BSQUARE CORP /WA
Form 4
August 19, 2010

# FORM 4

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

OMB APPROVAL

| | |
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| Expires: | January 31, 2005 |
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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
JURGENSEN ELLIOTT REN JR

(Last) (First) (Middle)

110 - 110TH AVE., NE, SUITE 200

(Street)

BELLEVUE, WA 98004

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BSQUARE CORP /WA [BSQR]

3. Date of Earliest Transaction (Month/Day/Year)
08/17/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 08/17/2010 | | A | | 3,000 | A | $ 0 | 65,200 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| JURGENSEN ELLIOTT REN JR<br>110 - 110TH AVE., NE<br>SUITE 200<br>BELLEVUE, WA 98004 | X | | | |

# Signatures

| /s/ Brian T. Crowley for Elliott H. Jurgensen, Jr. by Power of Attorney | 08/19/2010 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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- further deterioration of revenue, due to lower volume and/or pricing, because of weakness in the markets in which we operate;

- further declines in gross margins due to shifts in our project mix or increases in the cost of our raw materials; and

- any deterioration in our ability to collect our accounts receivable from customers as a result of further weakening in residential and other construction demand or as a result of payment difficulties experienced by our customers.

The following key financial measurements reflect our financial position and capital resources as of June 30, 2011 and December 31, 2010 (dollars in thousands):

Successor

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Cash and cash equivalents | $ 4,401 | $ 5,290 |
| Working capital | $ 41,574 | $ 38,231 |
| Total debt | $ 71,816 | $ 53,181 |

Our cash and cash equivalents consist of highly liquid investments in deposits we hold at major financial institutions.

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

Senior Secured Credit Facility due 2014

On August 31, 2010, we and certain of our subsidiaries entered into the Credit Agreement, which provides for a $75.0 million asset-based revolving credit facility (the “Revolving Facility”). The Credit Agreement matures in August 2014. As of June 30, 2011, we had outstanding borrowings of $26.3 million and $20.7 million of undrawn standby letters of credit under the Revolving Facility. The availability under the Revolving Facility was approximately $13.0 million at June 30, 2011, after reduction for the $15.0 million availability block described below.

Up to $30.0 million of the Revolving Facility is available for the issuance of letters of credit, and any such issuance of letters of credit will reduce the amount available for loans under the Revolving Facility. Advances under the Revolving Facility are limited by a borrowing base of (a) 85% of the face amount of eligible accounts receivable plus (b) the lesser of (i) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible inventory and (ii) the sum of (A) 50% of the eligible inventory (other than eligible aggregates inventory) and (B) 65% of the eligible aggregates inventory plus (c) the lesser of (i) $15.0 million and (ii) the sum of (A) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible trucks plus (B) 80% of the cost of newly acquired eligible trucks since the date of the latest appraisal of eligible trucks minus (C) the depreciation amount applicable to eligible trucks since the date of the latest appraisal of eligible trucks minus (d) such reserves as the Administrative Agent may establish from time to time in its permitted discretion. The Administrative Agent may, in its permitted discretion, reduce the advance rates set forth above, adjust reserves or reduce one or more of the other elements used in computing the borrowing base. In addition, prior to the delivery of our financial statements for the fiscal quarter ended September 30, 2011, there is an availability block of $15.0 million and after such date, unless the fixed charge coverage ratio for any trailing twelve month period is greater than or equal to 1.00:1.00, there will be an availability block of $15.0 million, to be increased monthly by $1.0 million up to a maximum of $20.0 million. Beginning with the fiscal month in which the availability block is eliminated and with respect to each fiscal month thereafter, at any time that availability under the Revolving Facility is less than $15.0 million, we must maintain a fixed charge coverage ratio of at least 1.00:1.00 until availability is greater than or equal to $15.0 million for a period of 30 consecutive days.

Under the Credit Agreement, our capital expenditures may not exceed 7.0% of our consolidated annual revenue for the trailing twelve month period ending on the last day of each fiscal quarter thereafter. Our capital expenditures were $7.9 million for the trailing twelve-month period ended June 30, 2011, which was below the $32.1 million representing 7.0% of our consolidated annual revenue for the same period. The Revolving Facility requires us to comply with certain other customary affirmative and negative covenants, and contains customary events of default.

At our option, loans may be maintained from time to time at an interest rate equal to the Eurodollar-based rate (“LIBOR”) or the applicable domestic rate (“CB Floating Rate”). The CB Floating Rate is the greater of (x) the interest rate per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate and (y) the interest rate per annum equal to the sum of 1.0% per annum plus the adjusted LIBOR rate for a one month interest period, in each case plus the applicable margin. The applicable margin on loans is 2.75% in the case of loans bearing interest at the CB Floating Rate and 3.75% in the case of loans bearing interest at the LIBOR rate. Issued and outstanding letters of credit are subject to a fee equal to the applicable margin then in effect for LIBOR loans, a fronting fee equal to 0.20% per annum on the stated amount of such letter of credit, and customary charges associated with the issuance and administration of letters of credit. We also pay a commitment fee on undrawn amounts under the Revolving Facility in an amount equal to 0.75% per annum. Upon any event of default, at the direction of the required lenders under the Revolving Facility, all outstanding loans and the amount of all other obligations owing under the Revolving Facility will bear interest at a rate per annum equal to 2.0% plus the rate otherwise applicable to such loans or other obligations.

