our business, financial condition, results of operations, liquidity and cash flows.

Increasing insurance claims and expenses could lower our profitability and increase our business risk.

The nature of our business subjects us to product liability, property damage, business interruption, personal injury and workers' compensation claims from time to time. Increased premiums charged by insurance carriers may further increase our insurance expense as coverage expires or otherwise cause us to raise our self-insured retention. If the number or severity of claims within our self-insured retention increases, we could suffer losses in excess of our reserves. An unusually large liability claim or a string of claims based on a failure repeated throughout our mass production process may exceed our insurance coverage or result in direct damages if we were unable or elected not to insure against certain hazards because of high premiums or other reasons. In addition, the availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control. Further, allegations relating to workers' compensation violations may result in investigations by insurance regulatory or other governmental authorities, which investigations, if any, could have a direct or indirect material adverse effect on our ability to pursue certain types of business which, in turn, could have a material adverse effect on our business, financial position, results of operations, liquidity and cash flows.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

As of December 31, 2019, we had \$600.0 million aggregate principal amount of outstanding 6.375% Senior Notes due 2024 (“2024 Notes”) issued as securities pursuant to the Indenture, dated as of June 7, 2016, among the Company, certain subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (the “Trustee”) as supplemented to date (the “Indenture”). We and certain of our subsidiaries are also parties to a Third Amended and Restated Loan and Security Agreement (the “Third Loan Agreement”), with certain financial institutions named therein, as lenders (the “Lenders”), and Bank of America, N.A. as agent and sole lead arranger, that is secured by certain assets of the Company and the guarantors. The Third Loan Agreement provides for aggregate borrowings of up to \$350.0 million subject to a borrowing base under the Revolving Facility. As of December 31, 2019, we did not have borrowings outstanding under the Revolving Facility.

The covenants in the Third Loan Agreement and the Indenture allow us to incur additional indebtedness from other sources in certain circumstances.

As a result of our existing indebtedness and our capacity to incur additional indebtedness, we are, and anticipate continuing to be, a highly leveraged company. A significant portion of our cash flow will be required to pay interest and principal on our outstanding indebtedness, and we may be unable to generate sufficient cash flow from operations, or have future borrowings available under our Revolving Facility, to enable us to repay our indebtedness, including the 2024 Notes, or to fund other liquidity needs. This level of indebtedness could have important consequences, including the following:

- it requires us to use a significant percentage of our cash flow from operations for debt service and the repayment of our indebtedness, including indebtedness we may incur in the future, and such cash flow may not be available for other purposes;
- it limits our ability to borrow money or sell assets to fund our working capital, capital expenditures, acquisitions and debt service requirements;
- our interest expense could increase if interest rates in general increase, because borrowings under our Revolving Facility bear interest at floating rates;
- it may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;
- we are more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to a downturn in our business or the economy;
- it may increase our cost of borrowing;
- it may restrict us from exploiting business opportunities;
- debt service requirements could make it more difficult for us to make payments on the 2024 Notes and our other indebtedness;
- the interest limitation enacted as part of the Tax Act could increase our effective tax rate and income taxes payable; and
- there would be a material adverse effect on our business and financial condition, if we were unable to refinance, service our indebtedness or obtain additional financing, as needed.

We may not be able to generate sufficient cash flows to meet our debt service obligations and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash from our operations in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not generate sufficient cash flow from operations and future sources of capital under the Revolving Facility or otherwise may not be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If we complete an acquisition, our debt service requirements could increase. We may need to refinance or restructure all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness, including the Revolving Facility and the 2024 Notes, on commercially reasonable terms, or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity, reducing or delaying capital expenditures, strategic acquisitions, investments and alliances or restructuring or refinancing our indebtedness. We may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. The Third Loan Agreement and the Indenture restrict our

ability to conduct asset sales and to use the proceeds from asset sales. We may not be able to consummate these asset sales to raise capital or sell assets at prices and on terms that we believe are fair, and any proceeds that we do receive may not be adequate to meet any debt service obligations then due. If we cannot meet our debt service obligations, the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. In such an event, we may not have sufficient assets to repay all of our debt.

We may still be able to incur significantly more debt, including secured debt. This could intensify already-existing risks related to our indebtedness.

The terms of the Indenture and the Third Loan Agreement contain restrictions on our and the guarantors' ability to incur additional indebtedness. However, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or the guarantors could incur significant additional indebtedness in the future, much of which could constitute secured, senior, or pari passu indebtedness. As of December 31, 2019, our Revolving Facility provided for unused borrowing capacity of up to \$243.7 million.

The Indenture permits us to incur certain additional secured debt, allows our non-guarantor subsidiaries to incur additional debt and does not prevent us from incurring other liabilities that do not constitute indebtedness as defined in the Indenture. The Indenture also, under certain circumstances, allows us to designate some of our restricted subsidiaries as unrestricted subsidiaries. Those unrestricted subsidiaries will not be subject to many of the restrictive covenants in the Indenture, and, therefore will be able to incur indebtedness beyond the limitations specified in the Indenture and engage in other activities in which restricted subsidiaries may not engage. If new debt is added to our currently anticipated debt levels, the related risks that we and the guarantors now face could intensify.

We may also consider investments in joint ventures or acquisitions, which may increase our indebtedness. Moreover, although the Third Loan Agreement and the Indenture contain restrictions on our ability to make restricted payments, including the declaration and payment of dividends, we will be able to make substantial restricted payments under certain circumstances.

The amount of borrowings permitted under our Revolving Facility may fluctuate significantly and/or subject us to interest rate risk, which may adversely affect our liquidity, results of operations and financial position.

The amount of borrowings permitted at any time under our Revolving Facility is limited to a periodic borrowing base valuation of, among other things, our eligible accounts receivable, inventory and mixer trucks and, under certain circumstances, our machinery. As a result, our access to credit under our Revolving Facility is potentially subject to significant fluctuations depending on the value of the borrowing base eligible assets as of any measurement date, as well as certain discretionary rights of the administrative agent of our Revolving Facility in respect of the calculation of such borrowing base value. Our inability to borrow at current advance rates or at all under, or the early termination of, our Revolving Facility may adversely affect our liquidity, results of operations and financial position.

Further, borrowings under our Revolving Facility are at variable rates of interest based on the base rate or the London interbank offered rate (LIBOR) and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

To the extent we make borrowings based on LIBOR, LIBOR tends to fluctuate based on multiple factors, including general short-term interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. On July 27, 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established or if LIBOR continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is considering replacing U.S. dollar LIBOR with a newly created index. Changes to the reference rates on which the interest rates of our borrowings are based may have a negative impact on our interest expense and profitability.

Repayment of our debt is dependent on cash flow generated by our subsidiaries.

We are a holding company and substantially all of our tangible assets are owned by our subsidiaries. As such, repayment of our indebtedness, to a certain degree, is dependent on the generation of cash flows by our subsidiaries (including any subsidiaries that are not guarantors) and their ability to make such cash available to us, by dividend, loan, debt repayment, or otherwise. Our

subsidiaries may not be able to, or be permitted to, make distributions or other payments to enable us to make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions or our permanently invested assertion may limit our ability to obtain cash from our subsidiaries. While the terms of the Indenture and the Third Loan Agreement limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to important qualifications and exceptions. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required payments on our indebtedness.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the 2024 Notes. Credit ratings are not recommendations to purchase, hold or sell the 2024 Notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure of the 2024 Notes.

Our debt agreements may restrict our ability to operate our business and to pursue our business strategies. Our failure to comply with the covenants contained in the Third Loan Agreement, the Indenture or any agreement under which we have incurred other indebtedness, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our operating results and our financial condition.

The Third Loan Agreement and the Indenture impose, and future financing agreements are likely to impose, operating and financial restrictions on our activities. These restrictions require us to comply with or maintain certain financial tests and limit or prohibit our ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- pay dividends or make other distributions, repurchase or redeem our stock or subordinated indebtedness, or make certain investments;
- prepay, redeem, or repurchase certain debt;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;
- enter into agreements restricting our restricted subsidiaries' ability to pay dividends, make loans to other U.S. Concrete entities or restrict the ability to provide liens;
- enter into transactions with affiliates;
- consolidate, merge, or sell all or substantially all of our assets; and
- with respect to the Indenture, designate our subsidiaries as unrestricted subsidiaries.

The restrictive covenants in the Third Loan Agreement also require us to maintain specified financial ratios and satisfy other financial condition tests in certain circumstances.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial tests. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements or that we will be able to refinance our debt on terms acceptable to us, or at all. In addition, an event of default under the Third Loan Agreement would permit the Lenders to terminate all commitments to extend further credit under the Revolving Facility. Furthermore, if we were unable to repay the amounts due and payable under our Revolving Facility, those Lenders could proceed against the collateral granted to them to secure that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions, along with restrictions that may be contained in agreements evidencing or governing future indebtedness, may affect our ability to grow in accordance with our growth strategy.

The Third Loan Agreement contains a fixed charge coverage ratio covenant if our Availability (as defined in the Third Loan Agreement) falls below a certain threshold. In addition, the Revolving Facility requires us to comply with various operational and other covenants. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Liquidity and Capital Resources" for a discussion of the financial covenants contained in the Third Loan Agreement. If we were required to repurchase any of our debt securities upon a change of control, we may not be able to refinance or restructure the payments on those debt securities. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, the Third Loan Agreement, the Lenders could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against the assets securing their borrowings.

The Third Loan Agreement provides the Lenders considerable discretion to impose reserves or availability blocks or reduce the advance rates used to calculate the value of our borrowing base, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the Lenders will not take such actions during the term of that facility and, further, were they to do so, the resulting impact of such actions could materially and adversely impair our ability to make interest payments on the 2024 Notes or meet our other obligations as they become due, among other matters.

Our subsidiary, Polaris Materials Corporation, exposes us to legal, political and economic risks in Canada as well as currency exchange rate fluctuations that could negatively impact our business and financial results.

International business is subject to a variety of risks, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- currency exchange rate fluctuations, devaluations and other conversion restrictions;
- uncertain and changing tax rules, regulations and rates;
- logistical challenges;
- changes in regulatory practices, including tariffs and taxes;
- changes in labor conditions;
- general economic, political and financial conditions in foreign markets; and
- exposure to civil or criminal liability under the U.S. Foreign Corrupt Practices Act ("FCPA"), the Canadian Corruption of Foreign Public Officials Act, anti-boycott rules, trade and export control regulations, as well as other international regulations.

U.S. international trade policy is subject to change. For example, in November 2018, the U.S. negotiated and signed a new trade deal with Canada and Mexico known in the U.S. as the United States-Mexico-Canada-Agreement (the "USMCA"), aimed at re-negotiating and updating the terms of the North American Free Trade Agreement ("NAFTA"). The USMCA was revised by the parties on December 10, 2019. The USMCA requires ratification by legislative bodies in all three countries before it can take effect. As of the date of this filing, the USMCA has been ratified by the U.S. and Mexico. If the USMCA is not ratified by Canada and the U.S. were to withdraw from or materially modify NAFTA or other international trade agreements to which it is a party, or if the U.S. were to engage in trade disputes or the imposition of tariffs, such actions could cause an increase in customs duties that, in turn, could adversely affect intercompany transactions among our operating subsidiaries in Canada and the U.S. and increase transaction costs with third-party suppliers and customers.

Common Stock Investment Risks

We do not intend to pay dividends on our common stock.

We have not declared or paid any dividends on our common stock to date, and we do not anticipate paying any dividends on our common stock in the foreseeable future. We intend to reinvest all future earnings in the development and growth of our

business. In addition, our Third Loan Agreement and the Indenture limit our ability to pay dividends, and future loan agreements may also prohibit the payment of dividends. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements, business opportunities, contractual restrictions and other factors deemed relevant. To the extent we do not pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in our common stock.

Our stock price may be volatile.

In recent years, the stock market has experienced significant price and volume fluctuations that are often unrelated to the operating performance of specific companies. The market price of our common stock may fluctuate based on a number of factors, including:

- our operating performance and the performance of other similar companies;
- news announcements relating to us or our competitors, the job market in general and unemployment data;
- changes in earnings estimates or recommendations by research analysts;
- changes in general economic conditions;
- changes in interest rates and inflation;
- the arrival or departure of key personnel;
- acquisitions or other transactions involving us or our competitors; and
- other developments affecting us, our industry or our competitors.

Our amended and restated certificate of incorporation, third amended and restated bylaws and Delaware law contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Provisions in our amended and restated certificate of incorporation, our third amended and restated bylaws and applicable provisions of the General Corporation Law of the State of Delaware may make it more difficult or expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. These provisions could discourage potential takeover attempts and could adversely affect the market price of our common stock. In addition, Delaware law prohibits us from engaging in any business combination with any “interested stockholder,” meaning generally that a stockholder who beneficially owns more than 15% of our common stock cannot acquire us for a period of three years from the date this person became an interested stockholder, unless various conditions are met, such as approval of the transaction by our board of directors.

Failure to meet our financial guidance or achieve other forward-looking statements we have provided to the public could result in a decline in our stock price.

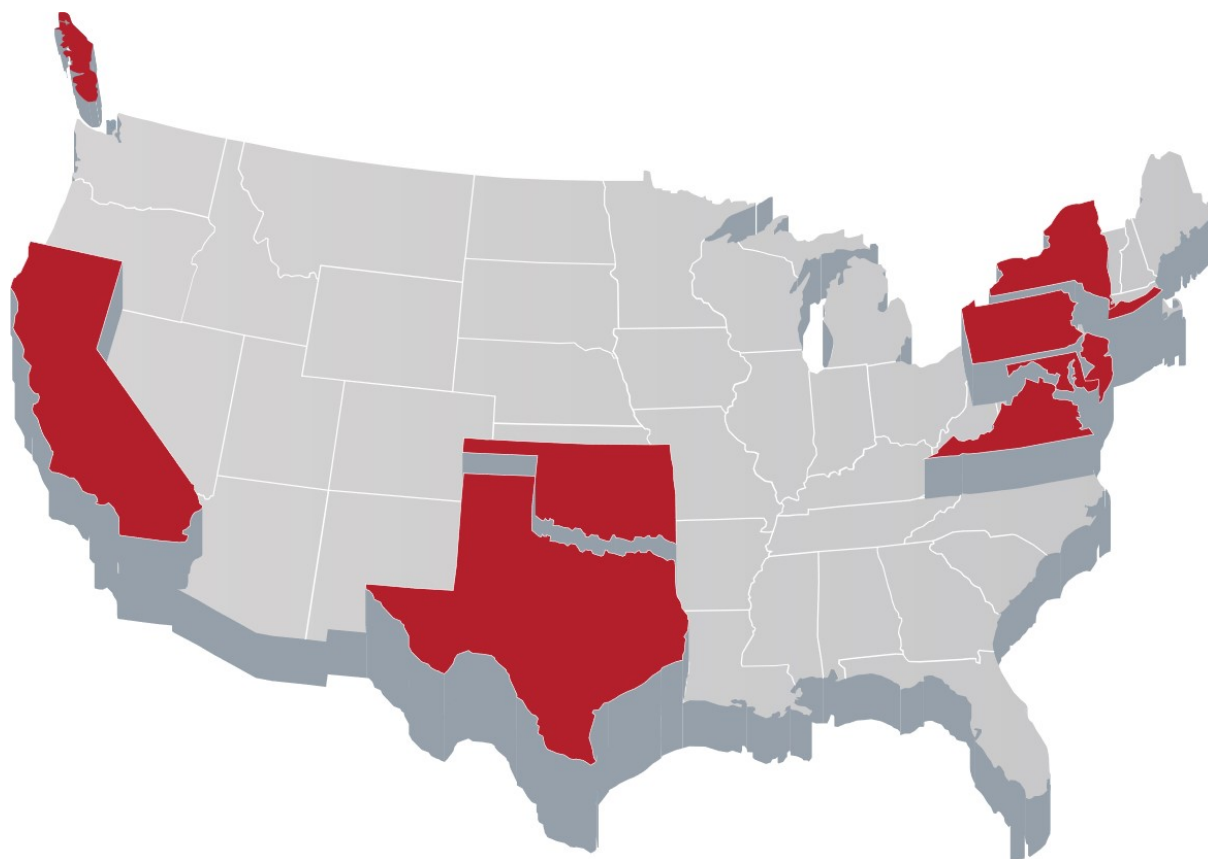
From time to time, we provide public guidance on our expected financial results or disclose other forward-looking information for future periods. We manage our business to maximize our growth and profitability and not to achieve financial or operating targets for any particular reporting period. Although we believe that public guidance may provide investors with a better understanding of our expectations for the future and is useful to our existing and potential shareholders, such guidance is subject to risks, uncertainties and assumptions. Any such guidance or other forward-looking statements are predictions based on our then existing expectations and projections about future events that we believe are reasonable. Actual events or results may differ materially from our expectations, and as such, our actual results may not be in line with guidance we have provided. We are under no duty to update any of our forward-looking statements to conform to actual results or to changes in our expectations, except as required by federal securities laws. If our financial results for a particular period do not meet our guidance or the expectations of investors, or if we reduce our guidance for future periods, the market price of our common stock may decline and stockholders could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate in select geographic markets, with a focus on vertically integrating our ready-mixed concrete operations through our aggregate products. The following map depicts our locations:



Ready-mixed concrete segment

The table below lists our concrete plant facilities as of December 31, 2019. While these plants are of varying ages, we believe they are generally in good condition, well maintained and sufficient for our current needs.

Locations	Owned			Leased		Total	2019 Production (in thousands of cubic yards)
	Fixed Standard	Volumetric	Portable	Fixed Standard	Portable		
Texas/Oklahoma	90	18	15	1	1	125	4,188
New Jersey/New York/Washington, D.C./Pennsylvania	38	—	1	1	1	41	2,978
Northern California	20	—	4	2	—	26	1,931
U.S. Virgin Islands	3	—	—	1	—	4	84
Total	151	18	20	5	2	196	9,181

Aggregate products segment

The table below lists our aggregate facilities as of December 31, 2019.

Locations	Number of Producing Quarries	Total Estimated Minimum Reserves (in thousand tons) ⁽¹⁾	2019 Production (in thousand tons)	Percent of Reserves Owned and Leased	
				Owned	Leased
British Columbia, Canada	1	97,800	4,937	—%	100%
Texas/Oklahoma	12	48,600	3,671	27%	73%
New Jersey	4	65,600	2,486	100%	—%
U.S. Virgin Islands	2	29,600	416	44%	56%
Total	19	241,600	11,510		

(1) All reserves are permitted for extraction, considered to be proven and probable and considered to be recoverable aggregates of suitable quality for economic extraction.

We produce crushed stone aggregates, sand and gravel from 19 aggregates facilities located in Canada, Texas, Oklahoma, New Jersey and the U.S. Virgin Islands. We also lease another quarry to a third party who remits a royalty to us based on the volume of product produced and sold from the quarry. We sell our aggregates for use in commercial, industrial and public works projects or consume them internally in the production of ready-mixed concrete in the markets we serve. Also included in our aggregate products segment are two distribution terminals in California to which we ship the aggregates we produce from our Canadian quarry. We believe our aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability.

We also have undeveloped quarries with reserves acquired in recent years that are not yet permitted. These reserves are not included in the table or narrative above.

Other

As of December 31, 2019, we also leased four aggregates distribution terminals in New York and one in New Jersey, the operations of which are not in a reportable segment.

Item 3. Legal Proceedings

The information set forth under the heading “Legal Proceedings” in [Note 17, “Commitments and Contingencies,”](#) to our consolidated financial statements included in this report is incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in exhibit 95.1 to this annual report.

PART II

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

Our common stock is traded on the Nasdaq Capital Market under the ticker symbol "USCR."

As of February 19, 2020, we had 136 holders of record of our common stock and approximately 24,600 beneficial holders of our common stock.

We have never declared or paid any dividends on our common stock and currently do not intend to do so. See [Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"](#) and the notes to our consolidated financial statements included in this report for more information concerning restrictions on our payment of cash dividends.

Issuer Purchases of Equity Securities

The following table provides information with respect to our purchases of shares of our common stock during the three-month period ended December 31, 2019:

Calendar Month	Total Number of Shares Purchased⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under Plans or Programs (in millions)⁽²⁾
October 1 - October 31, 2019	20,588	\$ 48.29	—	\$ 43.3
November 1 - November 30, 2019	—	—	—	43.3
December 1 - December 31, 2019	366	41.32	—	43.3
Total	20,954	\$ 48.17	—	\$ 43.3

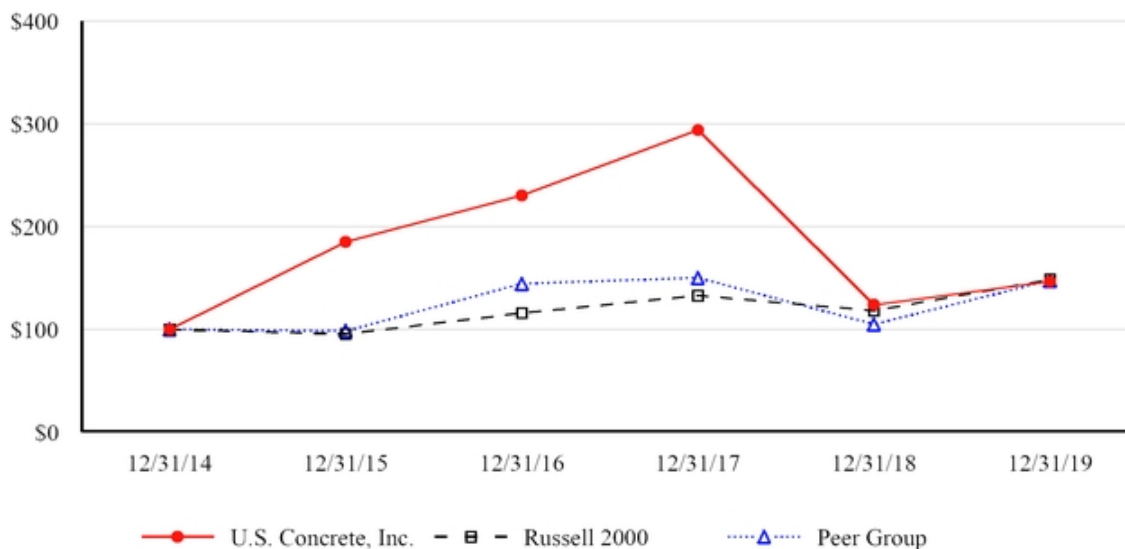
(1) Represents shares of our common stock acquired from employees who elected for us to make their required tax payments upon vesting of certain restricted shares by withholding a number of those vested shares having a value on the date of vesting equal to their tax obligations.

(2) On March 1, 2017, our Board approved a share repurchase program that allows us to repurchase up to \$50.0 million of our common stock until the earlier of March 31, 2020, or a determination by the Board to discontinue the program. The program does not obligate us to acquire any specific number of shares.

Performance Graph

The following performance graph compares the cumulative total return to holders of our common stock since the last trading day of 2014 with the cumulative total returns of the Russell 2000 index and a peer group selected by us (the “Peer Group”). The companies included in the Peer Group are Cemex, S.A.B. de C.V., Eagle Materials Inc., Martin Marietta Materials Inc., Summit Materials, Inc. and Vulcan Materials Company. The graph assumes that the value of the investment in our common stock, the Russell 2000 index and each peer group was \$100 on December 31, 2014 and is calculated assuming the quarterly reinvestment of dividends, as applicable.

Comparison of 5 Year Cumulative Total Return



	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
U.S. Concrete, Inc.	\$ 100.00	\$ 185.10	\$ 230.23	\$ 294.02	\$ 124.01	\$ 146.43
Russell 2000	\$ 100.00	\$ 95.59	\$ 115.95	\$ 132.94	\$ 118.30	\$ 148.49
Peer Group	\$ 100.00	\$ 98.61	\$ 144.34	\$ 150.01	\$ 104.78	\$ 147.33

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

The above performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Item 6. Selected Financial Data

The following table provides selected consolidated financial data for the periods shown. The data has been derived from our audited consolidated financial statements. Our historical results are not necessarily indicative of future performance or results of operations. Our results include the impacts of business combinations that were completed at various times in 2015 through 2018, including the acquisition of a company with non-controlling interests in 2017. All of the data in the table should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this Annual Report on Form 10-K.

