

SEATTLE GENETICS INC /WA  
Form 10-Q  
August 08, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2006

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 0-32405

\_\_\_\_\_  
**SEATTLE GENETICS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**21823 30<sup>th</sup> Drive SE**  
**Bothell, Washington 98021**

**91-1874389**  
(I.R.S. Employer  
Identification No.)

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(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code): (425) 527-4000

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

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

As of August 4, 2006, there were 51,013,878 shares of the registrant's common stock outstanding.

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Seattle Genetics, Inc.

For the quarter ended June 30, 2006

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Seattle Genetics, Inc.****Condensed Balance Sheets****(Unaudited)****(In thousands)**

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 35,165	\$ 11,156
Short-term investments	61,908	31,315
Interest receivable	781	678
Accounts receivable	759	683
Prepaid expenses and other	1,638	314
Total current assets	100,251	44,146
Property and equipment, net	8,018	8,532
Restricted investments	488	605
Long-term investments	6,983	36,736
Total assets	\$ 115,740	\$ 90,019
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,014	\$ 5,045
Current portion of deferred revenue	5,190	6,053
Total current liabilities	10,204	11,098
Long-term liabilities		
Deferred rent	522	513
Deferred revenue, less current portion	1,201	2,950
Total long-term liabilities	1,723	3,463
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized:		
Series A convertible preferred stock, 1,500,000 shares issued and outstanding at June 30, 2006 and at December 31, 2005	2	2
Common stock, \$0.001 par value, 100,000,000 shares authorized; 50,960,877 shares issued and outstanding at June 30, 2006 and 42,379,895 issued and outstanding at December 31, 2005		
	51	42
Additional paid-in capital	264,800	219,159
Accumulated other comprehensive loss	(120)	(171)
Accumulated deficit	(160,920)	(143,574)

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Total stockholders' equity	103,813	75,458
Total liabilities and stockholders' equity	\$ 115,740	\$ 90,019

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

**Table of Contents****Seattle Genetics, Inc.****Condensed Statements of Operations****(Unaudited)****(In thousands, except per share amounts)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>				
Collaboration and license agreements	\$ 2,840	\$ 2,200	\$ 4,981	\$ 4,806
<b>Operating expenses</b>				
Research and development	10,007	9,365	19,258	18,340
General and administrative	2,402	1,857	4,709	3,702
Total operating expenses	12,409	11,222	23,967	22,042
Loss from operations	(9,569)	(9,022)	(18,986)	(17,236)
Investment income, net	926	662	1,640	1,323
Net loss	\$ (8,643)	\$ (8,360)	\$ (17,346)	\$ (15,913)
Net loss per share - basic and diluted	\$ (0.17)	\$ (0.20)	\$ (0.37)	\$ (0.38)
Shares used in computation of net loss per share - basic and diluted	50,077	42,187	46,269	42,127

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

**Table of Contents****Seattle Genetics, Inc.****Condensed Statements of Cash Flows****(Unaudited)****(In thousands)**

	<b>Six months ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating activities</b>		
Net loss	\$ (17,346)	\$ (15,913)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock compensation expense	1,953	10
Depreciation and amortization	1,196	1,143
Realized loss and amortization on investments	557	622
Deferred rent	9	29
Changes in operating assets and liabilities		
Interest receivable	(103)	(80)
Accounts receivable	(76)	835
Prepaid expenses and other	(1,300)	(170)
Accounts payable and accrued liabilities	(31)	715
Deferred revenue	(2,612)	2,025
Net cash used in operating activities	(17,753)	(10,784)
<b>Investing activities</b>		
Purchases of investments	(63,814)	(26,495)
Proceeds from sales and maturities of investments	62,585	41,794
Purchases of property and equipment	(706)	(593)
Net cash (used in) provided by investing activities	(1,935)	14,706
<b>Financing activities</b>		
Net proceeds from issuance of common stock	43,146	
Proceeds from exercise of stock options and employee stock purchase plan	551	663
Net cash provided by financing activities	43,697	663
Net increase in cash and cash equivalents	24,009	4,585
Cash and cash equivalents, at beginning of period	11,156	9,645
Cash and cash equivalents, at end of period	\$ 35,165	\$ 14,230

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

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**Seattle Genetics, Inc.**

**Notes to Condensed Financial Statements**

**(Unaudited)**

**1. Basis of presentation**

The accompanying unaudited condensed interim financial statements of Seattle Genetics, Inc. ( Seattle Genetics or the Company ) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ( SEC ) and generally accepted accounting principles for unaudited condensed interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of the Company s financial position and results of its operations, as of and for the periods presented. Management has determined that the Company operates in one segment. Unless indicated otherwise, all amounts presented in financial tables are presented in thousands, except for per share amounts.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and footnotes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 as filed with the SEC.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of the Company s operations for the three month and six month periods ended June 30, 2006 are not necessarily indicative of the results to be expected for a full year.

**2. Recent Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN 48 ), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain income tax positions. A tax benefit from an uncertain income tax position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that FIN 48 will have on its financial condition or results of operations.

**3. Contract manufacturing agreement**

In April 2006, the Company entered into an agreement with Laureate Pharma, Inc. for the manufacturing of the Company s SGN-33 and SGN-70 product candidates. Under the terms of the agreement, Laureate Pharma will perform scale-up and current Good Manufacturing Practices ( cGMP ) manufacturing of clinical trial materials for both programs. The contract applies to manufacturing activities, including raw materials and fill/finish, for SGN-33 and SGN-70 at an expense of approximately \$6.0 million through 2007, of which approximately \$761,000 has been expensed in the first six months of 2006. Actual costs may differ depending on changes in timing or scope of services provided or in the cost of raw materials.

**4. Common stock financing**

In April 2006, the Company completed a public offering of 7,300,000 shares of common stock at a price of \$5.13 per share. Total net proceeds from this offering, after deducting offering expenses of \$229,000, were approximately \$37.2 million. In connection with the public offering, the Company entered into a stock purchase agreement with entities affiliated with Baker Brothers Investments, which are managed by Baker Bros. Advisors, LLC. Felix Baker, Ph.D., one of the Company s directors, is a Managing Member of Baker Bros. Advisors. The Stock Purchase Agreement provided that, subject to stockholder approval and customary closing conditions, these entities would purchase a total of 1,129,015 shares of the Company s common stock at a price of \$5.25 per share. The Company s stockholders approved the issuance of these shares at the Company s annual stockholders meeting held on May 19, 2006. As a result, the Company issued these additional shares on May 24, 2006 for total net proceeds of approximately \$5.9 million.

**5. Stock compensation expense**



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The Company has three share-based payment plans, which are described below. Prior to January 1, 2006, the Company accounted for share-based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting

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for Stock Issued to Employees ( APB 25 ), and related Interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation ( FAS 123 ). In accordance with APB 25, no compensation cost was required to be recognized for options granted to employees that had an exercise price equal to the market value of the underlying common stock on the date of grant.

On January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board ( FASB ) Statement No. 123(R), Share-Based Payment ( FAS 123R ) using the modified prospective method. Under this transition method, compensation cost recognized for the period ended June 30, 2006 includes: (a) compensation cost related to stock options granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS 123; (b) compensation cost related to stock options granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS 123R; and (c) compensation costs related to the Company's employee stock purchase plan. In each case, expense recorded in the period reflects the service cost of the underlying stock option attributable to the period. In accordance with the modified prospective method, the results for the prior periods have not been restated.

The Company uses the straight-line attribution method for recognizing compensation expense under FAS 123R. Previously, under the disclosure-only provisions of FAS 123, the Company used the accelerated method of expense recognition pursuant to FASB Interpretation No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans ( FIN 28 ). For all unvested options outstanding as of January 1, 2006, the previously measured but unrecognized compensation expense, based on the fair value at the original grant date, will be recognized on an accelerated basis over the remaining vesting period. For share-based payments granted subsequent to January 1, 2006, compensation expense, based on the fair value on the date of grant, will be recognized on a straight-line basis over the vesting period. Compensation expense is recognized on awards ultimately expected to vest and reduced for forfeitures that are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under FAS 123 for the periods prior to 2006, the Company accounted for forfeitures as they occurred.

The Company accounts for options issued to non-employees under FAS 123 and EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. As such, the value of such options is periodically re-measured and income or expense is recognized during their vesting terms.

**Description of share-based payment plans**

The Company has a 1998 Stock Option Plan (Option Plan) and a 2000 Directors' Stock Option Plan (Directors' Plan) as share-based payment plans for employees, members of its scientific advisory board and members of its board of directors. Stock options granted under these plans generally vest over a four-year period with 25% vested on the anniversary date of the grant followed thereafter by monthly vesting. Annual stock option grants to members of the board of directors vest in full after one year. The options generally expire ten years from the date of grant. At June 30, 2006, approximately 10.8 million shares were authorized for grant under these plans, including approximately 3.0 million shares which were available for future grant under such plans.

The Company also has a 2000 Employee Stock Purchase Plan (Stock Purchase Plan). Under the terms of the Stock Purchase Plan, eligible employees may purchase shares of the Company's common stock every six months over an offering period with a maximum duration of two years. Under the Stock Purchase Plan, shares of common stock are purchased at 85% of the lower of the fair market value of the stock on (i) the first day of the applicable offering period or (ii) the last day of the then current six-month purchase period. A total of 43,616 shares were sold to employees during the six months ended June 30, 2006 and 54,594 shares in the comparable period in 2005. At June 30, 2006, approximately 789,000 shares of common stock were reserved for issuance under the Stock Purchase Plan.