Outstanding borrowings under the Revolving Facility are prepayable, and the commitments under the Revolving Facility may be permanently reduced, without penalty. There are mandatory prepayments of principal in connection with (i) the incurrence of certain indebtedness, (ii) certain equity issuances and (iii) certain asset sales or other dispositions (including as a result of casualty or condemnation). Mandatory prepayments are applied to repay outstanding loans without a corresponding permanent reduction in commitments under the Revolving Facility and are subject to the terms of an Intercreditor Agreement.

In connection with the Credit Agreement, we and certain of our subsidiaries entered into a Pledge and Security Agreement (the "Security Agreement") with the Administrative Agent. Pursuant to the Security Agreement, all obligations under the Revolving Facility are secured by (i) a perfected first-priority lien (subject to certain exceptions) in substantially all of our and certain of our subsidiaries present and after acquired inventory (including as-extracted collateral), accounts, certain specified mixer trucks, deposit accounts, securities accounts, commodities accounts, letter of credit rights, cash and cash equivalents, general intangibles (other than intellectual property and equity in subsidiaries), instruments, documents, supporting obligations and related books and records and all proceeds and products of the foregoing and (ii) a perfected second-priority lien (subject to certain exceptions) on substantially all other present and after acquired property (including, without limitation, material owned real estate).

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Convertible Secured Notes due 2015

On August 31, 2010, we issued $55.0 million aggregate principal amount of the Convertible Notes pursuant to a subscription offering contemplated by the Plan of Reorganization. The Convertible Notes are governed by an indenture (the "Indenture"), dated as of August 31, 2010. Under the terms of the Indenture, the Convertible Notes bear interest at a rate of 9.5% per annum and will mature on August 31, 2015. Interest payments are payable quarterly in cash in arrears. Additionally, we recorded a discount of approximately $13.6 million related to an embedded derivative that was bifurcated and separately valued (see Note 7). This discount will be accreted over the term of the Convertible Notes and included in interest expense.

The Convertible Notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of our common stock, at an initial conversion rate of 95.23809524 shares of Common Stock per $1,000 principal amount of Convertible Notes (the "Conversion Rate"). The Conversion Rate is subject to adjustment to prevent dilution resulting from stock splits, stock dividends, combinations or similar events. In connection with any such conversion, holders of the Convertible Notes to be converted shall also have the right to receive accrued and unpaid interest on such Convertible Notes to the date of conversion (the "Accrued Interest"). We may elect to pay the Accrued Interest in cash or in shares of Common Stock in accordance with the terms of the Indenture.

In addition, if a "Fundamental Change of Control" (as defined in the Indenture) occurs prior to the maturity date, in addition to any conversion rights the holders of Convertible Notes may have, each holder of Convertible Notes will have (i) a make-whole provision calculated as provided in the Indenture pursuant to which each holder may be entitled to additional shares of Common Stock upon conversion (the "Make Whole Premium"), and (ii) an amount equal to the interest on such Convertible Notes that would have been payable from the date of the occurrence of such Fundamental Change of Control (the "Fundamental Change of Control Date") through the third anniversary of the Effective Date, plus any accrued and unpaid interest from the Effective Date to the Fundamental Change of Control Date (the amount in this clause (ii), the "Make Whole Payment"). We may elect to pay the Make Whole Payment in cash or in shares of Common Stock.

If the closing price of the Common Stock exceeds 150% of the Conversion Price (defined as $1,000 divided by the Conversion Rate) then in effect for at least 20 trading days during any consecutive 30-day trading period (the "Conversion Event"), we may provide, at our option, a written notice (the "Conversion Event Notice") of the occurrence of the Conversion Event to each holder of Convertible Notes in accordance with the Indenture. Except as set forth in an Election Notice (as defined below), the right to convert Convertible Notes with respect to the occurrence of the Conversion Event shall terminate on the date that is 46 days following the date of the Conversion Event Notice (the "Conversion Termination Date"), such that the holder shall have a 45-day period in which to convert its Convertible Notes up to the amount of the Conversion Cap (as defined below). Any Convertible Notes not converted prior to the Conversion Termination Date as a result of the Conversion Cap shall be, at the holder's election and upon written notice to the Company (the "Election Notice"), converted into shares of Common Stock on a date or dates prior to the date that is 180 days following the Conversion Termination Date. The "Conversion Cap" means the number of shares of Common Stock into which the Convertible Notes are convertible and that would cause the related holder to "beneficially own" (as such term is used in the Exchange Act) more than 9.9% of the Common Stock at any time outstanding.