<i>(\$ in millions except per share)</i>	2019	2018	2017	2016	2015
FOR THE YEAR					
Revenue	\$ 1,478.7	\$ 1,506.4	\$ 1,336.0	\$ 1,168.2	\$ 974.7
Income (loss) from continuing operations	\$ 16.3	\$ 31.3	\$ 26.2	\$ 9.6	\$ (5.1)
Loss from discontinued operations, net of taxes	\$ —	\$ —	\$ (0.6)	\$ (0.7)	\$ (0.3)
Net income (loss) attributable to U.S. Concrete	\$ 14.9	\$ 30.0	\$ 25.5	\$ 8.9	\$ (5.4)
PER SHARE INFORMATION					
Basic income (loss) per share attributable to U.S. Concrete:					
Income (loss) from continuing operations	\$ 0.91	\$ 1.82	\$ 1.64	\$ 0.63	\$ (0.36)
Loss from discontinued operations, net of taxes	—	—	(0.04)	(0.04)	(0.02)
Net income (loss) per share attributable to U.S. Concrete - basic	<u>\$ 0.91</u>	<u>\$ 1.82</u>	<u>\$ 1.60</u>	<u>\$ 0.59</u>	<u>\$ (0.38)</u>
Diluted income (loss) per share attributable to U.S. Concrete:					
Income (loss) from continuing operations	\$ 0.91	\$ 1.82	\$ 1.57	\$ 0.59	\$ (0.36)
Loss from discontinued operations, net of taxes	—	—	(0.04)	(0.04)	(0.02)
Net income (loss) per share attributable to U.S. Concrete - diluted	<u>\$ 0.91</u>	<u>\$ 1.82</u>	<u>\$ 1.53</u>	<u>\$ 0.55</u>	<u>\$ (0.38)</u>
AS OF END OF YEAR					
Total assets	\$ 1,433.3	\$ 1,371.3	\$ 1,276.1	\$ 945.4	\$ 681.7
Total debt	\$ 687.3	\$ 714.1	\$ 693.4	\$ 449.3	\$ 275.6

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

The following discussion, which presents our results, should be read in conjunction with the accompanying consolidated financial statements and notes thereto, along with Item 1A. Risk Factors and “Cautionary Statement Concerning Forward-Looking Statements” preceding Item 1 of this report. In addition, a detailed discussion of the 2018 year-over-year changes from 2017 can be found in Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2018 and is hereby incorporated by reference into this Annual Report on Form 10-K.

Our Business

We are a leading heavy building materials supplier of aggregates and ready-mixed concrete in select geographic markets in the United States, the U.S. Virgin Islands and Canada. We operate through two primary segments, which are ready-mixed concrete and aggregate products.

Ready-mixed concrete. Our ready-mixed concrete segment (which represented 86.5% of our revenue for 2019) engages principally in the formulation, production and delivery of ready-mixed concrete to our customers’ job sites. We provide our ready-mixed concrete from our operations in Texas, New Jersey, New York City, Washington, D.C., Philadelphia, Northern California, Oklahoma and the U.S. Virgin Islands. Ready-mixed concrete is a highly versatile construction material that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various chemical admixtures and cement. We also provide services intended to reduce our customers’ overall construction costs by lowering the installed, or “in-place,” cost of concrete. These services include the formulation of mixtures for specific design uses, on-site and lab-based product quality control and customized delivery programs to meet our customers’ needs.

Aggregate products. Our aggregate products segment (which represented 9.6% of our revenue for 2019, excluding \$53.5 million of intersegment sales) produces crushed stone, sand and gravel from 19 aggregates facilities located in British Columbia, Canada, Texas, Oklahoma, New Jersey, and the U.S. Virgin Islands. We sell aggregates for use in commercial, industrial and public works projects, as well as consume them internally in the production of ready-mixed concrete. We produced approximately 11.5 million tons of aggregates during 2019, with British Columbia, Canada representing 43%, Texas and Oklahoma representing 32%, New Jersey representing 22% and the U.S. Virgin Islands representing 3% of the total production. We consumed 34% of our aggregate production internally and sold 66% to third-party customers in 2019. We believe our aggregates reserves provide us with additional raw materials sourcing flexibility and supply availability. In addition, we own a quarry in West Texas, which we lease to third parties and receive a royalty based on the volumes produced and sold during the terms of the leases.

Overview

The geographic markets for our products are generally local, except for our Canadian aggregate products operation, Polaris Materials Corporation (“Polaris”), which primarily serves markets in California. Our operating results are subject to fluctuations in the level and mix of construction activity that occur in our markets. The level of activity affects the demand for our products, while the product mix of activity among the various segments of the construction industry affects both our relative competitive strengths and our operating margins. Commercial and industrial projects generally provide more opportunities to sell value-added products that are designed to meet the high-performance requirements of those types of projects.

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, because of inclement weather, demand for our products and services during the winter months are typically lower than in other months of the year. Also, sustained periods of inclement weather and other adverse weather conditions could cause the delay of construction projects during other times of the year.

Our ready-mixed concrete sales volume in 2019 decreased 3.8% from 2018 levels to 9.2 million cubic yards and generated revenue of \$1,278.6 million. Ready-mixed concrete sales volume for 2019 was down compared to 2018 primarily due to delayed projects, regional softness and limited driver availability. Partially offsetting the volume decline, our ready-mixed concrete average selling price (“ASP”) rose 1.9% from 2018, resulting in the 9th consecutive year of increased ASP.

Our aggregate products sales volume in 2019 increased 2.5% compared to 2018, and ASP increased 5.8% in 2019 compared to 2018, resulting in an all-time annual high total aggregate products revenue of \$195.2 million, including intersegment sales of \$53.5 million, as we benefited from our 2018 acquisitions being operational for a full year and increased demand from our existing operations along with lower downtime at our quarries.

Despite the record volumes in aggregate products, total Company revenue declined 1.8% from 2018, and with increases in certain expenses in 2019 and the impact from \$15.3 million of gains on the sale of assets and businesses in 2018 that did not recur at the same level in 2019, our income before income taxes was \$19.5 million lower in 2019 compared to 2018.

Acquisitions and Divestitures

We completed five acquisitions during 2018 that expanded our ready-mixed concrete operations in our East Region (which we define to include New York City, New Jersey, Washington, D.C. and Philadelphia) and expanded our ready-mixed concrete, aggregate products and other non-reportable operations in West Texas. Also during 2018, we sold our Dallas-Fort Worth area lime operations, a Michigan aggregates property, and an aggregates operation in New Jersey that no longer fit our operating plans.

2020 Acquisition of Aggregates Company in New York

On February 24, 2020, we acquired all of the equity of Coram Materials Corp. and certain of its affiliates (collectively, "Coram") for \$142.0 million, subject to certain post-closing adjustments (the "Acquisition"). Coram is a premier provider of high-quality sand and gravel products located on Long Island, New York. Coram's operations supply natural sand to the New York City area, which is used in concrete and other applications across industry sectors and within all construction categories. Coram owns approximately 41.9 million tons of proven and permitted reserves and approximately 7.5 million tons of proven, but unpermitted reserves. The Acquisition increases the vertical integration of our New York City operations and reduces our dependency on third-party suppliers. In addition, the Acquisition strengthens our competitive position, while furthering our strategy of expanding into higher margin aggregates businesses. We funded the purchase price for the Acquisition by borrowing \$140.0 million under our Revolving Facility. We will seek to refinance or replace this borrowing as conditions permit. The remaining \$2.0 million of the purchase price will be paid over the next two years.

For additional information on our acquisitions, see [Note 2, "Business Combinations"](#) to our consolidated financial statements included in this report.

Results of Operations

(\$ in millions except selling prices)	2019		2018		Increase/(Decrease)	% Change ⁽¹⁾
Revenue	\$ 1,478.7	100.0 %	\$ 1,506.4	100.0 %	\$ (27.7)	(1.8)%
Cost of goods sold before depreciation, depletion and amortization	1,187.6	80.3	1,212.2	80.5	(24.6)	(2.0)
Selling, general and administrative expenses	130.0	8.8	126.5	8.4	3.5	2.8
Depreciation, depletion and amortization	93.2	6.3	91.8	6.1	1.4	1.5
Change in value of contingent consideration	2.8	0.2	—	—	2.8	NM
Asset impairment	—	—	1.3	0.1	(1.3)	NM
Gain on sale/disposal of assets and businesses, net	(0.1)	0.0	(15.3)	(1.0)	(15.2)	99.3
Operating income	65.2	4.4	89.9	6.0	(24.7)	(27.5)
Interest expense, net	46.1	3.1	46.4	3.1	(0.3)	(0.6)
Other income, net	(9.5)	(0.6)	(4.6)	(0.3)	4.9	106.5
Income before income taxes	28.6	1.9	48.1	3.2	(19.5)	(40.5)
Income tax expense	12.3	0.8	16.8	1.1	(4.5)	(26.8)
Net income	16.3	1.1	31.3	2.1	(15.0)	(47.9)
Less: Net income attributable to non-controlling interest	(1.4)	(0.1)	(1.3)	(0.1)	0.1	7.7
Net income attributable to U.S. Concrete	\$ 14.9	1.0 %	\$ 30.0	2.0 %	\$ (15.1)	(50.3)%

Ready-Mixed Concrete Data:

Average selling price per cubic yard	\$ 138.97	\$ 136.42	\$ 2.55	1.9 %
Sales volume in thousand cubic yards	9,181	9,546	(365)	(3.8)%

Aggregate Products Data:

Average selling price per ton ⁽²⁾	\$ 11.93	\$ 11.28	\$ 0.65	5.8 %
Sales volume in thousand tons	11,392	11,110	282	2.5 %

(1) "NM" is defined as "not meaningful."

(2) Our calculation of the aggregate products segment ASP excludes certain other ancillary revenue and Polaris's freight revenue. We define revenue for this calculation as amounts billed to external and internal customers for coarse and fine aggregate products, excluding delivery charges. Our definition and calculation of ASP may differ from other companies in the construction materials industry.

The following discussion reflects 2019 (current year) results compared to 2018 (prior year), unless otherwise noted.

Revenue. Our consolidated revenue declined by \$27.7 million, or 1.8%, primarily due to lower sales of ready-mixed concrete and the impact from the 2018 divestiture of the Dallas-Fort Worth area lime operations, partially offset by higher sales of aggregate products. As our business is seasonal and subject to adverse weather, our results in both years were negatively impacted by inclement weather in various regions and during various periods of the year. Ready-mixed concrete sales declined by \$27.9 million, or 2.1%, due to a 3.8% decline in sales volume partially offset by a 1.9% increase in ASP. By market, our ready-mixed concrete operations in New York City, California and North Texas experienced sales declines, while New Jersey, Washington, D.C., West Texas and the U.S. Virgin Islands delivered sales increases. Sales of aggregate products rose to \$195.2 million from \$182.6 million in 2018, an increase of \$12.6 million, or 6.9%, driven by a 5.8% increase in ASP and a 2.5% increase in volume. The increase in our aggregate products revenue was generated from our operations in West Texas, the U.S. Virgin Islands, New Jersey and British Columbia. Our North Texas aggregate products sales experienced declines due primarily to weather-related issues. Other product revenue and eliminations, which included aggregates distribution, building materials, hauling business, aggregate recycling, concrete block, lime operations until its divestiture in September 2018, and eliminations of our intersegment sales, decreased by \$12.4 million, or 71.7%, from \$17.3 million in 2018, to \$4.9 million in 2019. This decline was primarily a result of the divestiture of our lime business, which provided \$7.4 million of revenue in 2018, and the impact of eliminations for higher intersegment sales in 2019.

Cost of goods sold before depreciation, depletion and amortization (“DD&A”). Cost of goods sold before DD&A decreased \$24.6 million, or 2.0%. Cost of goods sold before DD&A declined at a higher rate than revenue, primarily as we operated our aggregate pits and quarries more efficiently in 2019. Our variable costs in our ready-mixed concrete segment, which include primarily raw material costs, labor and benefits costs, utilities and delivery costs, were lower overall primarily related to the lower sales volume; however, on a percentage basis these variable costs did not decline consistently with revenue due to increases in certain raw materials costs that we were not able to fully pass on to our customers. Our fixed costs in our ready-mixed concrete segment increased, primarily due to higher costs to operate our facilities, as well as operating additional locations in 2019. Variable costs in our aggregate products segment, which include quarry labor and benefits, utilities, repairs and maintenance, pit costs to prepare the stone and gravel for use, and delivery costs, increased primarily due to the higher sales volume. Total fixed costs in our aggregate products segment, which include primarily property taxes, equipment rental and plant management costs, were higher, as the 2018 acquisitions only operated for part of 2018 whereas they were fully operational in 2019.

Selling, general and administrative (“SG&A”) expenses. SG&A expenses increased \$3.5 million, or 2.8%, primarily as a result of an \$8.7 million increase in stock-based compensation expense, partially offset by lower acquisition costs. The increase in stock-based compensation expense was primarily due to the increase in our stock price from the time the 2019 annual equity award was approved by our Board of Directors at the beginning of March 2019 to when our stockholders approved the equity plan amendment (and the award was deemed granted for accounting purposes) at our annual stockholders' meeting in May 2019. If the award issuance date and the accounting grant date had been the same, our stock-based compensation expense would have been more comparable. As a percentage of total revenue, SG&A expenses increased from 8.4% in 2018 to 8.8% in 2019.

Depreciation, depletion and amortization. DD&A expense increased \$1.4 million, or 1.5%, primarily related to depreciation on additional plants, equipment and mixer trucks purchased to service increased demand or acquired through acquisitions and depletion on acquired mineral deposits.

Change in value of contingent consideration. We recorded net non-cash losses on revaluation of contingent consideration of \$2.8 million in 2019 compared to less than \$0.1 million in 2018. These non-cash expenses were related to the fair value changes in contingent consideration associated with certain acquisitions. The key inputs in determining the fair value of our contingent consideration at December 31, 2019 included discount rates ranging from 3.70% to 7.46% and management's estimates of future sales volumes and EBITDA. Changes in these inputs impact the valuation of our contingent consideration and result in a gain or loss in each reporting period. The non-cash expense from fair value changes in contingent consideration in 2019 was primarily due to the changes in those related to future EBITDA thresholds. The non-cash expense from fair value changes in contingent consideration in 2018 was primarily due to the offsetting changes in the probability-weighted assumptions related to the achievement of permitted reserves and those related to future EBITDA thresholds.

Asset impairment. We recorded a \$1.3 million non-cash impairment in the second quarter of 2018 to reduce an aggregate property to its fair value. The asset was near the end of its economic life and was sold in the third quarter of 2018.

Gain on sale of business and assets, net. The 2019 net \$0.1 million gain on sale of business and assets was primarily a result of gains on sales of excess vehicles and equipment offset by the loss of \$0.7 million related to a mixer truck fire that occurred during the first quarter of 2019. The 2018 net \$15.3 million gain on sale of business and assets was primarily a result of the divestiture of our lime operations in the third quarter of 2018. In addition, we recorded net gains on sales of excess vehicles and equipment in 2018.

Interest expense, net. Net interest expense decreased by \$0.3 million, or 0.6%, primarily due to a decrease in borrowings under our asset-based revolving credit facility partially offset by an increase in finance lease interest expense.

Other income, net. Other income, net, in 2019 included a gain from an eminent domain proceeding in Washington, D.C. and insurance proceeds from the 2017 hurricane losses in our operations in the U.S. Virgin Islands.

Income tax expense. We recorded income tax expense of \$12.3 million for 2019 and \$16.8 million for 2018. For 2019, our effective tax rate differed substantially from the federal statutory rate primarily due to \$5.8 million of additional income tax expense to record a valuation allowance for (1) an interest expense limitation carryforward attribute resulting from the Tax Act (defined below), which we do not believe is more likely than not to be realized under the current interpretation of the applicable statute and (2) certain foreign losses generated for which we do not believe the tax benefits are more likely than not to be realized. For 2018, our effective tax rate differed substantially from the federal statutory rate primarily due to \$6.6 million of additional income tax expense to record a valuation allowance for an interest expense limitation carryforward attribute resulting from the Tax Act (defined below), which we do not believe is more likely than not to be realized under the current interpretation of the applicable statute.

Under U.S. tax law, we treat our Canadian and USVI subsidiaries (collectively, “foreign subsidiaries”) as controlled foreign corporations. We consider the undistributed earnings of our foreign subsidiaries, if any, and other outside basis differences in our investments in our foreign subsidiaries to be indefinitely reinvested and no foreign withholding or other income taxes have been provided thereon. Due to the complexities in the tax laws, it is not practicable to estimate the amount of deferred incomes taxes not recorded that are associated with those earnings or other outside basis differences. We have not, nor do we currently anticipate in the foreseeable future, the need to repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, the following that impacted us: (1) reduction of the U.S. federal corporate income tax rate from 35% to 21%; (2) extension and expansion of the bonus depreciation provisions; (3) creation of a new limitation on deductible interest expense; (4) enactment of a new provision designed to tax global intangible low-taxed income (“GILTI”) of foreign subsidiaries; (5) repeal of the domestic production activities deduction; (6) further limitation of the deductibility of certain executive compensation; and (7) limitation of certain other deductions. During 2018, we completed our accounting for the income tax effects of the Tax Act and recognized \$2.1 million of income tax expense as a reduction to the provisional tax benefits recognized in 2017.

Segment information

Our chief operating decision maker reviews operating results based on our two reportable segments, which are ready-mixed concrete and aggregate products, and evaluates segment performance and allocates resources based on Adjusted EBITDA. We define Adjusted EBITDA as our income from continuing operations, excluding the impact of income tax expense (benefit), depreciation, depletion and amortization, net interest expense and certain other non-cash, non-recurring and/or unusual, non-operating items including, but not limited to: non-cash stock compensation expense, non-cash change in value of contingent consideration, impairment of assets, acquisition-related costs, officer transition expenses, eminent domain matter and hurricane-related losses (gains), net. Acquisition-related costs include fees and expenses for accountants, lawyers and other professionals incurred during the negotiation and closing of strategic acquisitions and certain acquired entities' management severance costs. Acquisition-related costs do not include fees or expenses associated with post-closing integration of strategic acquisitions. Many of the impacts excluded to derive Adjusted EBITDA are similar to those excluded in calculating our compliance with our debt covenants.

We consider Adjusted EBITDA to be an indicator of the operational strength and performance of our business. We have included Adjusted EBITDA because it is a key financial measure used by our management to (1) internally measure our operating performance and (2) assess our ability to service our debt, incur additional debt and meet our capital expenditure requirements.

Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is not based on accounting principles generally accepted in the United States of America (“U.S. GAAP”), and is not a measure of our cash flows or ability to fund our cash needs. Our measurement of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies and may not be comparable to similarly titled measures used in our various agreements, including the Third Loan Agreement and the Indenture (each as defined in Item 1A of this report). See [Note 20, “Segment Information,”](#) to our consolidated financial statements included in this report for additional information regarding our segments and the reconciliation of Adjusted EBITDA to net income. The following discussion reflects 2019 (current year) results compared to 2018 (prior year), unless otherwise noted.

Ready-mixed concrete

(\$ in millions except selling prices)

	2019	2018	Increase/(Decrease)	% Change
Ready-Mixed Concrete Segment:				
Revenue	\$ 1,278.6	\$ 1,306.5	\$ (27.9)	(2.1)%
Segment revenue as a percentage of total revenue	86.5%	86.7%		
Adjusted EBITDA	\$ 157.7	\$ 179.2	\$ (21.5)	(12.0)%
Adjusted EBITDA as a percentage of segment revenue	12.3%	13.7%		

Ready-Mixed Concrete Data:

Average selling price per cubic yard ⁽¹⁾	\$ 138.97	\$ 136.42	\$ 2.55	1.9%
Sales volume in thousand cubic yards	9,181	9,546	(365)	(3.8)%

(1) Calculation excludes certain ancillary revenue that is reported within the segment.

Adjusted EBITDA. Adjusted EBITDA for our ready-mixed concrete segment decreased primarily as a result of lower sales volume, partially offset by lower costs and higher ASP. Results included the impact of a full year of fixed costs from our acquisitions that occurred during the first half of 2018, which due to lower demand in 2019, were unable to fully contribute to our Adjusted EBITDA. Segment Adjusted EBITDA as a percentage of segment revenue decreased by 1.4%.

Aggregate products

(\$ in millions except selling prices)

	2019	2018	Increase	% Change
Aggregate Products Segment:				
Sales to external customers	\$ 141.7	\$ 136.5		
Intersegment sales	53.5	46.1		
Total aggregate products revenue	\$ 195.2	\$ 182.6	\$ 12.6	6.9%
Segment revenue, excluding intersegment sales, as a percentage of total Company revenue	9.6%	9.1%		
Adjusted EBITDA	\$ 53.8	\$ 41.6	\$ 12.2	29.3%
Adjusted EBITDA as a percentage of segment revenue	27.6%	22.8%		

Aggregate Products Data:

Average selling price per ton ⁽¹⁾	\$ 11.93	\$ 11.28	\$ 0.65	5.8%
Sales volume in thousand tons	11,392	11,110	282	2.5%

(1) We sell aggregate products to our ready-mixed concrete segment businesses at market price.

(2) Our calculation of the aggregate products segment ASP excludes certain other ancillary revenue and Polaris's freight revenue. We define revenue for our aggregate products ASP calculation as amounts billed to customers for coarse and fine aggregate products, excluding delivery charges. Our definition and calculation of ASP may differ from other companies in the construction materials industry.

The following discussion reflects 2019 (current year) results compared to 2018 (prior year), unless otherwise noted.

Adjusted EBITDA. Adjusted EBITDA for our aggregate products segment increased by \$12.2 million, or 29.3%. Overall, our segment Adjusted EBITDA as a percentage of segment revenue improved to 27.6% from 22.8%. Our Adjusted EBITDA benefited from higher revenue, lower freight costs and our ability to leverage fixed costs on higher volumes. Our variable costs associated with cost of goods sold, which include primarily quarry labor and benefits, pit costs to prepare the stone and gravel for use, repairs and maintenance, and utilities, rose due to the higher sales volumes.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash generated from operations, available cash and cash equivalents and access to our Revolving Facility, which provides for aggregate borrowings of up to \$350 million, subject to a borrowing base.

We ended 2019 with \$40.6 million of cash and cash equivalents and had \$243.7 million available for future borrowings under the Revolving Facility, providing total available liquidity of \$284.3 million. On February 24, 2020, we borrowed \$140.0 million under the Revolving Facility to finance our acquisition of Coram.

The following key financial measurements reflect our financial condition as of December 31, 2019 and 2018:

(\$ in millions)	2019	2018
Cash and cash equivalents	\$ 40.6	\$ 20.0
Working capital	\$ 103.7	\$ 71.2
Total debt ⁽¹⁾	\$ 687.3	\$ 714.1

(1) Total debt includes long-term debt, net of unamortized debt issuance costs, including current maturities, finance leases, notes payable and outstanding borrowings under the Revolving Facility.

Our primary liquidity needs over the next 12 months consist of (1) financing working capital requirements; (2) servicing our indebtedness; (3) purchasing property, plant and equipment; and (4) payments related to strategic acquisitions. Our primary portfolio strategy includes acquisitions in various regions and markets. We have additional committed financing to further support our liquidity needs and we will seek to refinance or replace the debt acquired to purchase Coram as conditions permit. We may seek financing for additional acquisitions, which could include debt or equity capital.

Our working capital needs are typically at their lowest level in the first quarter, increase in the second and third quarters to fund increases in accounts receivable and inventories during those periods, and then decrease in the fourth quarter. Availability under the Third Loan Agreement is governed by a borrowing base primarily determined by our eligible accounts receivable, inventory, mixer trucks and machinery. Our borrowing base also typically declines during the first quarter due to lower accounts receivable balances as a result of normal seasonality of our business caused by weather.

The projection of our cash needs is based upon many factors, including without limitation, our expected volume, pricing, cost of materials and capital expenditures. Based on our projected cash needs, we believe that cash on hand, availability under the Revolving Facility and cash generated from operations will provide us with sufficient liquidity in the ordinary course of business, not including potential acquisitions. If, however, availability under the Revolving Facility, cash on hand and our operating cash flows are not adequate to fund our operations, we would need to obtain other equity or debt financing or sell assets to provide additional liquidity.

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

- deterioration of revenue, due to lower volume and/or pricing, because of weakness in the markets in which we operate;
- declines in margins due to shifts in our product mix or increases in the cost of our raw materials, fuel and fixed costs;
- any deterioration in our ability to collect our accounts receivable from customers as a result of weakening in construction demand or payment difficulties experienced by our customers; and
- inclement weather beyond normal patterns that could adversely affect our sales volumes and/or gross margins.

The discussion that follows provides a description of our arrangements relating to our outstanding indebtedness.

Asset Based Revolving Credit Facility (“Revolving Facility”)

We have a senior secured asset-based credit facility with certain financial institutions named therein as lenders (the “Lenders”) and Bank of America, N.A., as agent for the Lenders that provides for up to \$350.0 million of revolving borrowings. The Revolving Facility also permits the incurrence of other secured indebtedness not to exceed certain amounts as specified therein. The Revolving

Facility provides for swingline loans up to a \$15.0 million sublimit and letters of credit up to a \$50.0 million sublimit. Loans under the Revolving Facility are in the form of either base rate loans or “LIBOR loans” denominated in U.S. dollars.

Our actual maximum credit availability under the Revolving Facility varies from time to time and is determined by calculating the value of our eligible accounts receivable, inventory, mixer trucks and machinery, minus reserves imposed by the Lenders and other adjustments, as specified in the Third Loan Agreement, which matures August 31, 2022.

The Third Loan Agreement contains usual and customary covenants including, but not limited to: restrictions on our ability to consolidate or merge; substantially change the nature of our business; sell, lease or otherwise transfer any of our assets; create or incur indebtedness; create liens; pay dividends or make other distributions; make loans; prepay certain indebtedness; and make investments or acquisitions. The covenants are subject to certain exceptions as specified in the Third Loan Agreement. The Third Loan Agreement also requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months. As of December 31, 2019, we were in compliance with all covenants under the Third Loan Agreement.

