LRAD Corp
Form 8-K
August 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2018

LRAD Corporation

(Exact name of registrant as specified in its charter)

Delaware	**000-24248**	**87-0361799**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

16990 Goldentop Road, Ste. A
San Diego, California 92127

(Address of Principal Executive Offices)

858-676-1112

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14.a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition," and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Such information, including Exhibit 99.1, shall not be incorporated by reference into any filing of LRAD Corporation (the "Company"), whether made before or after the date hereof, regardless of any general incorporation language in such filing.

On August 14, 2018, the Company issued a press release regarding its financial results for the fiscal third quarter ended June 30, 2018. A copy of the press release is furnished as Exhibit 99.1 hereto, and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1 Financial Results Press Release, dated August 14, 2018, issued by LRAD Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2018

LRAD Corporation

By: /s/ Dennis D. Klahn
Dennis D. Klahn
Chief Financial Officer

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,528	$ 5,323
Trade accounts receivable, net	93,268	100,269
Inventories	30,176	32,768
Deferred income taxes	12,535	11,576
Prepaid expenses	4,213	3,519
Other current assets	6,563	13,801
Total current assets	157,283	167,256
Property, plant and equipment, net	246,908	272,769
Goodwill	14,063	59,197
Other assets	6,954	8,588
Total assets	$ 425,208	$ 507,810
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 10,387	$ 3,371
Accounts payable	44,252	45,920
Accrued liabilities	56,306	54,481
Total current liabilities	110,945	103,772
Long-term debt, net of current maturities	288,207	302,617
Other long-term obligations and deferred credits	7,249	8,522
Deferred income taxes	12,042	12,536
Total liabilities	418,443	427,447
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock	–	–
Common stock	38	37
Additional paid-in capital	267,532	265,453
Retained deficit	(264,072)	(192,564)
Treasury stock, at cost	(3,277)	(3,130)
Total stockholders' equity	221	69,796
Non-controlling interest (Note 1)	6,544	10,567
Total equity	6,765	80,363
Total liabilities and equity	$ 425,208	$ 507,810

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

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U.S. CONCRETE, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue	$ 153,608	$ 212,819	$ 414,634	$ 580,973
Cost of goods sold before depreciation, depletion and amortization	128,572	176,324	352,683	488,025
Selling, general and administrative expenses	16,206	19,643	50,727	55,494
Goodwill and other asset impairments	54,560	—	54,560	—
Depreciation, depletion and amortization	7,645	7,850	22,551	21,763
(Gain) loss on sale of assets	2,865	(321)	2,029	(399)
Income (loss) from operations	(56,240)	9,323	(67,916)	16,090
Interest expense, net	6,578	6,747	19,908	20,121
Gain on purchases of senior subordinated notes	—	—	7,406	—
Other income, net	326	578	1,016	1,628
Income (loss) from continuing operations before income taxes	(62,492)	3,154	(79,402)	(2,403)
Income tax expense (benefit)	(1,194)	1,248	(2,262)	346
Income (loss) from continuing operations	(61,298)	1,906	(77,140)	(2,749)
Loss from discontinued operations (net of tax benefit of $0 and $81 in 2008)	—	—	—	(149)
Net income (loss)	(61,298)	1,906	(77,140)	(2,898)
Net loss (income) attributable to non-controlling interest	3,238	(184)	5,632	2,645
Net income (loss) attributable to stockholders	$ (58,060)	$ 1,722	$ (71,508)	$ (253)
Earnings (loss) per share attributable to stockholders – basic				
Income (loss) from continuing operations	$ (1.60)	$ 0.04	$ (1.98)	$ —
Loss from discontinued operations, net of income tax benefit	—	—	—	—
Net income (loss)	$ (1.60)	$ 0.04	$ (1.98)	$ —
Earnings (loss) per share attributable to stockholders – diluted				
Income (loss) from continuing operations	$ (1.60)	$ 0.04	$ (1.98)	$ —
Loss from discontinued operations, net of income tax benefit	—	—	—	—
Net income (loss)	$ (1.60)	$ 0.04	$ (1.98)	$ —
Weighted average shares outstanding:				
Basic	36,272	38,808	36,132	38,702
Diluted	36,272	39,389	36,132	38,702