Any Convertible Notes not otherwise converted prior to the Conversion Termination Date or specified for conversion in an Election Notice shall be redeemable, in whole or in part, at our election at any time prior to maturity at par plus accrued and unpaid interest thereon to the Conversion Termination Date.

The Indenture contains certain covenants that restrict our ability to, among other things,

- incur additional indebtedness or issue disqualified stock or preferred stock;
- pay dividends or make other distributions or repurchase or redeem our stock or subordinated indebtedness or make investments;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

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The Convertible Notes are guaranteed by each of our existing, and will be guaranteed by each of our future, direct or indirect domestic restricted subsidiaries. In connection with the Indenture, on August 31, 2010, we and certain of our subsidiaries entered into a Pledge and Security Agreement (the “Pledge and Security Agreement”) with the noteholder collateral agent. Pursuant to the Pledge and Security Agreement, the Convertible Notes and related guarantees are secured by first-priority liens on certain of the property and assets directly owned by the Company and each of the guarantors, including material owned real property, fixtures, intellectual property, capital stock of subsidiaries and certain equipment, subject to permitted liens (including a second-priority lien in favor of the Administrative Agent) with certain exceptions. Obligations under the Revolving Facility and those in respect of hedging and cash management obligations owed to the lenders (and their affiliates) that are a party to the Revolving Facility (collectively, the “Revolving Facility Obligations”) are secured by a second-priority lien on such collateral.

The Convertible Notes and related guarantees are also secured by a second-priority lien on the assets of the Company and the guarantors securing the Revolving Facility Obligations on a first-priority basis, including, inventory (including as extracted collateral), accounts, certain specified mixture trucks, general intangibles (other than collateral securing the Convertible Notes on a first-priority basis), instruments, documents, cash, deposit accounts, securities accounts, commodities accounts, letter of credit rights and all supporting obligations and related books and records and all proceeds and products of the foregoing, subject to permitted liens and certain exceptions.

Registration Rights Agreement

In connection with the issuance of the Convertible Notes, we entered into a registration rights agreement, dated August 31, 2010 (the “Registration Rights Agreement”), under which we agreed, pursuant to the terms and conditions set forth therein, to register the Convertible Notes and the Common Stock into which the Convertible Notes convert. Under the Registration Rights Agreement, we are required to use commercially reasonable efforts to file a registration statement covering the resale by the Electing Holders (as defined in the Registration Rights Agreement) of Convertible Notes that are Registrable Securities (as defined in the Registration Rights Agreement) by the first business day following the date that is 366 days following the Effective Date. We were also required to file a registration statement covering the resale of shares of Common Stock that constitute Registrable Securities by the Electing Holders, on a delayed or continuous basis, within 180 days of the Issue Date. We have filed a registration statement covering the resale of shares of Common Stock that constitute registrable securities for the electing holders as described above, and it was declared effective by the SEC on April 8, 2011. We are required to pay special interest if we fail to file the registration statement covering the resale of Convertible Notes that are Registrable Securities by the applicable deadline or if any registration statement required by the Registration Rights Agreement ceases to be effective for more than 45 days, with respect to any Registrable Securities (as defined in the Indenture).

Cash Flows

Our net cash provided by or used in operating activities generally reflects the cash effects of transactions and other events used in the determination of net income or loss. Net cash used in operating activities was $12.8 million for the six months ended June 30, 2011, compared to net cash used in operating activities of $24.7 million for the six months ended June 30, 2010. The change in the 2011 period was principally a result of higher profitability and lower cash payments related to our restructuring. Profitability was higher in the 2011 period due partially to the redemption of our 60% interest in Superior in September 2010 and due to our restructuring, which resulted in lower interest expense during the first half of 2011. As expected during the second quarter, we saw a use of cash due to working capital increases as a result of the seasonal nature of our business.

We used $6.0 million of cash in investing activities for the six months ended June 30, 2011 and $3.3 million for the six months ended June 30, 2010. Capital expenditures were higher by approximately $1.6 million during the first half of 2011 compared to the first half of 2010. This increase was due primarily to purchases of mixer trucks after the expiration of lease terms during the first half of 2011 totaling approximately $3.9 million. In January 2011, we paid $0.8 million related to the redemption of Superior in September 30, 2010. During the first half of 2011, we paid $0.9 million related to two acquisitions of a total of four ready-mix plants in our west Texas market. We acquired three of these plants in October 2010 with cash and a promissory note and acquired one plant in April 2011 with cash. There were no payments related to acquisitions or redemptions during the first half of 2010. Partially offsetting these higher uses of cash during the 2011 period were higher proceeds from property, plant and equipment disposals of approximately $0.6 million when compared to the first half of 2010.

Our net cash provided by financing activities was $17.9 million and $29.6 million for the six month periods ended June 30, 2011 and 2010, respectively. The decrease in the 2011 period was primarily the result of lower net borrowings and the non reoccurrence of a contribution made during the 2010 period by the minority owner of Superior that provided $2.5 million in cash. During the 2010 period, our borrowings were higher due to the funding of our restructuring activities.