On February 24, 2020, we borrowed \$140.0 million under the Revolving Facility to finance our acquisition of Coram. We have additional committed financing to further support our liquidity needs and we will seek to refinance or replace this debt as conditions permit.

Senior Unsecured Notes due 2024

We have issued \$600.0 million aggregate principal amount of 6.375% senior unsecured notes due 2024 (the “2024 Notes”). The 2024 Notes are governed by an indenture (the “Indenture”) dated as of June 7, 2016, by and among U.S. Concrete, Inc., as issuer, the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee. The 2024 Notes accrue interest at a rate of 6.375% per annum, which is payable on June 1 and December 1 of each year. The 2024 Notes mature on June 1, 2024, and are redeemable at our option prior to maturity at prices specified in the Indenture. The Indenture contains negative covenants that restrict our ability and our restricted subsidiaries’ ability to engage in certain transactions, as described below, and also contains customary events of default.

The 2024 Notes were issued by U.S. Concrete, Inc., the parent company, and are guaranteed on a full and unconditional basis by each of our restricted subsidiaries that guarantees any obligations under the Revolving Facility or that guarantees certain of our other indebtedness or certain indebtedness of our restricted subsidiaries (other than foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary). The guarantees are joint and several. U.S. Concrete, Inc. does not have any independent assets or operations, and none of its foreign subsidiaries guarantee the 2024 Notes.

The 2024 Notes and the guarantees thereof are effectively subordinated to all of our and our guarantors’ existing and future secured obligations, including obligations under the Revolving Facility, to the extent of the value of the collateral securing such obligations; senior in right of payment to any of our and our guarantors’ future subordinated indebtedness; pari passu in right of payment with any of our and our guarantors’ existing and future senior indebtedness, including our and our guarantors’ obligations under the Revolving Facility; and structurally subordinated to all existing and future indebtedness and other liabilities, including preferred stock, of any non-guarantor subsidiaries.

For additional information regarding our guarantor and non-guarantor subsidiaries, see the information set forth in [Note 21, “Supplemental Condensed Consolidating Financial Information.”](#) to our consolidated financial statements included in this report.

Other Debt

We have financing agreements with various lenders primarily for the purchase of mixer trucks and other machinery and equipment with \$87.7 million in outstanding principal as of December 31, 2019.

For additional information regarding our arrangements relating to outstanding indebtedness, see the information set forth in [Note 8, “Debt,”](#) to our consolidated financial statements included in this report.

Cash Flows

(\$ in millions)	2019	2018	2017
Net cash provided by (used in):			
Operating activities	\$ 138.8	\$ 122.8	\$ 94.8
Investing activities	(33.8)	(91.7)	(334.3)
Financing activities	(84.2)	(33.4)	186.3
Effect of exchange rates on cash and cash equivalents	(0.2)	(0.3)	—
Net increase (decrease) in cash	\$ 20.6	\$ (2.6)	\$ (53.2)

Our net cash provided by operating activities generally reflects the cash effects of transactions and other events used in the determination of net income or loss including non-controlling interest. Overall, the generation of cash from operations was driven primarily by the change in operating performance of the Company, with 2019 being positively impacted by income tax refunds received and 2017 being adversely impacted by higher payments of income taxes. We also had ongoing initiatives to optimize our working capital, which helped to improve cash provided by operating activities in 2019.

Our net cash used to fund investing activities was higher in 2018 and 2017, when we completed multiple acquisitions. We paid \$72.3 million in 2018 and \$295.1 million in 2017 to fund acquisitions. In addition, we incurred \$42.7 million, \$39.9 million and \$42.7 million in 2019, 2018 and 2017, respectively, primarily to fund purchases of machinery and equipment as well as mixers, trucks and other vehicles to service our business. Investing activities also included proceeds from the sale of businesses and/or property, plant and equipment of \$2.9 million in 2019, \$20.7 million in 2018 and \$3.5 million in 2017. Proceeds were higher in 2018 primarily from the sale of our Dallas/Fort Worth area lime operations.

In 2020, we expect to invest between \$65.0 million and \$75.0 million in capital, including expenditures financed through finance leases, but excluding any acquisitions. These expenditures are planned primarily for maintenance and expansion, land purchases and new plants, as well as plant improvements, plant equipment, drum mixer trucks and other rolling stock. In addition to financing certain of these expenditures through finance leases, we expect to fund these expenditures with cash flows from operations and existing cash and cash equivalents. Our capital expenditure budget and allocation of it to the foregoing investments are estimates and are subject to change.

Financing activities in 2019 included \$15.0 million of net repayments under our Revolving Facility. In addition, in 2019, we made payments of \$32.8 million primarily related to our finance leases and promissory notes and paid \$33.4 million for contingent and deferred consideration obligations. Financing activities in 2018 included \$6.0 million of net borrowings under our Revolving Facility to operate our business and fund acquisitions. In addition, we made payments of \$29.6 million primarily related to our finance leases and promissory notes and paid \$5.9 million for contingent and deferred consideration obligations. We also repurchased 0.2 million shares of our common stock at a cost of \$6.7 million during 2018 under the 2017 share repurchase program. Financing activities in 2017 included the proceeds from a \$200.0 million offering of 6.375% senior unsecured notes due 2024, including the premium on the issue price and net of related debt issuance costs, as well as \$9.0 million of net borrowings under our Revolving Facility to operate our business and fund acquisitions. In addition, we made payments of \$20.3 million primarily related to our finance leases and promissory notes and paid \$9.0 million for contingent and deferred consideration obligations. Also during 2017, we received proceeds of \$2.7 million from exercises of warrants and stock options.

Contingent Liabilities and Commitments

We have entered into standby letter of credit agreements in the normal course of business primarily relating to self-insurance. At December 31, 2019, we had \$19.7 million of undrawn letters of credit outstanding. We are also contingently liable for performance under \$14.4 million in performance bonds relating to our operations. In the Company's past experience, no material claims have been made against these financial instruments.

Commitments

The following are our contractual commitments associated with our indebtedness, operating lease obligations and acquisition-related contingent consideration and deferred payment obligations as of December 31, 2019 (in millions):

Contractual obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Principal on debt	\$ 687.7	\$ 32.5	\$ 43.5	\$ 611.7	\$ —
Interest on debt	174.3	40.9	78.9	54.5	—
Operating leases	91.2	16.9	28.3	21.1	24.9
Contingent consideration ⁽¹⁾	28.6	10.8	17.8	—	—
Deferred consideration payments ⁽²⁾	2.8	2.2	0.4	0.2	—
Total	\$ 984.6	\$ 103.3	\$ 168.9	\$ 687.5	\$ 24.9

(1) Estimated future payments of contingent consideration obligations associated with certain acquisitions. As more fully described in [Note 13, "Fair Value Disclosures,"](#) to our consolidated financial statements where the fair value of this amount is presented, changes may occur until to the final payment in 2023.

(2) Consists of deferred consideration obligations associated with acquisitions.

The following long-term liabilities included on the consolidated balance sheet are excluded from the contractual obligations table: accrued employment costs, income tax contingencies, self-insurance accruals and other accruals. Due to the nature of these accruals, the estimated timing of such payments (or contributions in the case of certain accrued employment costs) for these items is not predictable.

Critical Accounting Policies and Estimates

Preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. See [Note 1, "Organization and Summary of Significant Accounting Policies,"](#) to our consolidated financial statements included in this report for more information about our significant accounting policies. We believe the most complex and sensitive judgments, because of their significance to our financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. We have listed below those policies that we believe are critical and involve complex judgment in their application to our financial statements. Actual results in these areas could differ from our estimates.

Business Combinations

The acquisition method of accounting requires that we recognize the net assets acquired in business combinations at their acquisition date fair value. Goodwill is measured as the consideration transferred at the acquisition date in excess of the net fair value of the net assets acquired and liabilities assumed. The measurement of the fair value of net assets acquired requires considerable judgment. Although independent appraisals may be used to assist in the determination of the fair value of certain assets and liabilities, the appraised values are usually based on significant estimates provided by management, such as forecasted revenue or profit.

In determining the fair value of intangible assets, we utilize the cost approach (primarily through the cost-to-recreate method), the market approach and the income approach. The income approach may incorporate the use of a discounted cash flow method. In applying the discounted cash flow method, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate based on an estimated weighted average cost of capital for the building materials industry. These cash flow projections are based on management's estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures and working capital requirements.

While we use our best estimates and assumptions as part of the process to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. During the measurement period, which occurs before finalization of the purchase price allocation, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period they are determined, with the corresponding offset to goodwill. Any adjustments subsequent to the conclusion of the measurement period will be recorded to our consolidated statements

of operations. See [Note 2, "Business Combinations,"](#) to our consolidated financial statements included in this report for additional information about our acquisitions.

Goodwill and Goodwill Impairment

We record as goodwill the amount by which the total purchase price we pay in our acquisition transactions exceeds our estimated fair value of the identifiable net assets we acquire. We test goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. The impairment evaluation of goodwill is a critical accounting estimate because goodwill represented 16.7% of the Company's total assets at December 31, 2019, the evaluation requires the use of significant estimates and assumptions and considerable management judgment, and an impairment charge could be material to the Company's financial condition and its results of operations. We generally test for goodwill impairment in the fourth quarter of each year.

The Company's reporting units, which represent the level at which goodwill is tested for impairment, are based on its operating segments. To perform the impairment analysis, we estimate the fair value of our reporting units and compare the result to the reporting unit's carrying value. We generally estimate the fair value using an equally weighted combination of discounted cash flows and multiples of invested capital to EBITDA. The discounted cash flow model includes forecasts for revenue and cash flows discounted at our weighted average cost of capital. Multiples of invested capital to EBITDA are calculated using a weighted average of two selected 12 month periods results by reporting unit compared to the enterprise value of the Company, which is determined based on the combination of the market value of our common stock and total outstanding debt. If the fair value exceeds the carrying value, the impairment is determined to be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

We completed our annual impairment assessment during the fourth quarter of 2019 as of October 1, 2019, and determined that there was no impairment. We changed our reporting units in 2019 and performed the impairment assessment both before and after the change, with no difference in the assessment results. Our fair value estimates were determined using estimates and assumptions that we believe were reasonable at the time, including assumptions regarding future operating results. Such estimates and assumptions are subject to inherent uncertainty. Actual results may differ materially from those estimates. Changes in those assumptions or estimates with respect to a reporting unit or its prospects, which may result from a change in market conditions, market trends, interest rates or other factors outside of our control, or significant underperformance relative to historical or projected future operating results, could significantly impact the calculated fair value of the reporting units, and could result in an impairment charge in the future. See [Note 6, "Goodwill and Intangible Assets, Net,"](#) to our consolidated financial statements included in this report for additional information about our goodwill.

Insurance Programs

We maintain third-party insurance coverage against certain workers' compensation, automobile and general liability risks in amounts and against the risks we believe are reasonable. We share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. We believe our workers' compensation, automobile and general liability per occurrence retentions are suitable for a company of our size and with our risk profile, although there are variations among our business units, and we regularly evaluate our retention levels and coverage limits. We have deductibles and record an expense for losses we expect under the programs. We determine the expected losses using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claims reporting and settlement patterns, claims development, safety practices, judicial decisions, new legislation and economic conditions. Although we believe the estimated losses are reasonable, significant differences related to the items we have noted above could materially affect our insurance obligations and future expense. The amount accrued for these self-insurance claims, which was classified in accrued liabilities and other long-term obligations and deferred credits, was \$23.3 million as of December 31, 2019 and \$20.4 million as of December 31, 2018.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, we record deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and use enacted tax rates and laws that we expect will be in effect when the temporary differences are expected to reverse. In cases where the expiration date of tax loss carryforwards or other tax attributes or the projected operating results indicate that realization is not likely, we provide for a valuation allowance.

We have deferred tax assets resulting from deductible temporary differences that may reduce taxable income in future periods. A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence including reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. Valuation allowances related to deferred tax assets could be impacted by changes in tax laws, changes in statutory tax rates and future taxable income levels. If we were to determine that we are unable to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which the determination is made. Conversely, if we were to determine that we can realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease to income tax expense in the period in which the determination is made. Based on these considerations, we had valuation allowances as of December 31, 2019 and 2018 of \$15.1 million and \$9.2 million, respectively, for certain deferred tax assets due to uncertainty regarding their ultimate realization. In 2019, we established additional valuation allowances of \$5.8 million related to (1) an interest expense limitation carryforward attribute resulting from the Tax Act, which we do not believe is more likely than not to be realized under the current interpretation of the applicable statute and (2) certain foreign losses generated for which we do not believe the tax benefits are more likely than not to be realized.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the highest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of unrecognized tax benefits. These differences, should they occur, will be reflected as increases or decreases to income tax expense in the period in which new information is available. See [Note 15, "Income Taxes,"](#) to our consolidated financial statements included in this report for further discussion.

Contingent Consideration

We incur contingent consideration obligations associated with certain acquisitions. We record an estimate of the fair value of contingent consideration within accrued liabilities and other long-term obligations and deferred credits. On a quarterly basis, we revalue the liabilities and record increases or decreases in the fair value as an adjustment to earnings. Changes to the contingent consideration liabilities can result from adjustments to the discount rate, accretion of interest expense due to the passage of time or changes in the assumptions regarding probabilities of successful achievement of related milestones and the estimated timing in which the milestones are achieved. The assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in a materially different estimate of fair value. The key inputs in determining fair value of our contingent consideration obligations at December 31, 2019 included discount rates ranging from 3.70% to 7.46% and management's estimates of future sales volumes and EBITDA. The amount accrued for our contingent consideration obligations, which was classified in accrued liabilities and other long-term obligations and deferred credits, aggregated \$27.2 million and \$60.7 million at December 31, 2019 and 2018, respectively. Due to our achievement of certain EBITDA and volume targets for our acquisitions with multi-year measurement periods and the proximity to the end of the measurement period, we used a discounted cash flow method to measure the fair value of our remaining contingent consideration obligations as of December 31, 2019 that was previously measured using a Monte Carlo model. For further information, see [Note 13, "Fair Value Disclosures,"](#) to our consolidated financial statements included in this report for additional information about our contingent consideration obligations.

Other

We record accruals for legal and other contingencies when estimated future expenditures associated with those contingencies become probable and the amounts can be reasonably estimated. However, new information may become available, or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount required to be accrued for such matters (and, therefore, a decrease or increase in reported net income in the period of such change).

Recent Accounting Pronouncements

For a discussion of recently issued accounting guidance that may affect our financial statements, see [Note 1, "Organization and Summary of Significant Accounting Policies,"](#) to our consolidated financial statements included in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss from adverse changes in interest rates, foreign exchange rates and market prices. Our exposure to market risk includes interest rate risk related to our Revolving Facility, the impact of interest rates as they impact the overall economy and foreign exchange risk due to certain transactions denominated in Canadian dollars related to our aggregate products operations in Canada.

We do not use derivative instruments to hedge risks relating to our ongoing business operations or for speculative purposes.

Interest Rate Risk

Borrowings under our Revolving Facility expose us to certain market risks. Interest on amounts drawn varies based on the floating rates under the Revolving Facility. As of December, 31, 2019, we had no outstanding borrowings under the Revolving Facility.

Our operations are subject to factors affecting the overall strength of the U.S. economy and economic conditions impacting financial institutions, including the level of interest rates, availability of funds for construction and level of general construction activity. A significant decrease in the level of general construction activity in any of our market areas may have a material adverse effect on our consolidated revenue and earnings.

Foreign Exchange Risk

Our primary exposure to foreign currency risk relates to our Canadian aggregates facility. Certain activities are transacted in Canadian dollars, but recorded in U.S. dollars. Changes in exchange rates between the U.S. dollar and the Canadian dollar result in transaction gains or losses, which we recognize in our consolidated statements of operations.

Future net transaction gains and losses are inherently difficult to predict as they are reliant on how the Canadian dollar fluctuates in relation to the U.S. dollar and the relative composition of current assets and liabilities denominated in the Canadian dollar each reporting period. We do not currently expect the economic impact to us of foreign exchange rates to be material.

Item 8. Financial Statements and Supplementary Data**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	Page
Report of Independent Registered Public Accounting Firm	40
Consolidated Balance Sheets	42
Consolidated Statements of Operations	43
Consolidated Statements of Total Equity	44
Consolidated Statements of Cash Flows	45
Notes to Consolidated Financial Statements	47
Note 1 Organization and Summary of Significant Accounting Policies	47
Note 2 Business Combinations	54
Note 3 Allowance for Doubtful Accounts and Customer Disputes	56
Note 4 Inventories	57
Note 5 Property, Plant and Equipment, Net	57
Note 6 Goodwill and Intangible Assets, Net	57
Note 7 Accrued Liabilities	60
Note 8 Debt	60
Note 9 Lease Accounting	62
Note 10 Other Long-term Obligations and Deferred Credits	63
Note 11 Stockholders' Equity	64
Note 12 Non-controlling Interest	64
Note 13 Fair Value Disclosures	64
Note 14 Stock-based Compensation	66
Note 15 Income Taxes	68
Note 16 Earnings Per Share	72
Note 17 Commitments and Contingencies	72
Note 18 Employee Savings Plans and Multi-Employer Pension Plans	74
Note 19 Quarterly Summary	76
Note 20 Segment Information	77
Note 21 Supplemental Condensed Consolidating Financial Information	79
Note 22 Subsequent Event	88

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of U.S. Concrete, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of U.S. Concrete, Inc. and subsidiaries (the Company) as of December 31, 2019 and December 31, 2018, and the related consolidated statements of operations, total equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and December 31, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Adoption of ASC 842

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in the 2019 financial statements to reflect the accounting method change due to the adoption of ASC 842, Leases.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of Goodwill

Description of the Matter

At December 31, 2019, the Company's goodwill was \$239.5 million. As described in Note 6 to the consolidated financial statements, the Company completed an annual assessment of goodwill impairment for each of its reporting units as of October 1, 2019. Goodwill is tested for impairment at least annually at the reporting unit level.

Auditing management's annual goodwill impairment test was highly judgmental due to the significant estimation required in determining the fair value of the reporting units. In particular, the estimates of the fair values of certain reporting units are highly sensitive to significant assumptions such as operating margin growth rates and the discount rate, which are affected by expectations about future market or economic conditions. Management utilized a specialist to assist in the preparation of the goodwill assessment.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value of the Company's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and testing the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical business operations, and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. In addition, we reviewed the reconciliation of the fair value of the reporting units to the market capitalization of the Company. We involved a valuation specialist to assist in the testing of the annual assessment of goodwill impairment.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2017.

Dallas, Texas

February 25, 2020

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ in millions except per share amounts)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40.6	\$ 20.0
Trade accounts receivable, net	233.1	226.6
Inventories	59.0	51.2
Other receivables, net	8.4	18.4
Prepaid expenses and other	7.9	7.9
Total current assets	<u>349.0</u>	<u>324.1</u>
Property, plant and equipment, net	673.5	680.2
Operating lease assets	69.8	—
Goodwill	239.5	239.3
Intangible assets, net	92.4	116.6
Other assets	9.1	11.1
Total assets	<u>\$ 1,433.3</u>	<u>\$ 1,371.3</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 136.4	\$ 125.8
Accrued liabilities	63.5	96.3
Current maturities of long-term debt	32.5	30.8
Current operating lease liabilities	12.9	—
Total current liabilities	<u>245.3</u>	<u>252.9</u>
Long-term debt, net of current maturities	654.8	683.3
Long-term operating lease liabilities	59.7	—
Other long-term obligations and deferred credits	49.1	54.8
Deferred income taxes	54.8	43.1
Total liabilities	<u>1,063.7</u>	<u>1,034.1</u>
Commitments and contingencies (Note 17)		
Equity:		
Preferred stock, \$0.001 par value per share (10,000,000 shares authorized; none issued)	—	—
Common stock, \$0.001 par value per share (100,000,000 shares authorized; 17,911,000 and 17,774,000 shares issued, respectively; and 16,696,000 and 16,631,000 shares outstanding, respectively)	—	—
Additional paid-in capital	348.9	329.6
Retained earnings	31.1	16.2
Treasury stock, at cost (1,215,000 and 1,143,000 common shares, respectively)	(36.6)	(33.4)
Total shareholders' equity	<u>343.4</u>	<u>312.4</u>
Non-controlling interest (Note 12)	26.2	24.8
Total equity	<u>369.6</u>	<u>337.2</u>
Total liabilities and equity	<u>\$ 1,433.3</u>	<u>\$ 1,371.3</u>

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions except per share amounts)

	2019	2018	2017
Revenue	\$ 1,478.7	\$ 1,506.4	\$ 1,336.0
Cost of goods sold before depreciation, depletion and amortization	1,187.6	1,212.2	1,056.6
Selling, general and administrative expenses	130.0	126.5	119.2
Depreciation, depletion and amortization	93.2	91.8	67.8
Change in value of contingent consideration	2.8	—	7.9
Impairment of goodwill and other assets	—	1.3	6.2
Gain on sale/disposal of assets and businesses, net	(0.1)	(15.3)	(0.7)
Operating income	65.2	89.9	79.0
Interest expense, net	46.1	46.4	42.1
Derivative loss	—	—	0.8
Other income, net	(9.5)	(4.6)	(2.5)
Income from continuing operations before income taxes	28.6	48.1	38.6
Income tax expense	12.3	16.8	12.4
Income from continuing operations	16.3	31.3	26.2
Loss from discontinued operations, net of taxes	—	—	(0.6)
Net income	16.3	31.3	25.6
Less: Net income attributable to non-controlling interest	(1.4)	(1.3)	(0.1)
Net income attributable to U.S. Concrete	\$ 14.9	\$ 30.0	\$ 25.5
Basic income per share attributable to U.S. Concrete:			
Income from continuing operations	\$ 0.91	\$ 1.82	\$ 1.64
Loss from discontinued operations, net of taxes	—	—	(0.04)
Net income per share attributable to U.S. Concrete - basic	\$ 0.91	\$ 1.82	\$ 1.60
Diluted income per share attributable to U.S. Concrete:			
Income from continuing operations	\$ 0.91	\$ 1.82	\$ 1.57
Loss from discontinued operations, net of taxes	—	—	(0.04)
Net income per share attributable to U.S. Concrete - diluted	\$ 0.91	\$ 1.82	\$ 1.53
Weighted average shares outstanding:			
Basic	16.4	16.5	15.9
Diluted	16.4	16.5	16.6

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL EQUITY
(in millions)

	Shares of Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Total Shareholders' Equity	Non- controlling Interest	Total Equity
December 31, 2016	15.8	\$ 249.8	\$ (39.3)	\$ (21.7)	\$ 188.8	\$ —	\$ 188.8
Stock-based compensation	0.1	8.3	—	(3.1)	5.2	—	5.2
Stock options exercised	—	0.1	—	—	0.1	—	0.1
Warrants exercised	0.8	60.8	—	—	60.8	—	60.8
2017 acquisition	—	—	—	—	—	21.6	21.6
Net income	—	—	25.5	—	25.5	0.1	25.6
December 31, 2017	16.7	319.0	(13.8)	(24.8)	280.4	21.7	302.1
Stock-based compensation	0.1	10.4	—	(1.9)	8.5	—	8.5
Stock options exercised	—	0.2	—	—	0.2	—	0.2
Adjustment for prior year business combination	—	—	—	—	—	1.8	1.8
Share Repurchase Program	(0.2)	—	—	(6.7)	(6.7)	—	(6.7)
Net income	—	—	30.0	—	30.0	1.3	31.3
December 31, 2018	16.6	329.6	16.2	(33.4)	312.4	24.8	337.2
Stock-based compensation	0.1	19.1	—	(3.2)	15.9	—	15.9
Stock options exercised	—	0.2	—	—	0.2	—	0.2
Net income	—	—	14.9	—	14.9	1.4	16.3
December 31, 2019	16.7	\$ 348.9	\$ 31.1	\$ (36.6)	\$ 343.4	\$ 26.2	\$ 369.6

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 16.3	\$ 31.3	\$ 25.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	93.2	91.8	67.8
Amortization of debt issuance costs	1.8	1.8	2.0
Change in value of contingent consideration	2.8	—	7.9
Gain on sale of businesses and assets, net	(0.1)	(15.3)	(0.7)
Gains from eminent domain matter and property insurance claims	(6.0)	—	—
Impairment of goodwill and other assets	—	1.3	6.2
Deferred income taxes	12.2	14.6	(3.4)
Provision for doubtful accounts and customer disputes	3.2	4.6	4.6
Stock-based compensation	19.1	10.4	8.3
Other, net	(2.2)	(1.3)	0.3
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	(8.6)	(16.9)	(5.7)
Inventories	(7.8)	(2.1)	0.6
Prepaid expenses and other current assets	8.8	(2.0)	(2.8)
Other assets and liabilities	3.9	(3.0)	2.6
Accounts payable and accrued liabilities	2.2	7.6	(18.5)
Net cash provided by operating activities	<u>138.8</u>	<u>122.8</u>	<u>94.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(42.7)	(39.9)	(42.7)
Payments for acquisitions, net of cash acquired	—	(72.3)	(295.1)
Proceeds from sale of businesses and property, plant and equipment	2.9	20.7	3.5
Proceeds from eminent domain matter and property insurance claims	6.0	2.6	—
Purchase of environmental credits	—	(2.8)	—
Net cash used in investing activities	<u>(33.8)</u>	<u>(91.7)</u>	<u>(334.3)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolver borrowings	353.5	431.2	54.4
Repayments of revolver borrowings	(368.5)	(425.2)	(45.4)
Proceeds from issuance of debt	—	—	211.5
Proceeds from warrant and stock option exercises	0.2	0.1	2.7
Payments of other long-term obligations	(33.4)	(5.9)	(9.0)
Payments for finance leases, promissory notes and other	(32.8)	(29.6)	(20.3)
Debt issuance costs	—	—	(4.5)
Payments for Share Repurchase Program	—	(6.7)	—
Shares redeemed for employee income tax obligations	(3.2)	(1.9)	(3.1)
Other proceeds	—	4.6	—
Net cash provided by (used in) financing activities	<u>(84.2)</u>	<u>(33.4)</u>	<u>186.3</u>
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(0.2)	(0.3)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>20.6</u>	<u>(2.6)</u>	<u>(53.2)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>20.0</u>	<u>22.6</u>	<u>75.8</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 40.6</u>	<u>\$ 20.0</u>	<u>\$ 22.6</u>

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in millions)

	2019	2018	2017
Supplemental Disclosure of Cash Flow Information:			
Net cash paid for interest	\$ 45.5	\$ 45.5	\$ 41.0
Net cash paid (received) for income taxes	\$ (7.3)	\$ 2.5	\$ 28.1
Supplemental Disclosure of Non-cash Investing and Financing Activities:			
Capital expenditures funded by finance leases and promissory notes	\$ 20.6	\$ 39.4	\$ 46.2
Acquisitions funded by contingent consideration and deferred payments	\$ —	\$ 1.1	\$ 29.5

There were approximately \$14.2 million of loans payable to the Company assumed as part of the acquisitions in 2017, which were eliminated in consolidation in 2017.