**Impact of the adoption of FAS 123R**

The impact on the Company's results of operations of recording share-based payment awards to employees and directors including employee stock options pursuant to the Company's Option Plan and Directors' Plan and employee stock purchases pursuant to the Company Stock Purchase Plan for each respective period is as follows (in thousands):

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Research and development	\$ 600	\$ 1,142
General and administrative	387	756

Total	\$	987	\$	1,898
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Due to the adoption of FAS 123R, the Company's basic and diluted net loss increased by \$0.02 per share for the three months ended June 30, 2006 and increased by \$0.04 per share for the six months ended June 30, 2006. The Company granted a total of 15,000 options to certain members of its scientific advisory board during the six months ended June 30, 2006 and no options in the comparable period in 2005. The Company has accounted for these non-employee options in accordance with EITF 96-18 and, accordingly, recorded non-cash stock-based compensation expense of \$55,000 for the six months ended June 30, 2006 and \$10,000 for the comparable period in 2005. Such amounts have been excluded from the table above which summarizes the affects of adopting FAS 123R.

Cash received from option exercises under all share-based payment arrangements for the three-month period ended June 30, 2006 was \$261,000 and \$61,000 for the comparable period in 2005. Cash received from option exercises under all share-based payment arrangements for the six-month period ended June 30, 2006 was \$551,000 and \$662,000 for the comparable period in 2005. No tax benefit was recognized related to share-based compensation expense since the Company has never reported taxable income and the Company has established a full valuation allowance to offset all of the potential tax benefits associated with the Company's deferred tax assets. In addition, no amounts of share-based compensation costs were capitalized for the periods presented.

**Valuation assumptions****Option Plan and Directors' Plan**

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Risk-free interest rates	5.0%	3.8%	4.6%	3.8%
Expected lives (in years)	5.2	4.0	5.4	5.0
Dividend yield	0%	0%	0%	0%
Expected volatility	70%	74%	71%	75%

The risk-free interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The Company's computation of expected life was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The estimated forfeiture rate applied to these amounts is derived from historical stock option forfeiture behavior. The Company has never paid cash dividends and does not currently intend to pay cash dividends, thus has assumed a 0% dividend yield. The Company's computation of expected volatility is based on the historical volatility of the Company's stock price. The Company's stock price volatility and option lives involve management's best estimates at that time, both of which impact the fair value of the option calculated under the Black-Scholes methodology, and ultimately the expense that will be recognized over the life of the option.

**Stock Purchase Plan**

The fair value of each option element of the Stock Purchase Plan is estimated on the date of grant using the Black-Scholes valuation model with the assumptions noted in the following table. The following range of assumptions was used in the three month ended and six month ended periods indicated:

	2006		2005	
	0.5	2.0	0.5	2.0
Risk-free interest rates	4.0% - 4.6%		3.7%	
Expected lives (in years)	0.5	2.0	0.5	2.0
Dividend yield	0%		0%	
Expected volatility	71% - 74%		75%	

The risk-free rate for periods within the contractual life of the purchasing period is based on the U.S. Treasury yield curve in effect at the beginning of the offering period. Expected term reflects the four, six-month purchase periods within the Company's two year offering period for the Stock Purchase Plan. The Company has never paid cash dividends and does not currently intend to pay cash dividends, thus has assumed a 0% dividend yield. Expected volatilities are based on historical volatility of the Company's stock.



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**Stock-based payment award activity**

The following table summarizes activity under the Company's Option Plan and Directors' Plan for the six months ended June 30, 2006 (in thousands, except per share amounts and remaining contractual term in years):

Shares	Weighted Average Exercise Price	
4,821	\$	5.8
1,256		5.1
(108)		3.1
(194)		

*M. Terry Green* has served as our Senior Vice President Operations since October 2005, and served as Vice President Operational Integration from May 1999 through October 2005. Mr. Green has managed the operations of ready-mixed concrete producers and other transportation-related businesses for over 20 years. From August 1998 until May 1999, he served as Vice President of Maintenance for Armellini Express Lines, Inc. From January 1989 until June 1998, Mr. Green served as Director of Maintenance, Equipment and Purchasing for the concrete products division of Southdown, Inc. From 1980 until 1989, Mr. Green held various positions with Kraft, Inc., serving as Private Fleet Operations Manager from 1988 until 1989.

*Sean M. Gore* has served as our Vice President Finance since February 2006, and served as our Director of Business Development from February 2005 through February 2006. From August 2004 through February 2005, Mr. Gore was self-employed as a business consultant to U.S. Concrete. From January 2004 through July 2004, Mr. Gore was self-employed as a business consultant to Petroleum Geo-Services ASA, an international oilfield services company. From 1995 through 2003, Mr. Gore held various positions of increasing responsibility with Petroleum Geo-Services, including Vice President and Corporate Controller from May 2001 through December 2003, Vice President Finance and Business Development from October 1999 through April 2001, Vice President Finance from January 1997 through September 1999, and Controller from May 1995 through December 1996. From 1989 through 1995, Mr. Gore held various positions of increasing responsibility in the audit division of the accounting firm now known as PricewaterhouseCoopers LLP.

*Wallace H. Johnson* has served as our Vice President Marketing and Sales since November 2004. Mr. Johnson has over 30 years of experience in the construction supply industry. From June 2002 through November 2004, Mr. Johnson served as Vice President of Sales and Marketing of Systech Inc., a provider of software systems for the ready-mixed concrete and aggregate industries. From May 2001 through June 2002, he served as Director of Sales of Buildpoint Corp., a provider of online bid management services for general contractors that Construction Software Technologies, Inc. acquired in 2004. From 1977 through May 2001, Mr. Johnson served in various sales and sales management positions within the construction products division of W. R. Grace & Co., a global specialty chemicals and materials company, including from 1996 through 2001 as regional sales manager and from 1993 through 1996 as North American sales manager.

*Gary J. Konnie* has served as our Vice President Human Resources since November 2004. Mr. Konnie has over 30 years of human resources management experience. From October 2002 through March 2004, Mr. Konnie served as Senior Vice President of Human Resources of El Paso Corporation, a provider of natural gas and related energy products. From October 1999 through October 2002, he served as El Paso's Vice President of Human Resources, and, from May 1998 through October 1999, he served as El Paso's Director of Human Resources. From 1996 through May 1998, Mr. Konnie served as Vice President of Human Resources for Meridian Aggregates Company, a producer of construction aggregates. Prior to 1996, Mr. Konnie held various human resources positions with Rio Tinto plc (formerly RTZ PLC), Burlington Resources Inc., Boise Cascade, LLC and General Motors Corporation.



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*Curt M. Lindeman* has served as our Vice President and General Counsel since January 2007 and as our Corporate Secretary since September 2006. From June 2006 through January 2007, he served as our Assistant General Counsel. From March 2002 through June 2006, Mr. Lindeman was self-employed as an attorney representing various companies, including U.S. Concrete. From November 1999 through March 2002, he served as Senior Counsel for Coach USA, Inc., a passenger transportation company. From June 1999 to November 1999, Mr. Lindeman served as counsel for Coral Energy, L.P., a wholesale natural gas and power marketing and trading company affiliated with Shell Oil Company. From September 1997 to June 1999, he served as an attorney with Shook, Hardy & Bacon L.L.P.

*Cesar Monroy* has served as our Treasurer since July 2005. He previously served as our Vice President Finance from April 2003 until July 2005, and as our Vice President Accounting from June 2002 to April 2003. From 1995 through May 2002, Mr. Monroy was self-employed as a business consultant to various companies, including as a consultant to U.S. Concrete from March 2000 through May 2002. From 1993 through 1995, he served as the Chief Financial Officer of Fairchild Aircraft, a commercial aircraft manufacturer.



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**EXECUTIVE COMPENSATION  
COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis addresses the following topics:

our compensation committee structure and its responsibilities;

our compensation-setting process;

our compensation philosophy and policies regarding executive compensation;

the elements of our executive compensation program; and

our compensation decisions for fiscal year 2006 and for the first quarter 2007.

**Structure and Responsibilities of the Compensation Committee**

*Compensation Committee Members and Independence*

T. William Porter III, Vincent D. Foster and Robert S. Walker are the members of the compensation committee. Mr. Porter, who has served on our Board of Directors for approximately six years, is the committee chairman. The Board has determined that each member of the compensation committee is an independent director in accordance with the applicable rules of the SEC and the applicable listing standards of the Nasdaq.

*Responsibilities of Committee*

There are three primary purposes of the compensation committee: (1) to discharge the Board's responsibilities relating to compensation of our executives and directors; (2) to produce annual reports relating to our compensation discussion and analysis for inclusion in the proxy statements for our annual meetings; and (3) to oversee the adoption of policies that govern our compensation programs, including stock and incentive plans. The committee operates under a written charter adopted by the Board. A copy of the charter is available at [www.us-concrete.com](http://www.us-concrete.com) under Investors Corporate Governance. Pursuant to the charter, the committee has the resources necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants as it deems necessary. The following functions are among the key responsibilities and duties of the compensation committee, any of which may be delegated to one or more subcommittees, as the committee may deem necessary or appropriate:

review the competitiveness of our compensation programs for executive officers to (1) ensure the attraction and retention of executive officers, (2) ensure the motivation of our executive officers to achieve our business objectives and (3) align the interest of our executive officers and key employees with the long-term interests of our stockholders;

review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans;

evaluate the performance of our chief executive officer and other executive officers;

periodically review the compensation paid to nonemployee directors through annual retainers and meeting fees and, after consulting with the nominating and corporate governance committee, make recommendations to the Board for any adjustments;

approve the salaries, bonuses and other compensation for all our executive officers;

review and approve compensation packages for new executive officers and termination packages for executive officers as may be suggested by management;

review and discuss with the Board and our executive officers plans for executive officer development and corporate succession plans for the chief executive officer and other executive officers;



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review and make recommendations concerning long-term incentive compensation plans, including the use of stock options and other equity-based plans;

administer our employee benefit plans and discharge any responsibilities imposed on the committee under those plans, including making and authorizing grants, in accordance with the terms of those plans;

review periodic reports from management on matters relating to personnel appointments and practices;

produce annual reports relating to our compensation discussion and analysis for inclusion in the proxy statements for our annual meetings in compliance with applicable SEC rules and regulations; and

annually evaluate the committee's performance and its charter.