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Cement and Other Raw Materials

We obtain most of the materials necessary to manufacture ready-mixed concrete and precast concrete products on a daily basis. These materials include cement, other cementitious materials (fly ash and blast furnace slag) and aggregates (stone, gravel and sand), in addition to certain chemical admixtures. With the exception of chemical admixtures, each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Our inventory levels do not decline significantly or comparatively with declines in revenue during seasonally low periods. We generally maintain inventory at specified levels to maximize purchasing efficiencies and to be able to respond quickly to customer demand.

Typically, cement, other cementitious materials and aggregates represent the highest-cost materials used in manufacturing a cubic yard of ready-mixed concrete. We purchase cement from a few suppliers in each of our major markets. Chemical admixtures are generally purchased from suppliers under national purchasing agreements.

Overall, prices for cement have declined slightly in the second quarter of 2011, compared to the second quarter of 2010, in most of our major markets, while aggregates pricing remained relatively flat to slightly higher for the same comparative period. We also experienced a slight increase in prices for certain cementitious materials in certain of our markets. Generally, we negotiate with suppliers on a company-wide basis and at the local market level to obtain the most competitive pricing available for cement and aggregates. The demand for construction sector products was weak from 2007 through 2011, with sales volumes significantly below 2006 peak levels. The continued recessionary conditions in the construction sector and related effects on our end-use markets has caused an oversupply of cement in most of our markets, with cement producers slowing down or shutting down domestic production and reducing imported cement to respond to the weak demand. We do not expect to experience cement shortages. Today, in most of our markets, we believe there is an adequate supply of aggregates. We experienced increased fuel costs during the first and second quarters of 2011 due to higher oil prices and expect that these higher costs will continue for the remainder of 2011. While we can partially mitigate these higher fuel costs with higher prices for our products, fuel costs have risen more sharply than our prices.

Acquisitions and Divestitures

Superior Redemption

In August 2010, we entered into a redemption agreement to redeem our 60% interest in our Michigan subsidiary, Superior Materials Holdings, LLC (“Superior”). At the closing of the redemption on September 30, 2010, the Company and certain of our subsidiaries paid $640,000 in cash and issued a $1.5 million promissory note to Superior as partial consideration for certain indemnifications and other consideration provided by the minority owner and their new joint venture partner pursuant to the redemption agreement. In January 2011, we made a $750,000 payment under the note and have one remaining payment of $750,000 due in January 2012.

Other

In April 2011, we purchased the assets of a one-plant ready-mixed concrete operation in our west Texas market for $0.2 million in cash. In October 2010, we acquired three ready-mixed concrete plants and related assets in our west Texas market for approximately $3.0 million, plus inventory on hand at closing. We made cash payments of $0.4 million at closing and issued promissory notes for the remaining $2.6 million. We made cash payments on these notes of approximately $0.7 million during the first half of 2011.

During the second quarter of 2010, we made the decision to dispose of some of our transport equipment in northern California and classified these assets as held for sale. These assets were recorded at the estimated fair value less costs to sell of approximately $0.8 million. In March 2011, we completed the sale of this transport equipment for $0.9 million.

Risks and Uncertainties

Numerous factors could affect our future operating results. These factors are discussed under the heading "Risk Factors" in Item 1A of Part I of the 2010 Form 10-K.

Critical Accounting Policies

We have outlined our critical accounting policies in Item 7 of Part II of the 2010 Form 10-K. Our critical accounting policies involve the use of estimates in the recording of the allowance for doubtful accounts, realization of goodwill, accruals for self-insurance, accruals for income taxes, valuation of inventory and the valuation and useful lives of property, plant and equipment. See Note 4 to our consolidated financial statements included in Item 8 of Part II of the 2010 Form 10-K for a discussion of these accounting policies.

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Results of Operations

The following table sets forth selected historical statement of operations information (in thousands, except for selling prices) and that information as a percentage of sales for each of the periods indicated.