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

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

U.S. Concrete, Inc., a Delaware corporation, is a heavy building materials supplier of aggregates, ready-mixed concrete and concrete-related products and services to the construction industry in several major markets in the United States, as well as select markets in the U.S. Virgin Islands and Canada. U.S. Concrete, Inc. is a holding company and conducts its businesses through its consolidated subsidiaries. In these notes to the consolidated financial statements (these "Notes"), we refer to U.S. Concrete, Inc. and its subsidiaries as "we," "us," "our," the "Company," or "U.S. Concrete," unless we specifically state otherwise or the context indicates otherwise.

Basis of Presentation

The consolidated financial statements consist of the accounts of U.S. Concrete, Inc. and its majority or wholly owned subsidiaries. All significant intercompany account balances and transactions have been eliminated. Certain computations may be impacted by the effect of rounding.

For acquisitions accounted for as business combinations, all of the assets acquired and liabilities assumed are recorded at their respective fair value as of the date of the acquisition. The results of operations of acquisitions (discussed in more detail in [Note 2](#)) are included in the consolidated financial statements from the respective date of acquisition.

Discontinued Operations

Discontinued operations in 2017 primarily related to real estate leases and subleases of businesses that were disposed of in prior years, generating a net loss before taxes of \$1.0 million, for which we recorded a \$0.4 million income tax benefit.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that we consider significant in the preparation of our financial statements include those related to our business combinations, goodwill, intangibles, accruals for self-insurance, income taxes, valuation of contingent consideration, allowance for doubtful accounts, the valuation of inventory, and the valuation and useful lives of property, plant and equipment.

Business Combinations

Effective January 1, 2018, we follow the accounting guidance for business combinations that clarified the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or as business combinations. The guidance provides a screen to determine when a set of assets is not of a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similarly identifiable assets, the set is not a business. This screen was intended to reduce the number of transactions that need to be further evaluated.

We account for business acquisitions under the acquisition method of accounting. Accordingly, we recognize assets acquired and liabilities assumed in a business combination, including contingent liabilities and deferred payment obligations, based on the fair value estimates as of the date of acquisition. Goodwill is measured as the excess of the fair value of the consideration paid over the fair value of the identified net tangible and intangible assets acquired.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value measurement of the identified net assets requires the significant use of estimates and is based on information that was available to management at the time these consolidated financial statements were prepared. The estimates used for determining the fair value of certain assets and liabilities related to acquisitions are considered Level 3 inputs (as defined in [Note 13](#)). We utilize recognized valuation techniques, including the income approach, sales approach and cost approach to value the net assets acquired. We generally use a third party valuation firm to assist us with developing our estimates of fair value. The fair value of property, plant and equipment is based primarily on a market valuation approach. Additionally, we may use a cost valuation approach to value long-lived assets when a market valuation approach is unavailable. In determining the fair value of intangible assets, we use the cost approach (primarily through the cost-to-recreate method), the market approach and the income approach. The income approach may incorporate the use of a discounted cash flow method. In applying the discounted cash flow method, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate based on an estimated weighted average cost of capital for the building materials industry. Cash flow projections are based on management's estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures and working capital requirements. The impact of changes to the estimated fair value of assets acquired and liabilities assumed is recorded in the reporting period in which the adjustment is identified. Final valuations of assets and liabilities are obtained and recorded as soon as practical, but no later than one year from the date of the acquisition. See [Note 13](#) for additional information regarding valuation of contingent consideration obligations, including maximum payout amounts and how the fair value was estimated.

Foreign Currency

The Company accounts for its Canadian operations using the United States dollar ("US dollar") as the functional currency, as the primary economic environment in which the entity operates is the United States. Transactions in Canadian dollars are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in Canadian dollars are remeasured at the rates prevailing at that date. Foreign currency differences arising on remeasurement of monetary items are recognized in earnings. During 2017, we recorded net foreign exchange rate losses of \$1.9 million primarily related to the funding of our purchase of the stock of Polaris Materials Corp. ("Polaris").

Cash and Cash Equivalents

We record as cash equivalents all highly liquid investments having maturities of three months or less at the original date of purchase. Our cash equivalents may include money market accounts, certificates of deposit and commercial paper of highly rated corporate or government issuers. We classify our cash equivalents as held-to-maturity. Cash equivalents are stated at cost plus accrued interest, which approximates fair value. The maximum amount placed in any one financial institution is limited in order to reduce risk. At times, our cash and investments may be in excess of amounts insured by the Federal Deposit Insurance Corporation. We have not experienced any losses on these accounts. Cash held as collateral or escrowed for contingent liabilities, if any, is included in other current and noncurrent assets based on the expected release date of the underlying obligation.

Business and Credit Concentrations

We grant credit, generally without collateral, to our customers, which include general contractors, municipalities and commercial companies located primarily in Texas, New Jersey, New York, Philadelphia, Washington, D.C., California, Oklahoma, the U.S. Virgin Islands and Hawaii. Consequently, we are subject to potential credit risk related to changes in business and economic factors in those states and territories. We generally have lien rights in the work we perform, and concentrations of credit risk are limited because of the diversity of our customer base. Further, our management believes that our contract acceptance, billing and collection policies are adequate to limit potential credit risk. We did not have any customers that accounted for more than 10% of our revenue or any suppliers that accounted for more than 10% of our cost of goods sold in 2019, 2018 or 2017. We did not have any customers that accounted for more than 10% of our accounts receivable as of December 31, 2019 or December 31, 2018.

Accounts Receivable

Accounts receivable consist primarily of receivables from contracts with customers for the sale of ready-mixed concrete, aggregates and other products. Accounts receivable initially are recorded at the transaction amount. We utilize liens or other legal remedies in our collection efforts of certain accounts receivable. Each reporting period, we evaluate the collectability of the receivables and record an allowance for doubtful accounts and customer disputes for our estimated probable losses on balances that may not be collected in full, which reduces the accounts receivable balance. Additions to the allowance result from a provision

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for bad debt expense that is recorded to selling, general and administrative expenses. A provision for customer disputes recorded as a reduction to revenue also increases the allowance. Accounts receivable are written off if and when we determine the receivable will not be collected and are reflected as a reduction to the allowance. We determine the amount of bad debt expense and customer dispute losses each reporting period and the resulting adequacy of the allowance at the end of each reporting period by using a combination of historical loss experience, customer-by-customer analysis, and subjective assessments of our loss exposure.

Inventories

Inventories consist primarily of cement and other raw materials, aggregates at our pits and quarries, and building materials that we hold for sale or use in the ordinary course of business. Inventories are measured at the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Cost in all periods presented was determined using the average cost and first-in, first-out (“FIFO”) methods. We reduce the carrying value of our inventories for estimated excess and obsolete inventories equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future product demand and market conditions. The value is not increased with any changes in circumstances that would indicate an increase after the remeasurement. If actual product demand or market conditions are less favorable than those projected by management, inventory write-downs may be required.

Property, Plant and Equipment, Net

We state property, plant and equipment at cost less accumulated depreciation. We capitalize leasehold improvements on properties held under operating leases and amortize those costs over the lesser of their estimated useful lives or the applicable lease term. We record amortization of assets recorded under finance leases as depreciation expense. We compute depletion of mineral deposits as such deposits are extracted utilizing the unit-of-production method. We expense maintenance and repair costs when incurred and capitalize and depreciate expenditures for major renewals and betterments that extend the useful lives of our existing assets. When we retire or dispose of property, plant or equipment, we remove the related cost and accumulated depreciation from our accounts and reflect any resulting gain or loss in our consolidated statements of operations.

We use the straight-line method to compute depreciation and amortization of these assets, other than mineral deposits, over the following estimated useful lives:

Class of Assets	Range of Service Lives
Buildings and land improvements	10 to 40 years
Machinery and equipment	10 to 30 years
Mixers, trucks and other vehicles	1 to 12 years
Other	3 to 10 years

Reclamation Costs

Reclamation costs resulting from normal use of long-lived assets are recognized over the period the asset is in use when there is a legal obligation to incur these costs upon retirement of the assets. Additionally, reclamation costs resulting from normal use under a mineral lease are recognized over the expected lease term when there is a legal obligation to incur these costs upon expiration of the lease. The obligation, which is not reduced by estimated offsetting cash flows, is recorded at fair value as a liability at the obligating event date and is accreted through charges to operating expenses. This fair value is also capitalized as part of the carrying amount of the underlying asset and depleted over the estimated useful life of the asset. If the obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement.

To determine the fair value of the obligation, we estimate the cost (including a reasonable profit margin) for a third party to perform the legally required reclamation tasks. This cost is then increased for both future estimated inflation and an estimated market risk premium related to the estimated years to settlement. Once calculated, this cost is discounted to fair value using present value techniques with a credit-adjusted, risk-free rate commensurate with the estimated years to settlement.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In estimating the settlement date, we evaluate the current facts and conditions to determine the most likely settlement date. If this evaluation identifies alternative estimated settlement dates, we use a weighted-average settlement date considering the probabilities of each alternative.

We review reclamation obligations at least annually for a revision to the cost or a change in the estimated settlement date. Additionally, reclamation obligations are reviewed in the period that a triggering event occurs that would result in either a revision to the cost or a change in the estimated settlement date. Examples of events that would trigger a change in the cost include a new reclamation law or amendment of an existing mineral lease. Examples of events that would trigger a change in the estimated settlement date include the acquisition of additional reserves or the closure of a facility.

For additional information about reclamation obligations (referred to in our financial statements as asset retirement obligations) see [Note 10](#).

Impairment of Long-lived Assets

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Such evaluations for impairment are significantly impacted by estimates of future prices for our products, capital needs, economic trends in the applicable construction sector and other factors. If we consider such assets to be impaired, the impairment we recognize is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of by sale are reflected at the lower of their carrying amounts or fair value, less cost to sell. We test for impairment using a multi-tiered approach that incorporates an equal weighting to a multiple of earnings and to undiscounted estimated future cash flows. In 2017, we recorded a \$0.5 million non-cash impairment of assets related to property, plant and equipment destroyed by hurricanes at our U.S. Virgin Islands (“USVI”) operations. In 2018, we recorded a \$1.3 million non-cash impairment of assets related to property, plant and equipment for properties in New Jersey and Michigan that were sold in 2018.

Leases

As of January 1, 2019, we adopted the new lease accounting guidance by using the transition approach that permitted application of the new standard at the adoption date instead of the earliest comparative period presented in the financial statements. The core principle of the guidance is that lessees are required to recognize a right-of-use asset and a lease liability, measured on a discounted basis, at the commencement date for all leases, excluding mineral interest leases, with terms greater than twelve months. Additionally, this guidance requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. As a result of adopting the new standard, we recorded additional lease assets and lease liabilities of approximately \$76.9 million and \$79.2 million, respectively, on the consolidated balance sheet as of January 1, 2019. The additional lease assets equal the lease liabilities, excluding the impact of deferred rent, which was previously recorded in accrued liabilities. The standard did not materially impact our consolidated net earnings and had no impact on cash flows.

In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. We elected to exclude leases with an initial term of 12 months or less from the consolidated balance sheet. We made an accounting policy election to combine lease and non-lease components when calculating the lease liability under the new standard. Non-lease components, which may include taxes, maintenance, insurance and certain other expenses applicable to the leased property, are primarily considered variable costs. We did not elect the hindsight practical expedient to determine the lease term for existing leases.

We are the lessee in a lease contract when we obtain the right to control the asset. We lease certain land, office space, equipment and vehicles. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or more. The exercise of lease renewal options is primarily at our discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certain of our lease agreements include rental payments based on a percentage of volume sold over contractual levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Where observable, we use the implicit interest rate in determining the present value of future payments. Where the implicit interest rate is not observable, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments. We give consideration to our outstanding debt as well as publicly available data for instruments with similar characteristics when calculating our incremental borrowing rates.

See [Note 9](#) for additional information regarding our leases.

Goodwill Impairment

Goodwill represents the cost of net assets acquired in a business combination over the fair value of the acquired net identifiable tangible and intangible assets. Goodwill is assigned to the reporting unit that it will benefit. We do not amortize goodwill but instead evaluate it for impairment within the reporting unit. Goodwill impairment exists when the fair value of a reporting unit is less than its carrying amount. Goodwill is tested for impairment annually, as of October 1, or more frequently if events or circumstances indicate that assets might be impaired. The annual test for impairment is performed in the fourth quarter of each year, because this period gives us the best visibility of the reporting units' operating performance for the current year (seasonally, April through October are our highest revenue and production months) and our outlook for the upcoming year, because much of our customer base is finalizing operating and capital budgets during the fourth quarter. We have the option of either assessing qualitative factors to determine whether it is more likely than not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to a quantitative test. We elected to perform the quantitative impairment test for all years presented. The quantitative impairment test involves estimating the fair value of our reporting units and comparing the result to the reporting unit's carrying value, including goodwill. If the fair value is less than the carrying value, goodwill impairment is determined to be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We changed our reporting units in 2019 and performed the impairment assessment both before and after the change, with no difference in the assessment results. There was no impairment of goodwill in either 2019 or 2018. In 2017, Hurricanes Irma and Maria resulted in extensive damage, flooding and power outages throughout the USVI, impacting our facilities and operations. Based on the uncertainty of the timing of the business recovery and its impact on our projected cash flows, we recorded a non-cash goodwill impairment charge of \$5.8 million in 2017, representing a full impairment of the goodwill related to our USVI operations.

We generally estimate fair value using an equally weighted combination of discounted cash flows and multiples of invested capital to EBITDA. The discounted cash flow model includes forecasts for revenue and cash flows discounted at our weighted average cost of capital. Multiples of invested capital to EBITDA are calculated using a weighted average of two selected 12 month periods results by reporting unit compared to the enterprise value of the Company, which is determined based on the combination of the market value of our capital stock and total outstanding debt. Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty and actual results may differ. Changes in key assumptions or management judgment with respect to a reporting unit or its prospects, which may result from a change in market conditions, market trends, interest rates or other factors outside of our control, or underperformance relative to historical or projected operating results, could result in a significantly different estimate of the fair value of our reporting units, which could result in an impairment charge in the future.

Intangible Assets

Our definite-lived intangible assets consist of identifiable trade names, customer relationships, non-compete agreements, leasehold interests, favorable contracts and emissions credits that were acquired through business or asset purchases. We amortize these intangible assets over their estimated useful lives, which range from 3 to 25 years, using a straight-line approach. Our indefinite-lived intangible assets consist of a land right acquired in a 2014 acquisition that will be reclassified to property, plant and equipment upon the completion of certain settlement activities. For the land right, we performed a qualitative assessment under the accounting rules for intangible assets, to determine that this indefinite-lived intangible asset was not impaired as of December 31, 2019. See [Note 6](#) for further discussion of our intangible assets.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt Issuance Costs

Debt issuance costs are amortized as interest expense over the scheduled maturity period of the debt. The costs related to our line-of-credit arrangement are amortized over the term of the arrangement, regardless of whether there are any outstanding borrowings.

Revenue

As of the beginning of 2018, we adopted the new revenue recognition accounting guidance by applying the modified retrospective transition approach to all contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of the guidance did not have a material impact on the amount or timing of revenue recognized.

We derive substantially all of our revenue from the production and delivery of ready-mixed concrete, aggregates and related building materials. Revenue from the sale of these products is recognized when control passes to the customer, which generally occurs at the point in time when products are delivered. We do not deliver product unless we have an order or other documentation authorizing delivery to our customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. Sales and other taxes we collect concurrently with revenue-producing activities are excluded from revenue. Incidental items, such as mix formulation and testing services that are immaterial in the context of the revenue contract and completed in close proximity to the revenue-producing activities, are recorded within cost of goods sold as incurred. We generally do not provide post-delivery services, such as paving or finishing. Customer dispute costs are recorded as a reduction of revenue at the end of each period and are estimated by using a combination of historical customer experience and a customer-by-customer analysis.

Amounts billed to customers for delivery costs are classified as a component of total revenue. Our payment terms vary by the type and location of our customer and the products offered. The term between invoicing and when payment is due is not significant. As permitted under U.S. GAAP, we have elected not to assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods to the customer will be one year or less.

See [Note 20](#) for disaggregation of revenue by segment and product, which we believe best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

We do not have any customer contracts that meet the definition of unsatisfied performance obligations in accordance with U.S. GAAP.

Cost of Goods Sold

Cost of goods sold consists primarily of product costs and operating expenses, excluding depreciation, depletion and amortization, which is reported separately. Operating expenses consist primarily of wages, benefits, insurance and other expenses attributable to plant operations, repairs and maintenance and delivery costs.

Selling, General and Administrative Expenses

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, provision for doubtful accounts and legal and professional fees.

Income Taxes

We use the asset and liability method of accounting for income taxes under which we record deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and use enacted tax rates and laws that we expect will be in effect when the temporary differences are expected to reverse. We record a valuation allowance to reduce

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the deferred tax assets to the amount that is more likely than not to be realized. We recognize interest and penalties related to uncertain tax positions in income tax expense.

The Tax Act (as defined in [Note 15](#)) requires a U.S. shareholder of a foreign corporation to include in taxable income its global intangible low-tax income (“GILTI”). In general, GILTI is described as the excess of a U.S. shareholder’s total net foreign income over a deemed return on tangible assets. As the accounting rules are unclear as to the treatment of GILTI, an entity may either include the additional taxes on GILTI in income tax expense in the year incurred or recognize deferred taxes for temporary basis differences expected to affect the amount of GILTI in future years. Beginning in 2018, we included the additional taxes on GILTI in income tax expense.

Contingent Consideration

We record an estimate of the fair value of contingent consideration, incurred with certain acquisitions, within accrued liabilities and other long-term obligations and deferred credits on our consolidated balance sheets. On a quarterly basis, we revalue the liability and record increases or decreases in the fair value as change in value of contingent consideration on our consolidated statement of operations. Changes to the contingent consideration liability can result from adjustments to the discount rate, accretion of interest expense due to the passage of time or changes in the assumptions regarding probabilities of successful achievement of related milestones and the estimated timing in which the milestones are expected to be achieved. For further information, see [Note 13](#) regarding our fair value disclosures.

Fair Value of Financial Instruments

Our other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. We consider the carrying values of cash and cash equivalents, accounts receivable and accounts payable to be representative of their respective fair value because of their short-term maturities or expected settlement dates. For further information, see [Note 10](#) regarding our other long-term obligations and deferred credits and [Note 13](#) regarding our fair value disclosures.

Stripping Costs

Stripping costs are the costs of removing overburden and waste materials to access mineral deposits. We include post-production stripping costs in the cost of inventory produced during the period these costs are incurred. Post-production stripping costs represent stripping costs incurred after the first salable minerals are extracted from the mine.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive securities outstanding during the period. See [Note 16](#) for additional information regarding our earnings per share.

Comprehensive Income

Comprehensive income represents all changes in equity of an entity during the reporting period, except those resulting from investments by, and distributions to, shareholders. For all years presented, no differences existed between our consolidated net income and our consolidated comprehensive income.

Stock-based Compensation

Stock-based employee compensation cost is measured at the grant date based on the calculated fair value of the award. We recognize expense on a straight-line basis over the employee’s requisite service period, generally the vesting period of the award, or in the case of performance-based awards, over the derived service period. We recognize forfeitures of stock-based awards as they occur. We recognize excess tax benefits and tax deficiencies in the income statement when awards vest or are settled. See [Note 14](#) for additional information regarding our stock-based compensation plans.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements Not Yet Adopted

Credit Losses. In June 2016, the FASB issued an update on the measurement of credit losses on financial instruments, which requires entities to use a forward-looking approach based on expected losses rather than the current model of incurred losses to estimate credit losses on certain types of financial instruments, including trade accounts receivable. Application of the new model may result in the earlier recognition of allowances for losses. We will adopt the new rules effective January 1, 2020 with any cumulative effect as of adoption recorded as an adjustment to retained earnings. While we are still assessing the impact, we do not expect there to be a material effect on our consolidated financial statements and the related disclosures.

2. BUSINESS COMBINATIONS

2018 Acquisitions

We completed five acquisitions during 2018 that expanded our ready-mixed concrete operations in our East Region (which we define to include New York City, New Jersey, Washington, D.C. and Philadelphia), and expanded our ready-mixed concrete, aggregate products and other non-reportable operations in West Texas. The aggregate fair value consideration for these acquisitions, which were all accounted for as business combinations, was \$70.8 million. The acquisitions included the assets and certain liabilities of the following:

- On Time Ready Mix, Inc. (“On Time”) located in Flushing, New York on January 10, 2018;
- Cutrell Trucking, LLC, Dumas Concrete, LLC, Pampa Concrete Co., Inc., Panhandle Concrete, LLC, and Texas Sand & Gravel Co., Inc. (collectively “Golden Spread”) located in Amarillo, Texas on March 2, 2018;
- Leon River Aggregate Materials, LLC (“Leon River”) located in Proctor, Texas on August 29, 2018; and
- Two individually immaterial ready-mixed concrete operations in our East Region and West Texas on March 5, 2018 and September 14, 2018, respectively.

The aggregate fair value consideration for these five acquisitions included \$69.9 million in cash and fair value contingent consideration of \$1.1 million and was net of a working capital receivable of \$0.2 million. We funded the cash portion of the 2018 acquisitions through a combination of cash on hand and borrowings under our asset-based revolving credit facility (the “Revolving Facility”). The combined assets acquired through these 2018 acquisitions included 149 mixer trucks, 20 concrete plant facilities and two aggregate facilities. To effect these transactions, during 2018, we incurred approximately \$0.7 million of transaction costs which were included in selling and general administrative expenses in our consolidated statements of operations. See [Note 6](#) for a description of our measurement period adjustments.

The following table presents the total consideration for the 2018 acquisitions and the preliminary amounts related to the assets acquired and liabilities assumed based on the estimated fair value as of the respective acquisition dates:

<i>(\$ in millions)</i>	2018 Acquisitions	
Inventory	\$	1.1
Other current assets		0.1
Property, plant and equipment		37.4
Definite-lived intangible assets		19.8
Total assets acquired		58.4
Current liabilities		0.1
Other long-term liabilities		1.1
Total liabilities assumed		1.2
Goodwill		13.6
Total consideration (fair value) ⁽¹⁾	\$	70.8

(1) Included \$1.1 million of contingent consideration.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Acquired Intangible Assets and Goodwill

A summary on the intangible assets acquired in 2018 and their estimated useful lives is as follows:

<i>(\$ in millions)</i>	Weighted Average Amortization Period (In Years)	Fair Value At Acquisition Date
Customer relationships	5.5	\$ 18.5
Non-competes	5.0	1.3
Total		<u>\$ 19.8</u>

As of December 31, 2019, the estimated future aggregate amortization expense of definite-lived intangible assets from the 2018 acquisitions was as follows (in millions):

2020	\$	3.6
2021		2.8
2022		2.6
2023		1.6
2024		1.4
Thereafter		0.4
Total	<u>\$</u>	<u>12.4</u>

During 2019, we recorded \$4.5 million of amortization expense related to these intangible assets, of which \$0.5 million related to measurement period adjustments. During 2018, we recorded \$2.9 million of amortization expense related to these intangible assets, of which \$0.2 million related to measurement period adjustments.