**The Compensation Committee Process**

***Committee Meetings***

The compensation committee meets at least as often as necessary to perform its duties and responsibilities and works with management to establish the agenda for each meeting. The committee held five meetings during calendar year 2006 and has held three meetings, and has taken action by unanimous written consent on one occasion so far during calendar year 2007.

The committee typically meets at least annually with our chief executive officer, chief operating officer, vice president of human resources and, where appropriate and as needed, general counsel and outside advisors. The committee also meets as needed in executive sessions without management, including at least annually, to evaluate the performance of our chief executive officer and chief operating officer, to determine their bonuses for the prior fiscal year, to set their base salaries for the next calendar year, and to consider and approve any grants to them of equity incentive compensation. The committee typically receives and reviews materials in advance of each meeting. These materials include information that our management believes will be helpful to the committee, as well as materials that the committee has specifically requested. Depending on the agenda for the particular meeting, this information may include:

reports of other officers' and general managers' compensation;

financial reports on year-to-date performance versus budget and versus prior year performance;

calculations and reports on levels of achievement of individual and corporate performance objectives;

information regarding compensation levels at peer groups of companies identified by our compensation committee and compensation consultants and reports on U.S. Concrete's two-year performance and current year performance versus those peer groups;

tally sheets setting forth the total compensation of the chief executive officer and the chief operating officer, including base salary, cash incentives, equity awards and other compensation, and amounts payable to these executives upon voluntary or involuntary termination, early or normal retirement, or following a change-in-control of U.S. Concrete;

management's proposals for salary, bonus and long-term incentive compensation; and

proposed bonus information on all Houston corporate office employees.

***Management's Role in the Compensation-Setting Process***

Management plays a key role in the compensation-setting process. The most significant aspects of management's role are:

recommending salary levels and restricted stock awards;

recommending business performance targets and objectives for approval by the compensation committee in connection without incentive compensation plans; and

evaluating employee performance.

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Our chief executive officer, chief operating officer, chief financial officer and vice president of human resources are, collectively, the Administrator of our short-term incentive plan, which is our annual cash bonus plan. The Administrator has the authority to interpret the plan, to exercise discretion in interpolating performance levels and award payouts outside of or between the designated benchmarks, as well as to take all steps and make all determinations in connection with the incentive plan and bonus payouts as it deems necessary. All award payouts must be approved by the committee.

Our chief executive officer and chief operating officer also participate in committee meetings at the committee's request to provide:

background information regarding U.S. Concrete's strategic objectives;

their evaluations of the performance of all senior executive officers, including Messrs. Hardy, William Albanese and Thomas Albanese; and

compensation recommendations as to all executive officers (other than themselves).

## ***Compensation Consultants***

Compensation data is obtained from Equilar, a proxy compensation database resource, and from Towers Perrin, a nationally recognized executive compensation consulting firm. We obtain information to ascertain the median target level for the performance-based components of our compensation program annually from both Equilar and Towers Perrin. Upon the recommendation of our senior executive officers, the compensation committee engaged Towers Perrin in the first quarter of fiscal 2007 to provide us with data regarding the median target level for the performance-based components with respect to bonus and equity expressed in terms of a percent of base pay for various salary levels for domestic companies with revenues between \$500 million and \$1 billion. Equilar provides us with the peer group proxy data necessary to determine available median levels for base salaries. The Towers Perrin data is then used in conjunction with data from Equilar to determine performance-based compensation. We have used Towers Perrin for the last three years and Equilar for the past year for this purpose. We decided to use Equilar this past year because the compensation committee determined Equilar is more efficient and comprehensive than other available services.

## **Overall Compensation Philosophy and Policies**

Our compensation philosophy is to offer a cash and equity-based compensation package that attracts and retains executive officers and aligns executive compensation with the interests of our stockholders on both a short-term and long-term basis. In accordance with this philosophy, we seek to compensate our executive officers fairly for their contributions to our short- and long-term performance. As described in more detail below, the primary components of our executive compensation programs are annual base salaries, annual bonuses and long-term equity incentives. In setting each executive's base salary and annual bonus, and in awarding any long-term incentive compensation, the compensation committee considers comparative compensation information for equivalent positions from peer companies, using benchmark and market data collected and prepared by both U.S. Concrete's management and its executive compensation consultants. In general, our compensation policy is to attempt to provide total compensation levels for our five most highly compensated executive officers, Messrs. Martineau, Harlan, Hardy, William Albanese and Thomas Albanese (collectively, the named executive officers or NEOs), as well as for other employees, that are competitive with compensation levels of the companies with compensation programs and compensation levels at approximately the 50<sup>th</sup> percentiles in the peer groups described below.

The compensation committee uses the 50<sup>th</sup> percentile as a benchmark for each component of compensation. The level of base salary relative to the median will reflect an individual's tenure, overall experience and level of performance. The level of performance-based pay relative to the 50<sup>th</sup> percentile reflects our annual performance relative to our budget approved by the Board, returns on sales, and assets and total stockholder return as compared to the peer groups. As a result of our past performance, the total direct compensation for our five most highly paid executives currently falls at approximately the 25<sup>th</sup> percentile. However, we retain the flexibility to set compensation above the 50<sup>th</sup> percentile for key executives with significant industry experience and/or outstanding sustained performance over a period of time and for executives within individual business units that achieve excellent performance when company results are below budget in the aggregate.

The median level for base salary is derived from peer group compensation data. With the exceptions noted in the footnotes below, the peer group for the NEOs, excluding the chief operating officer, is an industry peer group of 17

companies of comparable size (revenues between \$600 and \$700 million) and related industry (construction) ( Peer Group 1"). The peer group for the chief operating officer is different due to the fact that most of the companies in the peer group for

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the other NEOs did not report compensation information for a chief operating officer. The chief operating officer's peer group consists of 50 companies of comparable size (revenues between \$600 and \$700 million) reporting a chief operating officer (Peer Group 2). The Peer Group 1 and Peer Group 2 compensation data is obtained from Equilar. The compensation committee directed management to utilize Equilar to prepare peer groups based on revenue, industry and geographic location.

The companies in Peer Group 1 were: Ameron International Corp; Apogee Enterprises Inc.\*\*; Comfort Systems USA Inc.\*\*; Dominion Homes Inc.; Drew Industries Inc.; Dycom Industries Inc.\*\*; Eagle Materials, Inc\*.; Elkcorp\*\*; Huttig Building Products, Inc.\*\*; Infrsource Services Inc.; Insituform Technologies Inc.\*\*; Levitt Corp; Mastec Inc.\*\*; Nolan Co.\*; Orleans Homebuilders Inc.\* \*\*; Palm Harbor Homes Inc./FL/\*\*; and Simpson Manufacturing Co. Inc./CA/.

The companies in Peer Group 2 were: Nautilus Inc.; Netflix Inc.; Oakley Inc.; Orbital Sciences Corp./DE/; Parexel International Corp.; Party City Corp.; Pemstar Inc.; Perry Ellis International Inc.; Pike Electric Corp.; Pinnacle Airlines Corp.; Pinnacle Entertainment Inc.; Pricemart Inc.; Restoration Hardware Inc.; Richardson Electronics Ltd./DE/; Rural Cellular Corp.; Sweitzer Mauduit International Inc.; Stoneridge Inc.; Stride Rite Corp.; Titanium Metals Corp.; Too, Inc; West Marine Inc.; World Air Holdings Inc.; AMN Healthcare Services Inc.; Axcelis Technologies Inc.; Bioscrip Inc.; Bright Horizons Family solutions Inc.; Central European Distribution Corp.; Century Business Services Inc.; Conmed Corp.; Conns Inc.; Covenant Transport Inc.; Dominion Homes Inc.; EDO Corp.; Encore Wire Corp./DE/; Flyi Inc.; Fresh Brands Inc.; Galyans Trading Co. Inc.; Geo Group Inc.; Golden Telecom Inc.; Hanger Orthopedic Group Inc.; Imagistics International Inc.; Infonet Services Corp.; Insituform Technologies Inc.; ITC Deltacom Inc.; Jakks Pacific Inc.; Leapfrog Enterprises Inc.; Libbey Inc.; Littelfuse Inc./DE/; MKS Instruments Inc.; and Mothers Work Inc.

Corporate performance objectives typically have been established on an EBITDA basis for U.S. Concrete and each business unit. We generally define EBITDA as our net income (loss), plus (1) the provision (benefit) for income taxes, (2) net interest expense, (3) noncash impairments and (4) depreciation, depletion and amortization. The compensation committee periodically reviews the appropriateness of this financial measure, as used in our incentive plans, the degree of difficulty in achieving the targets based on this measure, as well as certain strategic and non-financial objective criteria.

**Components of Executive Compensation**

The primary components of our executive compensation programs are annual base salaries, annual bonuses and long-term equity incentives. Under our current compensation structure, the compensation committee has not specifically allocated the mix of base salary, bonus and equity compensation as targeted percentages of total compensation.

The only indirect compensation we make available to all our executives is an annual matching contribution we make under our 401(k) plan. However, our chief executive officer, our chief operating officer and Messrs. William Albanese and Thomas Albanese are eligible to participate in a deferred compensation program. \*

**Base Salary**

The compensation committee's policy is to determine base salaries initially by evaluating the levels of responsibility, prior experience and breadth of knowledge of the executives, internal equity issues and external pay practices. The committee reviews executive salaries annually based on a variety of factors, including individual scope of responsibility and accountability, individual performance, general levels of market salary increases and U.S. Concrete's overall results. The committee's policy is to grant salary increases within a pay-for-performance framework. The committee assesses performance for base salary purposes based on goal accomplishments, such goals to be set by supervisors, or in the cases of the chief operating officer and chief executive officer, by the Board, and job-related behaviors relative to defined competencies, such as productivity, ownership, teamwork, goal accomplishment, corporate citizenship and managerial competence. It considers individual performance in achieving predetermined goals set by the employee and, except in the case of the chief executive officer, his immediate supervisor in establishing base salary increases for each executive. The 2006 base salaries for the NEOs were as follows:

- \* These companies were not included in Mr. Hardy's peer group analysis,

as they did not  
report a CFO.

\*\* These  
companies were  
not included in  
peer group  
analysis for  
Messrs. William  
Albanese and  
Thomas  
Albanese, peer,  
as they did not  
report a  
president of a  
division.



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	2006 BASE SALARY
Chief Executive Officer	\$ 642,923
Chief Operating Officer	389,924
Chief Financial Officer	243,750
Regional Vice President Northern California	292,278
Executive Vice President of Sales Bay Area	292,275

**Annual Bonus**

The compensation committee considers awarding cash bonuses to executive officers on an annual basis. For 2006, the committee adopted a cash bonus plan designed to provide all our salaried employees, including all our executive officers, with additional performance incentives for meeting certain financial and individual goals during 2006. The short-term incentive plan's objective for 2006 was to establish a bonus pool created by multiplying the overall sum of each participant's annual base pay by a percentage determined by comparing our overall EBITDA performance to budgeted EBITDA. The resulting percentage of base pay available for payout to each participant, excluding participants in our Houston corporate office (including our chief executive officer, our chief operating officer and our chief financial officer), was based on the following allocation to specific performance measures: (1) 33.3% was payable based on our overall EBITDA as compared to budgeted EBITDA, and meeting or exceeding certain business unit non-financial performance measures, including, but not limited to performance measures based on safety, customer service, human resources and operations; (2) 33.3% was payable based on the applicable employees' business unit's EBITDA performance as compared to budgeted EBITDA; and (3) 33.3% was payable if individual performance measures were satisfied. Cash bonuses available for payout to the participants located in our Houston corporate office (including our chief executive officer, chief operating officer and chief financial officer), pursuant to the plan was based on the following allocation to specific performance measures: (1) 66.6% was payable based on our overall EBITDA as compared to budgeted EBITDA and meeting or exceeding certain company non-financial performance measures including, but not limited to performance measures based on safety, customer service, human resources and operations; and (2) 33.3% was payable if individual performance measures were satisfied. Target bonus percentages varied in accordance with an employee's level of responsibility. Additionally, in its discretion, the compensation committee could grant cash bonuses in excess of the amounts determined pursuant to the plan. In February 2007, participants in the short-term incentive plan received approximately 60% of their target bonus amount in the aggregate, as we attained approximately 89.3% of our budgeted EBITDA. The compensation committee also exercised its discretion in 2007, and taking into consideration factors such as the desire to retain key personnel, the accomplishment of strategic objectives, and recognition of above-average performance of certain business units, and awarded bonus amounts in addition to the amounts determined pursuant to the plan. The bonuses for the NEOs, which were earned in 2006 and paid by U.S. Concrete in February 2007, were as follows:

	2006 BONUS		Total
	Bonus Pursuant to Plan	Discretionary Bonus	
Chief Executive Officer	\$ 131,198	\$ 135,802	\$267,000
Chief Operating Officer	64,386	66,614	131,000
Chief Financial Officer	44,100	30,900	75,000
Regional Vice President Northern California	42,386	2,614	45,000
Executive Vice President of Sales Bay Area	30,527	14,473	45,000

For at least the last three years, total direct compensation for our five most highly paid executives has fallen at approximately the 25<sup>th</sup> percentile of applicable peer groups. In order to create incentive and retain key management personnel, the compensation committee is considering revising its philosophy of formulaically creating a bonus pool based on the accomplishment of a sole financial criteria, to a more subjective bonus pool to be established based on the accomplishment of both financial and key strategic objectives. The purpose of this change in philosophy is to not only increase the possibility that bonus pool participants will receive a competitive annual incentive bonus, but also to reward

more balanced management behavior rather than merely a short-term profit orientation or the effects of local market conditions.

**Table of Contents*****Incentive Compensation and Restricted Stock Awards***

The compensation committee believes that equity compensation is one of the most effective means of creating a long-term link between the compensation provided to executive officers and other key management personnel and gains realized by our shareholders. Currently, our policy is to use restricted stock as the primary form of equity compensation for our executive officers. Historically, we awarded stock options because of their favorable accounting and tax treatments. However, beginning in 2003, primarily as a result of the impending change in the accounting treatment for stock options, we started granting restricted stock to executives and key employees in lieu of stock options. Our prior approach involving granting equity awards to many levels of salaried employees has been revised and we have reduced the number of employees eligible for equity award grants due to the implementation of SFAS No. 123(R), as well as the position of various institutional shareholder representative groups regarding the percent of outstanding shares that should be granted on an annual basis to employees.

We have assessed the desirability of granting shares of restricted stock to employees, particularly members of senior management, and concluded that grants of restricted stock would provide an equally motivating form of incentive compensation while permitting us to issue fewer shares than would underlie option grants, thereby reducing potential dilution. We continue to use restricted stock awards as a long-term incentive vehicle because:

restricted stock awards help to align the interests of executives with those of the stockholders, foster employee stock ownership, and contribute to the focus of the management team on increasing value for the stockholders; and

the vesting period encourages executive retention.

In determining the number of shares of restricted stock to be granted to senior executive officers, the compensation committee takes into account the individual's position, scope of responsibility, ability to affect profits and stockholder value, the individual's historic and recent performance, and the value of the restricted stock award in relation to other elements of total direct compensation.

The compensation committee currently intends to continue to make greater use of restricted stock in the future as the primary form of long-term incentive compensation and, correspondingly, reduce our use of stock options. However, our ability to grant competitive numbers of restricted shares is affected by our agreement with Institutional Shareholder Services to limit the number of shares available to be granted to employees in any given year to 1% of the outstanding shares. This restriction will remain in place through 2008.

The compensation committee's policy is to determine the dollar amount of equity compensation to be provided and then grant a number of shares of restricted stock that have a fair market value equal to that amount as of the date of grant. With the exception of promotions, new hires and employees of acquired companies, we generally make these awards during the first quarter.

The 2006 equity grant targets as a percentage of base pay were approximately 50% of the previous year, as the mix of equity grants shifted to more restricted stock and fewer options. The compensation committee approved equity grants of 99,000 and, as of the date of this proxy statement, 112,500 shares of restricted stock to the named executive officers during 2006 and 2007, respectively, which related to their service in 2005 and 2006 and as an incentive to achieve U.S. Concrete's future objectives. The committee did not grant any stock options to employees, including the named executive officers, in 2006 and does not expect to grant any stock options to those persons in 2007.

The equity grants received by the NEOs during 2006 and 2007 were as follows:

	2006 Restricted Stock Awards	2007 Restricted Stock Awards
Chief Executive Officer	40,000	40,000
Chief Operating Officer	27,000	32,500
Chief Financial Officer	15,000	20,000
Regional Vice President Northern California	7,000	10,000
Executive Vice President of Sales Bay Area	7,000	10,000



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The compensation committee approved grants to Mr. Martineau of 40,000 shares of restricted stock in 2006, valued at \$12.53 per share, and 40,000 shares of restricted stock in 2007, valued at \$8.42 per share (in each case with the fair market value of a share of common stock being determined as of the date of grant). In determining the number of restricted shares granted to Mr. Martineau, the committee considered numerous subjective factors, including his experience in the industry and commitment to the success of U.S. Concrete. As of April 12, 2007, Mr. Martineau owned 1,108,229 shares of common stock (134,375 of which are restricted shares), including options to purchase a total of 515,000 shares.

The compensation committee approved grants to Mr. Harlan of 27,000 shares of restricted stock in 2006, valued at \$12.53 per share and 32,500 shares of restricted stock in 2007, valued at \$8.42 per share (in each case with the fair market value of a share of common stock being determined as of the date of grant). In determining the number of restricted shares granted to Mr. Harlan, the committee considered numerous subjective factors, including his experience in the industry, his performance, his commitment to the success of U.S. Concrete and our desire to retain Mr. Harlan. As of April 12, 2007, Mr. Harlan owned 720,217 shares of common stock (99,625 of which are restricted shares), including options to purchase a total of 385,000 shares.

The compensation committee approved grants to Mr. Hardy of 15,000 shares of restricted stock in 2006, valued at \$12.53 per share, and 20,000 shares of restricted stock in 2007, valued at \$8.42 per share (in each case with the fair market value of a share of common stock being determined as of the date of grant). In determining the number of restricted shares granted to Mr. Hardy, the committee considered numerous subjective factors, including his experience in the industry, his performance, his commitment to the success of U.S. Concrete and our desire to retain Mr. Hardy. As of April 12, 2007, Mr. Hardy owned 88,954 shares of common stock (56,250 of which are restricted shares).

The compensation committee approved grants to Mr. William T. Albanese of 7,000 shares of restricted stock in 2006, valued at \$12.53 per share, and 10,000 shares of restricted stock in 2007, valued at \$8.42 per share (in each case with the fair market value of a share of common stock being determined as of the date of grant). In determining the number of restricted shares granted to Mr. Albanese, the committee considered numerous subjective factors, including his experience in the industry, his performance, his commitment to the success of U.S. Concrete and our desire to retain Mr. Albanese. As of April 12, 2007, Mr. Albanese owned 939,476 shares of common stock (26,750 of which are restricted shares), including options to purchase a total of 50,000 shares.

The compensation committee approved grants to Mr. Thomas J. Albanese of 7,000 shares of restricted stock in 2006, valued at \$12.53 per share, and 10,000 shares of restricted stock in 2007, valued at \$8.42 per share (in each case with the fair market value of a share of common stock being determined as of the date of grant). In determining the number of restricted shares granted to Mr. Albanese, the committee considered numerous subjective factors, including his experience in the industry, his performance, his commitment to the success of U.S. Concrete and our desire to retain Mr. Albanese. As of April 12, 2007, Mr. Albanese owned 1,303,643 shares of common stock (26,750 of which are restricted shares), including options to purchase a total of 50,000 shares.

The compensation committee believes that the equity interests held by the NEOs provide appropriate links to the interests of our stockholders.

***Additional Benefits Pursuant to Employment Agreements or Term Sheets***

We entered into employment agreements in May 2003 with several key employees and executive officers, including the following named executive officers: Messrs. Martineau, Harlan, William Albanese and Thomas Albanese. Each of these agreements:

provides for an annual minimum base salary;

entitles the employee to participate, on the same basis generally as other executive officers, in employee benefit plans and programs generally available to our other salaried employees; and

had an initial term of three years in the case of Messrs. Martineau and Harlan and an initial term of two years in the case of Messrs. William Albanese and Thomas Albanese. This initial term was subject to an extension option, in the case of Mr. Martineau, and automatic renewal for certain additional periods, in the case of Messrs. Harlan, William Albanese and Thomas Albanese (described below).

In 2004 we discontinued entering into formal employment agreements with newly hired executive officers. For those executive officers hired in 2004 through the present time, we have agreed to letter agreements or term sheets containing

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elements that may be found in employment agreements for executive officers. The compensation committee is currently considering the possibility of entering into employment agreements with select executive officers.

Beginning in May 2005, in the case of Mr. Harlan, and May 2004, in the case of Messrs. William Albanese and Thomas Albanese, the term of employment will be for a continually renewing (on a daily basis) term of one year, subject to the right of either us or the employee to terminate the employee's employment at any time. After May 2006, we may terminate the continually renewing one-year term of employment of the employee by providing him with one year's advance notice, at which time he will become an employee at will if he remains our employee. We may not terminate a continually renewing one-year term following a change of control and, if we give notice as described in the foregoing sentence within one year prior to a change of control, then the employee's term of employment will again be for a continually renewing (on a daily basis) term of one year commencing on the date of the change of control.

We entered into a letter agreement for employment with Mr. Hardy in November 2004. Mr. Hardy's letter agreement provides for an annual minimum base salary, and entitles Mr. Hardy to participate in our short-term and long-term incentive plans and all health and welfare benefit programs available to similarly situated employees of ours.

***Severance Benefits***

Our philosophy is to provide reasonable severance benefits to our executive employees through the terms and conditions of their employment agreements, letter agreements or term sheets. With respect to senior executive officers, we believe these severance benefits should reflect the fact that it may be difficult for employees to find comparable employment within a short period of time. They also should separate us from the former employee as soon as practicable.

With respect to Messrs. Harlan, William Albanese and Thomas Albanese, where the termination is without cause or an employee terminates employment for good reason, our severance plan provides for the benefits equal to the base monthly salary for the balance of the term in addition to the greater of: (1) the average amount of the employee's bonus in the preceding three years; or (2) if within 30 days of the date of termination we are on target to pay bonuses to the executive officers for the bonus year during which the termination occurs, the amount of his target bonus for that bonus year. We also will continue to pay health care and other insurance benefits for the lesser of 18 months or the remainder of the term corresponding to the termination benefits and immediately vest all equity compensation.

In the event Mr. Hardy is terminated involuntarily without cause, he will be eligible to receive a payment equal to his annual base salary plus his annual target bonus, and all of his unvested shares of restricted stock that are scheduled to vest over time will immediately vest.

Eugene P. Martineau, our chief executive officer and president and a member of our Board of Directors, will be retiring from U.S. Concrete and resigning from each of his officer and director positions on the date of the 2007 annual meeting of stockholders. At a meeting held on February 23, 2007, our Board of Directors approved a consulting agreement between Mr. Martineau and us. The consulting agreement provides for, among other things:

the resignation by Mr. Martineau from his positions as our chief executive officer and as a member of our Board of Directors, as well as from all positions as an officer and director of our subsidiaries, effective as of the date of the 2007 annual meeting of stockholders (the "Effective Date");

the engagement of Mr. Martineau as a consultant to us for a three-year period beginning with the Effective Date and continuing to the third anniversary of the Effective Date (the "Consulting Period");

consulting payments by us to Mr. Martineau of \$458,000 during each year of the Consulting Period;

the continued vesting of Mr. Martineau's outstanding stock incentive awards during the Consulting Period, and the complete vesting of any of Mr. Martineau's outstanding stock incentive awards on the last day of the Consulting Period, unless Mr. Martineau's engagement as a consultant is terminated for cause, as defined in the agreement;

the continued eligibility of Mr. Martineau, his spouse and his eligible dependents under our group health and medical benefit programs to the same extent such benefits are generally made available to active employees of ours at the applicable active employee premium rate, in lieu of any statutory-based continuation coverage; and





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reimbursement by us of Mr. Martineau's reasonable business expenses, including business-related travel, incurred by Mr. Martineau in performance of his duties as a consultant, relating to performance requested by us or related to Mr. Martineau's participation in certain specified industry organizations on our behalf, in accordance with the consulting agreement.

In addition, the consulting agreement provides that if we terminate Mr. Martineau's consulting relationship with us without cause, as defined in the agreement, he will continue to receive the payments and benefits described above through the end of the Consulting Period and his stock options, restricted stock awards, restricted stock units and similar awards will vest and become fully exercisable on the date of termination. If we terminate Mr. Martineau's consulting relationship for cause or if Mr. Martineau terminates the relationship for any reason, our obligation to make the payments described above will terminate as of the date of termination and, except in the case of his termination by reason of a disability, as defined in the agreement, Mr. Martineau's stock options, restricted stock awards, restricted stock units and similar awards will be subject to certain restrictions on exercisability and vesting.

The consulting agreement also provides that, in the event of a change in control, as defined in the agreement, the Consulting Period will immediately end and we will pay Mr. Martineau a lump-sum payment in the amount of \$900,000, in lieu of any further payments or benefits under the agreement.

Based on a hypothetical termination date of December 31, 2006 (prior to the implementation of the consulting agreement with Mr. Martineau), the severance benefits for our NEOs would have been as follows:

	Base Salary	Targeted Bonus	Healthcare and Other Insurance Benefits	Total
Chief Executive Officer	\$642,923	\$446,250	\$12,614	\$1,101,787
Chief Operating Officer	\$389,923	\$219,000	\$18,706	\$627,629
Chief Financial Officer	\$243,750	\$100,000		\$343,750
Regional Vice President - Northern California	\$292,278	\$109,793	\$12,614	\$414,685
Executive Vice President of Sales - Bay Area	\$292,275	\$109,793	\$6,218	\$408,286

The definition of "cause" varies among the different employment agreements with the members of senior management. For most, "cause" will be deemed to exist where the individual has been convicted of a felony, has violated his non-competition or confidentiality obligations, or, following a cure period, has been grossly negligent in fulfillment of his responsibilities or has breached any provision of his agreement. "Good reason" for an executive to terminate and collect severance benefits generally will exist where an employee's position or compensation has been decreased or where the employee has been required to relocate without his consent.

**Retirement Plans**

We maintain a 401(k) plan pursuant to which we match employee contributions dollar-for-dollar up to 5% of an employee's annual salary, but not exceeding statutory limitations. The 401(k) matching contribution is the only indirect compensation available to all executives. However, Messrs. Martineau, Harlan, William Albanese and Thomas Albanese are eligible to participate in a deferred compensation plan, which allows each of the foregoing employees to elect to defer up to 6% of his annual compensation. A terminated employee receives the funds accumulated in his deferred compensation plan account as of his termination date. The compensation committee provided the deferred compensation plan for these four individuals in lieu of supplemental retirement plans, defined benefit pension plans and retiree medical coverage. The compensation committee is currently reviewing the possibility of expanding eligibility to other executive officers.

**Change in Control**

Our senior management and other employees have built U.S. Concrete into the successful enterprise it is today, and we believe that it is important to protect them in the event of a change in control. Further, it is our belief that the interests of our senior management should be aligned with our stockholders, and providing change in control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that

may be in the best interests of stockholders. Compared to the overall value of our company, these potential change in control benefits are relatively minor. The cash components of any change in control benefits for the NEOs would be paid in lump-sum amounts and would be based on multiples of the executives' respective annual base salaries, in addition to a bonus for each NEO equal to the greater of: (1) the average amount of his bonus in the preceding three years; or (2) if within 30 days of the date of

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termination we are on target to pay bonuses to executive officers for the bonus year, during which the termination occurs, the amount of his target bonus for that bonus year, with the exception of the chief financial officer, who would simply receive his annual target bonus. The multiples of the base salary are as follows:

	Multipl
Chief Executive Officer and Chief Operating Officer	3
Messrs. William Albanese and Thomas Albanese	2
Chief Financial Officer	1

In the event of a change in control, we would also continue health and other insurance benefits for 18 months corresponding to termination benefits and immediately vest all equity compensation. In addition, terminated employees receive any amounts accumulated in their 401(k) plan accounts as of the date of their termination. The compensation committee is currently reviewing the possibility of modifying and expanding eligibility for change in control benefits to certain NEO s and other executive officers.

We have agreed to reimburse Messrs. Martineau, Harlan, William Albanese and Thomas Albanese for any taxes imposed as a result of change in control benefits, including the so-called parachute tax imposed upon payments made or benefits conferred under the employment agreements by Internal Revenue Code Section 280G.

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Based on a hypothetical termination date of December 31, 2006, the change in control termination benefits for our NEOs would have been as follows (prior to the implementation of the consulting agreement with Mr. Martineau):

	Base Salary	Bonus	Healthcare And Other Insurance	Fair Market Values of Accelerated Equity Compensation	Tax Gross-Up	Total
Chief Executive Officer	\$ 1,928,769	\$ 446,250	\$ 12,614	\$ 743,150	\$ 732,223	\$ 3,863,000
Chief Operating Officer	\$ 1,169,769	\$ 219,000	\$ 18,706	\$ 525,990	\$ 475,536	\$ 2,409,001
Chief Financial Officer	\$ 243,750	\$ 100,000	\$ 0	\$ 284,800	\$ 0	\$ 628,550
Regional Vice President Northern California	\$ 584,556	\$ 109,793	\$ 12,614	\$ 131,720	\$ 0	\$ 838,683
Executive Vice President of Sales Bay Area	\$ 584,550	\$ 109,793	\$ 6,218	\$ 131,720	\$ 0	\$ 832,281

The definition of change in control varies among the different employment agreements with the members of senior management. For most of our executives, a change in control will be deemed to have occurred on any of the following: (1) a merger or consolidation of our company with any other person or entity, if the voting securities of our company outstanding immediately prior to such merger or consolidation do not continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power of the voting securities of our company or such surviving entity outstanding immediately after such merger or consolidation; (2) the sale of all or substantially all of our assets to another person or entity; (3) the dissolution of our company; or (4) any person or entity together with its affiliates becoming, directly or indirectly, the beneficial owner of voting securities representing more than 50% of the total voting power of all then outstanding voting securities of our company.

**Perquisites and Other Benefits**

The compensation committee reviewed perquisites provided to our executive officers in 2006. There were no perquisites requiring disclosure pursuant to applicable SEC rules in 2006.

**Compliance with Internal Revenue Code Section 162(m)**

Section 162(m) of the Internal Revenue Code generally disallows a deduction to public companies to the extent of excess annual compensation over \$1 million paid to certain executive officers, except for qualified performance-based compensation. We had nondeductible compensation expense for the year ended December 31, 2006 in the amount of \$393,230 for Eugene P. Martineau. The compensation committee plans to review this matter as appropriate and take action as may be necessary to preserve the deductibility of compensation payments to the extent reasonably practical and consistent with our compensation objectives.

**Conclusion**

Based upon its review of our overall executive compensation program, the compensation committee believes our executive compensation program, as applied to our executive officers, is appropriate and is necessary to retain the executive officers who are essential to our continued development and success, to compensate those executive officers for their contributions and to enhance stockholder value. The committee believes that the total compensation opportunities provided to our executive officers creates a commonality of interest and alignment of our long-term interests with those of our stockholders.



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**REPORT OF THE COMPENSATION COMMITTEE**

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

This report is furnished by the Compensation Committee of the Board of Directors.

T. William Porter, Chairman

Vincent D. Foster

Robert S. Walker

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing Report of the Compensation Committee shall not be deemed to be filed with the SEC or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference.

**Table of Contents****2006 SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation we paid during 2006 to our chief executive officer, chief financial officer and three other most highly compensated executive officers in 2006.

Name and Principal Position	Year	Salary \$(6)	Bonus (\$)	Restricted Stock Awards \$(7)	Option Award \$(8)	Non-Equity Incentive Plan Compensation \$(9)	Change in Pension Value and Nonqualified Deferred	Earnings \$(10)	Other Compensation \$(11)	Total
							Compensation			
Eugene P. Martineau President and Chief Executive Officer	2006	\$642,923	\$135,802	\$334,335	\$8,223	\$131,198	\$17,351	\$23,166(1)	\$1,292,938	
Robert D. Hardy Senior Vice President and Chief Financial Officer	2006	\$243,750	\$30,900	\$125,031	\$0	\$44,100	\$0	\$23,471(2)	\$468,152	
Michael W. Harlan Executive Vice President and Chief Operating Officer	2006	\$389,923	\$66,614	\$226,506	\$6,579	\$64,386	\$9,546	\$26,279(3)	\$783,734	
William T. Albanese Regional Vice President Northern California Region	2006	\$292,278	\$2,614	\$54,587	\$2,056	\$42,386	\$1,606	\$19,409(4)	\$412,877	
Thomas J. Albanese Executive Vice President of Sales Bay Area Region	2006	\$292,275	\$14,473	\$54,587	\$2,056	\$30,527	\$(19,263)	\$17,624(5)	\$393,259	

(1) Includes (i) \$8,409 in employer-paid health insurance premiums, and (ii) \$11,000 in employer-matching contributions under our 401(k) savings plan.

(2) Includes (i) \$12,471 in employer-paid health insurance premiums, and (ii)

\$11,000 in employer-matching contributions under our 401(k) savings plan.

(3) Includes (i) \$12,471 in employer-paid health insurance premiums, and (ii) \$11,000 in employer-matching contributions under our 401(k) savings plan.

(4) Includes (i) \$8,409 in employer-paid health insurance premiums, and (ii) \$11,000 in employer-matching contributions under our 401(k) savings plan.

(5) Includes (i) \$4,176 in employer-paid health insurance premiums, and (ii) \$11,000 in employer-matching contributions under our 401(k) savings plan.

(6) Aggregate deferrals by Mr. Martineau, Mr. Harlan, Mr. Thomas Albanese and Mr. William Albanese of amounts included in the Salary column are disclosed in the Nonqualified Deferred Compensation Table below.



(7) Amounts were calculated pursuant to SFAS No. 123(R), Share-Based Payment, issued by the Financial Accounting Standards Board. For financial statement reporting purposes, we determined the fair value of a stock award on the grant date using the closing market price of our common stock on the date immediately preceding such grant date. We recognize the fair value of the award as compensation expense over the requisite service period. The amounts shown

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in the Restricted Stock Awards column represent the dollar amounts of the 2006 accounting expense recognized for these awards granted in 2006 and prior years. Therefore, the values shown in this column are not representative of the amounts that may eventually be realized by an executive.

- (8) Amounts were calculated pursuant to SFAS No. 123(R). For financial statement reporting purposes, we determined the fair market value of a stock option award on the grant date using the closing market price of our common stock on the date immediately preceding the date of the award. The amounts shown in the Option Awards column represent the

dollar amounts  
of the 2006  
accounting  
expense  
recognized for  
these awards  
granted in prior  
years.

Therefore, the  
values shown in  
this column are  
not  
representative of  
the amounts that  
may eventually  
be realized by  
an executive.

- (9) Amounts reflect  
bonuses in 2006  
which were paid  
in March 2007  
under our 1999  
incentive plan.

**Table of Contents****2006 GRANTS OF PLAN-BASED AWARDS TABLE**

Name	Grant Date	Compensation Committee Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value of Stock and Option Awards (3)
			Threshold	Target	Maximum	Threshold	Target	Maximum	
			(\$)	(\$)	(\$)	(#)	(#)	(#)	(\$)
Eugene P. Martineau	3/29/2006	3/28/2006	\$ 223,125	\$ 446,250	\$ 892,500	20,000	40,000	80,000	\$ 561,600
Michael W. Harlan	2/28/2006	2/13/2006	\$ 109,500	\$ 219,000	\$ 438,000	18,250	32,500	65,000	\$ 337,770
Robert D. Hardy	2/28/2006	2/13/2006	\$ 50,000	\$ 100,000	\$ 200,000	6,500	13,000	26,000	\$ 187,650
William T. Albanese	2/28/2006	2/13/2006	\$ 54,896	\$ 109,793	\$ 219,586	6,500	13,000	26,000	\$ 87,570
Thomas J. Albanese	2/28/2006	2/13/2006	\$ 54,896	\$ 109,793	\$ 219,586	6,500	13,000	26,000	\$ 87,570

(1) The Named Executive Officers are eligible to earn annual non-equity incentive compensation under our short-term incentive plan for each fiscal year based on our achievement of certain performance measures. The resulting percentage of base pay available for payout to each participant, excluding participants in our Houston corporate office (including our chief executive

officer, our chief operating officer and our chief financial officer), was based on the following allocation to specific performance measures:

(1) 33.3% was payable based on our overall EBITDA as compared to budgeted EBITDA, and meeting or exceeding certain business unit non-financial performance measures, including, but not limited to performance measures based on safety, customer service, human resources and operations;

(2) 33.3% was payable based on the applicable employees business unit's EBITDA performance as compared to budgeted EBITDA; and

(3) 33.3% was payable if individual performance measures were satisfied. Cash bonuses

available for  
payout to the  
participants  
located in our  
Houston  
corporate office  
(including our  
chief executive  
officer, chief  
operating officer  
and chief  
financial  
officer),  
pursuant to the  
plan was based  
on the following  
allocation to  
specific  
performance  
measures:  
(1) 66.6% was  
payable based on  
our overall  
EBITDA as  
compared to  
budgeted  
EBITDA and  
meeting or  
exceeding  
certain company  
non-financial  
performance  
measures  
including, but  
not limited to  
performance  
measures based  
on safety,  
customer  
service, human  
resources and  
operations; and  
(2) 33.3% was  
payable if  
individual  
performance  
measures were  
satisfied. Target  
bonus  
percentages  
varied in

accordance with an employee's level of responsibility. Additionally, in its discretion, the compensation committee could grant cash bonuses in excess of the amounts determined pursuant to the plan. In February 2007, participants in the short-term incentive plan received approximately 60% of their target bonus amount in the aggregate, as we attained approximately 89.3% of our budgeted EBITDA. The compensation committee also exercised its discretion in 2007, taking into consideration factors such as the desire to retain key personnel, the accomplishment of strategic objectives, and recognition of above-average performance of certain business units, and awarded bonus amounts in addition to the

amounts  
determined  
pursuant to the  
plan.

- (2) Stock awards granted to Named Executive Officers vest in equal installments over a four-year period from the date of grant.
  
- (3) The grant date fair value is computed in accordance with SFAS No. 123(R), based on closing market price of our common stock on the date immediately preceding the date of the award. The fair market value of the stock awards granted on February 28, 2006 was calculated using the closing market price of \$12.51 on February 27, 2006. The fair market value of the stock award granted on March 29, 2006 was calculated using the closing price of \$14.04 on March 28, 2006.





Table of Contents**2006 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE**

Name	Option Awards			Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Eugene P. Martineau	225,000	\$8.00	5/25/2009	104,375	\$ 743,150
	90,000	8.00	3/2/2010		
	100,000	7.00	3/15/2011		
	100,000	6.27	2/29/2012		
Michael W. Harlan	175,000	\$8.00	5/25/2009	73,875	\$ 525,990
	70,000	8.00	3/2/2010		
	60,000	7.00	3/15/2011		
	80,000	6.27	2/29/2012		
Robert D. Hardy	0	N/A	N/A	40,000	\$284,800
William T. Albanese	25,000	\$7.00	3/15/2011	18,500	\$ 131,720
	25,000	6.27	2/29/2012		
Thomas J. Albanese	25,000	\$7.00	3/15/2011	18,500	\$ 131,720
	25,000	6.27	2/29/2012		

(1) The unvested stock awards become vested as follows:

Name	3/1/07	5/1/07	11/1/07	3/1/08	5/1/08	11/1/08	3/1/09	5/1/09	3/1/10
Mr. Martineau	10,000	26,875		10,000	26,875		10,000	10,625	10,625
Mr. Harlan	6,750	19,375		6,750	19,375		6,750	6,750	6,750
Mr. Hardy	3,750		12,500	3,750		12,500	3,750		3,750
Mr. William Albanese	1,750	4,250		1,750	4,250		1,750	3,000	1,750
Mr. Thomas Albanese	1,750	4,250		1,750	4,250		1,750	3,000	1,750

(2) The market value of the shares that have not vested is calculated using the closing

market price of  
our common  
stock at the end  
of our last  
completed fiscal  
year.

Accordingly,  
the value was  
determined  
based on the  
closing market  
price of our  
common stock  
on the Nasdaq  
as of  
December 29,  
2006, the last  
trading day of  
2006, which  
was \$7.12.

**Table of Contents****2006 OPTION EXERCISES AND STOCK VESTED TABLE**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Eugene P. Martineau (1)	0	0	26,875	\$ 368,725
Michael W. Harlan (2)	0	0	19,375	\$ 265,825
Robert D. Hardy (3)	0	0	12,500	\$ 79,000
William T. Albanese (4)	0	0	7,028	\$ 75,256
Thomas J. Albanese (5)	0	0	7,028	\$ 75,256

(1) Mr. Martineau acquired unrestricted beneficial ownership of 26,875 shares with a market price of \$13.72 on May 1, 2006, upon the lapse of restrictions on shares of restricted stock.

(2) Mr. Harlan acquired unrestricted beneficial ownership of 19,375 shares with a market price of \$13.72 on May 1, 2006, upon the lapse of restrictions on shares of restricted stock.

(3)

Mr. Hardy  
acquired  
unrestricted  
beneficial  
ownership of  
12,500 shares  
with a market  
price of \$6.32  
on November 1,  
2006, upon the  
lapse of  
restrictions on  
shares of  
restricted stock.

- (4) Mr. William  
Albanese  
acquired  
unrestricted  
beneficial  
ownership of  
4,250 shares  
with a market  
price of \$13.72  
on May 1, 2006  
and 2,778 shares  
with a market  
price of \$6.10  
on  
September 22,  
2006, upon the  
lapse of  
restrictions on  
shares of  
restricted stock.

- (5) Mr. Thomas  
Albanese  
acquired  
unrestricted  
beneficial  
ownership of  
4,250 shares  
with a market  
price of \$13.72  
on May 1, 2006  
and 2,778 shares  
with a market  
price of \$6.10  
on  
September 22,

2006, upon the  
lapse of  
restrictions on  
shares of  
restricted stock.

**Table of Contents****2006 NONQUALIFIED DEFERRED COMPENSATION TABLE**

<b>Name (4)</b>	<b>Executive Contributions in Last Fiscal Year (\$ (3))</b>	<b>Registrant Contributions in Last Fiscal Year (\$)</b>	<b>Aggregate Earnings in Last Fiscal Year (\$)</b>	<b>Aggregate Withdrawals / Distributions (\$)</b>	<b>Aggregate Balance at Last Fiscal Year-End (\$)</b>
Eugene P. Martineau (1)	\$ 53,373	\$ 0	\$ 17,351	\$ 0	\$ 220,573
Michael W. Harlan (2)	\$ 30,225	\$ 0	\$ 9,546	\$ 0	\$ 78,086
William T. Albanese	\$ 20,112	\$ 0	\$ 1,606	\$ 0	\$ 39,887
Thomas J. Albanese	\$ 20,112	\$ 0	(\$ 19,263)	\$ 0	\$ 19,018

(1) The deferred compensation of Mr. Martineau was not included in his base salary in the summary compensation table included in the proxy statement relating to our 2006 annual meeting of stockholders.

(2) The deferred compensation of Mr. Harlan was not included in his base salary in the summary compensation table included in the proxy statement relating to our 2006 annual meeting of stockholders.

(3) Represents contributions

under the deferred compensation plan. Such contributions are included under the appropriate Salary column in the 2006 Summary Compensation Table above. Under the deferred compensation plan, Mr. Martineau, Mr. Harlan, Mr. Thomas Albanese and Mr. William Albanese may elect to defer up to 6% of their compensation which otherwise would have been paid to them.

- (4) Mr. Hardy was not eligible to participate in the defined compensation plan.



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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Pursuant to our Code of Ethics and Business Conduct, all employees (including our NEOs) who have, or whose immediate family members have, any direct or indirect financial or other participation in any business that competes with or supplies goods or services to, or is a customer of U.S. Concrete, are required to disclose to our Chief Executive Officer or General Counsel prior to transacting such business. Our employees are expected to make reasoned and impartial decisions in the work-place. As a result, approval of related-party business will be denied if we believe that an employee's interest in such business could influence decisions relative to our business, or have the potential to adversely affect our business or the objective performance of the employee's work. Our Board members are also responsible for complying with our Code of Ethics and Business Conduct, which is in writing and is available on our Web site at [www.us-concrete.com](http://www.us-concrete.com) under Investor Relations - Corporate Governance. You may also obtain a written copy by making a request to our Corporate Secretary by mail at U.S. Concrete, Inc., 2925 Briarpark Drive, Suite 1050, Houston, Texas 77042 or by phone by calling (713) 499-6200.

On completion of our initial public offering in 1999, we entered into new facilities leases, or extended existing leases, with former stockholders or affiliates of former stockholders of several of our newly acquired subsidiaries, including, Central Concrete Supply Co., Inc. ( Central ) Those leases generally provide for initial lease terms of 15 to 20 years, with one or more extension options we may exercise. William T. Albanese and Thomas J. Albanese, each a former owner of Central, are executive officers of U.S. Concrete. The leases with Central relate to two facilities and provide for aggregate annual rentals of \$326,000. We believe the rentals we must pay under each of these leases are at fair market rates.

Central sold concrete and building materials to its customer, Devcon Construction, for the construction of the Campo Bocce in Livermore, California, a restaurant and entertainment venue of which Thomas J. Albanese is a 42% owner. Total gross sales to Devcon for this project were \$170,061. In addition, with respect to this project, Central also sold building materials to a company owned by Joseph J. Albanese, a cousin of William T. Albanese and Thomas J. Albanese, totaling approximately \$12,443 in 2006.

Central employed Lauren Cerrito, the daughter of William T. Albanese during 2006. Central paid Mrs. Cerrito an aggregate of \$235,245 in salary, bonus compensation and 401(k) plan matching contributions in 2006. In 2006, we granted to Mrs. Cerrito 2,000 shares of our restricted common stock, which vest in four equal annual installments beginning in March 2007. We granted those restricted shares on the same terms and conditions as the restricted shares we granted to other employees in 2006.

Our subsidiary, Superior Concrete Materials, Inc., employed Todd Martineau, the son of Eugene P. Martineau, during 2006. Superior paid Todd Martineau an aggregate of \$114,792 in salary, bonus compensation and 401(k) plan matching contributions in 2006. In 2006, we granted to Todd Martineau 800 restricted shares. We granted those restricted shares on the same terms and conditions as the restricted shares we granted to other employees in 2006.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any persons beneficially owning more than 10% of our common stock to report their initial ownership of common stock and any subsequent changes in that ownership to the SEC. SEC rules establish due dates for these reports, and we are required to disclose in this proxy statement any failure to file by those dates. All required 2006 filings were made on a timely basis. A former officer of our company made one filing that was not required, and, if that filing had been required, it would not have been timely made. In making these disclosures, we relied solely on written statements of directors, executive officers and stockholders and copies of the reports they have filed with the SEC.

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**REPORT OF THE AUDIT COMMITTEE**

To the Board of Directors of U.S. Concrete, Inc.:

We have reviewed and discussed with management U.S. Concrete's audited financial statements as of and for the year ended December 31, 2006.

In addition, we have discussed with PricewaterhouseCoopers LLP, U.S. Concrete's independent registered public accounting firm, the matters required to be discussed by Statement of Auditing Standards No. 61, *Communication with Audit Committees*, as amended, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. We have also reviewed and discussed with management and PricewaterhouseCoopers LLP management's report and PricewaterhouseCoopers LLP's report and attestation on U.S. Concrete's internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

We have received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independent Standards Board's Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and we have discussed with that firm its independence from U.S. Concrete. In addition, we concluded that PricewaterhouseCoopers LLP's provision of services that are not related to the audit of U.S. Concrete's financial statements was compatible with that firm's independence from U.S. Concrete.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors of U.S. Concrete that the audited financial statements referred to above be included in U.S. Concrete's annual report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

The Audit Committee

Mary P. Ricciardello, Chairperson

Vincent D. Foster

Murray S. Simpson

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**PROPOSAL NO. 2**  
**RATIFICATION OF APPOINTMENT OF**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our Board has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the year ending December 31, 2007. PricewaterhouseCoopers LLP has audited our financial statements since May 16, 2002. Although we are not required to seek your approval of this appointment, it is customary practice to do so. No determination has been made as to what action the audit committee and the Board would take if you fail to ratify the appointment. Even if the appointment is ratified, the audit committee retains discretion to appoint a new independent audit firm if the audit committee concludes such a change would be in the best interests of U.S. Concrete. We expect representatives of PricewaterhouseCoopers LLP to be present at the meeting and available to respond to appropriate questions by stockholders. They will have the opportunity to make a statement if they so desire.

Assuming the presence of a quorum, the affirmative vote of a majority of the votes cast on the proposal is necessary to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2007. The enclosed form of proxy provides a means for you to vote for the ratification of the selection of independent registered public accounting firm, to vote against it or to abstain from voting for or against it. **If you execute and return a proxy, but do not specify how to vote the shares represented by your proxy, the persons named as proxies will vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm.** Assuming the presence of a quorum, in determining whether this item has received the requisite number of affirmative votes, abstentions and broker non-votes will not affect the vote.

**Our Board recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2007.**

**Fees Incurred by U.S. Concrete to Independent Registered Public Accounting Firm**

The following table sets forth the fees we incurred for services provided by our independent registered public accounting firm, PricewaterhouseCoopers LLP, during 2006 and 2005.

<b>Fee Category</b>	<b>2006</b>	<b>2005</b>
Audit Fees (1)	\$ 957,200	\$ 732,200
Audit-Related Fees		
Tax Fees		
All Other Fees (2)	2,399	1,999
<b>Total</b>	<b>\$ 959,599</b>	<b>\$ 734,199</b>

(1) Audit fees relate to professional services rendered in connection with the audit of our annual financial statements, quarterly review of financial statements included in our Forms 10-Q and audit services provided in

connection with other statutory and regulatory filings. 2006 audit fees include fees for professional services rendered in connection with our offering of seven million shares of common stock and our offering of \$85 million of senior subordinated notes.

- (2) All other fees consist of fees for products and services other than the services reported above. In 2006 and 2005, these fees consisted of licensing fees for accounting research software.

**Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors**

The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. The audit committee generally will pre-approve specific audit services for the upcoming or current fiscal year, subject to a specified cost level. Any service that is not included among the pre-approved audit services and any non-audit service must be separately pre-approved by the Audit Committee Chairperson. The Chairperson reports any pre-approval decisions to the audit committee at its next scheduled meeting. The audit committee does not delegate to management any of its responsibilities to pre-approve services performed by our independent auditors.

None of the services related to the audit-related fees or other fees described above was approved by the audit committee pursuant to the waiver of pre-approval provisions set forth in applicable rules of the SEC.

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**EXPENSES RELATING TO THIS PROXY SOLICITATION**

We will pay all expenses relating to this proxy solicitation. In addition to this solicitation by mail, our officers, directors and regular employees may solicit proxies by telephone without extra compensation for that activity. We also expect to reimburse banks, brokers and other persons for reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners of our common stock and obtaining the proxies of those owners.

**OTHER INFORMATION**

**Date for Submission of Stockholder Proposals**

Under rules the SEC has established, any stockholder who wishes to have a qualified proposal considered for inclusion in our proxy statement for our 2008 Annual Meeting of Stockholders must send notice of the proposal to our Corporate Secretary at our principal executive offices, 2925 Briarpark Drive, Suite 1050, Houston, Texas 77042, so that we receive that notice by no later than the close of business on December 28, 2007. If you submit a stockholder proposal, you must provide your name and address, the number of shares of common stock you hold of record or beneficially, the date or dates on which you acquired those shares and documentary support for any claim of beneficial ownership.

In addition, our bylaws establish an advance-notice procedure for stockholder proposals to be brought before an annual meeting. The procedure provides that stockholders must submit proposals to us in writing containing certain information specified in our bylaws no earlier than the 180<sup>th</sup> day and no later than the close of business on the 90<sup>th</sup> day prior to the first anniversary of our preceding year's annual meeting. These requirements are in addition to the SEC's requirements which a stockholder must comply to have a stockholder proposal included in our proxy statement. Stockholders may obtain a copy of our bylaws by making a written request to our Corporate Secretary.

Under these bylaw provisions, we must receive stockholder proposals for our 2008 Annual Meeting of Stockholders no earlier than November 26, 2007 and no later than the close of business on February 24, 2008. Stockholders must deliver the proposals to Corporate Secretary, U.S. Concrete, Inc., 2925 Briarpark Drive, Suite 1050, Houston, Texas 77042.

We received no stockholder proposals and no stockholder director nominations for the 2007 Annual Meeting of Stockholders.

**Householding of Annual Meeting Materials**

In accordance with notices previously sent to many stockholders who hold their shares through a bank, broker or other holder of record (street-name stockholders) and share a single address, only one annual report and proxy statement is being delivered to that address unless contrary instructions from any stockholder at that address were received. This practice, known as householding, is intended to reduce our printing and postage costs. However, any such street-name stockholder residing at the same address who wishes to receive a separate copy of this proxy statement or the accompanying annual report to stockholders may request a copy by contacting the bank, broker or other holder of record, or by contacting us by telephone at 713-499-6200, by e-mail to [corporatesecretary@us-concrete.com](mailto:corporatesecretary@us-concrete.com) or by mail to: U.S. Concrete, Inc., 2925 Briarpark Drive, Suite 1050, Houston, Texas 77042, Attention: Corporate Secretary. The voting instruction sent to a street-name stockholder should provide information on how to request (1) householding of our future materials or (2) separate materials if only one set of documents is being sent to a household. If it does not, a stockholder who would like to make one of these requests should contact us as indicated above.

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**Other Matters**

The Board of Directors does not intend to bring any other matters before the annual meeting and has not been informed that any other matters are to be presented by others. If any other matters properly come before the annual meeting, the persons named in the enclosed form of proxy will vote all proxies according to their best judgment. The form of proxy provides that the persons named as proxies have discretionary authority to vote on matters not known or determined on the date of this proxy statement.

By Order of the Board of Directors,

/s/ Curt M. Lindeman

Curt M. Lindeman  
Vice President, General Counsel and Corporate Secretary  
Houston, Texas  
April 26, 2007

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**U.S. CONCRETE, INC.  
PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 24, 2007**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF U.S. CONCRETE, INC.**

The undersigned hereby appoints Michael W. Harlan and Curt M. Lindeman, and each of them, with full power of substitution and resubstitution, to represent the undersigned and to vote all the shares of Common Stock in U.S. Concrete Inc., a Delaware corporation (the Company), which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on May 24, 2007 and at any adjournment or postponement thereof (1) as hereinafter specified upon the proposals listed on the reverse side and as more particularly described in the Proxy Statement of the Company dated April 26, 2007 (the Proxy Statement) and (2) in their discretion upon such other matters as may properly come before the meeting.

**ALL SHARES OF COMMON STOCK REPRESENTED HEREBY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THOSE SHARES WILL BE VOTED FOR THE NOMINEES LISTED IN PROPOSAL NO. 1. THOSE SHARES ALSO WILL BE VOTED FOR PROPOSAL NO. 2.**

**Address Changes**

(If you noted any Address Changes above, please mark the corresponding box on the reverse side.)  
(Continued and to be signed on the reverse side).

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**C/O AMERICAN STOCK  
TRANSFER  
& TRUST COMPANY  
6201 15TH AVE., 2ND FLOOR  
BROOKLYN, NY 11219**

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to U.S. Concrete, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**AUTO DATA PROCESSING  
INVESTOR COMM SERVICES  
ATTENTION:  
TEST PRINT  
51 MERCEDES WAY  
EDGEWOOD, NY  
11717**

0000  
0000  
è 0000

**NAME**

<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>
<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>
<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>
<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>
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<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>
<b>U S CONCRETE INC</b>	<b>123,456,789,012.12345</b>

**PAGE 1 OF 2**

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TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: **USCON1** KEEP THIS PORTION FOR YOUR RECORD

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**U.S. CONCRETE, INC.**

**Vote on Proposals 02 000000000 214853454031**

**PROPOSAL NO. 1** Elect the seven persons listed below to serve as directors **For All** **Withhold All** **For All Except** To withhold authority to vote for an individual nominee(s), mark **For**



until the next Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.

Except and write the number(s) the nominee(s) on the line below.

- NOMINEES:** 01) John M. Piccuch
- 02) T. William Porter, III
- 03) Michael W. Harlan
- 04) Vincent D. Foster
- 05) Mary P. Ricciardello
- 06) Murray S. Simpson
- 07) Robert S. Walker

**For      Against      Abstain**

**PROPOSAL NO. 2** Ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2007.                                           

**In their discretion, the proxies are authorized to vote on such other matters as may properly come before the meeting or any adjournment or postponement thereof, including procedural and other matters relating to the conduct of the meeting.**

For address changes, please check this box and write them on the back where indicated.                   

The undersigned hereby revokes all previous proxies given by the undersigned with respect to the shares represented hereby in connection with the Company's 2007 Annual Meeting of Stockholders. This Proxy may be revoked at any time prior to a vote thereon. Receipt of the accompanying Proxy Statement and Annual Report of the Company for the fiscal year ended December 31, 2006 is hereby acknowledged.

Please sign exactly as your name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, guardian or other similar capacity, please give your full title as such. If a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

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**P42353**

Signature [PLEASE SIGN                    Date  
WITHIN BOX]

Signature (Joint Owners)                    Date