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 (Successor) | | 2010 (Predecessor) | | 2011 (Successor) | | 2010 (Predecessor) | |
| | | | | (unaudited) | | | | |
| Revenue: | | | | | | | | |
| Ready-mixed concrete and concrete-related products | $ 116,411 | 89.5 % | $ 115,967 | 90.4 % | $ 194,491 | 89.6 % | $ 192,200 | 89.7 % |
| Precast concrete products | 18,155 | 14.0 | 16,347 | 12.8 | 30,115 | 13.9 | 28,773 | 13.4 |
| Inter-segment revenue | (4,539) | (3.5) | (4,064) | (3.2) | (7,530) | (3.5) | (6,595) | (3.1) |
| Total revenue | $ 130,027 | 100.0 % | $ 128,250 | 100.0 % | $ 217,076 | 100.0 % | $ 214,378 | 100.0 % |
| | | | | | | | | |
| Cost of goods sold before depreciation, depletion and amortization: | | | | | | | | |
| Ready-mixed concrete and concrete-related products | $ 95,469 | 73.4 % | $ 94,295 | 73.5 % | $ 167,192 | 77.0 % | $ 164,219 | 76.6 % |
| Precast concrete products | 16,052 | 12.3 | 13,007 | 10.1 | 27,138 | 12.5 | 23,855 | 11.1 |
| Selling, general and administrative expenses | 13,115 | 10.1 | 15,262 | 11.9 | 28,079 | 12.9 | 30,646 | 14.3 |
| Depreciation, depletion and Amortization | 5,408 | 4.2 | 6,486 | 5.1 | 10,501 | 4.8 | 12,641 | 5.9 |
| (Gain) loss on sale of assets | (145) | (0.1) | (11) | (0.0) | (217) | (0.1) | 40 | 0.0 |
| Income (loss) from operations | 128 | 0.1 | (789) | (0.6) | (15,617) | (7.1) | (17,023) | (7.9) |
| Interest expense, net | 2,743 | 2.1 | 7,281 | 5.7 | 5,371 | 2.5 | 13,966 | 6.5 |
| Gain (loss) on derivative | 4,945 | 3.8 | — | — | (1,302) | (0.6) | — | — |
| Other income, net | 246 | 0.2 | 106 | 0.1 | 503 | 0.2 | 391 | 0.2 |
| Loss before reorganization items and income taxes | 2,576 | 2.0 | (7,964) | (6.2) | (21,787) | (10.0) | (30,598) | (14.2) |
| Reorganization items | — | — | 6,658 | 5.2 | — | — | 6,658 | 3.1 |
| Loss before income taxes | 2,576 | 2.0 | (14,622) | (11.4) | (21,787) | (10.0) | (37,256) | (17.3) |
| Income taxes | 28 | 0.0 | (219) | (0.2) | 379 | 0.2 | 105 | 0.1 |
| Net loss | 2,548 | 2.0 | (14,403) | (11.2) | (22,166) | (10.2) | (37,361) | (17.4) |
| Loss from discontinued operations, net of taxes and loss attributable to non-controlling interest controlling interest | — | — | (226) | (0.2) | — | — | (2,515) | (1.2) |
| Net loss attributable to stockholders | $ 2,548 | 2.0 % | $ (14,629) | (11.4)% | $ (22,166) | (10.2)% | $ (39,876) | (18.6)% |
| | | | | | | | | |
| Ready-mixed Concrete Data: | | | | | | | | |

| | | | | |
|---|---|---|---|---|
| Average selling price per cubic yard | $ 92.37 | $ 91.21 | $ 92.06 | $ 92.02 |
| Sales volume in cubic yards | 1,062 | 1,087 | 1,788 | 1,784 |

Revenue

Ready-mixed concrete and concrete-related products. Revenue from our ready-mixed concrete and concrete-related products segment increased $0.4 million, or 0.4%, to $116.4 million for the three months ended June 30, 2011, from $116.0 million in the corresponding period of 2010. Our ready-mixed sales volumes for the three months ended June 30, 2011 were approximately 1.06 million cubic yards, down 2.3% from the approximate 1.09 million cubic yards of ready-mixed concrete we sold in the three months ended June 30, 2010. However, the average selling price per cubic yard of concrete sold increased 1.3%, to $92.37, for the three months ended June 30, 2011 when compared to the three months ended June 30, 2010 due to increased volumes in markets with higher average selling prices per cubic yard. On a market-by-market comparison the average selling price per cubic yard decreased in most of our markets due to competitive pressures. For the six months ended June 30, 2011, ready-mixed concrete and concrete-related products revenues were $194.5 million, an increase of 1.2% compared to the six months ended June 30, 2010. Our ready-mixed concrete sales volumes for the six months ended June 30, 2011 were approximately 1.79 million cubic yards, which was relatively flat compared to approximately 1.78 million cubic yards of ready-mixed concrete sold during the six months ended June 30, 2010. Our average selling price per cubic yard of concrete sold remained consistent with a slight increase for the six months ended June 30, 2011, compared to the six months ended June 30, 2010.

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Precast concrete products. Revenue from our precast concrete products segment was up $1.9 million, or 11.1%, to $18.2 million for the three months ended June 30, 2011 from $16.3 million during the corresponding period of 2010. Revenue was higher in our southern California and mid-Atlantic markets due to increased demand in commercial construction projects, but with generally lower margins. Partially offsetting this higher revenue was lower revenue in our northern California and Phoenix, Arizona markets as the result of the continued downturn in residential and commercial construction in these markets. For the six months ended June 30, 2011, revenues increased $1.3 million, or 4.7%, to $30.1 million from $28.8 million during the six months ended June 30, 2010. This increase reflects higher commercial construction in our southern California and mid-Atlantic markets offset by lower residential and commercial construction in our Phoenix, Arizona and northern California markets.