The goodwill from the 2018 acquisitions is related to the synergies in our ready-mixed concrete segment that we expect to achieve with expansion in the markets in which we already operate as well as entry into new metropolitan areas of our existing geographic markets. While the goodwill as determined in the purchase price allocation relates to our ready-mixed concrete and other non-reportable segments in the amounts of \$12.8 million and \$0.8 million, respectively, we generally expect all \$13.6 million of the goodwill from the 2018 acquisitions to benefit the ready-mixed concrete segment and be deductible for tax purposes. See [Note 15](#) for additional information regarding income taxes.

Impact of Acquisitions

During 2018, we recorded approximately \$50.4 million of revenue and \$4.0 million of operating income in our consolidated statements of operations related to the 2018 acquisitions following their respective dates of acquisition.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The information presented below reflects the unaudited pro forma combined financial results for the 2018 acquisitions, excluding the individually immaterial acquisitions as described above, as historical financial results for these operations were not material and were impractical to obtain from the former owners. All other acquisitions have been included and represent our estimate of the 2018 results of operations as if the 2018 acquisitions had been completed on January 1, 2017. The impact to the 2019 results of operations if the 2018 acquisitions had been completed on January 1, 2017 was not materially different from our reported results.

<i>(\$ in millions except per share)</i>	2018	
Revenue	\$	1,523.2
Net income attributable to U.S. Concrete	\$	29.4
Net income per share attributable to U.S. Concrete - basic	\$	1.79
Net income per share attributable to U.S. Concrete - diluted	\$	1.78

The above pro forma results are unaudited and were prepared based on the historical U.S. GAAP results of the Company and the historical results of the acquired companies for which financial information was available, based on data provided by the former owners. These results are not necessarily indicative of what the Company's actual results would have been had the 2018 acquisitions occurred on January 1, 2017.

The unaudited pro forma net income attributable to U.S. Concrete and per share amounts above reflect the following adjustments:

<i>(\$ in millions)</i>	2018	
Increase in intangible amortization expense	\$	(0.7)
Exclusion of buyer transaction costs		0.7
Decrease in income tax expense		0.2

The unaudited pro forma results do not reflect any operational efficiencies or potential cost savings that may occur as a result of consolidation of the operations.

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CUSTOMER DISPUTES

<i>(\$ in millions)</i>	2019		2018	
Balance, beginning of period	\$	6.1	\$	5.8
Provision for doubtful accounts and customer disputes		3.2		4.6
Uncollectible receivables written off, net of recoveries		(4.7)		(4.3)
Other adjustments		(0.6)		—
Balance, end of period	\$	4.0	\$	6.1

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

4. INVENTORIES

<i>(\$ in millions)</i>	December 31,	
	2019	2018
Raw materials	\$ 53.4	\$ 46.4
Building materials for resale	3.6	2.8
Other	2.0	2.0
Total	<u>\$ 59.0</u>	<u>\$ 51.2</u>

5. PROPERTY, PLANT AND EQUIPMENT, NET

<i>(\$ in millions)</i>	December 31,	
	2019	2018
Land and mineral deposits	\$ 313.0	\$ 310.4
Buildings and improvements	66.2	65.7
Machinery and equipment	295.7	266.2
Mixers, trucks and other vehicles	258.8	244.0
Other	1.9	1.7
Construction in progress	27.8	28.3
	<u>963.4</u>	<u>916.3</u>
Less: accumulated depreciation, depletion and amortization	<u>(289.9)</u>	<u>(236.1)</u>
Total	<u>\$ 673.5</u>	<u>\$ 680.2</u>

As of December 31, 2019 and 2018, the net carrying amounts of mineral deposits were \$231.7 million and \$238.9 million, respectively. We recorded depreciation, depletion and amortization expense on our property, plant and equipment of \$69.3 million for 2019, \$67.9 million for 2018 and \$47.1 million for 2017, which is included in our consolidated statements of operations.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Acquired intangible assets are classified into three categories: (1) goodwill, (2) intangible assets with finite lives subject to amortization, and (3) intangible assets with indefinite lives. Goodwill and intangible assets with indefinite lives are not amortized; rather, they are reviewed for impairment at least annually.

Goodwill

Goodwill is recognized when the consideration paid for a business exceeds the fair value of the tangible and identifiable intangible assets acquired. Goodwill is allocated to reporting units for purposes of testing goodwill for impairment. There were no charges for goodwill impairment in 2019 or 2018. In 2017, we recorded \$5.8 million of goodwill impairment charges associated with our USVI operations. Accumulated goodwill impairment losses amount to \$4.4 million in the ready-mixed concrete segment and \$1.4 million in the aggregate products segment for the three years presented.

The accumulated impairment was as follows:

<i>(in millions)</i>	December 31,		
	2019	2018	2017
Goodwill, gross	\$ 245.3	\$ 245.1	\$ 210.5
Accumulated impairment	(5.8)	(5.8)	(5.8)
Goodwill, net	<u>\$ 239.5</u>	<u>\$ 239.3</u>	<u>\$ 204.7</u>

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The changes in the goodwill by reportable segment were as follows:

(\$ in millions)	Ready-Mixed Concrete Segment	Aggregate Products Segment	Other Non- Reportable Segments	Total
Goodwill, net at December 31, 2017 ⁽¹⁾	\$ 136.7	\$ 56.1	\$ 11.9	\$ 204.7
2018 acquisitions ⁽¹⁾	13.4	—	—	13.4
Measurement period adjustments for prior year business combinations ⁽²⁾	(0.3)	30.1	(8.6)	21.2
Goodwill, net at December 31, 2018	149.8	86.2	3.3	239.3
Measurement period adjustments for prior year business combinations	0.2 ⁽³⁾	—	—	0.2
Goodwill, net at December 31, 2019	<u><u>\$ 150.0</u></u>	<u><u>\$ 86.2</u></u>	<u><u>\$ 3.3</u></u>	<u><u>\$ 239.5</u></u>

(1) \$1.3 million and \$0.8 million of goodwill was assigned to the ready-mixed concrete reporting unit as of the date certain operations that are accounted for in other non-reportable segments were acquired in 2017 and 2018, respectively, because it was determined that the goodwill would benefit the ready-mixed concrete operating segment.

(2) Adjustments for certain 2017 acquisitions recorded during 2018 included \$21.0 million of additional long-term obligations, of which \$18.6 million related to deferred taxes attributable to fair value adjustments of Polaris's fixed assets as of the acquisition date; \$2.8 million of assumed liabilities; \$0.4 million of lower working capital; \$2.7 million of additional property, plant, and equipment; \$0.3 million of additional definite-lived intangible assets; and other various changes. The measurement period adjustments for certain 2017 acquisitions also included an \$8.6 million reclassification of goodwill between the aggregate products segment and other non-reportable segments.

(3) The fair value of property, plant and equipment acquired in 2018 was determined to be \$0.2 million lower than the original estimate.

Intangible Assets

Our purchased intangible assets were as follows:

(\$ in millions)	December 31, 2019			Weighted Average Remaining Life (in Years)
	Gross	Accumulated Amortization	Net	
Definite-lived intangible assets				
Customer relationships	\$ 108.5	\$ (59.7)	\$ 48.8	3.9
Trade names	44.5	(13.6)	30.9	19.1
Non-competes	18.3	(15.3)	3.0	2.4
Leasehold interests	12.5	(6.7)	5.8	5.4
Favorable contract	4.0	(3.9)	0.1	0.9
Environmental credits	2.8	(0.2)	2.6	16.0
Total definite-lived intangible assets	190.6	(99.4)	91.2	9.4
Indefinite-lived intangible assets				
Land rights ⁽¹⁾	1.2	—	1.2	
Total purchased intangible assets	<u><u>\$ 191.8</u></u>	<u><u>\$ (99.4)</u></u>	<u><u>\$ 92.4</u></u>	

(1) Land rights will be reclassified to property, plant and equipment upon the division of certain shared properties and settlement of the associated deferred payment.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

(\$ in millions)	Gross	Accumulated Amortization	Net	Weighted Average Remaining Life (in Years)
Definite-lived intangible assets				
Customer relationships	\$ 108.5	\$ (43.1)	\$ 65.4	4.7
Trade names	44.5	(11.1)	33.4	19.6
Non-competes	18.3	(12.1)	6.2	2.6
Leasehold interests	12.5	(5.1)	7.4	5.9
Favorable contract	4.0	(3.8)	0.2	1.9
Environmental credits	2.8	—	2.8	17.0
Total definite-lived intangible assets	190.6	(75.2)	115.4	9.8
Indefinite-lived intangible assets				
Land rights ⁽¹⁾	1.2	—	1.2	
Total purchased intangible assets	\$ 191.8	\$ (75.2)	\$ 116.6	

(1) Land rights will be reclassified to property, plant and equipment upon the division of certain shared properties and settlement of the associated deferred payment.

As of December 31, 2019, the estimated remaining amortization of our definite-lived intangible assets was as follows (in millions):

2020	\$	20.9
2021		18.6
2022		12.7
2023		6.3
2024		6.0
Thereafter		26.7
Total	\$	91.2

Also included in other long-term obligations and deferred credits in our consolidated balance sheets were unfavorable lease intangibles with a gross carrying amount of \$1.5 million as of December 31, 2019 and a net carrying amount of \$0.5 million and \$0.8 million as of December 31, 2019 and 2018, respectively. These unfavorable lease intangibles had a weighted average remaining life of 4.1 years as of December 31, 2019 and 4.6 years as of December 31, 2018.

We recorded amortization expense for our definite-lived intangible assets and unfavorable lease intangibles of \$23.9 million in both 2019 and 2018, and \$20.7 million in 2017 in our consolidated statements of operations.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

7. ACCRUED LIABILITIES

(\$ in millions)	December 31,	
	2019	2018
Compensation and benefits	\$ 11.9	\$ 12.8
Contingent consideration	10.8	36.2
Materials	9.8	10.9
Self-insurance reserves	9.2	8.7
Property, sales and other taxes	9.0	7.3
Interest	3.3	3.5
Deferred consideration	2.2	4.0
Other	7.3	12.9
Total	\$ 63.5	\$ 96.3

8. DEBT

(\$ in millions)	December 31,	
	2019	2018
Senior unsecured notes due 2024 and unamortized premium ⁽¹⁾	\$ 606.8	\$ 608.4
Asset based revolving credit facility	—	15.0
Finance leases	67.3	71.2
Promissory notes	20.4	28.5
Debt issuance costs	(7.2)	(9.0)
Total debt	687.3	714.1
Less: current maturities	(32.5)	(30.8)
Long-term debt, net of current maturities	\$ 654.8	\$ 683.3

(1) The effective interest rate for these notes was 6.56% as of both December 31, 2019 and December 31, 2018.

As of December 31, 2019, the principal amounts due under our debt agreements for the next five years and thereafter were as follows (in millions):

2020	\$ 32.5
2021	26.9
2022	16.6
2023	9.4
2024	602.3
Thereafter	—
Total	\$ 687.7

Senior Unsecured Notes due 2024

During 2016 and 2017, we issued \$600.0 million aggregate principal amount of 6.375% senior unsecured notes due 2024 (the “2024 Notes”). The 2024 Notes are governed by an indenture (the “Indenture”) dated as of June 7, 2016, by and among U.S. Concrete, Inc., as issuer, the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee. The 2024 Notes

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

accrue interest at a rate of 6.375% per annum, which is payable on June 1 and December 1 of each year. The 2024 Notes mature on June 1, 2024, and are redeemable at our option prior to maturity at prices specified in the Indenture. The Indenture contains negative covenants that restrict our ability and our restricted subsidiaries' ability to engage in certain transactions, as described below, and also contains customary events of default.

The Indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt or issue disqualified stock or preferred stock;
- pay dividends or make other distributions, repurchase or redeem our stock or subordinated indebtedness or make certain investments;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;
- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

The 2024 Notes are issued by U.S. Concrete, Inc. (the "Parent"). Our obligations under the 2024 Notes are jointly and severally and fully and unconditionally guaranteed on a senior unsecured basis by each of our restricted subsidiaries that guarantees any obligations under the Revolving Facility or that guarantees certain of our other indebtedness or certain indebtedness of our restricted subsidiaries (other than foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary).

U.S. Concrete, Inc. does not have any independent assets or operations, and none of its foreign subsidiaries guarantee the 2024 Notes. There are no significant restrictions on the ability of the Company or any guarantor to obtain funds from its subsidiaries by dividend or loan. For additional information regarding our guarantor and non-guarantor subsidiaries, see the information set forth in [Note 21](#).

The 2024 Notes and the guarantees thereof are effectively subordinated to all of our and our guarantors' existing and future secured obligations, including obligations under the Revolving Facility, to the extent of the value of the collateral securing such obligations; senior in right of payment to any of our and our guarantors' future subordinated indebtedness; pari passu in right of payment with any of our and our guarantors' existing and future senior indebtedness, including our and our guarantors' obligations under the Revolving Facility; and structurally subordinated to all existing and future indebtedness and other liabilities, including preferred stock, of any non-guarantor subsidiaries.

Asset Based Revolving Credit Facility

The Company has a senior secured asset-based credit facility that provides for up to \$350.0 million of revolving borrowings and up to \$50.0 million for the issuance of letters of credit, with \$19.7 million of undrawn standby letters of credit as of December 31, 2019 through its August 31, 2022 maturity. However, any such issuance of letters of credit will reduce the amount available for borrowings under the Revolving Facility. The Third Amended and Restated Loan and Security Agreement ("Third Loan Agreement") is secured by a first priority lien on substantially all of the personal property of the Company and our guarantors, subject to permitted liens and certain exceptions. Our actual maximum credit availability varies from time to time and is determined by calculating the value of our eligible accounts receivable, inventory, mixer trucks and machinery, minus reserves and other adjustments, as specified in the Third Loan Agreement. Loans may not exceed the borrowing base as defined in the Third Loan Agreement. At December 31, 2019, we had no amounts outstanding under the Revolving Facility, our borrowing base was \$263.4 million, and we had \$243.7 million of available borrowings under the Revolving Facility. The Third Loan Agreement also contains a provision for over-advances and protective advances in each case, of up to \$25.0 million in excess of the borrowing base levels and provides for swingline loans, up to a \$15.0 million sublimit. Loans under the Revolving Facility are in the form of either base rate loans or "LIBOR loans" denominated in U.S. dollars.

The Third Loan Agreement requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months. As of December 31, 2019, we were in compliance with all covenants under the Third Loan Agreement.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Finance Leases and Promissory Notes

We have a series of promissory notes with various lenders primarily for the purchase of mixer trucks and other machinery and equipment in an aggregate outstanding principal amount of \$20.4 million as of December 31, 2019, with fixed annual interest rates ranging from 2.50% to 4.49%, payable monthly for terms ranging from three to five years.

We have leasing agreements with various other lenders for the purchase of mixer trucks and other machinery and equipment with a total remaining principal amount of \$67.3 million as of December 31, 2019, with fixed annual interest rates ranging from 0.15% to 6.61%, payable monthly for terms ranging from less than one to seven years. Because the lease terms include one dollar buyout options at the end of the lease, these financings have been classified as finance leases.

The weighted average interest rate of our finance leases and promissory notes was 3.77% as of December 31, 2019 and 3.72% as of December 31, 2018.

9. LEASES

Leases (\$ in millions)	Balance Sheet Classification	December 31,	
		2019	2018
Assets:			
Operating lease assets	Operating lease assets	\$ 69.8	\$ —
Finance lease assets	Property, plant and equipment, net	91.5 ⁽¹⁾	85.4 ⁽²⁾
Total lease assets		<u>\$ 161.3</u>	<u>\$ 85.4</u>
Liabilities:			
Current liabilities:			
Operating	Current operating lease liabilities	\$ 12.9	\$ —
Finance	Current maturities of long-term debt	24.2	20.2
Long-term liabilities:			
Operating	Long-term operating lease liabilities	59.7	—
Finance	Long-term debt, net of current maturities	43.1	51.0
Total lease liabilities		<u>\$ 139.9</u>	<u>\$ 71.2</u>

(1) Net of accumulated amortization of \$29.4 million.

(2) Gross assets of \$103.2 million and accumulated amortization of \$17.8 million.

Lease Cost (\$ in millions)	Statement of Operations Classification	2019	2018	2017
Operating lease cost	Selling, general and administrative expenses	\$ 24.2 ⁽¹⁾	\$ 23.4	\$ 20.7
Finance lease cost:				
Amortization of leased assets	Depreciation, depletion and amortization	11.6	18.4	12.4
Interest on lease liabilities	Interest expense, net	2.6	2.1	1.6
Total finance lease cost		<u>14.2</u>	<u>20.5</u>	<u>14.0</u>
Total		<u>\$ 38.4</u>	<u>\$ 43.9</u>	<u>\$ 34.7</u>

(1) Includes short-term lease and variable lease costs of approximately \$5.9 million.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Maturity of Lease Liabilities (\$ in millions)	Operating Leases		Finance Leases		Total
2020	\$	16.9	\$	26.8	\$ 43.7
2021		15.8		21.1	36.9
2022		12.5		13.6	26.1
2023		10.9		8.1	19.0
2024		10.2		1.9	12.1
Thereafter		24.9		—	24.9
Total lease payments		91.2		71.5	162.7
Less interest		18.6		4.2	22.8
Present value of lease liabilities	\$	72.6	\$	67.3	\$ 139.9

Lease Term and Discount Rate	December 31, 2019
Weighted-average remaining lease term (years):	
Operating leases	6.6
Finance leases	3.4
Weighted-average discount rate:	
Operating leases	6.2%
Finance leases	3.8%

Other Information (\$ in millions)	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 17.7
Operating cash flows for finance leases	2.6
Financing cash flows for finance leases	22.0
Net assets obtained in exchange for finance lease liabilities	18.1
Net right-of-use assets obtained in exchange for operating lease liabilities	8.2

10. OTHER LONG-TERM OBLIGATIONS AND DEFERRED CREDITS

<i>(\$ in millions)</i>	December 31,	
	2019	2018
Self-insurance reserves	\$ 16.9	\$ 13.9
Contingent consideration	16.4	24.5
Asset retirement obligations	5.2	4.2
Income taxes	4.9	5.7
Deferred consideration	0.6	2.9
Other	5.1	3.6
Total	\$ 49.1	\$ 54.8

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

11. STOCKHOLDERS' EQUITY

Share Repurchase Program

In March 2017, our Board authorized a share repurchase program to repurchase up to \$50.0 million of our outstanding common stock (the "Share Repurchase Program"), effective April 1, 2017 until the earlier of March 31, 2020, or a determination by the Board to discontinue the Share Repurchase Program. During 2018 under the Share Repurchase Program, we repurchased 0.2 million shares of our common stock at a cost of \$6.7 million.

12. NON-CONTROLLING INTEREST

Through its ownership of Polaris, the Company holds a 70% interest in Eagle Rock Materials Ltd. ("Eagle Rock") and an 88% interest in the Orca Sand and Gravel Limited Partnership ("Orca"). Eagle Rock was originally formed to develop the Eagle Rock quarry project in British Columbia, Canada. Orca was formed to develop the Orca quarry, also in British Columbia, Canada, with the remaining 12% minority interest held by the Namgis First Nation ("Namgis"). Non-controlling interest consists of the Namgis's share of the fair value equity in the partnership offset by the capital contributions loaned to the Namgis by Polaris.

To enable the Namgis to make their required equity contributions to Orca once a construction decision was made, Polaris loaned the Namgis \$8.0 million (Canadian dollars) in prior years. Polaris's sole recourse for repayment is against distributions payable to the Namgis by the partnership, after repayment of any approved third party who has loaned the Namgis funds for equity contributions. Reflective of the equity nature of the funding, the balance of the loans offset the non-controlling interest's share of equity. No interest accrues on the loans until a specified time after a set volume is met, at which time the loans will accrue interest at an annual rate of 6%. Following Orca's achievement of certain financial metrics, the Namgis may elect that up to one-half of the amount to which they are entitled under the partnership agreement be paid in cash.

13. FAIR VALUE DISCLOSURES

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Accounting guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. We review the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain assets and liabilities within the fair value hierarchy. There were no transfers of assets or liabilities between the fair value measurement levels for the years ended December 31, 2019 or 2018.

We estimate the fair value of acquisition-related contingent consideration arrangements using a Monte Carlo simulation model, an income approach or a discounted cash flow technique, as appropriate. The fair value of the contingent consideration arrangements is sensitive to changes in the forecasts of earnings and/or the relevant operating metrics and changes in discount rates. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest projections and input provided by practice leaders and management. Any change in the fair value estimate is recorded in our consolidated statement of operations for that period. The current portion of contingent consideration is included in accrued liabilities while the long-term portion is included in other long-term obligations and deferred credits, both of which are in our consolidated balance sheets. The use of

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

different estimates and assumptions could increase or decrease the estimated fair value of our contingent consideration liability, which would result in different impacts to our consolidated balance sheets and consolidated statement of operations. These fair value measurements are based on significant inputs not observable in the market, and thus represent Level 3 inputs. Our recurring Level 3 fair value liability, contingent consideration, including the current portion, was \$27.2 million as of December 31, 2019 and \$60.7 million as of December 31, 2018.

The following tables present the inputs for the models used to value our acquisition-related contingent consideration:

(\$ in millions)	December 31, 2019	
Valuation Inputs	Discounted Cash Flow Technique⁽¹⁾	
Fair value	\$	27.2
Discount rate		3.70% - 7.46%
Payment cap	\$	28.8
Expected payment period remaining (in years)		0-3
Management projections of the payout criteria		EBITDA/Volumes

(1) Includes acquisition-related contingent consideration that was estimated using the Monte Carlo simulation model and income approach in 2018. The change from the Monte Carlo simulation model and income approach to discounted cash flow technique was due to the proximity to the measurement period end, which resulted in increased certainty in achieving the maximum payout.

(\$ in millions)	December 31, 2018				
Valuation Inputs	Monte Carlo Simulation		Income Approach		Discounted Cash Flow Technique
Fair value	\$	33.2	\$	26.5	\$ 1.0
Discount rate		10.75% - 12.25%		3.70% - 5.00%	6.03% - 15.75%
Payment cap	\$	37.3	\$	27.3	\$ 1.1
Expected payment period remaining (in years)		1-3		1	1-4
Management projections of the payout criteria		EBITDA/Volumes		Permitted reserves/Volumes	Volumes

A reconciliation of the changes in Level 3 fair value measurements is as follows:

(\$ in millions)	Contingent Consideration	
Balance at December 31, 2017	\$	61.8
2018 acquisitions		1.1
Payments		(2.2)
Balance at December 31, 2018		60.7
Increase in contingent consideration valuation		2.8
Payments		(36.3)
Balance at December 31, 2019	\$	27.2

Other Financial Instruments

The fair value of our 2024 Notes, estimated based on broker/dealer quoted market prices, was \$627.0 million as of December 31, 2019 and \$552.0 million as of December 31, 2018. The carrying value of the outstanding amount under our Revolving Facility in 2019 approximated fair value. The carrying value of our operating and finance lease assets and liabilities in 2019 and 2018 approximated fair value.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

14. STOCK-BASED COMPENSATION

We grant stock-based compensation awards to management, employees and non-employee directors under the U.S. Concrete, Inc. Long Term Incentive Plan (the “LTI Plan”), which we amended effective February 13, 2019 (the “Amendment”) to reserve an additional 0.9 million shares of common stock for future issuance as equity-based awards to management and employees. As of December 31, 2019, there were 0.5 million shares remaining for future issuance under the LTI Plan. Stock-based compensation may include stock options, stock appreciation rights, restricted stock awards, restricted stock units, cash-settled equity awards and performance awards.

Stock-Based Compensation Cost

We recognized stock-based compensation expense related to restricted stock and restricted stock units of \$19.1 million in 2019, \$10.4 million in 2018 and \$8.3 million in 2017. We realized tax benefits of \$2.4 million in 2019, \$2.4 million in 2018 and \$3.2 million in 2017. Realized tax benefits for stock-based compensation expense are inclusive of excess tax benefits recognized in income tax expense of less than \$0.1 million in 2019, \$0.2 million in 2018 and \$1.4 million in 2017. Stock-based compensation expense is reflected in selling, general and administrative expenses in our consolidated statements of operations.

As of December 31, 2019, we had approximately \$10.7 million of unrecognized stock-based compensation expense, which we expect to recognize over a weighted average period of approximately 1.5 years.

Restricted Stock Units

Restricted stock units (“RSU”) that are granted to our Board of Directors as compensation for their services generally vest over a one-to-three year period on a quarterly basis. Restricted stock units are subject to restrictions on transfer and certain conditions to vesting. These restricted stock units are not considered outstanding shares of our common stock.

On March 1, 2019, the Compensation Committee of the Board of Directors approved grants of 0.3 million RSUs (the “2019 RSU Grant”), conditioned upon obtaining stockholder approval of the Amendment. The Amendment was approved by the Company’s stockholders at the Company’s annual meeting in May 2019, and the stockholder approval condition related to the 2019 RSU Grant was satisfied. The 2019 RSU Grant consisted of a 60% time-vested component that vests annually over a three-year period and a 40% stock performance hurdle component. The stock performance hurdle component triggers vesting upon our stock price reaching certain thresholds and may vest up to 200% of the target number of performance stock units granted.

The fair value of the 2019 RSU Grant subject to time-based vesting restrictions was determined based upon the closing price of our common stock on the effective date of the grant. The fair value of the 2019 RSU Grant subject to market performance hurdles was determined utilizing a Monte Carlo financial valuation model. Compensation expense determined utilizing the Monte Carlo simulation is recognized regardless of whether the common stock reaches the defined thresholds, provided that each grantee remains an employee at the end of the expected term. The effective date of the grant was in May 2019, whereas the communication of the equity award was made March 1, 2019, contingent upon approval of the LTI Plan by the Company’s shareholders. As the stock price increased from March 1, 2019 to the date of shareholder approval, the fair value of the award was higher than it would have been if the dates had been the same. The assumptions used to estimate the fair value of performance-based restricted stock units granted in 2019 were as follows:

	2019
Expected term (years)	0.0 - 0.5
Expected volatility	41.1%
Risk-free interest rate	2.1%
Vesting price ⁽¹⁾	\$45.90 - \$58.60
Weighted average grant date fair value per share	\$39.60 - \$48.75

(1) The vesting price is the average of the daily volume-weighted average share price of our common stock over any period of 20 consecutive trading days within the three-year period beginning on the date of grant. These hurdles were established on March 1, 2019.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

RSU activity for 2019 was as follows (units in thousands):

	Number of Units	Weighted Average Grant Date Fair Value Per Share
Unvested RSUs outstanding at beginning of period	22	\$ 49.94
Granted	474 ⁽¹⁾	46.26
Vested	(144)	47.16
Forfeited	(21)	45.65
Unvested RSUs outstanding at end of period	331	\$ 46.15

(1) Reflects the 2019 RSU Grant at the maximum 200% of the target.

Additional RSU information was as follows:

	2019	2018	2017
Weighted average fair value per share on grant date ⁽¹⁾	\$ 46.26	\$ 49.94	\$ 76.30
Fair value of vested units (in millions)	\$ 6.8	\$ 0.8	\$ 0.8

(1) The fair value was determined based upon the closing price of our common stock on the effective date of the grant.

Restricted Stock Awards

Restricted stock awards granted are subject to restrictions on transfer and certain conditions to vesting. The restricted stock awards issued to date consist of a 60% time-vested component and a 40% stock performance hurdle component. The time-vested component vests annually over a three year period. The stock performance hurdle component triggers vesting upon our stock price reaching certain thresholds. During the restriction period, the holders of restricted stock are entitled to vote and receive dividends; however, such dividends would be forfeited in the event the stock does not vest. As a result, these awards are included in our outstanding shares of common stock.

Restricted stock award activity for 2019 was as follows (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested restricted stock awards outstanding at beginning of period	326	\$ 59.93
Granted	—	—
Vested	(97)	64.04
Forfeited	(21)	57.40
Unvested restricted stock awards outstanding at end of period	208	\$ 58.20

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

During 2019, there were no restricted stock awards granted. During 2018 and 2017, the weighted average grant date fair value of restricted stock awards granted was \$61.97 and \$60.24 per share, respectively. The fair value of restricted stock awards subject only to time-based vesting restrictions was determined based upon the closing price of our common stock on the date of grant. The fair value of restricted stock awards subject to market performance hurdles was determined utilizing a Monte Carlo financial valuation model. Compensation expense determined utilizing the Monte Carlo simulation is recognized regardless of whether the common stock reaches the defined thresholds, provided that each grantee remains an employee at the end of the expected term. The range of assumptions used to estimate the fair value of performance-based restricted stock awards granted were as follows:

	2018	2017
Expected term (years)	0.7 - 0.9	0.6 - 0.9
Expected volatility	40.4%	36.9%
Risk-free interest rate	2.4%	1.7%
Vesting price ⁽¹⁾	\$91.10 - \$99.10	\$82.50 - \$91.75
Weighted average grant date fair value per share	\$48.14 - \$52.81	\$44.96 - \$51.31

(1) The vesting price is the average of the daily volume-weighted average share price of our common stock over any period of 20 consecutive trading days within the three-year period beginning on the date of grant.

During 2019, the total fair value of restricted stock awards vested was \$6.2 million. The total fair value of restricted stock awards vested was \$4.9 million for both 2018 and 2017.

Stock Options

There were no stock option grants or compensation expense for stock options in 2019, 2018 or 2017. We had 13,000 stock options with a weighted average exercise price of \$17.23 outstanding at the beginning of 2019 that were all exercised in 2019. The intrinsic value of stock options exercised during each of 2019, 2018 and 2017 was \$0.3 million. The aggregate intrinsic value of outstanding and exercisable stock options was \$0.2 million at December 31, 2018 and \$1.3 million at December 31, 2017.

15. INCOME TAXES

The components of income from continuing operations before income taxes were as follows:

(\$ in millions)	2019	2018	2017
Income (loss) before income taxes:			
U.S.	\$ 16.3	\$ 43.4	\$ 51.0
Non-U.S.	12.3	4.7	(12.4)
Total income from continuing operations before income taxes	<u>\$ 28.6</u>	<u>\$ 48.1</u>	<u>\$ 38.6</u>

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A reconciliation of the federal statutory corporate income tax rate to our effective income tax rate follows:

(\$ in millions)	2019		2018		2017	
Tax expense at statutory rate	\$ 6.0	21.0 %	\$ 10.1	21.0 %	\$ 13.5	35.0 %
Add (deduct):						
Rates different from statutory ⁽¹⁾	(1.3)	(4.5)	(0.9)	(1.9)	2.3	5.9
Statutory income tax change	—	—	2.1	4.4	(7.6)	(19.6)
State income taxes	1.5	5.2	0.8	1.7	3.5	9.1
Nondeductible items	1.3	4.5	1.3	2.7	3.1	7.9
GILTI inclusion ⁽²⁾	0.2	0.7	1.1	2.3	—	—
Unrecognized tax benefit relating to warrants ⁽³⁾	—	—	—	—	0.3	0.7
Valuation allowance	5.8	20.3	4.7	9.8	(2.5)	(6.6)
Unrecognized tax benefit	(0.1)	(0.4)	(2.2)	(4.7)	—	—
Other	(1.1)	(3.8)	(0.2)	(0.4)	(0.2)	(0.5)
Income tax expense on continuing operations	<u>\$ 12.3</u>	<u>43.0 %</u>	<u>\$ 16.8</u>	<u>34.9 %</u>	<u>\$ 12.4</u>	<u>31.9 %</u>

(1) Includes differences between the U.S. federal tax rates and the rates in Canada and the U.S. Virgin Islands.

(2) In accordance with FASB Staff Q&A, Topic 740, No. 5, we have elected to treat the income tax impact of GILTI as a period cost.

(3) Non-cash impacts of changes in the derivative liabilities that we had from our warrants that expired in August 2017 were not recognized for purposes of calculating our tax provision; instead, they were treated as an unrecognized tax benefit. Further, exercises of the warrants were also treated as an unrecognized tax benefit for purposes of calculating our tax provision.

We operate under a tax holiday in the U.S. Virgin Islands, which is effective through December 31, 2030, and may be extended if certain additional requirements are satisfied. The tax holiday is conditional upon our meeting certain employment and investment thresholds. The impact of these tax holidays decreased foreign taxes \$1.6 million and \$1.0 million for 2019 and 2018, respectively, and reduced the tax benefit of foreign losses by \$2.4 million for 2017. The tax holiday benefited diluted earnings per share by \$0.10 and \$0.06 in 2019 and 2018, respectively, and lowered diluted earnings per share by \$0.14 in 2017.

The amounts of our consolidated federal and state income tax expense (benefit) from continuing operations were as follows:

(\$ in millions)	2019		2018		2017	
Current:						
U.S. Federal	\$ (1.9)		\$ 2.2		\$ 8.9	
U.S. State	1.9		(0.2)		7.0	
Non-U.S.	0.1		0.2		(0.1)	
	<u>0.1</u>		<u>2.2</u>		<u>15.8</u>	
Deferred:						
U.S. Federal	\$ 9.6		\$ 14.2		\$ (0.6)	
U.S. State	0.6		(0.2)		(3.5)	
Non-U.S.	2.0		0.6		0.7	
	<u>12.2</u>		<u>14.6</u>		<u>(3.4)</u>	
Income tax expense on continuing operations	<u>\$ 12.3</u>		<u>\$ 16.8</u>		<u>\$ 12.4</u>	

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Deferred income tax provisions result from temporary differences in the recognition of expenses for financial reporting purposes and for tax reporting purposes. Our deferred income tax liabilities and assets were as follows:

(\$ in millions)	December 31,	
	2019	2018
Deferred tax assets:		
Goodwill and other intangibles	\$ 8.3	\$ 8.4
Inventory	1.3	2.8
Accrued insurance	5.2	4.6
Stock compensation	3.5	2.5
Interest limitation carryover	10.4	6.6
Start-up acquisition costs	2.8	2.7
Other accrued expenses	3.4	3.4
Operating lease liabilities	18.1	—
Net operating loss ("NOL") carryforwards	11.3	8.4
Property, plant and equipment, net - Polaris	3.3	2.9
Other	1.9	3.7
Total gross deferred tax assets	69.5	46.0
Valuation allowance	(15.1)	(9.2)
Net deferred tax assets	54.4	36.8
Deferred income tax liabilities:		
Property, plant and equipment, net - non-Polaris	(56.4)	(46.1)
Partnership outside basis	(28.2)	(26.7)
Depletion	—	(1.6)
Operating lease assets	(17.9)	—
Other	(2.2)	(0.4)
Total gross deferred tax liabilities	(104.7)	(74.8)
Net deferred tax liability ⁽¹⁾	\$ (50.3)	\$ (38.0)

(1) At December 31, 2019, our state deferred tax asset of \$4.5 million was classified as a non-current asset, and our U.S. and foreign deferred tax liability of \$54.8 million was classified as a non-current liability. At December 31, 2018, our state deferred tax asset of \$5.1 million was classified as a non-current asset, and our U.S. and foreign deferred tax liability of \$43.1 million was classified as a non-current liability.

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, the following that impact us: (1) reduction of the U.S. federal corporate income tax rate from 35% to 21%; (2) extension and expansion of the bonus depreciation provisions; (3) creation of a new limitation on deductible interest expense; (4) enactment of a new provision designed to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries; (5) repeal of the domestic production activities deduction; (6) further limitation of the deductibility of certain executive compensation; and (7) limitation of certain other deductions.

The Company recorded provisional income tax benefits of \$7.6 million in 2017 related to the impact of the Tax Act on our deferred tax balances for the change in tax rate and executive compensation payable in future years. As allowed by SEC Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act," we completed our accounting for the income tax effects of the Tax Act in 2018 and recognized a \$2.1 million reduction of the provisional income tax benefit.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In accordance with U.S. GAAP, the recognized value of deferred tax assets must be reduced to the amount that is more likely than not to be realized in future periods. The ultimate realization of the benefit of deferred tax assets from deductible temporary differences or tax carryovers depends on the generation of sufficient taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on these considerations, we had valuation allowances as of December 31, 2019 and 2018 in the amounts of \$15.1 million and \$9.2 million, respectively, for certain deferred tax assets due to the uncertainty regarding their ultimate realization. In 2018, we established a valuation allowance of \$6.6 million related to the interest expense limitation carryforward attribute, resulting from the Tax Act, which we do not believe is more likely than not to be realized under the current interpretation of the applicable statute. As of December 31, 2019, the valuation allowance related to the interest expense limitation carryforward was \$10.4 million.

As of December 31, 2019, the Company had NOL carryforwards related to tax losses in Canada and the U.S. that may be used to reduce future taxable income. The Canadian NOL carryforwards were approximately \$9.9 million as of December 31, 2019, and expire at various dates from 2032 to 2039. The U.S. federal NOL carryforwards were approximately \$10.7 million as of December 31, 2019, and expire at various dates from 2028 to 2037. The deferred tax assets associated with state NOL carryforwards were approximately \$6.4 million as of December 31, 2019, and the underlying state NOL carryforwards expire at various dates from 2020 to 2039. We maintain a valuation allowance of \$4.7 million for certain NOL carryforwards because of the uncertainty of their recovery.

Under U.S. tax law, we treat our Canadian and U.S. Virgin Island subsidiaries (collectively, “foreign subsidiaries”) as controlled foreign corporations. We consider the undistributed earnings, if any, and other outside basis differences in our investments in our foreign subsidiaries to be indefinitely reinvested and, accordingly, no foreign withholding or other income taxes have been provided thereon. Due to the complexities in the tax laws, it is not practicable to estimate the amount of deferred income taxes not recorded that are associated with those earnings or other outside basis differences. We have not, nor do we currently anticipate in the foreseeable future, the need to repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

At December 31, 2019, we had unrecognized tax benefits of \$12.3 million, including accrued penalties and interest, of which, \$11.5 million would impact the effective tax rate if recognized. The unrecognized tax benefits were primarily included as components of other long-term obligations and deferred credits and deferred income taxes. We recorded interest and penalties related to unrecognized tax benefits, which were included in income tax expense in our consolidated statements of operations of \$0.2 million in 2019, \$0.2 million in 2018 and \$0.4 million in 2017. Total accrued penalties and interest at December 31, 2019 and 2018 were approximately \$1.0 million and \$1.1 million, respectively, which were included in the related tax liability in our consolidated balance sheets. It is reasonably possible that our unrecognized tax benefits could significantly decrease within the next twelve months should the U.S. Department of Treasury issue final regulations, with respect to the interest expense limitation, that remove certain unfavorable interpretations of the applicable statute.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(\$ in millions)</i>	2019	2018	2017
Unrecognized tax benefits at January 1	\$ 4.6	\$ 6.2	\$ 43.0
Additions for tax positions related to current year	0.5	0.5	6.8
Additions for tax positions related to prior year	7.4	—	—
Reductions - current year decrease	—	—	(5.4)
Reductions - prior year decrease	(1.2)	—	(38.2)
Lapse of statute of limitations	—	(2.1)	—
Unrecognized tax benefits at December 31	<u>\$ 11.3</u>	<u>\$ 4.6</u>	<u>\$ 6.2</u>

We recorded \$0.4 million of unrecognized tax benefits in 2017 related to our warrants that expired in August 2017, due to uncertainty about their deductibility for federal and state income tax purposes. Approximately \$39.8 million of unrecognized tax benefits related to warrants were released in 2017 upon the expiration of the warrants, the tax effect of which was generally offset by the write-off of the related deferred tax asset.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We conduct business in the U.S., Canada and the U.S. Virgin Islands, and U.S. Concrete, Inc. or one or more of our subsidiaries file income tax returns in the U.S., Canada, U.S. Virgin Islands and various provincial, state and local jurisdictions. In the normal course of business, we are subject to examination in the U.S., Canada, U.S. Virgin Islands and the provincial, state and local jurisdictions in which we conduct business. With few exceptions, we are no longer subject to U.S. federal, state or local tax examinations or such examinations by the U.S. Virgin Islands for years before 2016. With few exceptions, we are no longer subject to Canadian federal or provincial tax examinations for years before 2015. Currently, the Canadian Revenue Agency is conducting an active examination in connection with our acquisition of Polaris in 2017. The resolution of this audit is still pending. Texas has concluded their audit of our tax years 2013 to 2015, with regards to the margin tax. Although the audit liability has been paid, we continue to contest the state's position.

16. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings attributable to U.S. Concrete by the weighted average number of common shares outstanding during the period. Diluted earnings attributable to U.S. Concrete per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive securities outstanding during the period.

The following is a reconciliation of the components of the basic and diluted earnings per share calculations:

<i>(in millions)</i>	2019	2018	2017
Numerator for basic and diluted earnings per share:			
Income from continuing operations attributable to U.S. Concrete	\$ 14.9	\$ 30.0	\$ 26.1
Loss from discontinued operations, net of taxes	—	—	(0.6)
Net income attributable to U.S. Concrete	<u>\$ 14.9</u>	<u>\$ 30.0</u>	<u>\$ 25.5</u>
Denominator for diluted earnings per share:			
Basic weighted average common shares outstanding	16.4	16.5	15.9
Restricted stock awards and RSUs	—	—	0.1
Warrants	—	—	0.6
Diluted weighted average common shares outstanding	<u>16.4</u>	<u>16.5</u>	<u>16.6</u>

Potentially dilutive shares totaling 0.3 million in 2019, 0.2 million in 2018, and 0.1 million in 2017 were excluded from the diluted earnings per share calculations. They related to unvested restricted stock awards and RSUs, and were excluded because of their anti-dilutive effect or their associated performance targets had not been met.

17. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, and currently, we are subject to various claims and litigation brought by employees, customers and other third parties for, among other matters, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of our operations. As a result of these types of claims and litigation, we must periodically evaluate the probability of damages being assessed against us and the range of possible outcomes. In each reporting period, if we determine that the likelihood of damages being assessed against us is probable, and if we believe we can estimate a range of possible outcomes, then we will record a liability. The amount of the liability will be based upon a specific estimate, if we believe a specific estimate to be likely, or it will reflect the low end of our range. Currently, there are no material legal proceedings pending against us.

In the future, we may receive funding deficiency demands related to multi-employer pension plans to which we contribute. We are unable to estimate the amount of any potential future funding deficiency demands because the actions of each of the other contributing employers in the plans has an effect on each of the other contributing employers, and the development of a rehabilitation plan by the trustees and subsequent submittal to and approval by the Internal Revenue Service is not predictable. Further, the allocation of fund assets and return assumptions by trustees are variable, as are actual investment returns relative to the plan assumptions.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

As of February 25, 2020, there were no material product defect claims pending against us. Accordingly, our existing accruals for claims against us do not reflect any material amounts relating to product defect claims. While our management is not aware of any facts that would reasonably be expected to lead to material product defect claims against us that would have a material adverse effect on our business, financial condition or results of operations, it is possible that claims could be asserted against us in the future. We do not maintain insurance that would cover all damages resulting from product defect claims. In particular, we generally do not maintain insurance coverage for the cost of removing and rebuilding structures. In addition, our indemnification arrangements with contractors or others, when obtained, generally provide only limited protection against product defect claims. Due to inherent uncertainties associated with estimating unasserted claims in our business, we cannot estimate the amount of any future loss that may be attributable to unasserted product defect claims related to ready-mixed concrete we have delivered prior to December 31, 2019.

We believe that the resolution of any litigation currently pending or threatened against us or any of our subsidiaries will not materially exceed our existing accruals for those matters. However, because of the inherent uncertainty of litigation, there is a risk that we may have to increase our accruals for one or more claims or proceedings to which we or any of our subsidiaries is a party as more information becomes available or proceedings progress, and any such increase in accruals could have a material adverse effect on our consolidated financial condition or results of operations. We expect in the future that we and our operating subsidiaries will, from time to time, be a party to litigation or administrative proceedings that arise in the normal course of our business.

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

As permitted under Delaware law, we have agreements that provide indemnification of officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The maximum potential amount of future payments that we could be required to make under these indemnification agreements is not limited; however, we have a director and officer insurance policy that potentially limits our exposure and enables us to recover a portion of future amounts that may be paid. As a result of the insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of December 31, 2019.

We and our subsidiaries are parties to agreements that require us to provide indemnification in certain instances when we acquire businesses and real estate and in the ordinary course of business with our customers, suppliers, lessors and service providers. As of February 25, 2020, there were no material pending claims related to such indemnification.

Royalty Assessment

In 2014, Eagle Rock was notified by the British Columbia Ministry of Forests, Lands and Natural Resource Operations that royalties were due for 2012 and 2013, based on the tenure date, in respect of Polaris's quarrying lease for the Eagle Rock Quarry project. In 2016, Eagle Rock was notified that further royalties were due for 2014, 2015 and 2016 (up to October) based on the tenure date, and in 2017, Eagle Rock was notified of interest charges. While the Company had previously disputed the claim, Eagle Rock settled the claim in May 2019 for CAD \$4.0 million and entered into a repayment agreement that extended the payment terms, as defined.

Eminent Domain Matter

In 2018, we incurred \$0.7 million of expenses to dismantle and move a ready-mixed concrete plant and office to another location, because the District of Columbia exercised its power of eminent domain over the former site. We incurred certain additional expenditures that were capitalized for the new facilities. In 2019, we received \$5.3 million, net of attorney's fees, from the District of Columbia as reimbursement for our costs, which is reported in other income, net, in our consolidated statement of operations.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Insurance Programs

We maintain third-party insurance coverage against certain workers' compensation, automobile and general liability risks. Under certain components of our insurance program, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. Generally, our deductible retentions per occurrence for auto, workers' compensation and general liability insurance programs are \$1.0 million to \$2.0 million for workers' compensation and general liability and \$2.0 million to \$10.0 million for automobile, although certain of our operations are self-insured for workers' compensation. We record an expense for expected losses under the programs. The expected losses are determined using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty, including changes in claims reporting patterns, claims settlement patterns, judicial decisions, legislation and economic conditions. Although we believe that the estimated losses we have recorded are reasonable, significant differences related to the items noted above could materially affect our insurance obligations and future expense. The amount accrued for self-insurance claims, which was recorded in accrued liabilities and other long-term obligations and deferred credits, aggregated \$23.3 million as of December 31, 2019 and \$20.4 million as of December 31, 2018.

Performance Bonds

In the normal course of business, we and our subsidiaries were contingently liable under \$14.4 million in performance bonds that various contractors, states and municipalities have required as of December 31, 2019. The bonds principally relate to construction contracts, reclamation obligations, licensing and permitting. We and our subsidiaries have indemnified the underwriting insurance company against any exposure under the performance bonds. No material claims have been made against these bonds.

18. EMPLOYEE SAVINGS PLANS AND MULTI-EMPLOYER PENSION PLANS

Employee Savings Plans

We maintain a defined contribution 401(k) profit sharing plan for employees meeting various employment requirements. Eligible employees may contribute amounts up to the lesser of 60% of their annual compensation or the maximum amount Internal Revenue Service ("IRS") regulations permit. We match 100% of the first 5% of pay contributed by the employee. Matching contributions vest immediately. The match was \$6.0 million in 2019, \$5.9 million in 2018 and \$4.8 million in 2017, and was predominantly included in selling, general and administrative expenses in the consolidated statements of operations.

We also maintain a non-qualified contribution retirement plan ("Non-Qualified Savings Plan") covering highly compensated employees, as defined in the plan. This plan allows eligible employees to defer receipt of up to 75% of their base compensation and 75% of their annual bonus. We do not match contributions to this plan.

Contributions under both plans may be invested in various investment funds at the employee's discretion. Such contributions, including the Company's matching contributions described above, may not be invested in the Company's common stock.

At inception of the Non-Qualified Savings Plan, the Company established a rabbi trust to fund the plan's obligations. The market value of the trust assets for the Non-Qualified Savings Plan was \$2.1 million as of December 31, 2019 and \$2.6 million as of December 31, 2018 and was included in other assets in our consolidated balance sheets. The related liability to the participants is included in other long-term obligations and deferred credits in our consolidated balance sheets.

Multi-Employer Pension Plans

Several of our subsidiaries are parties to various collective bargaining agreements with labor unions having multi-year terms that expire on a staggered basis. As of December 31, 2019, 1,079 of our employees, or 34.0% of our workforce, were represented by labor unions having collective bargaining agreements with us. As of December 31, 2019, 432 of our employees, or 13.6% of our workforce, were represented by labor unions having collective bargaining agreements that will expire within one year.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Under these agreements, our applicable subsidiaries 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. The risks of participating in these multi-employer pension plans are different from single-employer plans. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If we choose to stop participating in some of these multi-employer plans, we may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. We were not required to record a liability in 2019 or 2018 for full or partial withdrawals from any multi-employer pension plans. For additional information regarding our potential future obligations, see [Note 17](#).

The required disclosures and our participation in significant multi-employer pension plans are presented in the table below. The EIN/Pension Plan Number column provides the Employer Identification Number (“EIN”) and the three-digit plan number, if applicable. The Pension Protection Act zone status is based on information available from the plan or the plan’s public filings. Among other factors, plans in the red zone are generally less than 65% funded, plans in the orange or yellow zones are less than 80% funded, and plans in the green zone are at least 80% funded. The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. The final column lists the expiration date(s) of the collective-bargaining agreements to which the plans are subject.

Pension Fund	EIN/PPN	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions (in millions)			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2019	2018		2019	2018	2017		
Western Conference of Teamsters Pension Plan	91-6145047/001	Green	Green	No	\$ 6.2	\$ 5.9	\$ 5.3	No	6/30/2020 to 8/27/2023
Local 282 Pension Trust Fund	11-6245313/001	Green	Green	No	4.3	4.4	4.8	No	6/30/2020 to 6/30/2024
Pension Trust Fund For Operating Engineers	94-6090764/001	Orange	Red	No	1.2	1.2	1.1	No	6/30/2021
Trucking Employees of North Jersey Pension Fund	22-6063702/001	Red	Red	Yes	0.7	0.6	0.7	No	4/30/2023
Other ⁽¹⁾	Various	Various	Various	Various	2.1	2.0	1.9	No	4/30/2018 to 7/31/2024
Total					<u>\$ 14.5</u>	<u>\$ 14.1</u>	<u>\$ 13.8</u>		

(1) We were actively negotiating the Collective Bargaining Agreement for two of these plans as of December 31, 2019.

At the date these consolidated financial statements were issued, Forms 5500 were generally not available for the 2019 plan year. Based on the most recent Forms 5500 available for each multi-employer pension plan, our 2018 and 2017 contributions for the Local 282 Pension Trust Fund and the Trucking Employees of North Jersey Pension Fund represented more than 5% of total contributions.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

19. QUARTERLY SUMMARY (unaudited)

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(\$ in millions except per share data)</i>				
Revenue	\$ 333.1	\$ 367.5	\$ 408.9	\$ 369.2
Operating income	\$ 7.9	\$ 6.0	\$ 33.3	\$ 18.0
Net income (loss)	\$ (2.6)	\$ 0.9	\$ 13.6	\$ 4.4
Net income (loss) attributable to U.S. Concrete	\$ (2.7)	\$ 0.7	\$ 13.0	\$ 3.9
Net income (loss) per share attributable to U.S. Concrete - basic	\$ (0.16)	\$ 0.04	\$ 0.79	\$ 0.24
Net income (loss) per share attributable to U.S. Concrete - diluted	\$ (0.16)	\$ 0.04	\$ 0.79	\$ 0.23
	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(\$ in millions except per share)</i>				
Revenue	\$ 327.8	\$ 404.2	\$ 404.3	\$ 370.1
Operating income	\$ 7.6	\$ 30.6	\$ 35.0	\$ 16.7
Net income (loss)	\$ (3.9)	\$ 16.3	\$ 15.8	\$ 3.1
Net income (loss) attributable to U.S. Concrete	\$ (3.9)	\$ 16.3	\$ 15.6	\$ 2.0
Net income (loss) per share attributable to U.S. Concrete - basic	\$ (0.23)	\$ 0.99	\$ 0.95	\$ 0.12
Net income (loss) per share attributable to U.S. Concrete - diluted	\$ (0.23)	\$ 0.99	\$ 0.94	\$ 0.12

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, demand for our products and services during the winter months is typically lower than in other months of the year because of inclement weather. Also, sustained periods of inclement weather and other adverse weather conditions could cause the delay of construction projects during other times of the year.

During the fourth quarter of 2019, we recorded an incremental \$6.0 million expense as compared to the fourth quarter of 2018 for increased self-insurance reserves for certain workers' compensation losses, which primarily resulted from adverse claim development during the year for certain unexpected large claims. During the third quarter of 2018, we recorded a \$14.6 million pre-tax gain from the divestitures of our Dallas-Fort Worth area lime operations and an aggregates property in Michigan.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

20. SEGMENT INFORMATION

Our two reportable segments consist of ready-mixed concrete and aggregate products, as described below.

Our ready-mixed concrete segment produces and sells ready-mixed concrete. This segment serves the following markets: Texas, Northern California, New York City, New Jersey, Philadelphia, Washington, D.C., Oklahoma and the U.S. Virgin Islands. Our aggregate products segment includes crushed stone, sand and gravel products and serves the markets in which our ready-mixed concrete segment operates as well as the West Coast and Hawaii. Other products not associated with a reportable segment include our aggregates distribution operations, building materials stores, hauling operations, lime slurry (until we divested it on September 5, 2018), ARIDUS® Rapid Drying Concrete technology, brokered product sales and a recycled aggregates operation.

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, demand for our products and services during the winter months is typically lower than in other months of the year because of inclement weather. Also, sustained periods of inclement weather and other adverse weather conditions could cause the delay of construction projects during other times of the year.

Our chief operating decision maker evaluates segment performance and allocates resources based on Adjusted EBITDA. We define Adjusted EBITDA as our income from continuing operations, excluding the impact of income tax expense (benefit), depreciation, depletion and amortization, net interest expense and certain other non-cash, non-recurring and/or unusual, non-operating items including, but not limited to: non-cash stock compensation expense, non-cash change in value of contingent consideration, impairment of assets, acquisition-related costs, officer transition expenses, an eminent domain matter, and hurricane-related gains/losses, net. Acquisition-related costs include fees and expenses for accountants, lawyers and other professionals incurred during the negotiation and closing of strategic acquisitions and certain acquired entities' management severance costs. Acquisition-related costs do not include fees or expenses associated with post-closing integration of strategic acquisitions. Many of the impacts excluded to derive Adjusted EBITDA are similar to those excluded in calculating our compliance with our debt covenants.

We consider Adjusted EBITDA to be an indicator of the operational strength and performance of our business. We have included Adjusted EBITDA because it is a key financial measure used by our management to (1) internally measure our operating performance and (2) assess our ability to service our debt, incur additional debt, and meet our capital expenditure requirements.

Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is not based on U.S. GAAP, and is not a measure of our cash flows or ability to fund our cash needs. Our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies, and may not be comparable to similarly titled measures used in the agreements governing our debt.

We generally account for inter-segment sales at market prices. Corporate includes executive, administrative, financial, legal, human resources, business development and risk management activities that are not allocated to reportable segments and are excluded from segment Adjusted EBITDA. Eliminations include transactions to account for intercompany activity.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables set forth certain financial information relating to our continuing operations by reportable segment (\$ in millions):

	2019	2018	2017
Revenue:			
Ready-mixed concrete			
Sales to external customers	\$ 1,278.6	\$ 1,306.5	\$ 1,213.0
Aggregate products			
Sales to external customers	141.7	136.5	49.8
Intersegment sales	53.5	46.1	40.9
Total aggregate products	195.2	182.6	90.7
Total reportable segment revenue	1,473.8	1,489.1	1,303.7
Other products and eliminations	4.9	17.3	32.3
Total revenue	\$ 1,478.7	\$ 1,506.4	\$ 1,336.0

Reportable Segment Adjusted EBITDA:

Ready-mixed concrete	\$ 157.7	\$ 179.2	\$ 185.8
Aggregate products	53.8	41.6	27.2
Total reportable segment Adjusted EBITDA	\$ 211.5	\$ 220.8	\$ 213.0

Reconciliation of Total Reportable Segment Adjusted EBITDA to Income From Continuing Operations:

Total reportable segment Adjusted EBITDA	\$ 211.5	\$ 220.8	\$ 213.0
Other products and eliminations income from operations	3.3	21.7	10.8
Corporate overhead	(59.5)	(54.9)	(56.3)
Depreciation, depletion and amortization for reportable segments	(86.1)	(85.8)	(63.1)
Interest expense, net	(46.1)	(46.4)	(42.1)
Eminent domain matter	5.3	(0.7)	—
Hurricane-related gains (losses) for reportable segments, net	2.1	0.8	(3.0)
Change in value of contingent consideration for reportable segments	(2.8)	—	(7.9)
Loss on mixer truck fire	(0.7)	—	—
Litigation settlement costs	(0.3)	(2.1)	—
Acquisition-related costs, net	1.0	(1.4)	—
Impairment of goodwill and other assets	—	(1.3)	(6.2)
Quarry dredge costs for specific event for reportable segments	—	(1.1)	(3.4)
Purchase accounting adjustments for inventory	—	(0.8)	(1.3)
Corporate derivative loss	—	—	(0.8)
Corporate, other products and eliminations other loss (income), net	0.9	(0.7)	(1.1)
Income from continuing operations before income taxes	28.6	48.1	38.6
Income tax expense	12.3	16.8	12.4
Income from continuing operations	\$ 16.3	\$ 31.3	\$ 26.2

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	2019	2018	2017
Capital Expenditures:			
Ready-mixed concrete	\$ 18.0	\$ 24.0	\$ 21.7
Aggregate products	23.6	13.8	18.9
Other products and corporate	1.1	2.1	2.1
Total capital expenditures	<u>\$ 42.7</u>	<u>\$ 39.9</u>	<u>\$ 42.7</u>

	2019	2018	2017
Revenue by Product:			
Ready-mixed concrete	\$ 1,278.6	\$ 1,306.5	\$ 1,213.0
Aggregate products	141.7	136.5	49.8
Aggregates distribution	22.5	22.7	30.6
Building materials	28.9	26.2	24.4
Lime	—	7.4	9.9
Hauling	4.3	4.8	5.6
Other	2.7	2.3	2.7
Total revenue	<u>\$ 1,478.7</u>	<u>\$ 1,506.4</u>	<u>\$ 1,336.0</u>

	December 31,		
	2019	2018	2017
Identifiable Property, Plant and Equipment Assets:			
Ready-mixed concrete	\$ 286.4	\$ 295.5	\$ 266.6
Aggregate products	359.6	355.0	342.1
Other products and corporate	27.5	29.7	27.6
Total identifiable assets	<u>\$ 673.5</u>	<u>\$ 680.2</u>	<u>\$ 636.3</u>

21. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Our 2024 Notes are fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by each direct and indirect wholly owned domestic subsidiary of the Company, except as described below, each a guarantor subsidiary. Neither the net book value nor the purchase price of any of our recently acquired guarantor subsidiaries were 20% or more of the aggregate principal amount of our 2024 Notes. The 2024 Notes are not guaranteed by any direct or indirect foreign subsidiaries of the Company (or any of their subsidiaries), our U.S. Virgin Islands subsidiaries or domestic subsidiaries that are not wholly owned, each a non-guarantor subsidiary. Consequently, we are required to provide condensed consolidating financial information in accordance with Rule 3-10 of Regulation S-X.

The following condensed consolidating financial information present, in separate columns, financial information for (1) the Company, as Parent on a parent only basis, (2) the guarantor subsidiaries on a combined basis, (3) the non-guarantor subsidiaries on a combined basis, (4) the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis and (5) the Company on a consolidated basis.

The following condensed consolidating financial information of U.S. Concrete, Inc. and its subsidiaries present investments in consolidated subsidiaries using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	U.S. Concrete Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 29.0	\$ 11.6	\$ —	\$ 40.6
Trade accounts receivable, net	—	216.6	16.5	—	233.1
Inventories	—	45.9	13.1	—	59.0
Other receivables	15.1	6.3	0.3	(13.3)	8.4
Prepaid expenses and other	—	7.3	0.6	—	7.9
Intercompany receivables	8.9	—	0.3	(9.2)	—
Total current assets	<u>24.0</u>	<u>305.1</u>	<u>42.4</u>	<u>(22.5)</u>	<u>349.0</u>
Property, plant and equipment, net	—	470.3	203.2	—	673.5
Operating lease assets	—	55.8	14.0	—	69.8
Goodwill	—	155.7	83.8	—	239.5
Intangible assets, net	—	88.2	4.2	—	92.4
Investment in subsidiaries	642.6	—	—	(642.6)	—
Long-term intercompany receivables	281.8	—	5.3	(287.1)	—
Other assets	—	8.0	1.1	—	9.1
Total assets	<u>\$ 948.4</u>	<u>\$ 1,083.1</u>	<u>\$ 354.0</u>	<u>\$ (952.2)</u>	<u>\$ 1,433.3</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ —	\$ 134.4	\$ 2.0	\$ —	\$ 136.4
Accrued liabilities	4.3	64.0	8.5	(13.3)	63.5
Current maturities of long-term debt	0.3	31.7	0.5	—	32.5
Current operating lease liabilities	—	11.2	1.7	—	12.9
Intercompany payables	—	—	9.2	(9.2)	—
Total current liabilities	<u>4.6</u>	<u>241.3</u>	<u>21.9</u>	<u>(22.5)</u>	<u>245.3</u>
Long-term debt, net of current maturities	600.4	52.9	1.5	—	654.8
Long-term operating lease liabilities	—	47.1	12.6	—	59.7
Other long-term obligations and deferred credits	—	44.2	4.9	—	49.1
Deferred income taxes	—	28.9	25.9	—	54.8
Long-term intercompany payables	—	170.4	116.7	(287.1)	—
Total liabilities	<u>605.0</u>	<u>584.8</u>	<u>183.5</u>	<u>(309.6)</u>	<u>1,063.7</u>
Total shareholders' equity	343.4	498.3	144.3	(642.6)	343.4
Non-controlling interest	—	—	26.2	—	26.2
Total equity	<u>343.4</u>	<u>498.3</u>	<u>170.5</u>	<u>(642.6)</u>	<u>369.6</u>
Total liabilities and equity	<u>\$ 948.4</u>	<u>\$ 1,083.1</u>	<u>\$ 354.0</u>	<u>\$ (952.2)</u>	<u>\$ 1,433.3</u>

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	U.S. Concrete Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 10.8	\$ 9.2	\$ —	\$ 20.0
Trade accounts receivable, net	—	219.7	6.9	—	226.6
Inventories	—	42.4	8.8	—	51.2
Other receivables	11.1	7.0	0.3	—	18.4
Prepaid expenses and other	—	7.1	0.8	—	7.9
Intercompany receivables	9.7	—	0.3	(10.0)	—
Total current assets	20.8	287.0	26.3	(10.0)	324.1
Property, plant and equipment, net	—	468.3	211.9	—	680.2
Goodwill	—	155.5	83.8	—	239.3
Intangible assets, net	—	111.8	4.8	—	116.6
Investment in subsidiaries	604.1	—	—	(604.1)	—
Long-term intercompany receivables	308.9	—	1.1	(310.0)	—
Other assets	—	10.8	0.3	—	11.1
Total assets	\$ 933.8	\$ 1,033.4	\$ 328.2	\$ (924.1)	\$ 1,371.3
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ —	\$ 122.4	\$ 3.4	\$ —	\$ 125.8
Accrued liabilities	4.7	83.2	8.4	—	96.3
Current maturities of long-term debt	0.3	29.9	0.6	—	30.8
Intercompany payables	—	—	10.0	(10.0)	—
Total current liabilities	5.0	235.5	22.4	(10.0)	252.9
Long-term debt, net of current maturities	615.5	67.6	0.2	—	683.3
Other long-term obligations and deferred credits	0.9	51.0	2.9	—	54.8
Deferred income taxes	—	22.4	20.7	—	43.1
Long-term intercompany payables	—	188.7	121.3	(310.0)	—
Total liabilities	621.4	565.2	167.5	(320.0)	1,034.1
Total shareholder's equity	312.4	468.2	135.9	(604.1)	312.4
Non-controlling interest	—	—	24.8	—	24.8
Total equity	312.4	468.2	160.7	(604.1)	337.2
Total liabilities and equity	\$ 933.8	\$ 1,033.4	\$ 328.2	\$ (924.1)	\$ 1,371.3

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

2019

(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	U.S. Concrete Consolidated
Revenue	\$ —	\$ 1,361.2	\$ 117.5	\$ —	\$ 1,478.7
Cost of goods sold before depreciation, depletion and amortization	—	1,107.6	80.0	—	1,187.6
Selling, general and administrative expenses	—	122.6	7.4	—	130.0
Depreciation, depletion and amortization	—	78.2	15.0	—	93.2
Change in value of contingent consideration	—	2.8	—	—	2.8
Gain on sale/disposal of assets and business, net	—	(0.1)	—	—	(0.1)
Operating income	—	50.1	15.1	—	65.2
Interest expense, net	39.7	3.6	2.8	—	46.1
Other income, net	—	(7.9)	(1.6)	—	(9.5)
Income (loss) before income taxes, equity in earnings of subsidiaries and non-controlling interest	(39.7)	54.4	13.9	—	28.6
Income tax expense (benefit)	(15.1)	24.3	3.1	—	12.3
Net income (loss) before equity in earnings of subsidiaries and non-controlling interest	(24.6)	30.1	10.8	—	16.3
Equity in earnings of subsidiaries	39.5	—	—	(39.5)	—
Net income (loss)	14.9	30.1	10.8	(39.5)	16.3
Less: Net income attributable to non-controlling interest	—	—	(1.4)	—	(1.4)
Net income (loss) attributable to U.S. Concrete	<u>\$ 14.9</u>	<u>\$ 30.1</u>	<u>\$ 9.4</u>	<u>\$ (39.5)</u>	<u>\$ 14.9</u>

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
2018
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	U.S. Concrete Consolidated
Revenue	\$ —	\$ 1,394.4	\$ 112.0	\$ —	\$ 1,506.4
Cost of goods sold before depreciation, depletion and amortization	—	1,130.8	81.4	—	1,212.2
Selling, general and administrative expenses	—	118.5	8.0	—	126.5
Depreciation, depletion and amortization	—	76.2	15.6	—	91.8
Change in value of contingent consideration	0.1	(0.1)	—	—	—
Impairment of assets	—	1.3	—	—	1.3
Loss (gain) on sale/disposal of assets and business, net	—	(15.5)	0.2	—	(15.3)
Operating income (loss)	(0.1)	83.2	6.8	—	89.9
Interest expense, net	39.5	3.7	3.2	—	46.4
Other expense (income), net	1.2	(3.7)	(2.1)	—	(4.6)
Income (loss) before income taxes and equity in earnings of subsidiaries	(40.8)	83.2	5.7	—	48.1
Income tax expense (benefit)	(4.5)	18.4	2.9	—	16.8
Net income (loss) before equity in earnings of subsidiaries and non-controlling interest	(36.3)	64.8	2.8	—	31.3
Equity in earnings of subsidiaries	66.3	—	—	(66.3)	—
Net income (loss)	30.0	64.8	2.8	(66.3)	31.3
Less: Net income attributable to non-controlling interest	—	—	(1.3)	—	(1.3)
Net income (loss) attributable to U.S. Concrete	\$ 30.0	\$ 64.8	\$ 1.5	\$ (66.3)	\$ 30.0

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
2017
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	U.S. Concrete Consolidated
Revenue	\$ —	\$ 1,311.6	\$ 24.4	\$ —	\$ 1,336.0
Cost of goods sold before depreciation, depletion and amortization	—	1,034.3	22.3	—	1,056.6
Selling, general and administrative expenses	—	115.4	3.8	—	119.2
Depreciation, depletion and amortization	—	64.1	3.7	—	67.8
Change in value of contingent consideration	0.9	7.0	—	—	7.9
Impairment of goodwill and other assets	—	—	6.2	—	6.2
Gain on sale/disposal of assets and business, net	—	(0.7)	—	—	(0.7)
Operating income (loss)	(0.9)	91.5	(11.6)	—	79.0
Interest expense, net	39.9	1.6	0.6	—	42.1
Derivative loss	0.8	—	—	—	0.8
Other income, net	—	(2.5)	—	—	(2.5)
Income (loss) from continuing operations before income taxes and equity in earnings of subsidiaries	(41.6)	92.4	(12.2)	—	38.6
Income tax expense (benefit)	(16.3)	29.0	(0.3)	—	12.4
Net income (loss) from continuing operations before equity in earnings of subsidiaries	(25.3)	63.4	(11.9)	—	26.2
Loss from discontinued operations, net of taxes and before equity in earnings of subsidiaries	—	(0.6)	—	—	(0.6)
Net income (loss) before equity in earnings of subsidiaries	(25.3)	62.8	(11.9)	—	25.6
Equity in earnings of subsidiaries	50.8	—	—	(50.8)	—
Net income (loss)	25.5	62.8	(11.9)	(50.8)	25.6
Less: Net income attributable to non-controlling interest	—	—	(0.1)	—	(0.1)
Net income (loss) attributable to U.S. Concrete	\$ 25.5	\$ 62.8	\$ (12.0)	\$ (50.8)	\$ 25.5

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
2019
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	U.S. Concrete Consolidated
Net cash provided by (used in) operating activities	\$ (42.3)	\$ 147.2	\$ 15.9	\$ 18.0	\$ 138.8
Cash flows from investing activities:					
Purchases of property, plant and equipment	—	(39.1)	(3.6)	—	(42.7)
Proceeds from sale of businesses and property, plant and equipment	—	2.9	—	—	2.9
Proceeds from eminent domain matter and property insurance claims	—	5.3	0.7	—	6.0
Investment in subsidiaries	1.0	—	—	(1.0)	—
Net cash provided by (used in) investing activities	1.0	(30.9)	(2.9)	(1.0)	(33.8)
Cash flows from financing activities:					
Proceeds from revolver borrowings	353.5	—	—	—	353.5
Repayments of revolver borrowings	(368.5)	—	—	—	(368.5)
Proceeds from stock option exercises	0.2	—	—	—	0.2
Payments of other long-term obligations	(0.7)	(32.7)	—	—	(33.4)
Payments for finance leases, promissory notes and other	(0.3)	(31.8)	(0.7)	—	(32.8)
Shares redeemed for employee income tax obligations	(3.2)	—	—	—	(3.2)
Intercompany funding	60.3	(33.6)	(9.7)	(17.0)	—
Net cash provided by (used in) financing activities	41.3	(98.1)	(10.4)	(17.0)	(84.2)
Effect of exchange rates on cash and cash equivalents	—	—	(0.2)	—	(0.2)
Net increase in cash and cash equivalents	—	18.2	2.4	—	20.6
Cash and cash equivalents at beginning of period	—	10.8	9.2	—	20.0
Cash and cash equivalents at end of period	\$ —	\$ 29.0	\$ 11.6	\$ —	\$ 40.6

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
2018
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	U.S. Concrete Consolidated
Net cash provided by (used in) operating activities	\$ (32.5)	\$ 156.5	\$ 1.9	\$ (3.1)	\$ 122.8
Cash flows from investing activities:					
Purchases of property, plant and equipment	—	(35.9)	(4.0)	—	(39.9)
Payments for acquisitions, net of cash acquired	—	(72.3)	—	—	(72.3)
Proceeds from sale of businesses and property, plant and equipment	—	20.7	—	—	20.7
Purchase of environmental credits	—	—	(2.8)	—	(2.8)
Proceeds from property insurance claims	—	1.6	1.0	—	2.6
Investment in subsidiaries	6.5	—	—	(6.5)	—
Net cash provided by (used in) investing activities	6.5	(85.9)	(5.8)	(6.5)	(91.7)
Cash flows from financing activities:					
Proceeds from revolver borrowings	431.2	—	—	—	431.2
Repayments of revolver borrowings	(425.2)	—	—	—	(425.2)
Proceeds from stock option exercises	0.1	—	—	—	0.1
Payments of other long-term obligations	(2.2)	(3.7)	—	—	(5.9)
Payments for finance leases, promissory notes and other	—	(28.5)	(1.1)	—	(29.6)
Payments for Share Repurchase Program	(6.7)	—	—	—	(6.7)
Shares redeemed for employee income tax obligations	(1.9)	—	—	—	(1.9)
Other proceeds	—	4.6	—	—	4.6
Intercompany funding	30.7	(39.2)	(1.1)	9.6	—
Net cash provided by (used in) financing activities	26.0	(66.8)	(2.2)	9.6	(33.4)
Effect of exchange rates on cash and cash equivalents	—	—	(0.3)	—	(0.3)
Net increase (decrease) in cash and cash equivalents	—	3.8	(6.4)	—	(2.6)
Cash and cash equivalents at beginning of period	—	7.0	15.6	—	22.6
Cash and cash equivalents at end of period	\$ —	\$ 10.8	\$ 9.2	\$ —	\$ 20.0

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
2017
(\$ in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	U.S. Concrete Consolidated
Net cash provided by (used in) operating activities	\$ (30.1)	\$ 114.5	\$ (4.9)	\$ 15.3	\$ 94.8
Cash flows from investing activities:					
Purchases of property, plant and equipment	—	(40.0)	(2.7)	—	(42.7)
Payments for acquisitions, net of cash acquired	(236.1)	(59.0)	—	—	(295.1)
Proceeds from sale of businesses and property, plant and equipment	—	3.5	—	—	3.5
Investment in subsidiaries	(1.8)	—	—	1.8	—
Net cash provided by (used in) investing activities	(237.9)	(95.5)	(2.7)	1.8	(334.3)
Cash flows from financing activities:					
Proceeds from revolver borrowings	54.4	—	—	—	54.4
Repayments of revolver borrowings	(45.4)	—	—	—	(45.4)
Proceeds from issuance of debt	211.5	—	—	—	211.5
Proceeds from warrant and stock option exercises	2.7	—	—	—	2.7
Payments of other long-term obligations	(4.2)	(4.8)	—	—	(9.0)
Payments for finance leases, promissory notes and other	—	(20.2)	(0.1)	—	(20.3)
Debt issuance costs	(4.5)	—	—	—	(4.5)
Shares redeemed for employee income tax obligations	(3.1)	—	—	—	(3.1)
Intercompany funding	56.6	(62.6)	23.1	(17.1)	—
Net cash provided by (used in) financing activities	268.0	(87.6)	23.0	(17.1)	186.3
Net increase (decrease) in cash and cash equivalents	—	(68.6)	15.4	—	(53.2)
Cash and cash equivalents at beginning of period	—	75.6	0.2	—	75.8
Cash and cash equivalents at end of period	\$ —	\$ 7.0	\$ 15.6	\$ —	\$ 22.6

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

22. SUBSEQUENT EVENT

Acquisition of Aggregates Company in New York

On February 24, 2020, we acquired all of the equity of Coram Materials Corp. and certain of its affiliates (collectively, “Coram”) for \$142.0 million, subject to certain post-closing adjustments (the “Acquisition”). Coram is a sand and gravel products provider located on Long Island, New York. Coram’s operations supply natural sand to the New York City area, which is used in concrete and other applications across industry sectors and within all construction categories. Coram owns approximately 41.9 million tons of proven and permitted reserves and approximately 7.5 million tons of proven, but unpermitted reserves. The Acquisition increases the vertical integration of our New York City operations. We funded the purchase price for the Acquisition by borrowing \$140.0 million on our Revolving Facility, and we have additional committed financing to further support our liquidity needs. We will seek to refinance or replace this borrowing as conditions permit. The remaining \$2.0 million of the purchase price will be paid over the next two years.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2019, our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act, which are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2019.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate over time.

Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management has concluded that we maintained effective internal control over financial reporting as of December 31, 2019.

Ernst & Young LLP, the Company's independent registered public accounting firm, has audited our consolidated financial statements included in this report and has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2019, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of U.S. Concrete, Inc.

Opinion on Internal Control over Financial Reporting

We have audited U.S. Concrete, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, U.S. Concrete, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and December 31, 2018, the related consolidated statements of operations, total equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements) and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 25, 2020

Item 9B. Other Information

Not applicable.

PART III

Except as otherwise indicated in Items 10, 11, 12, 13 and 14 below, pursuant to the General Instructions to Form 10-K, we intend to incorporate by reference the information we refer to in those Items from the definitive proxy statement for our 2020 Annual Meeting of Stockholders (our “2020 Proxy Statement”). We intend to file our 2020 Proxy Statement with the Securities and Exchange Commission not later than 120 days after the year ended December 31, 2019.

Item 10. Directors, Executive Officers and Corporate Governance

For the information this Item requires, please see the information under the headings “Proposal No. 1—Election of Directors,” “Executive Officers,” “Information Concerning the Board of Directors and Committees,” and “Delinquent Section 16(a) Reports” in the 2020 Proxy Statement, which is incorporated in this Item by this reference.

We have a code of ethics applicable to all our employees and directors. In addition, our principal executive, financial and accounting officers are subject to the provisions of the Code of Ethics of U.S. Concrete, Inc. for chief executive officer and senior financial officers, a copy of which is available on our website at www.us-concrete.com. In the event that we amend or waive any of the provisions of these codes of ethics applicable to our principal executive, financial and accounting officers, we intend to disclose that action on our website, as required by applicable law.

Item 11. Executive Compensation

For the information this Item requires, please see the information under the headings “Compensation Discussion and Analysis,” “Director Compensation,” “Executive Compensation,” “Compensation Program and Risk Management,” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report” in the 2020 Proxy Statement, which is incorporated in this Item by this reference.

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

Except as set forth below, for the information this Item requires, please see the information under the heading “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in the 2020 Proxy Statement, which is incorporated in this Item by this reference.

Equity Compensation Plan Information

All shares of common stock issuable under our compensation plans are subject to adjustment to reflect any increase or decrease in the number of shares outstanding as a result of stock splits, combination of shares, recapitalizations, mergers or consolidations.

The following table summarizes, as of December 31, 2019, the indicated information regarding equity compensation to our employees, officers, directors and other persons under the Long Term Incentive Plan, as amended (in thousands). These plans use or are based on shares of our common stock. We do not have any equity compensation plans not approved by security holders.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Stock Options	Weighted Average Exercise Price of Outstanding Stock Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	—	\$ —	515

Item 13. Certain Relationships and Related Transactions and Director Independence

For the information this Item requires, please see the information under the headings “Certain Relationships and Related Transactions” and “Director Independence” in the 2020 Proxy Statement, which is incorporated in this Item by this reference.

Item 14. Principal Accountant Fees and Services

For the information this Item requires, please see the information appearing under the heading “Fees Incurred for Services by the Principal Accountant” in the 2020 Proxy Statement, which is incorporated in this Item by this reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

For the information this item requires, please see [Index to Consolidated Financial Statements](#) on page 41 of this report.

(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.

The information on exhibits required by this Item 15 is set forth in the [Index to Exhibits](#) appearing on pages 94-96 of this Report and is incorporated by reference herein.

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: February 25, 2020

By: /s/ William J. Sandbrook

William J. Sandbrook
Chairman 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 February 25, 2020.

<u>Signature</u>	<u>Title</u>
<u>/s/ William J. Sandbrook</u> William J. Sandbrook	Chairman and Chief Executive Officer (Principal Executive Officer)
<u>/s/ John E. Kunz</u> John E. Kunz	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ Gibson T. Dawson</u> Gibson T. Dawson	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Susan M. Ball</u> Susan M. Ball	Director
<u>/s/ Kurt M. Cellar</u> Kurt M. Cellar	Director
<u>/s/ Michael D. Lundin</u> Michael D. Lundin	Director
<u>/s/ Robert M. Rayner</u> Robert M. Rayner	Director
<u>/s/ Theodore P. Rossi</u> Theodore P. Rossi	Director
<u>/s/ Colin M. Sutherland</u> Colin M. Sutherland	Director

INDEX TO EXHIBITS

Exhibit Number	Description
2.1*	—Arrangement Agreement, dated as of September 29, 2017, by and among U.S. Concrete, Inc., 1134771 B.C. Ltd., and Polaris Materials Corporation (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated October 2, 2017 (File No. 001-34530))
3.1*	—Amended and Restated Certificate of Incorporation of U.S. Concrete, Inc. (incorporated by reference to Exhibit 1 to the Company’s Registration Statement on Form 8-A/A filed on August 31, 2010 (File No. 000-26025)).
3.2*	—Third Amended and Restated By-Laws of U.S. Concrete, Inc. (incorporated by reference to Exhibit 2 to the Company’s Registration Statement on Form 8-A/A filed on August 31, 2010 (File No. 000-26025)).
3.3*	—Amendment No. 1 to Third Amended and Restated Bylaws of U.S. Concrete, Inc (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on November 18, 2015 (File No. 001-34530)).
4.1*	—Form of common stock certificate (incorporated by reference to Exhibit 3 to the Company’s Registration Statement on Form 8-A filed August 31, 2010 (File No. 000-26025)).
4.2*	—Indenture, dated as of June 7, 2016, by and among U.S. Concrete, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and noteholder collateral agent (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated June 7, 2016 (File No. 001-34530)).
4.3*	—Supplemental Indenture No. 1, dated as of October 12, 2016, by and among U.S. Concrete, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K dated January 9, 2017 (File No. 001-34530)).
4.4*	—Supplemental Indenture No. 2, dated as of January 9, 2017, by and among U.S. Concrete, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K dated January 9, 2017 (File No. 001-34530)).
4.5	—Description of Capital Stock
10.1*†	—U.S. Concrete, Inc. Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.5 to the Company’s Current Report on Form 8-K filed on September 2, 2010 (File No. 000-26025)).
10.2*†	—U.S. Concrete, Inc. Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.6 to the Company’s Current Report on Form 8-K filed on September 2, 2010 (File No. 000-26025)).
10.3*†	—Form of Indemnification Agreement (incorporated by reference to Exhibit 10.7 to the Company’s Current Report on Form 8-K filed on September 2, 2010 (File No. 000-26025)).
10.4*†	—Form of Executive Severance Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q dated May 9, 2019 (File No. 001-34530)).
10.5*†	—Executive Severance Agreement, effective as of August 22, 2011 between U.S. Concrete, Inc. and William J. Sandbrook (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on August 22, 2011 (File No. 001-34530)).
10.6*†	—Indemnification Agreement, effective as of August 22, 2011 between U.S. Concrete, Inc. and William J. Sandbrook (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on August 22, 2011 (File No. 001-34530)).
10.7*†	—Executive Severance Agreement dated January 23, 2013 by and between U.S. Concrete, Inc. and Niel L. Poulsen (incorporated by reference to Exhibit 10.37 to the Company’s Annual Report on Form 10-K dated March 8, 2013 (File No. 001-34530)).
10.8*†	—Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on March 6, 2013 (File No. 0001-34530)).
10.9*†	—U.S. Concrete, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated April 17, 2013 (File No. 001-34530)).
10.10*†	—U.S. Concrete, Inc. Deferred Compensation Plan Adoption Agreement (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated April 17, 2013 (File No. 001-34530)).
10.11*†	—U.S. Concrete, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated May 15, 2013 (File No. 001-34530)).
10.12*†	—Amendment to the U.S. Concrete, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated May 16, 2019 (File No. 001-34530)).
10.13*†	—Form of Restricted Stock Agreement (Employee Form) (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated July 1, 2013 (File No. 001-34530)).

Exhibit Number	Description
10.14*†	—U.S. Concrete, Inc. Management Equity Incentive Plan effective January 1, 2013 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K dated March 7, 2014 (File No. 001-34530)).
10.15*†	—Executive Severance Agreement dated August 1, 2013 by and between U.S. Concrete, Inc. and Paul M. Jolas (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K dated March 7, 2014 (File No. 001-34530)).
10.16*	—Subscription Agreement, dated as of April 1, 2015, by and among U.S. Concrete Inc., Ferrara Family Holdings, Inc. and the beneficial owners of Ferrara Family Holdings, Inc. named therein. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2015 (File No. 001-34530)).
10.17*	—Amended and Restated Limited Liability Company Agreement of Ferrara Bros., LLC, effective as of April 9, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated August 6, 2015 (File No. 001-34530)).
10.18*+	—Ferrara Bros., LLC Class B Incentive Interests Award Agreement, effective as of April 11, 2015, between Ferrara Bros., LLC and 2G FB LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated August 6, 2015 (File No. 001-34530)).
10.19*†	—Offer Letter to Ronnie Pruitt, dated October 6, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 23, 2015 (File No. 001-34530)).
10.20*	—Executive Severance Agreement, by and between U.S. Concrete, Inc. and Ronnie Pruitt, dated October 26, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 23, 2015 (File No. 001-34530)).
10.21*†	—Indemnification Agreement, by and between U.S. Concrete, Inc. and Ronnie Pruitt, dated October 26, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 23, 2015 (File No. 001-34530)).
10.22*†	—U.S. Concrete, Inc. 2017 Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 19, 2017 (File No. 001-34530)).
10.23*†	—Third Amended and Restated Loan and Security Agreement, dated as of August 31, 2017, by and among U.S. Concrete, Inc., certain of its subsidiaries parties thereto, certain lender parties thereto and Bank of America, N.A., as agent for the lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 1, 2017 (File No. 001-34530)).
10.24*†	—First Amendment to Third Amended and Restated Loan and Security Agreement, dated as of November 14, 2017, by and among U.S. Concrete, Inc., certain of its subsidiaries parties thereto, certain lender parties thereto, and Bank of America, N.A., as agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 17, 2017 (File No. 001-34530)).
10.25*	—Offer Letter to John Kunz, dated September 5, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 8, 2017 (File No. 001-34530)).
10.26*	—Executive Severance Agreement, by and between U.S. Concrete, Inc. and John E. Kunz, dated October 2, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 6, 2017 (File No. 001-34530)).
10.27*†	—Indemnification Agreement, by and between U.S. Concrete, Inc. and John E. Kunz, dated February 1, 2016, dated October 2, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 6, 2017 (File No. 001-34530)).
10.28*†	—Form of Restricted Stock Agreement (Employee Form)
10.29*†	—Form of Restricted Stock Unit Agreement (Canadian Employee/Taxpayer Form)
10.30*†	—Form of Restricted Stock Unit Agreement (Directors)
10.31*†	—Employment Agreement with Scott Dryden, dated February 19, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated August 7, 2018 (File No. 001-34530))
10.32*	—Executive Transition Agreement, dated February 12, 2020 between U.S. Concrete, Inc. and William J. Sandbrook (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 14, 2020 (File No. 001-34530)).
21.1	—Subsidiaries.
23.1	—Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	—Certification of Periodic Report pursuant to Rule 13a-14(a) and 15d-14(a).
31.2	—Certification of Periodic Report pursuant to Rule 13a-14(a) and 15d-14(a).

Exhibit Number	Description
32.1	—Certification pursuant to 18 U.S.C. Section 1350.
32.2	—Certification pursuant to 18 U.S.C. Section 1350.
95.1	—Mine Safety Disclosure.
101.INS	—Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	—Inline XBRL Taxonomy Extension Schema Document
101.CAL	—Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	—Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	—Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.0	—Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Incorporated by reference to the filing indicated.

† Management contract or compensatory plan or arrangement.

+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment with the SEC.

DESCRIPTION OF CAPITAL STOCK

The following description of the terms of the capital stock of U.S. Concrete, Inc. (the "Company," "we," "us" and "our") is not complete and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation (the "Certificate"), our Third Amended and Restated Bylaws, as amended (the "Bylaws"), both of which are exhibits to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and the General Corporation Law of the State of Delaware (as amended, the "DGCL").

Our common stock ("Common Stock") is listed on the Nasdaq Stock Market LLC under the symbol "USCR." We are currently authorized to issue up to 100,000,000 shares of Common Stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share ("Preferred Stock"). All of the Common Stock issued is fully paid and nonassessable.

Voting Rights

Each share of Common Stock (1) has one vote on all matters voted upon by the stockholders of the Company; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, are not entitled to vote on any amendment to the Certificate (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate (including any certificate of designations relating to any series of Preferred Stock), (2) affords no cumulative voting or preemptive rights and (3) is not convertible, redeemable, assessable or entitled to the benefits of any sinking or repurchase fund.

Except as the Certificate may otherwise provide, at all meetings of stockholders at which a quorum is present for the election of directors, each director shall be elected by the vote of a majority of the votes cast with respect to the director; provided that if as of a date that is fourteen (14) days in advance of the date the Company files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. Any director of the Company may be removed from office as a director, by vote or other action of the stockholders or otherwise, with or without cause by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of capital stock of the Company generally entitled to vote in the election of directors, voting together as a single class.

Dividend and Liquidation Rights

Holders of Common Stock will be entitled to dividends in such amounts and at such times as our board of directors (the "Board") in its discretion may declare out of funds legally available therefor, subject to the preferences that may apply to any shares of Preferred Stock outstanding at the time.

Preferred Stock

Pursuant to the Certificate, we are authorized to issue "blank check" preferred stock, which may be issued from time to time in one or more series upon authorization by the Board. The Board, without further approval of the stockholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences and restrictions applicable to each series of the Preferred Stock. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes could, among other things, adversely affect the voting power of the holders of the Common Stock and, under certain circumstances, make it more difficult for a third party to gain control of us, discourage bids for the Common Stock at a premium or otherwise affect the market price of the Common Stock.

Anti-Takeover Provisions of the Certificate and the Bylaws

Some provisions of the Certificate and the Bylaws may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

These provisions include:

- *Board Vacancies*
The Certificate authorizes the Board to fill vacant directorships or increase the size of the Board, which may deter a stockholder from removing incumbent directors and simultaneously gaining control of the Board by filling the vacancies created by this removal with its own nominees.
- *Cumulative Voting*
The Certificate does not grant our stockholders the right to cumulative voting in the election of directors. As a result, stockholders may not aggregate their votes for a single director.
- *Stockholder Action by Written Consent*
The Certificate provides that any action taken by the stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent.
- *Special Meeting of Stockholders*
The Certificate provides that special meetings of our stockholders may only be called by the Chairman of the Board or by the Board pursuant to a resolution a majority of the Board approves by an affirmative vote.
- *Advance Notice Requirement*
The Bylaws set forth advance notice procedures with regard to stockholder nomination of persons for election to the Board or other business to be considered at an annual or special meeting of stockholders. These procedures provide that notice of such stockholder proposals must be timely given in writing to the secretary of the Company prior to the meeting at which the action is to be taken and must contain certain information specified in the Bylaws. To be timely, notice in connection with an annual meeting must be delivered to the secretary at the principal executive offices of the Company not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company). To be timely, notice in connection with a special meeting, must be delivered to the secretary at the principal executive offices of the Company not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. The advance notice requirement does not give the Board any power to approve or disapprove stockholder director nominations or proposals but may have the effect of precluding the consideration of certain business at a meeting if the proper notice procedures are not followed.
- *Authorized but Unissued Shares*
Our authorized but unissued shares of Common Stock and Preferred Stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of Common Stock and Preferred Stock could render more difficult or discourage an attempt to obtain control of a majority of the Common Stock by means of a proxy contest, tender offer, merger or otherwise.
- *Supermajority Voting*
The Bylaws provide that the Board is expressly authorized to adopt, amend and repeal the Bylaws without obtaining stockholder approval. The Bylaws may be adopted, amended or repealed by the affirmative vote of the holders of at least 66.7% of the combined voting power of the outstanding shares of all classes of capital stock of the Company entitled to vote generally in the election of the Board voting together as a single class.

Section 203 of Delaware General Corporation Law

We are subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the time the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation’s voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the shares of Common Stock.

Indemnification of Directors and Officers

The Certificate provides that the Company’s directors shall not be personally liable to the Company or any of its stockholders for monetary damages for breach of fiduciary duty as a director involving any act or omission of any such director; provided, however, the Certificate does not eliminate or limit the liability of a director (1) for any breach of such director’s duty of loyalty to the Company or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL (which relates to certain unlawful dividend payments or stock purchases or redemptions), as the same exists or may hereafter be amended, supplemented or replaced, or (4) for a transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director, in addition to the limitation on personal liability described above, shall be limited to the fullest extent permitted by the DGCL, as so amended. Furthermore, any repeal or modification of the Certificate by its stockholders shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director existing at the time of such repeal or modification.

The Bylaws provide that each person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Company or, while a director or officer of the Company, is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, is indemnified and held harmless, to the fullest extent permitted by applicable law, against all liability and loss suffered and expenses (including attorneys’ fees) reasonably incurred by such person.

The rights conferred in the Bylaws includes the right to have the Company pay the expenses (including attorneys’ fees) incurred in defending any such proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the indemnitee to repay all amounts advanced if it should be ultimately determined that such indemnitee is not entitled to be indemnified under the Bylaws or otherwise.

The following is a listing of subsidiaries of US Concrete, Inc. as of February 24, 2020. All are wholly-owned unless otherwise indicated.

Entity Name	Ownership Type	Primary Jurisdiction
1045016 B.C. Ltd.	Indirect	British Columbia
160 East 22nd Terminal LLC	Indirect	New Jersey
A.B. of Sayville, Ltd.	Indirect	New York
Aggregate & Concrete Testing, LLC	Indirect	New York
Alberta Investments, Inc.	Direct	Texas
Alliance Haulers, Inc.	Direct	Texas
American Concrete Products, Inc.	Indirect	California
Atlas Redi-Mix, LLC	Indirect	Texas
Atlas-Tuck Concrete, Inc.	Direct	Oklahoma
Beall Concrete Enterprises, LLC	Indirect	Texas
Bode Concrete LLC	Indirect	California
Bode Gravel Co.	Indirect	California
Breckenridge Ready Mix, Inc.	Indirect	Texas
BSLH Realty Corp.	Indirect	New York
Central Concrete Supply Co., Inc.	Direct	California
Colonial Concrete Co.	Indirect	New Jersey
Coram Materials Corp.	Indirect	New York
Custom-Crete Redi-Mix, LLC	Indirect	Texas
Custom-Crete, LLC	Indirect	Texas
Eagle Rock Aggregates, Inc.	Indirect	Delaware
Eagle Rock Materials Ltd.	Indirect	British Columbia
Eastern Concrete Materials, Inc.	Indirect	New Jersey
Ferrara Bros., LLC	Indirect	Delaware
Ferrara West LLC	Indirect	New Jersey
Hamburg Quarry Limited Liability Company	Indirect	New Jersey
Heavy Materials, LLC	Indirect	U.S. Virgin Islands
Ingram Concrete, LLC	Indirect	Texas
Kurtz Gravel Company	Direct	Michigan
Local Concrete Supply & Equipment, LLC	Indirect	Delaware
Master Mix Concrete, LLC	Indirect	New Jersey
Master Mix, LLC	Indirect	Delaware
Miller Place Development, LLC	Indirect	New York
MLFF Realty Corp.	Indirect	New York
New York Sand & Stone, LLC	Indirect	New York
NorCal Materials, Inc.	Direct	California
NYC Concrete Materials, LLC	Indirect	Delaware
Orca Sand & Gravel Limited Partnership	Indirect	British Columbia
Orca Sand & Gravel Ltd.	Indirect	British Columbia
Outrigger, LLC	Direct	Delaware
Pebble Lane Associates, LLC	Indirect	Delaware

Entity Name	Ownership Type	Primary Jurisdiction
Polaris Aggregates Inc.	Direct	Delaware
Polaris Materials Corporation	Direct	British Columbia
Premco Organization, Inc.	Indirect	New Jersey
Quality Rock Holdings LTD.	Indirect	British Columbia
Quality Sand & Gravel Ltd.	Indirect	British Columbia
Redi-Mix Concrete, L.P.	Indirect	Texas
Redi-Mix GP, LLC	Indirect	Texas
Redi-Mix, LLC	Indirect	Texas
Right Away Redy Mix Incorporated	Direct	California
Rock Transport, Inc.	Direct	California
Sierra Precast, Inc.	Direct	California
Smith Pre-Cast, Inc.	Direct	Delaware
Spartan Products, LLC	Indirect	U.S. Virgin Islands
Superior Concrete Materials, Inc.	Indirect	District of Columbia
Titan Concrete Industries, Inc.	Direct	Delaware
U.S. Concrete On-Site, Inc.	Direct	Delaware
USC Atlantic, Inc.	Direct	Delaware
USC Management Co., LLC	Direct	Delaware
USC Payroll, Inc.	Direct	Delaware
USC Technologies, Inc.	Direct	Delaware
USC-Jenna, LLC	Indirect	Delaware
USC-Kings, LLC	Indirect	Delaware
USC - New York Payroll, LLC	Direct	Delaware
USC-NYCON, LLC	Indirect	Delaware
Valente Equipment Leasing Corp.	Indirect	New York
WMC IP, Inc.	Direct	New Jersey
WMC OP, LLC	Indirect	New Jersey
Yardarm, LLC	Direct	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement Form S-8 (File No. 333-188621) pertaining to the U.S. Concrete, Inc. Long Term Incentive Plan; and
- 2) Registration Statement Form S-8 (File No. 333-187989) pertaining to the U.S. Concrete, Inc. Deferred Compensation Plan

of our reports dated February 25, 2020, with respect to the consolidated financial statements of U.S. Concrete, Inc. and the effectiveness of internal control over financial reporting of U.S. Concrete, Inc. included in this Annual Report (Form 10-K) of U.S. Concrete, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Dallas, Texas

February 25, 2020

CERTIFICATIONS

I, William J. Sandbrook, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Concrete, Inc. for the year ended December 31, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /s/ William J. Sandbrook

William J. Sandbrook
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, John E. Kunz, certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Concrete, Inc. for the year ended December 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /s/ John E. Kunz

John E. Kunz

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of U.S. Concrete, Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, William J. Sandbrook, President and Chief Executive Officer and Vice Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

By: /s/ William J. Sandbrook

William J. Sandbrook
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of U.S. Concrete, Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, John E. Kunz, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

By: /s/ John E. Kunz

John E. Kunz

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Section 1503. Mine Safety Disclosures

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Act, was enacted. Section 1503 of the Act contains reporting requirements regarding mine safety. We are committed to providing a safe workplace for all of our employees, including those working at our quarries. The operation of our quarries is subject to regulation by the federal Mine Safety and Health Administration, or MSHA, under the Federal Mine Safety and Health Act of 1977, or the Mine Act. MSHA inspects our quarries on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Below, we have included information regarding certain mining safety and health citations that MSHA has issued with respect to our quarry operations for the year ended December 31, 2019. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

The table below includes references to specific sections of the Mine Act. We are providing the information in the table by mine as that is how we manage and operate our business.

Mine Name/ID	(A) Section 104 S&S	(B) Section 104(b)	(C) Section 104(d)	(D) Section 110(b)(2)	(E) Section 107(a)	(F) Proposed Assessments	(G) Fatalities	(H) Pending Legal Action
Cox Bend Quarry/4102977	—	—	—	—	—	—	—	—
Bronte Quarry/4104210	—	—	—	—	—	—	—	—
Waurika Quarry/3400362	—	—	—	—	—	—	—	—
Vernon Quarry/3401820	—	—	—	—	—	—	—	—
Red River Quarry/3401945	—	—	—	—	—	\$ 1,622	—	—
Chatfield Plant/4104209	—	—	—	—	—	\$ 484	—	—
Hamburg Quarry/2800011	—	—	—	—	—	—	—	—
Glen Gardner Quarry/2800009	1	—	—	—	—	\$ 18,119	—	1
Wantage Quarry/2801035	1	—	—	—	—	\$ 505	—	—
Springfield Quarry/5500002	—	—	—	—	—	\$ 4,893	—	—
Brookman Quarry/5500008	—	—	—	—	—	—	—	—
Quinton Twpa Pit/2801014	—	—	—	—	—	—	—	—
Leon River/Proctor/4105206	—	—	—	—	—	—	—	—
Ingram North Amarillo/4103599	1	—	—	—	—	—	—	—
M&W Ranch/4105430	—	—	—	—	—	—	—	—

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Safety and Health Act of 1977 (30 U.S.C. 814) for which the operator received a citation from the Mine Safety and Health Administration.
- (B) The total number of orders issued under section 104(b) of such Act (30 U.S.C. 814(b)).
- (C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of such Act (30 U.S.C. 814(d)).
- (D) The total number of flagrant violations under section 110(b)(2) of such Act (30 U.S.C. 820(b)(2)).
- (E) The total number of imminent danger orders issued under section 107(a) of such Act (30 U.S.C. 817(a)).
- (F) The total dollar value of proposed assessments from the Mine Safety and Health Administration under such Act (30 U.S.C. 801 et seq.).
- (G) The total number of mining-related fatalities.
- (H) Any pending legal action before the Federal Mine Safety and Health Review Commission involving such coal or other mine.