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

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

	Common Stock		Additional			Non-	
	Shares	Par Value	Paid-In Capital	Retained Deficit	Treasury Stock	Controlling Interest	Total Equity
BALANCE, December 31, 2008	36,793	$ 37	$ 265,453	$ (192,564)	$ (3,130)	$ 10,567	$ 80,363
Stock-based compensation	497	1	1,791	—	—	—	1,792
Employee purchase of ESPP shares	171	—	288	—	—	—	288
Purchase of treasury shares	(89)	—	—	—	(147)	—	(147)
Cancellation of shares	(39)	—	—	—	—	—	—
Capital contribution to Superior Materials Holdings, LLC	—	—	—	—	—	1,609	1,609
Net loss	—	—	—	(71,508)	—	(5,632)	(77,140)
BALANCE, September 30, 2009	37,333	$ 38	$ 267,532	$ (264,072)	$ (3,277)	$ 6,544	$ 6,765

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

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

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (77,140)	$ (2,898)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Goodwill and other asset impairments	54,560	—
Depreciation, depletion and amortization	22,551	21,763
Debt issuance cost amortization	1,356	1,250
Gain on purchases of senior subordinated notes	(7,406)	—
Net (gain) loss on sale of assets	2,029	(892)
Deferred income taxes	(1,453)	(402)
Provision for doubtful accounts	2,925	996
Stock-based compensation	1,792	2,231
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	4,076	(22,138)
Inventories	2,481	(3,431)
Prepaid expenses and other current assets	6,544	1,540
Other assets and liabilities	3	126
Accounts payable and accrued liabilities	(366)	21,369
Net cash provided by operating activities	11,952	19,514
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(12,491)	(20,196)
Proceeds from disposals of property, plant and equipment	9,122	3,350
Payments for acquisitions	(5,214)	(21,778)
Disposal of business unit	—	7,583
Other investing activities	—	103
Net cash used in investing activities	(8,583)	(30,938)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	138,859	6,282
Repayments of borrowings	(132,354)	(4,924)
Purchases of senior subordinated notes	(4,810)	—
Shares purchased under common stock buyback program	—	(703)
Purchase of treasury shares	(147)	(390)
Proceeds from issuances of common stock under compensation plans	288	376
Other financing activities	—	(160)
Net cash provided by financing activities	1,836	481
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,205	(10,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,323	14,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,528	$ 3,907

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

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

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of U.S. Concrete, Inc. and its subsidiaries and have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). We include in our condensed consolidated financial statements the results of operations, balance sheets and cash flows of our 60%-owned Michigan subsidiary, Superior Materials Holdings, LLC (“Superior”). We reflect the minority owner’s 40% interest in income, net assets and cash flows of that subsidiary as a non-controlling interest in our condensed consolidated financial statements. Some information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC’s rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our annual report on Form 10-K for the year ended December 31, 2008 (the “2008 Form 10-K”). In the opinion of our management, all adjustments necessary to state fairly the information in our unaudited condensed consolidated financial statements have been included. Operating results for the three and nine month periods ended September 30, 2009 are not necessarily indicative of our results expected for the year ending December 31, 2009. We have made certain reclassifications to prior period amounts to conform to the current period presentation in accordance with authoritative accounting guidance related to non-controlling interests in consolidated financial statements.

The preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that we consider significant in the preparation of our financial statements include those related to our allowance for doubtful accounts, goodwill, accruals for self-insurance, income taxes, reserves for inventory obsolescence and the valuation and useful lives of property, plant and equipment.

We evaluated subsequent events through November 9, 2009, the date we filed this quarterly report on Form 10-Q for the quarter ended September 30, 2009 with the SEC, and have disclosed a subsequent event under Note 15.

2. SIGNIFICANT ACCOUNTING POLICIES

For a description of our accounting policies, see Note 1 of the consolidated financial statements in the 2008 Form 10-K, as well as Note 14 below.

3. RISKS AND UNCERTAINTIES

Covenants contained in the credit agreement governing our senior revolving credit facility (the “Credit Agreement”) could adversely affect our ability to obtain cash from external sources. Specifically, the Credit Agreement requires us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. Our liquidity outlook for 2010 continues to weaken, primarily as a result of continued softness in residential construction, further softening of demand in the commercial sector and delays in public works projects in many of our markets. We are also experiencing product pricing pressure and expect ready-mixed concrete pricing declines in 2010 compared to 2009 in most of our markets, which will have a negative effect on our gross margins. Our anticipated product volume declines and product price erosions are expected to negatively impact our liquidity. Based upon our projections as of the date of this quarterly report, we expect our available credit to remain above $25 million over the next twelve months. However, if the severity of product volume and price declines are more than anticipated, this may cause our available credit under the Credit Agreement to fall

below $25 million in 2010. Additionally, our business is subject to certain risks and uncertainties which could cause our actual results to vary from those expected. These risks and uncertainties are discussed in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2008. If our available credit falls below $25 million, we do not currently expect that we would be able to meet the minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis.

Absent a waiver or amendment from our lenders or a successful refinancing of the Credit Agreement prior to a potential noncompliance event, our lenders would control our cash depository accounts, may limit or restrict our future borrowings under the Credit Agreement and may, at their option, immediately accelerate the maturity of the facility. If the lenders were to accelerate our obligation to repay borrowings under the Credit Agreement, we may not be able to repay the debt or refinance the debt on acceptable terms, and we may not have sufficient liquidity to make the payments when due. Our lenders may also prohibit interest payments on our 8 % senior subordinated notes due April 1, 2014 (the "8 % Notes") for a period ending on the earlier of 180 days or the date the event of default has been waived or amended.

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Under the provisions of our 8 % Notes, an event of default under our credit facility would not accelerate the 8 % Notes unless the Credit Agreement lenders accelerate maturity of the debt outstanding under that agreement. If our obligation to repay the indebtedness under our 8 % Notes was accelerated, we may not be able to repay the debt or refinance the debt on acceptable terms, and we may not have sufficient assets to make the payments when due. The acceleration of our credit agreement or the 8 % Notes would have a material adverse affect on our operations and our ability to meet our obligations as they become due.

4. DISCONTINUED OPERATIONS

In the first quarter of 2008, we sold our ready-mixed concrete business unit headquartered in Memphis, Tennessee. This unit was part of our ready-mixed concrete and concrete-related products segment. We classified this business unit as discontinued operations beginning in the fourth quarter of 2007, and we have presented the results of operations, net of tax, as discontinued operations in the accompanying condensed consolidated statements of operations. The results of discontinued operations included in the accompanying condensed consolidated statements of operations were as follows for the nine month period ended September 30, 2008 (in thousands):

	Nine Months Ended September 30, 2008	
Revenue	$	671
Operating expenses		1,395
Gain on disposal of assets		494
Loss from discontinued operations, before income tax benefit		(230)
Income tax benefits from discontinued operations		(81)
Loss from discontinued operations, net of tax	$	(149)

5. BUSINESS COMBINATIONS AND DISPOSALS

In September 2009, we sold four ready-mixed concrete plants in Sacramento, California for approximately $6.0 million, plus a payment for inventory on hand at closing. This sale resulted in a pre-tax loss of approximately $3.0 million after the allocation of approximately $3.0 million of goodwill related to these assets.

In May 2009, we acquired substantially all the assets of a concrete recycling business in Queens, New York. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $4.5 million.

In November 2008, we acquired a ready-mixed concrete plant and related inventory in Brooklyn, New York. We used borrowings under our revolving credit facility to fund the cash purchase price of approximately $2.5 million.

In August 2008, we acquired a ready-mixed concrete operation in Mount Vernon, New York and a precast concrete product operation in San Diego, California. We used cash on hand to fund the purchase prices of $2.0 million and $2.5 million, respectively.

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

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

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

The pro forma impacts of our 2009 and 2008 acquisitions have not been included due to the fact that they were immaterial to our financial statements individually and in the aggregate.

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

6. GOODWILL AND OTHER ASSET IMPAIRMENTS

The change in goodwill from December 31, 2007 to September 30, 2009 is as follows (in thousands):

	Ready-Mixed Concrete and Concrete-Related Products	Precast Concrete Products	Total
Balance at December 31, 2007:			
Goodwill	$ 321,967	$ 45,957	$ 367,924
Accumulated impairment	(173,851)	(9,074)	(182,925)
	148,116	36,883	184,999
Acquisitions (see Note 5)	8,954	—	8,954
Impairments	(109,331)	(25,994)	(135,325)
Adjustments	1,431	(862)	569
Balance at December 31, 2008	$ 49,170	$ 10,027	$ 59,197
Balance at December 31, 2008:			
Goodwill	$ 332,352	$ 45,095	$ 377,447
Accumulated impairment	(283,182)	(35,068)	(318,250)
	49,170	10,027	59,197
Acquisitions (see Note 5)	3,596	—	3,596
Impairments	(45,776)	—	(45,776)
Allocated to assets sold	(2,954)	—	(2,954)
Balance at September 30, 2009	$ 4,036	$ 10,027	$ 14,063
Balance at September 30, 2009:			
Goodwill	332,994	45,095	378,089
Accumulated impairment	(328,958)	(35,068)	(364,026)
	$ 4,036	$ 10,027	$ 14,063

During the third quarter of 2009, we recorded a goodwill impairment charge of $45.8 million related to our northern California and Atlantic Region reporting units. We sold four ready-mixed concrete plants in Sacramento, California during the third quarter of 2009 (see Note 5). These plants and operations were included in our northern California ready-mixed concrete reporting unit and $3.0 million of goodwill was allocated to these assets and included in the calculation of loss on sale. Concurrent with this sale, we performed an impairment test on the remaining goodwill for this reporting unit and on all other reporting units with remaining goodwill as a result of current economic conditions. The U.S. recession and downturn in the U.S. construction markets have continued to impact our revenue and expected future growth. The cost of capital has increased while the availability of funds from capital markets has not improved significantly. Lack of available capital impacts our end-use customers by creating project delays or cancellations, thereby impacting our revenue growth and assumptions. The downturn in residential construction has not improved and we are now seeing the recession affect the commercial sector of our revenue base. In addition, the California budget crisis may have a prolonged effect on public works spending in this market. All these factors have led to a more negative outlook for expected future cash flows and have resulted in an impairment charge of $45.8 million, of which $42.2 million is related to our northern California reporting unit.

We evaluated the recoverability of all our long-lived assets during the third quarter of 2009 given current economic conditions. We measured recoverability by comparing the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. The Michigan market continues to be significantly impacted by the global recession and by events specific to its region including the difficult operating conditions of the U.S. automotive industry manufacturers, high unemployment rates and lack of public works spending. The decline in construction activity in each of our end-use markets has negatively affected our outlook of future sales growth and cash flow. We identified an impairment related to the property, plant and equipment in our Michigan market and recorded a charge of $8.8 million, which represents the amount that the carrying value of these assets exceeded fair value.

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

7. INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 2009	December 31, 2008
Raw materials	$ 17,389	$ 18,100
Precast products	6,957	8,353
Building materials for resale	2,757	2,922
Repair parts	3,073	3,393
	$ 30,176	$ 32,768

8. DEBT

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

	September 30, 2009	December 31, 2008
Senior secured credit facility due 2011	$ 16,000	$ 11,000
8 % senior subordinated notes due 2014	271,708	283,998
Notes payable	2,747	5,411
Superior Materials Holdings, LLC secured credit facility due 2010	7,917	5,149
Capital leases	222	430
	298,594	305,988
Less: current maturities	10,387	3,371
	$ 288,207	$ 302,617

The estimated fair value of our debt at September 30, 2009 and December 31, 2008 was $204.1 million and $168.1 million, respectively.

Senior Secured Credit Facility

On June 30, 2006, we entered into the Credit Agreement, which amended and restated our senior secured credit agreement dated as of March 12, 2004. The Credit Agreement, as amended to date, provides for a revolving credit facility of up to $150 million, with borrowings limited based on a portion of the net amounts of eligible accounts receivable, inventory and mixer trucks. The facility is scheduled to mature in March 2011. At September 30, 2009, we had borrowings of $16.0 million under this facility. We pay interest on borrowings at either the Eurodollar-based rate ("LIBOR") plus 1.75% to 2.25% per annum or the domestic rate (3.25% at September 30, 2009) plus 0.25% to 0.75% per annum. The rate paid over either LIBOR or the domestic rate varies depending on the level of borrowings. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility. The Credit Agreement provides that the administrative agent may, on the bases specified, reduce the amount of the available credit from time to time. Additionally, any "material adverse change" of the Company could restrict our ability to borrow under the Credit Agreement. A material adverse change is defined as a material adverse change in any of (a) the condition (financial or otherwise), business, performance, prospects, operations or properties of us and our Subsidiaries, taken as a whole, (b) our ability and the ability of our guarantors, taken as a whole, to perform the respective obligations under the Credit Agreement and ancillary documents or (c) the rights and remedies of the

administrative agent, the lenders or the issuers to enforce the Credit Agreement and ancillary documents. At September 30, 2009, the amount of available credit was approximately $71.6 million, net of outstanding revolving credit borrowings of $16.0 million and outstanding letters of credit of approximately $11.6 million.

Our subsidiaries, excluding Superior and minor subsidiaries without operations or material assets, have guaranteed the repayment of all amounts owing under the Credit Agreement. In addition, we collateralized our obligations under the Credit Agreement with the capital stock of our subsidiaries, excluding Superior and minor subsidiaries without operations or material assets, and substantially all the assets of those subsidiaries, excluding most of the assets of the aggregates quarry in northern New Jersey, other real estate owned by us or our subsidiaries, and the assets of Superior. The Credit Agreement contains covenants restricting, among other things, prepayment or redemption of subordinated notes, distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also limits capital expenditures (excluding permitted acquisitions) to the greater of $45 million or 5% of consolidated revenues in the prior 12 months and will require us to maintain a minimum fixed-charge coverage ratio of 1.0 to 1.0 on a rolling 12-month basis if the available credit under the facility falls below $25 million. The Credit Agreement also provides that specified change-of-control events would constitute events of default. As of September 30, 2009, we were in compliance with our covenants under the Credit Agreement. The maintenance of a minimum fixed charge coverage ratio was not applicable, as the available credit under the facility did not fall below $25.0 million (See Note 3 – Risks and Uncertainties for a discussion of our liquidity and the effect on our covenants in the future).

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

Senior Subordinated Notes

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

During the first quarter of 2009, we purchased $7.4 million aggregate principal amount of our 8 % Notes in open market transactions for approximately $2.8 million plus accrued interest of approximately $0.3 million through the dates of purchase. We recorded a gain of approximately $4.5 million as a result of these open-market transactions after writing off $0.1 million of previously deferred financing costs associated with the pro-rata amount of the 8 % Notes purchased. During the second quarter of 2009, we purchased an additional $5.0 million principal amount of our 8 % Notes for approximately $2.0 million. This resulted in a gain of approximately $2.9 million in April 2009, after writing off $0.1 million of previously deferred financing costs associated with the pro-rata amount of the 8 % Notes purchased.

All of our subsidiaries, excluding Superior and minor subsidiaries, have jointly and severally and fully and unconditionally guaranteed the repayment of the 8 % Notes.

The indenture governing the 8 % Notes limits our ability and the ability of our subsidiaries to pay dividends or repurchase common stock, make certain investments, incur additional debt or sell preferred stock, create liens or merge or transfer assets. We may redeem all or a part of the 8 % Notes at a redemption price of 104.188% for the remainder of 2009, 102.792% in 2010, 101.396% in 2011 and 100% in 2012 and thereafter. The indenture requires us to offer to repurchase (1) an aggregate principal amount of the 8 % Notes equal to the proceeds of certain asset sales that are not reinvested in the business or used to pay senior debt, and (2) all the 8 % Notes following the occurrence of a change of control. The Credit Agreement would prohibit these repurchases.

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

Superior Credit Facility and Subordinated Debt

Superior has a separate credit agreement that provides for a revolving credit facility. The credit agreement, as amended, allows for borrowings of up to $17.5 million. Borrowings under this credit facility are collateralized by substantially all the assets of Superior and are scheduled to mature on April 1, 2010. Availability of borrowings is subject to a borrowing base that is determined based on the values of net receivables, certain inventories, certain rolling stock and letters of credit. The credit agreement provides that the lender may, on the bases specified, reduce the amount of the available credit from time to time. As of September 30, 2009, there was $7.9 million in outstanding borrowings under the revolving credit facility, and the amount of available credit was approximately $4.8 million. The outstanding borrowings are included under current maturities of long-term debt on the condensed consolidated balance sheet. Letters of credit outstanding at September 30, 2009 were $2.8 million, which reduces the amount available under the credit facility.

Currently, borrowings have an annual interest rate, at Superior's option, of either LIBOR plus 4.25% or prime rate (3.25% at September 30, 2009) plus 2.00%. Commitment fees at an annual rate of 0.25% are payable on the unused portion of the facility.

The credit agreement contains covenants restricting, among other things, Superior's distributions, dividends and repurchases of capital stock and other equity interests, acquisitions and investments, mergers, asset sales other than in the ordinary course of business, indebtedness, liens, changes in business, changes to charter documents and affiliate transactions. It also generally limits Superior's capital expenditures and requires the subsidiary to maintain compliance with specified financial covenants, including an affirmative covenant which requires earnings before income taxes, interest and depreciation ("EBITDA") to meet certain minimum thresholds quarterly. During the trailing 12 months ended September 30, 2009, the credit agreement required a threshold EBITDA of $(2.7) million. As of September 30, 2009, Superior was in compliance with its financial covenants under the credit agreement. Based on its fourth quarter 2009 outlook, Superior does not expect to meet its threshold EBITDA compliance test for the quarter ended December 31, 2009. Superior is in discussions with its lender regarding the receipt of a waiver of its noncompliance with this covenant or amendment to the terms of the covenant. Although Superior currently believes it will receive a waiver, we can provide no assurance that we will receive any waiver or amendment. A breach of this covenant could result in a default under Superior's credit agreement. Upon the occurrence of an event of default under that agreement, all amounts outstanding under that agreement could become immediately due and payable, and the lender could terminate all commitments to extend further credit.

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U.S. Concrete and its 100%-owned subsidiaries are not obligors under the terms of the Superior credit agreement. However, Superior's credit agreement provides that an event of default beyond a 30-day grace period under either U.S. Concrete's or Edw. C. Levy Co.'s credit agreement would constitute an event of default. Furthermore, U.S. Concrete agreed to provide or obtain additional equity or subordinated debt capital not to exceed $6.75 million through the term of the revolving credit facility to fund any future cash flow deficits, as defined in the credit agreement, of Superior. In the first quarter of 2009, U.S. Concrete provided subordinated debt capital in the amount of $2.4 million under this agreement in lieu of payment of related party payables. Additionally, the minority partner, Edw. C. Levy Co., provided $1.6 million of subordinated debt capital to fund operations. The subordinated debt with U.S. Concrete was eliminated in consolidation. There was no interest due on each note, and each note was scheduled to mature on May 1, 2011. During the third quarter of 2009, U.S. Concrete and the minority partner, Edw. C. Levy Co., converted the subordinated debt capital into capital contributions to Superior. Pursuant to the existing credit agreement, U.S. Concrete and Edw. C. Levy Co. expect to make additional equity or subordinated debt capital contributions to Superior in the first half of 2010. Superior is in the process of renegotiating its credit facility. If the renegotiation process is unsuccessful, U.S. Concrete and Edw. C. Levy Co. may make additional cash equity contributions to Superior to finance its working capital requirements and fund its cash operating losses.

9. INCOME TAXES

We made income tax payments of approximately $0.1 million and $0.4 million during the three and nine month periods ended September 30, 2009. For the three and nine month periods ended September 30, 2008, our income tax payments were approximately $0.1 million and $0.5 million, respectively.

In accordance with generally accepted accounting principles ("GAAP"), we estimate the effective tax rate expected to be applicable for the full year. We use this estimate in providing for income taxes on a year-to-date basis, which may vary in subsequent interim periods if our estimates change. Our effective tax benefit rate for the nine months ended September 30, 2009 was approximately 2.8%. For the nine months ended September 30, 2009, we applied a valuation allowance against certain of our deferred tax assets, including net operating loss carryforwards, which reduced our effective benefit rate from the statutory rate. In accordance with GAAP, a valuation allowance is required unless it is more likely than not that future taxable income or the reversal of deferred tax liabilities will be sufficient to recover deferred tax assets. In addition, certain state taxes are calculated on bases different than pre-tax loss. This results in us recording income tax expense for these states, which also lowered the effective benefit rate for the nine months ended September 30, 2009 compared to the statutory rate.

10. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

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

	September 30, 2009	December 31, 2008
Shares authorized	60,000	60,000
Shares outstanding at end of period	37,333	36,793
Shares held in treasury	548	459

Under our restated certificate of incorporation, we are authorized to issue 10,000,000 shares of preferred stock, $0.001 par value, none of which were issued or outstanding as of September 30, 2009 and December 31, 2008.

Treasury Stock

Employees may elect to satisfy their tax obligations on the vesting of their restricted stock by having us make the required tax payments and withhold a number of vested shares having an aggregate value on the date of vesting equal to the tax obligation. As a result of such employee elections, we withheld approximately 89,000 shares during the nine months ended September 30, 2009, at a total value of approximately $0.1 million. There were no shares withheld during the third quarter of 2009. We accounted for the withholding of these shares as treasury stock.

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Share Repurchase Plan

On January 7, 2008, our Board of Directors approved a plan to repurchase up to an aggregate of three million shares of our common stock. The Board modified the repurchase plan in October 2008 to slightly increase the aggregate number of shares authorized for repurchase. The plan permitted the stock repurchases to be made on the open market or in privately negotiated transactions in compliance with applicable securities and other laws. As of December 31, 2008, we had repurchased and subsequently cancelled 3,148,405 shares with an aggregate value of $6.6 million and completed the repurchase program. Based on restrictions contained in our indenture governing our 8 % Notes, we are currently prohibited from making additional share repurchases.

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

The following table summarizes the number of shares (in thousands) of common stock we have used, on a weighted-average basis, in calculating basic and diluted net income (loss) per share attributable to stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic weighted average common shares outstanding	36,272	38,808	36,132	38,702
Effect of dilutive stock options and awards	—	581	—	—
Diluted weighted average common shares outstanding	36,272	39,389	36,132	38,702

For the three and nine month periods ended September 30, we excluded stock options and awards covering 3.0 million shares in 2009 and 2.0 million shares in 2008 from the computation of the net income (loss) per share because their effect would have been antidilutive.

12. COMMITMENTS AND CONTINGENCIES

From time to time, and currently, we are subject to various claims and litigation brought by employees, customers and other third parties for, among other matters, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of our operations. As a result of these types of claims and litigation, we must periodically evaluate the probability of damages being assessed against us and the range of possible outcomes. In 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 record a liability reflecting either the low end of our range or a specific estimate, if we believe a specific estimate to be likely based on current information. At September 30, 2009, we have accrued $3.1 million for potential damages associated with four separate class actions pending against us in Alameda Superior Court (California). The class actions were filed between April 6, 2007 and September 27, 2007 on behalf of various Central Concrete Supply Co., Inc. (“Central”) ready-mixed concrete and transport drivers, alleging primarily that Central, which is one of our subsidiaries, failed to provide meal and rest breaks as required under California law. We have entered into settlements with one of the classes and a number of individual drivers. The other three classes have been consolidated and a single class was certified on July 24, 2009. Our accrual is based on prior settlement values. While there can be no assurance that we will be able to fully resolve the remaining class actions without exceeding this existing accrual, based on information available to us as of September 30, 2009, we believe our existing accrual for these matters is reasonable.

In May 2008, we received a letter from a multi-employer pension plan to which one of our subsidiaries is a contributing employer, providing notice that the Internal Revenue Service had denied applications by the plan for waivers of the minimum funding deficiency from prior years, and requesting payment of approximately $1.3 million as our allocable share of the minimum funding deficiency. We continue to evaluate several options to minimize our exposure, including transferring our assets and liabilities into another plan. We may receive future funding deficiency demands from this particular multi-employer pension plan, or other multi-employer plans to which we contribute. We 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, the development of a rehabilitation plan by the trustees and subsequent submittal to and approval by the Internal Revenue Service is not predictable, and the allocation of fund assets and return assumptions by trustees are variable, as are actual investment returns relative to the plan assumptions.

Currently, there are no material product defects claims pending against us. Accordingly, our existing accruals for claims against us do not reflect any material amounts relating to products defects claims. While our management is not aware of any facts that would reasonably be expected to lead to material product defects 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 defects claims. In particular, we generally do not maintain insurance coverage for the cost of removing and rebuilding structures, or so-called “rip and tear” coverage. In addition, our indemnification arrangements with contractors or others, when obtained, generally provide only limited protection against product defects 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 defects claims related to ready-mixed concrete we have delivered prior to September 30, 2009.

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We believe that the resolution of all 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 believes the possibility that these claims could materially exceed our related accrual is remote. 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 September 30, 2009.

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.

Insurance Programs

We maintain third-party insurance coverage against certain 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, although certain of our operations are self-insured for workers' compensation. We fund these deductibles and record an expense for expected losses under the programs. The expected losses are determined using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claims reporting patterns, claims settlement patterns, judicial decisions, legislation and economic conditions. Although we believe that the estimated losses we have recorded are reasonable, significant differences related to the items noted above could materially affect our insurance obligations and future expense.

Performance Bonds

In the normal course of business, we and our subsidiaries are contingently liable for performance under $40.9 million in performance bonds that various contractors, states and municipalities have required. The bonds principally relate to construction contracts, reclamation obligations and mining permits. We and our subsidiaries have indemnified the underwriting insurance company against any exposure under the performance bonds. No material claims have been made against these bonds.

13. SEGMENT INFORMATION

We have two segments that serve our principal markets in the United States. Our ready-mixed concrete and concrete-related products segment produces and sells ready-mixed concrete, aggregates (crushed stone, sand and gravel), concrete masonry and building mater