Cost of goods sold before depreciation, depletion and amortization

Ready-mixed concrete and concrete-related products. Cost of goods sold before depreciation, depletion and amortization for our ready-mixed concrete and concrete-related products segment during the three months ended June 30, 2011 was $95.5 million, which was a slight increase from $94.3 million in the three months ended June 30, 2010. For the six months ended June 30, 2011, these costs increased $3.0 million, or 1.8%, to $167.2 million from $164.2 million for the six months ended June 30, 2010. This increase was primarily associated with higher plant and delivery costs. These increased costs in both the three month and six month periods ended June 30, 2011 are mostly attributable to higher fuel costs and repair costs.

As a percentage of ready-mixed concrete and concrete-related product revenue, cost of goods sold before depreciation, depletion and amortization was 82.0% for the three months ended June 30, 2011, as compared to 81.3% for the corresponding period of 2010. For the six months ended June 30, 2011, this percentage was 86.0%, compared to 85.4% for the six months ended June 30, 2010. The increase in cost of goods sold as a percentage of ready-mixed concrete and concrete-related products revenue in the three months and six months ended June 30, 2011 was primarily attributable to higher per unit delivery and plant costs.

Precast concrete products. Cost of goods sold before depreciation, depletion and amortization for our precast concrete products segment increased $3.0 million, or 23.4%, to $16.1 million for the three months ended June 30, 2011 from $13.0 million for the corresponding period of 2010. These costs increased $3.2 million, or 13.8%, to $27.1 million for the six months ended June 30, 2011 compared to $23.9 million for the six months ended June 30, 2010. As a percentage of precast concrete products revenue, cost of goods sold before depreciation, depletion and amortization for precast concrete products was 88.4% for the three months ended June 30, 2011 compared to 79.6% during the three months ended June 30, 2010. As a percentage of precast concrete products revenue, cost of goods sold before depreciation, depletion and amortization for precast concrete products rose to 90.1% for the six months ended June 30, 2011 from 82.9% during the six months ended June 30, 2010. This percentage increased primarily due to lower absorption of our costs as a result of less inventory production and also to lower margin projects.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased approximately $2.1 million, or 14.1%, to $13.1 million for the three months ended June 30, 2011 from $15.3 million for the corresponding period in 2010. We experienced lower costs during the three months ended June 30, 2011 due partially to reduced professional fees as a result of our restructuring of approximately $2.2 million. These professional fees were incurred prior to our Chapter 11 petition date on April 29, 2010. In addition, we experienced lower costs related to reduced compensation and lower incentive based compensation accruals. Partially offsetting these reduced costs during 2011 is approximately $0.3 million of costs related to the announced departure later in 2011 of our President and Chief Executive Officer.

These expenses decreased $2.6 million, or 8.4%, to $28.1 million during the six months ended June 30, 2011 from $30.6 million during the six months ended June 30, 2010. We experienced lower costs during the six month ended

June 30, 2011 partially due to reduced professional fees as a result of our restructuring of approximately $4.5 million. In addition, we experienced lower costs related to reduced compensation and lower incentive based compensation accruals. Partially offsetting these reduced costs during 2011 is approximately $1.7 million of costs related to the announcement that our President and Chief Executive Officer will be stepping down. The 2010 expenses also included a $1.0 million reduction of expense due to the settlement of a class action lawsuit in California for an amount that was below our previous estimate.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense decreased $1.1 million, or 16.6%, to $5.4 million for the three months ended June 30, 2011 from $6.5 million in the corresponding period of 2010. For the six months ended June 30, 2011, these costs decreased $2.1 million, or 16.9%, to $10.5 million from $12.6 million for the six months ended June 30, 2010. These decreases were primarily due to lower asset valuations after the application of fresh-start accounting on August 31, 2010.

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Interest expense, net. Net interest expense decreased $4.5 million to $2.7 million in the three months ended June 30, 2011 from $7.3 million in the three months ended June 30, 2010. Net interest expense for the six months ended June 30, 2011 was $5.4 million, compared to $14.0 million for the six months ended June 30, 2010. These decreases were due primarily to the cancellation of our 8.375% Senior Subordinated Notes (the "Old Notes") in accordance with the consummation of the Plan of Reorganization on August 31, 2010.

Gain (loss) on derivative. During the three months ended June 30, 2011, we recorded a $4.9 million gain on derivatives. For the six months ended June 30, 2011, this gain is offset by a loss of $6.2 million on derivatives that we recorded during the first quarter of 2011. All derivatives are required to be recorded on the balance sheet at their fair values in accordance with U.S. GAAP. Each quarter, we determine the fair value of our derivative liabilities and changes result in income or loss. The key inputs in determining fair value of our derivative liabilities of $17.0 million at June 30, 2011 include our stock price, stock price volatility, risk free interest rates and interest rates for conventional debt of similarly situated companies. Changes in these inputs will impact the valuation of our derivatives and result in income or loss each quarterly period. During the three month period ended June 30, 2011, we recorded a gain from fair value changes in our embedded Convertible Notes derivative of approximately $3.7 million due primarily to a decrease in the price of our common stock and market changes in conventional debt interest rates. Additionally, we recorded a gain from fair value changes in our warrants of approximately $1.2 million during the three month period ended June 30, 2011 due primarily to the decrease in the price of our common stock. During the six month period ended June 30, 2011, we recorded a loss from fair value changes in our embedded Convertible Notes derivative of approximately $0.7 million due primarily to an increase in the price of our common stock, which was partially offset by market changes in conventional debt interest rates. Additionally, we recorded a loss from fair value changes in our warrants of approximately $0.6 million during the six month period ended June 30, 2011 due primarily to the increase in the price of our common stock. We did not have any derivatives during 2010.

Reorganization items. In accordance with authoritative accounting guidance, separate disclosure is required for reorganization items, such as certain expenses, provisions for losses and other charges directly associated with or resulting from the reorganization and restructuring of our business, which were realized or incurred during the Chapter 11 Cases. Accordingly, we recorded approximately $2.2 million of professional fees directly related to or resulting from our reorganization process after the Chapter 11 petition date. Additionally, we wrote off approximately $4.5 million of unamortized debt discounts and deferred financing costs related to the Old Notes during the three months ended June 30, 2010. We had no costs recorded as reorganization items during 2011 since we emerged from Chapter 11 on August 31, 2010.

Income taxes. We recorded income tax expense allocated to continuing operations near zero for the three months ended June 30, 2011 and approximately $0.4 million for the six months ended June 30, 2011. For the three months ended June 30, 2010, we recorded an income tax benefit of approximately $0.2 million and recorded income tax expense of approximately $0.1 million for the six months ended June 30, 2010. Our effective tax rate differs substantially from the federal statutory rate primarily due to the application of a valuation allowance that reduced the recognized benefit of our deferred tax assets. In addition, certain state income taxes are calculated on bases different than pre-tax income (loss). This resulted in recording income tax expense in certain states that experience a pre-tax loss.

In accordance with U.S. GAAP, the recognized value of deferred tax assets must be reduced to the amount that is more likely than not to be realized in future periods. The ultimate realization of the benefit of deferred tax assets from deductible temporary differences or tax carryovers depends on the generation of sufficient taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these considerations, we relied upon the reversal of certain deferred tax liabilities to realize a portion of our deferred tax assets and established a valuation allowance as of June 30, 2011 and December 31, 2010 for other deferred tax assets because of uncertainty regarding their ultimate realization.  Our total net deferred tax liability as of June 30, 2011 and December 31, 2010 was $0.7 million.

We reorganized pursuant to Chapter 11 of the Bankruptcy Code under the terms of our Plan with an effective date of August 31, 2010. Under our Plan, our Old Notes were cancelled, giving rise to cancellation of indebtedness income (“CODI”).  The Internal Revenue Code (“IRC”) provides that CODI arising under a plan of bankruptcy reorganization is excludible from taxable income, but the debtor must reduce certain of its tax attributes by the amount of CODI realized under the Plan.  Based on the estimate of CODI and required tax attribute reduction, we believe the effects of the Plan will not cause a significant change in our recorded deferred tax liability.  Our required reduction in tax attributes, or deferred tax assets, will be accompanied by a corresponding release of valuation allowance that is currently reducing the carrying value of such tax attributes.  The allocation of the tax attribute reduction is an estimate and will not be finalized until the 2010 tax return, which includes the effective date of the Plan, is filed.  Any changes in the estimate could impact deferred taxes.

We underwent a change in ownership for purposes of Section 382 of the IRC as a result of our Plan and emergence from Chapter 11 on August 31, 2010.  As a result, the amount of our pre-change net operating losses (“NOLs”) and other tax attributes that are available to offset future taxable income are subject to an annual limitation. The annual limitation is based on the value of the corporation as of the effective date of the Plan.  The ownership change and the resulting annual limitation on use of NOLs are not expected to result in the expiration of our NOL carryforwards if we are able to generate sufficient future taxable income within the carryforward periods.  However, the limitation on the amount of NOLs available to offset taxable income in a specific year may result in the payment of income taxes before all NOLs have been utilized.  Additionally, a subsequent ownership change may result in further limitation on the ability to utilize existing NOLs and other tax attributes.

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Loss from discontinued operations. In August 2010, we entered into a redemption agreement to exit the Michigan market with the divestiture of our interest in Superior. This divestiture closed in September 2010. The results of operations of Superior have been included as discontinued operations for the three and six month periods ended June 30, 2010.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. From time to time, we may enter into noncancelable operating leases that would not be reflected on our balance sheet. At June 30, 2011, we had $20.7 million of undrawn letters of credit outstanding. We are also contingently liable for performance under $61.2 million in performance bonds relating to our ready-mixed concrete and precast concrete operations.

Inflation

We experienced minimal increases in operating costs during the second quarter of 2011 related to inflation. However, in non-recessionary conditions, cement prices and certain other raw material prices, including aggregates, have generally risen faster than regional inflationary rates. When these price increases have occurred, we have been able to partially mitigate our cost increases with price increases we obtained for our products. We have experienced increases in our fuel costs due to recent increases in diesel fuel prices. While we are able to pass some of this cost on in the form of higher prices for our products, the cost of fuel has risen more sharply than our prices.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain risks relating to our ongoing business operations. However, derivative instruments are not used to hedge these risks. We are required to account for derivative instruments as a result of the issuance of warrants and Convertible Notes associated with our emergence from Chapter 11. None of our derivatives manage business risk or are executed for speculative purposes.

All derivatives are required to be recorded on the balance sheet at their fair values. Each quarter, we determine the fair value of our derivative liabilities, and changes result in income or loss. The key inputs in determining fair value of our derivative liabilities of $17.0 million and $15.7 million at June 30, 2011 and December 31, 2010, respectively, include our stock price, stock price volatility, risk free interest rates and interest rates for conventional debt of similarly situated companies. Changes in these inputs will impact the valuation of our derivatives and result in income or loss each quarterly period. A 5% increase in the stock price, volatility and risk free interest rates would increase the value of our warrant derivative liability by approximately $0.7 million, resulting in a loss in the same amount. A 5% decrease would result in a decrease in the warrant derivative liability and income of approximately $0.7 million. A 5% increase in the stock price, volatility and conventional debt interest rates would increase the value of our embedded Convertible Notes derivative liability by approximately $2.1 million, resulting in a loss in the same amount. A 5% decrease would result in a decrease in the value of our embedded Convertible Notes derivative liability and income of approximately $2.1 million. During the three months ended June 30, 2011, we recorded income from fair value changes in our embedded Convertible Notes derivative of approximately $3.7 million, due primarily to a decrease in the price of our common stock and market changes in conventional debt interest rates. Additionally, we recorded income from fair value changes in our warrants of approximately $1.2 million during the three month period ended June 30, 2011, due primarily to the decrease in the price of our common stock.

Borrowings under our Credit Agreement expose us to certain market risks. Interest on amounts drawn varies based on the floating rates under the agreement. Based on the $26.3 million outstanding under this facility as of June 30, 2011, a one percent change in the applicable rate would change our annual interest expense by $0.3 million.

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

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2011, our principal executive officer and our principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), which are designed to provide reasonable assurance that we are able to record, process, summarize and report the information required to be disclosed in our reports under the Exchange Act within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure and to ensure that it is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. During the evaluation of our disclosure controls and procedures as of December 31, 2010, a material weakness in internal control over financial reporting was identified and included in our Annual Report on Form 10-K for the year ended December 31, 2010. This material weakness related to not maintaining effective review and approval practices over the analysis and application of accounting principles associated with significant, unusual and infrequently occurring transactions in accordance with U.S. GAAP. As of June 30, 2011, and as described below, this material weakness was not remediated. As a result, our principal executive officer and our principal financial officer concluded that, as of June 30, 2011, our disclosure controls and procedures were not effective.

In light of the material weakness described above, the Company performed additional analysis and other post closing procedures to ensure our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. Accordingly, management concluded that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Status of Remediation of Material Weakness

We have developed controls surrounding the analysis and application of accounting principles associated with significant, unusual and infrequently occurring transactions. Specifically, for the second quarter of 2011, we obtained signed certifications from our financial and operating personnel regarding the existence of significant, unusual and infrequently occurring transactions. Once identified, we have developed controls related to the review of such transactions by corporate office financial personnel. These controls will be required to have operated for a sufficient period of time to provide reasonable assurance as to their effectiveness. The material weakness will be remediated when, in the opinion of management, the control procedures have been operating for a sufficient period of time and testing can be completed of the operating effectiveness.

Changes in Internal Control over Financial Reporting

As described above, there were changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading “Legal Proceedings” in Note 12, “Commitments and Contingencies,” to our condensed consolidated financial statements included in Part I of this report is incorporated by reference into this Item 1.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and 2(b) are not applicable. The following table provides information pursuant to Item 2(c) with respect to purchases by the company of shares of our common stock during the six month period ended June 30, 2011:

| Calendar Month | Total Number of Shares Acquired(1) | Average Price Paid Per Share |
|---|---|---|
| April 2011 | 7,698 | 9.78 |
| May 2011 | — | — |
| June 2011 | — | — |

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

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Item 6. Exhibits

| | |
|---|---|
| 31.1 | —Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a). |
| 31.2 | —Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a). |
| 32.1 | —Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 | —Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |

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SIGNATURE

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

U.S. CONCRETE, INC.

| | | |
|---|---|---|
| Date: August 5, 2011 | By: | /s/ James C. Lewis<br>James C. Lewis<br>Senior Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) |

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INDEX TO EXHIBITS

| | |
|---|---|
| 31.1 | —Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a). |
| 31.2 | —Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14(a) and Rule 15d-14(a). |
| 32.1 | —Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 | —Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |