Newtonian Economics

"Understanding the Cycle"

Presented at:

Ash Grove Materials
Annual Engineering Seminar

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Overland Park, Kansas

THE GREYSTONE GROUP LLC
INVESTMENT BANKING

Presentation Outline

I. U.S. Macro Economic Overview

II. Economic Assessment of Mid-West Region

  i. Nebraska

  ii. Iowa

  iii. Kansas

  iv. Missouri

  v. Oklahoma

  vi. Arkansas

III. Economic Assessment of Greater Kansas City MSA

I. U.S. Macro Economic Overview

Macro Economic Overview

- As a number of economic indicators attest, the economic recovery is wavering as we enter the fourth quarter of 2002.
- The ten-year Treasury yield hit a 40-year low of well below 4.0 percent as investors flocked to these risk-free securities. Accounting scandals and disappointing profits have caused increased speculation in the economy's ability to rebound.
- Furthermore, the increasingly likely invasion of Iraq has hampered the uneven and uncertain direction of the recovery.
- In a recent press release, the FOMC stated that "considerable uncertainty persists about the extent and timing of the expected pickup in production and employment, owing in part to the emergence of heightened geopolitical risks."

Macro Economic Overview

- The current economic uncertainty notwithstanding, the Federal Reserve recently held the federal funds target rate unchanged at 1.75 percent. While monetary policy remains on hold, policymakers are on guard over the increasingly cloudy landscape. However, softening labor market conditions and fading confidence pose a risk to continued growth of consumer spending.

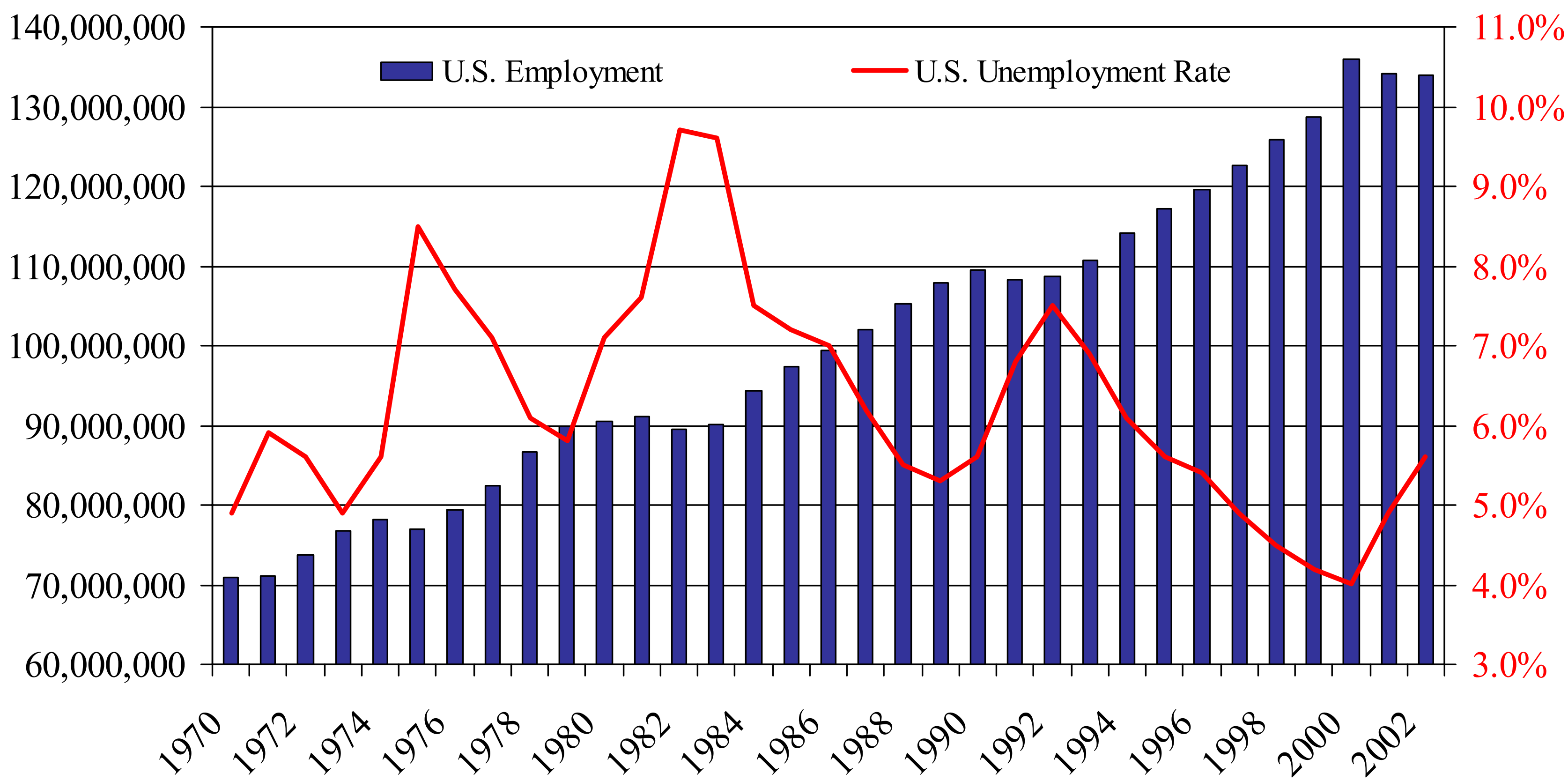
- While growth is not as robust as hoped, the FOMC does believe that moderate growth is occurring and therefore felt no need to provide additional stimulus at this point in time.

- Unfortunately, the recently issued employment report indicated that employment levels were down in September by 43,000. However, the August number was revised up sharply, to a gain of 107,000 jobs.

- Furthermore, the unemployment rate dropped to 5.6 percent in September, down 0.4 percent from the recent high of 6.0 percent in April. In relative terms, 2002 unemployment rates are well below the 7.8 percent rate hit during the 1990-91 recession.

Macro Economic Overview

U.S. Employment & Unemployment Rate
1970-2002



Macro Economic Overview

- Consumer-dependant industries have been the pillar of the fragile recovery. As a whole, consumer industries are performing far better than other industries with revenues growing 7.5 percent this year.

- For example, consumer spending on houses and housing-related goods, as well as automobiles, have been an important source of strength in the current economy.

- Although consumers continue to respond to extraordinary deals, evidence is mounting that the support of consumer spending is beginning to crumble. Even recession-resistant WalMart is experiencing softer sales growth.

Macro Economic Overview

- So what does this mean for the construction industry?
- Driven by strong economic and demographic growth, the U.S. construction industry had a record year in 2001 with continued growth in population, construction employment, construction spending and construction materials consumption.
- Accordingly, construction spending and construction materials consumption once again outperformed the prior year in terms of total numbers, although growth rates appear to be moderating in line with the overall economy.
- Just as the U.S. economy has gone through periods of fast growth, followed by periods of moderation or correction, the U.S. construction industry has been predictably cyclical.

Macro Economic Overview

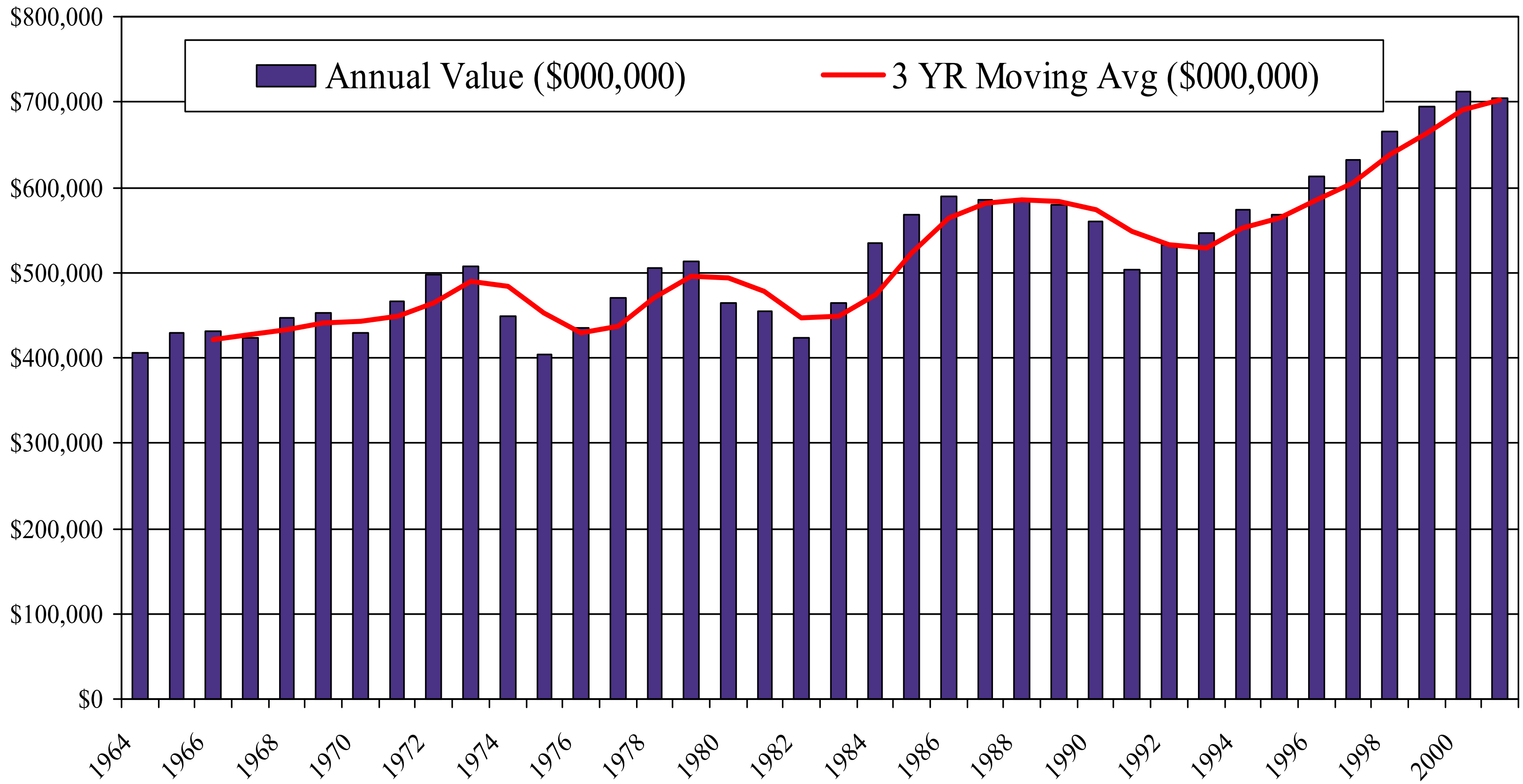
- With the National Bureau of Economic Research (NBER) officially declaring March 2001 as the peak in economic activity, we closed the chapter on the fourth, and strongest, period of economic activity since the 1960s.

- This most recent expansion was particularly favorable given its consistent strong growth compared to the prior three cycles, which either saw a shorter and more aggressive growth curve (75-82 and 82-91), or a longer but less consistent expansion (64-75).

- In our opinion, during the next few years we will see a less severe down cycle, because (1) the latest expansion started more moderately, (2) was affected by varying regional pacing, (3) the market will continue to benefit from a strong and diversified economy driven by improved productivity and smarter fiscal policy, and (4) the market will enjoy smoothing due to federal spending programs (i.e. TEA-21).

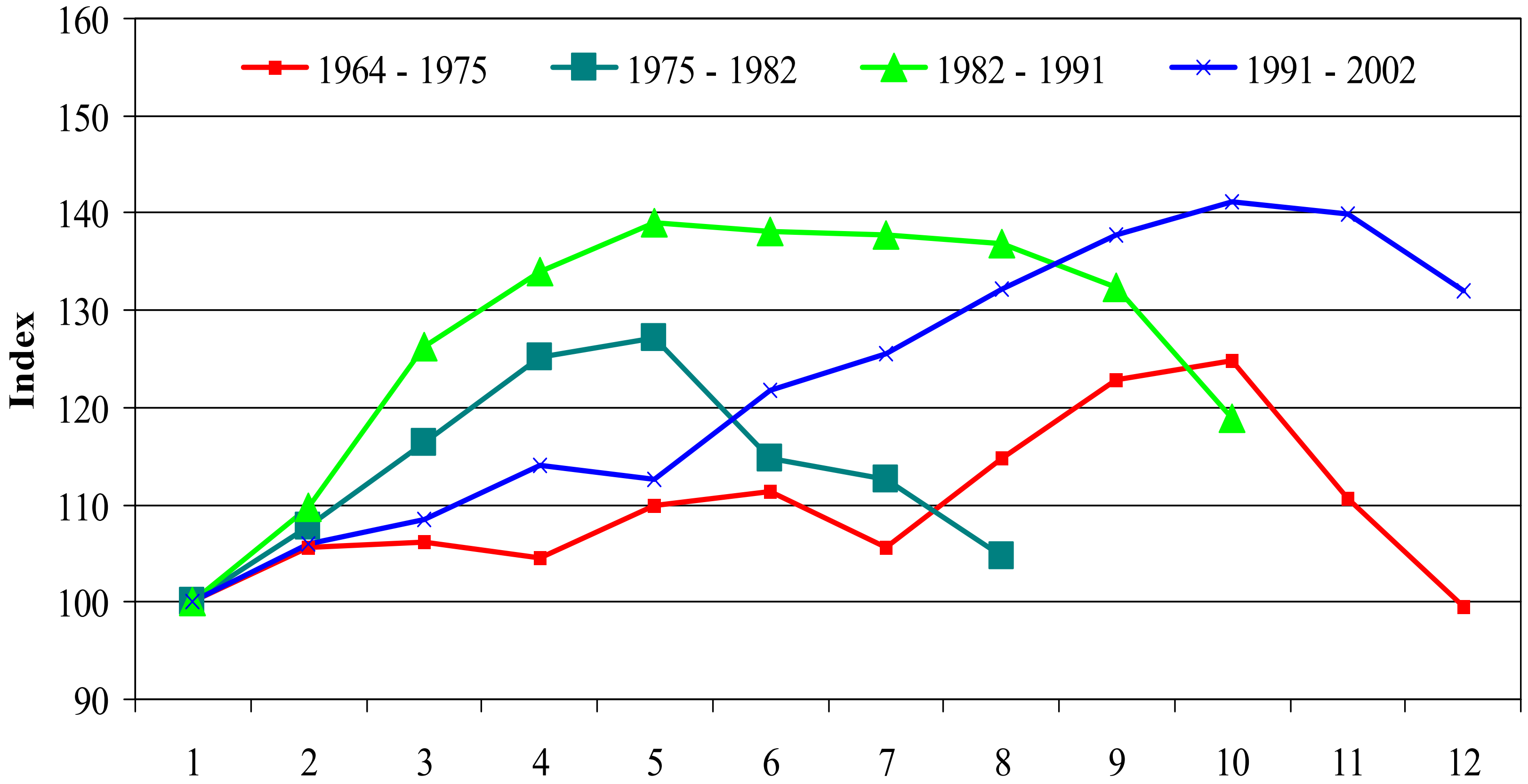
Macro Economic Overview

Total Value Put In Place



Macro Economic Overview

Total Value Put In Place
Indexed Cycle Comparison



Macro Economic Overview

- Currently, the United States is home to an estimated 278 million residents filling 134 million non-farm jobs. Approximately 6.8 million, or 5.1 percent of total non-farm employment, are employed in the construction industry.

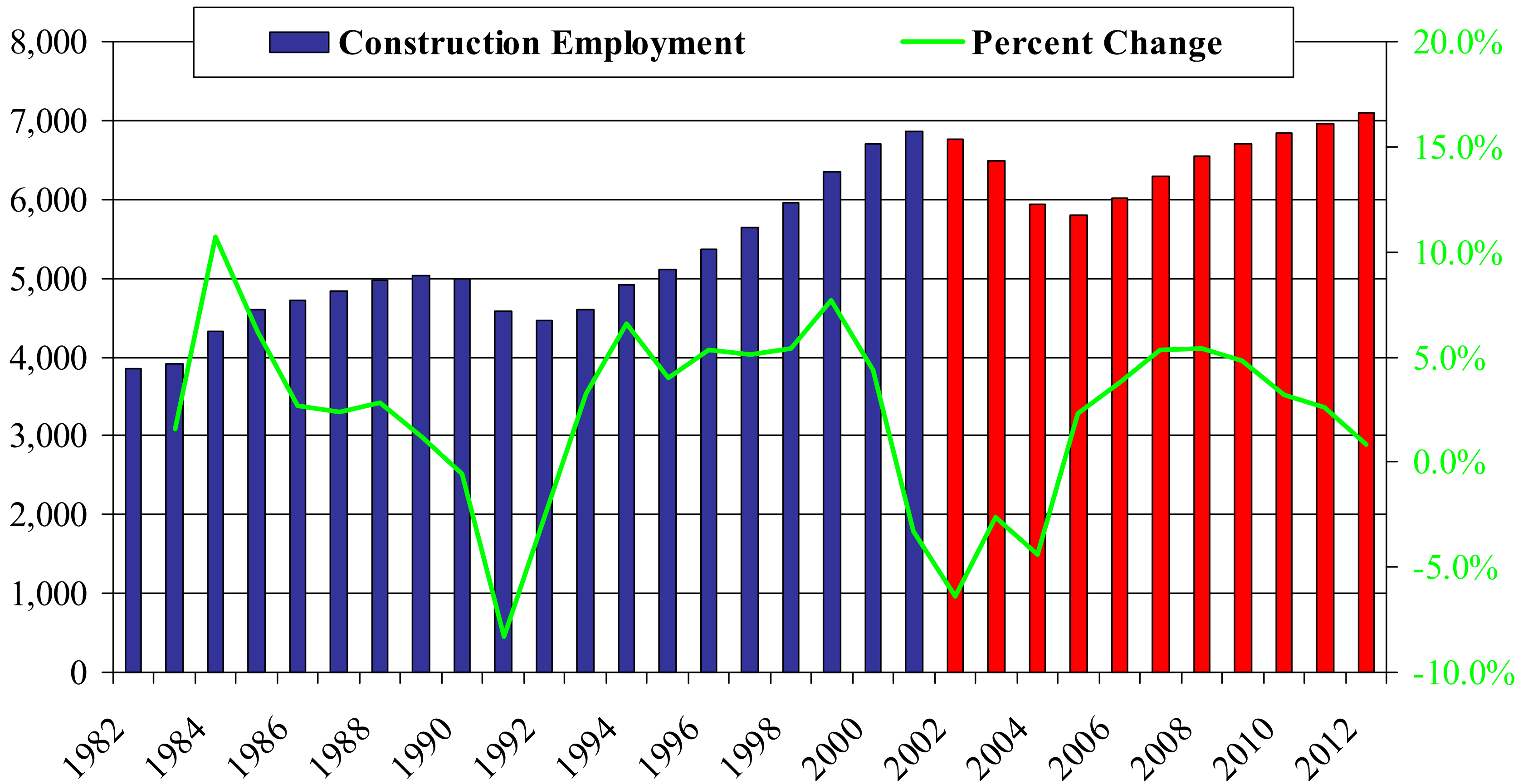
- During the past eighteen years, U.S. construction employment has recorded overall positive but cyclical growth, averaging a compound annual growth rate (CAGR) of 3.1 percent.

- Strong homebuilding and home sales have been the only promising indicator in the current economic environment. Residential construction employment has increased by more than 83,000 during the past six months while new home sales reached a record level in August.

- During the next decade construction employment is cast to increase at a CAGR of 1.5 percent, bringing construction employment to a record high of over 6.9 million employees by 2011. A more tempered growth rate reflects today's current high levels of activity.

Macro Economic Overview

U.S. Construction Employment
(000 Persons)

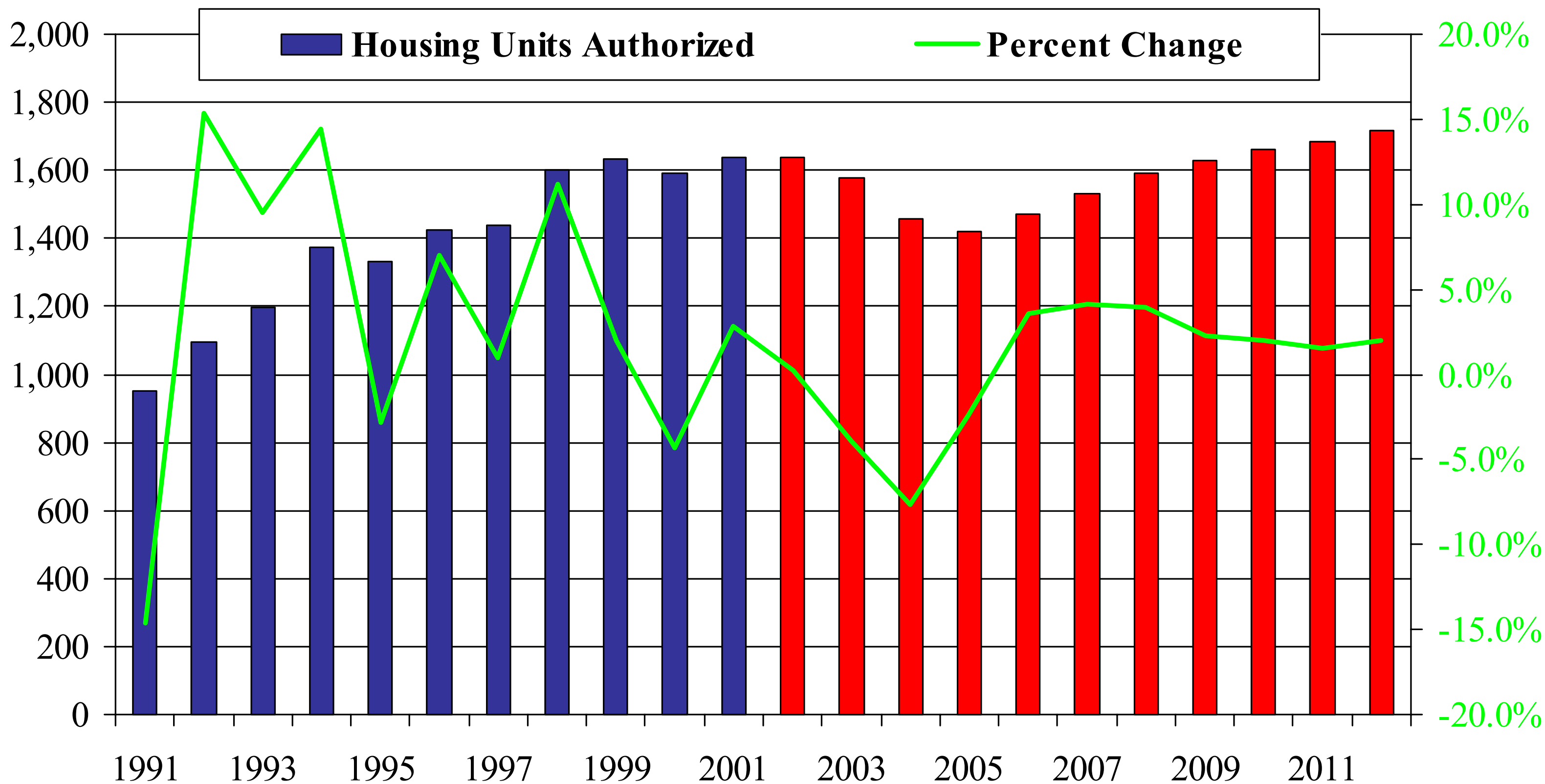


Macro Economic Overview

- Over the past ten years, annual housing permits have increased by 688,000 units from 949,000 units in 1991 to 1.6 million in 2001, an annual increase of 5.6 percent.
- As lending rates came down during 2001, residential permits increased by 2.8 percent to just over 1.6 million units.
- August year-to-date housing permits are in line with those from the same period in 2001, suggesting that housing permits for the year should again approximate 1.6 million units. This is the result of continuing low interest rates.

Macro Economic Overview

U.S. Housing Permits
(000 Units)



Macro Economic Overview

<u>Cement Consumption</u>

- With continued growth in population and in residential, commercial and public construction during the next decade, cement and related materials will continue to be in high demand.

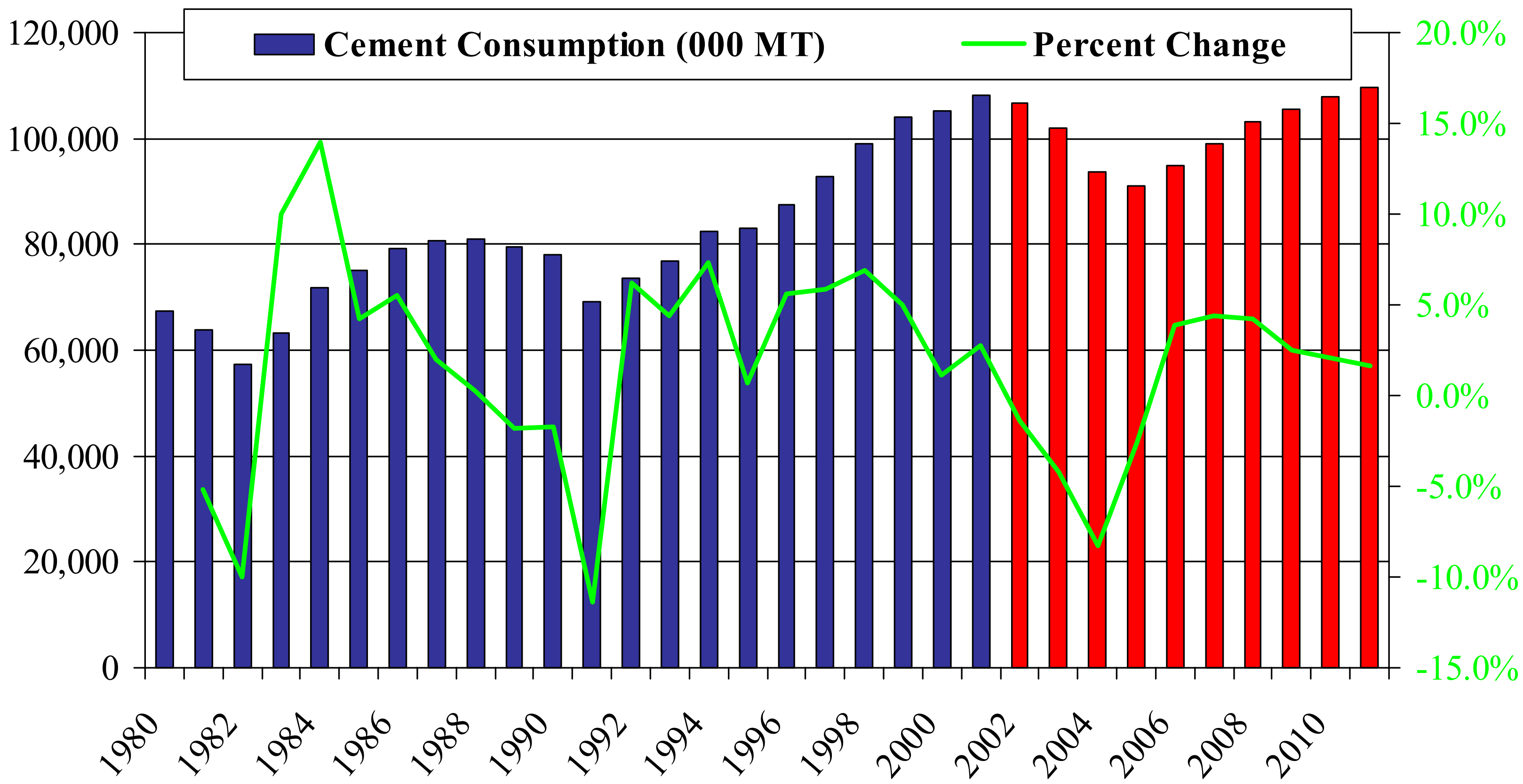
- Cement consumption has grown by nearly 39 million tons over the past ten years, averaging 4.6 percent annual growth, or almost 4 million tons per year.

- Over the next four years cement consumption is projected to contract by 17 million tons to 91.2 million tons in 2005, an annual decline of 4.2 percent or 4.2 million tons.

- Beyond 2005, cement consumption is forecast to increase by 18 million tons, or 3.1 percent per year, reaching 110 million tons by 2011.

Macro Economic Overview

U.S. Cement Consumption
(000 Metric Tons)



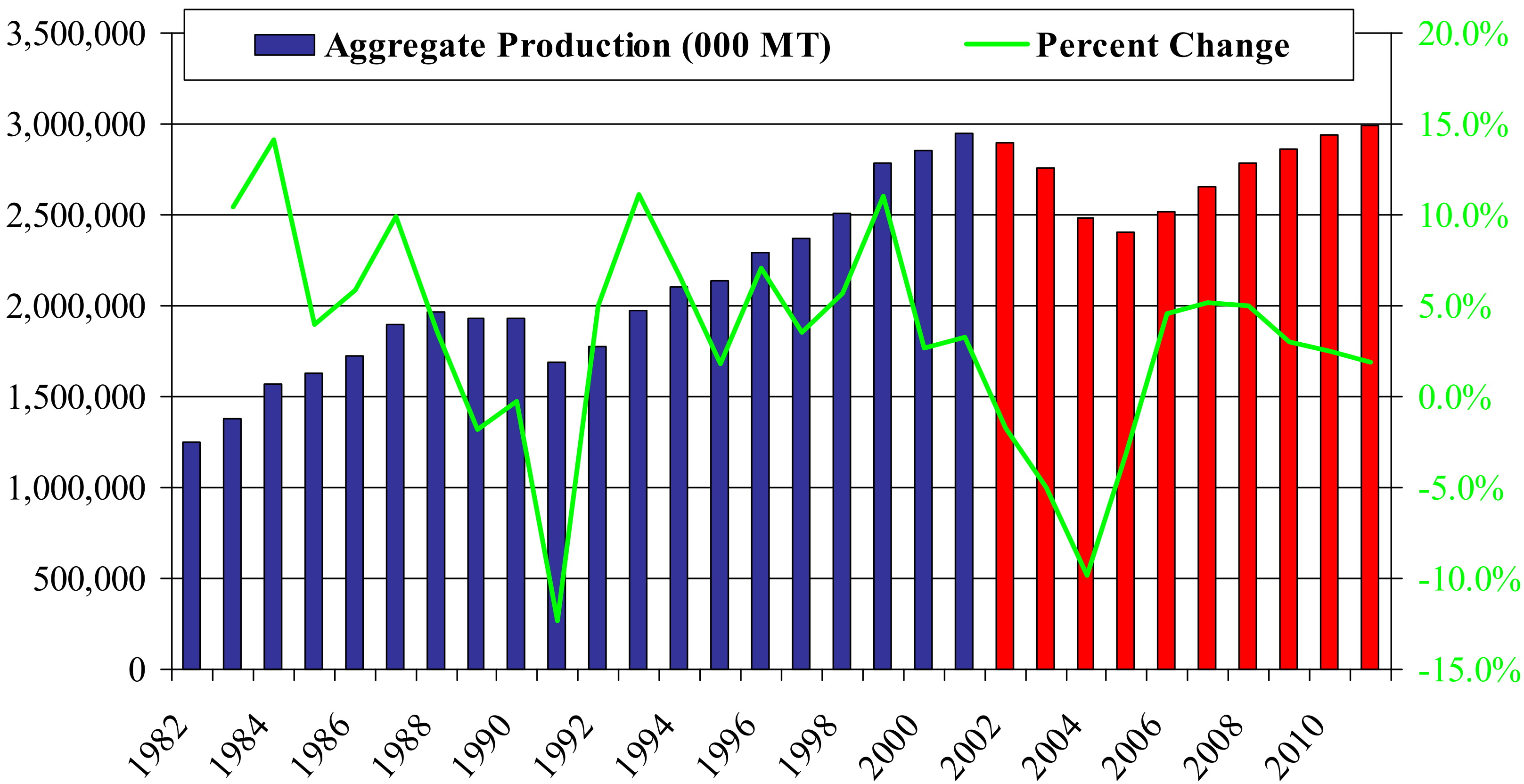
Macro Economic Overview

Aggregate Production

- The 5.7 percent compound annual growth rate (CAGR) in aggregate production over the past decade has been even greater than that of cement. The production of aggregate has increased a total of 1.2 billion tons during the last decade, from the 1991 level of roughly 1.7 billion to last year's level of over 2.9 billion.
- These growth numbers, although impressive, are not sustainable in the long term. Consequently, aggregate production in the near future will experience a downturn resulting in an average annual decline of 5.0 percent. In 2005, aggregate production is forecast to be 2.4 billion tons, 542 million tons less than current levels.
- This correction will enable a return to positive growth by 2006 and into the remainder of the decade, with production levels reaching 3.0 billion tons in 2011.

Macro Economic Overview

U.S. Aggregate Production
(000 Metric Tons)



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Macro Economic Overview

<u>Ready Mix Concrete Consumption</u>

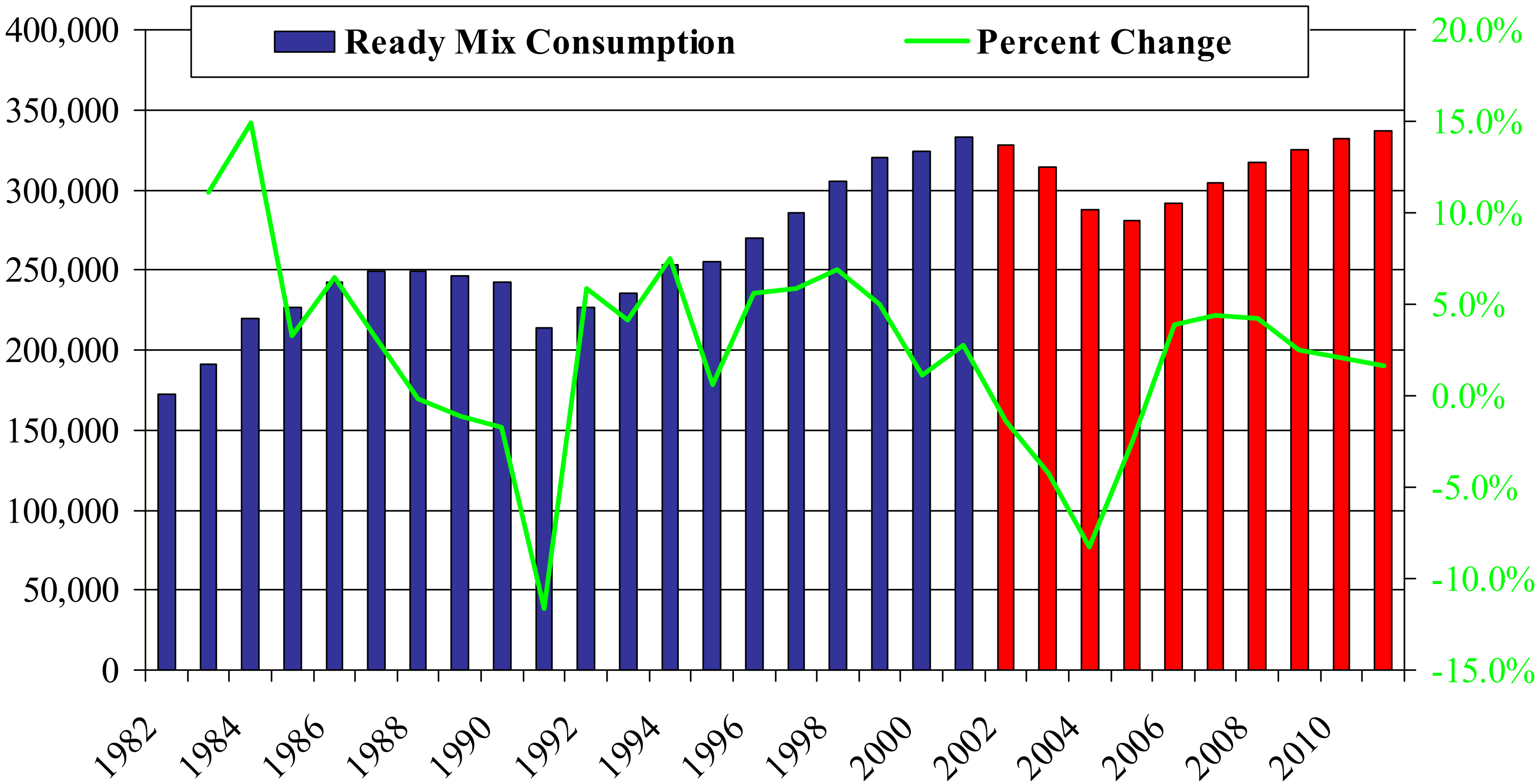
- As expected because of cement and aggregate growth, ready mix concrete has also experienced remarkable growth over the past decade.

- While demand for ready mix concrete grew by 4.5 percent since 1991, demand is estimated to grow at a more moderate average annual rate of 1.1 percent over the next ten years, from 332 million cubic yards in 2001 to 337 million cubic yards in 2011.

- In the same fashion as cement, concrete demand will diminish over the next four years at an annual rate of 4.2 percent, rebounding in 2006 and continuing its growth during the latter half of the decade.

Macro Economic Overview

U.S. Ready Mix Concrete Consumption
(000 Cubic Yards)

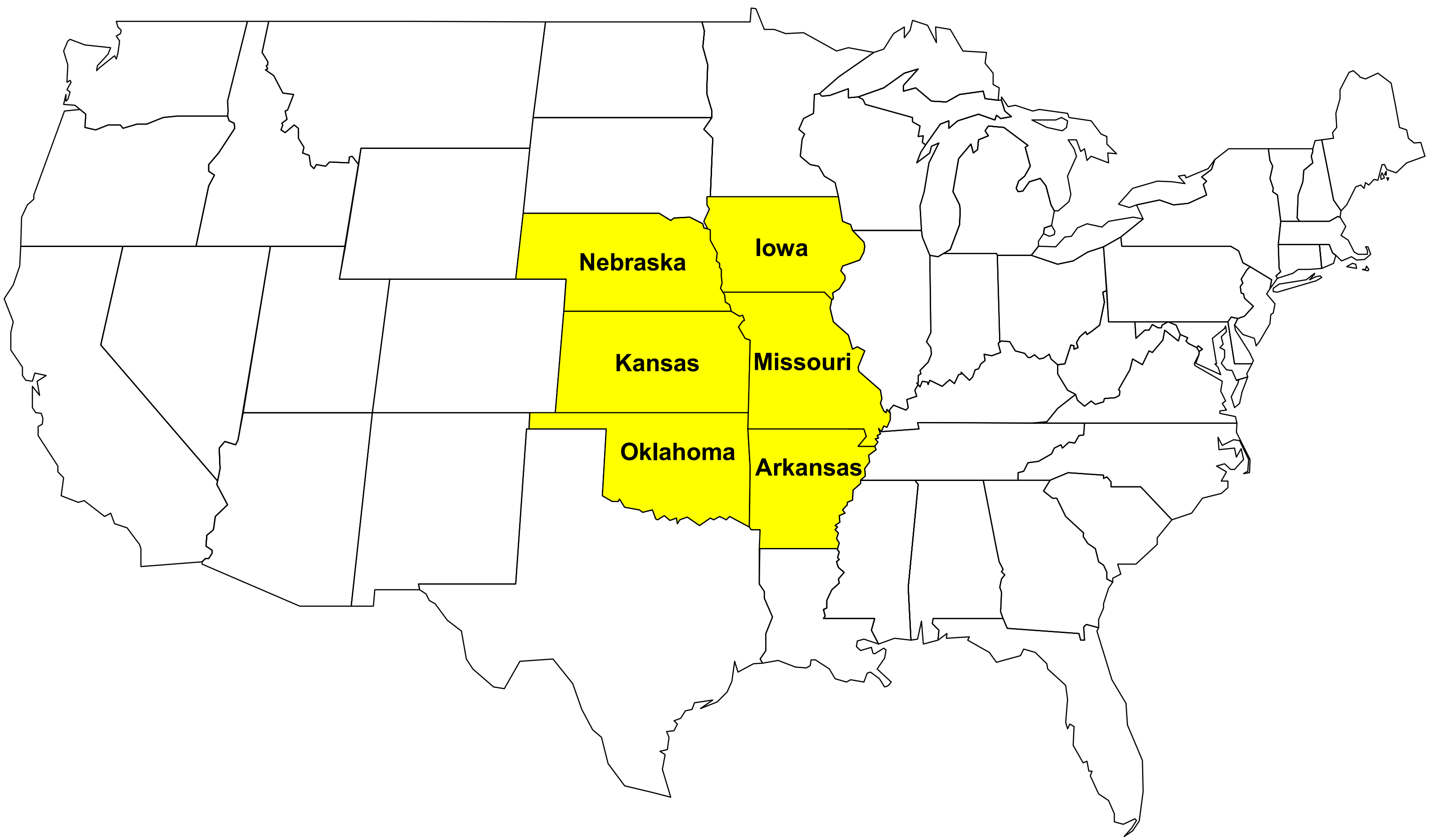


II. Economic Assessment of Mid-West Region

ASH GROVE

GRACE

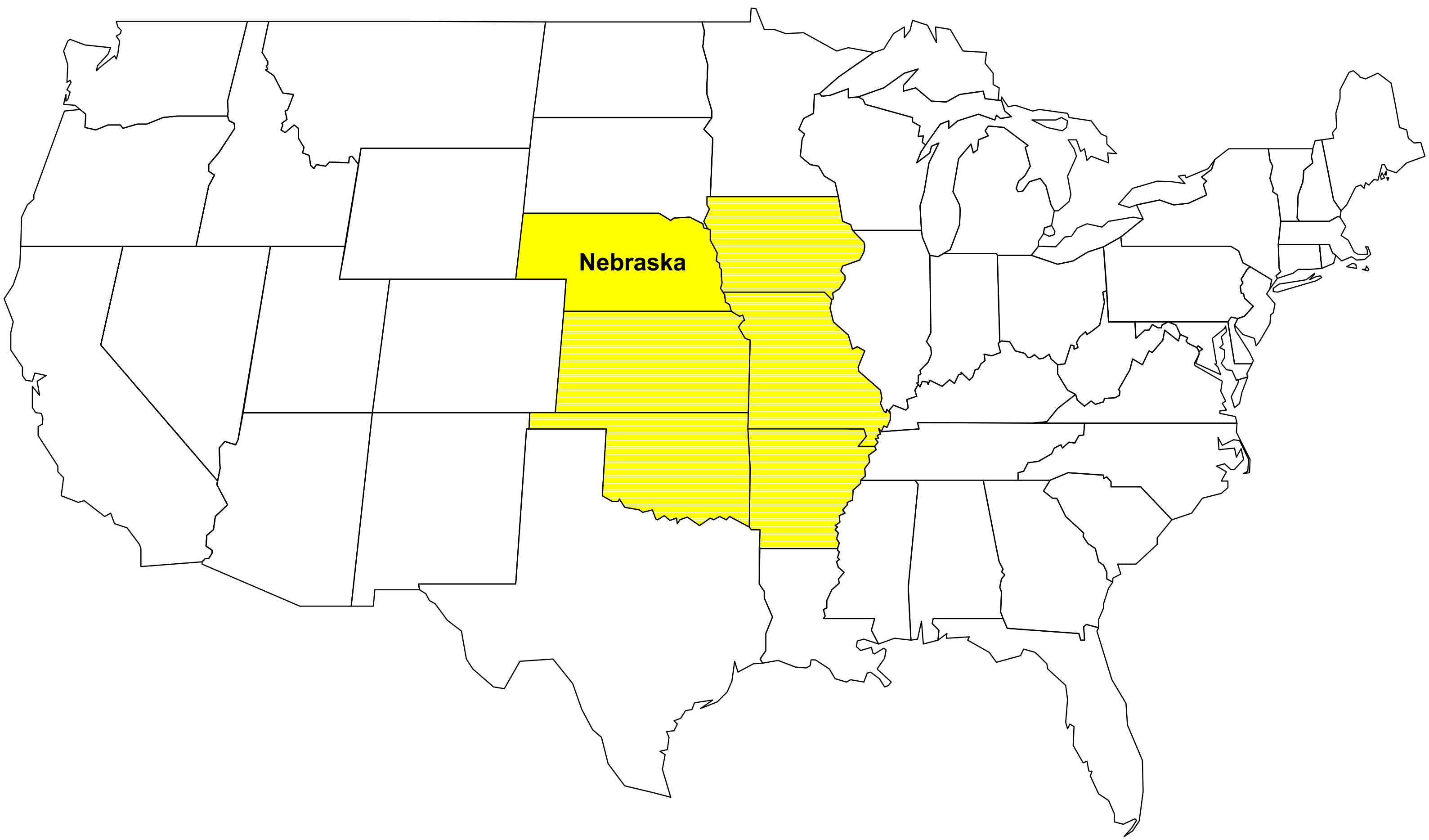
Economic Assessment Mid-West Region



ASH GROVE

GRACE

Economic Assessment Nebraska



The Greystone Group LLC

Investment Banking

Economic Assessment
Nebraska

	1992-2001	2002-2011
Population		
Average Annual % Change	0.7	1.0
Real Annual Increase (000s)	11.7	18.4
Housing (000 Units)		
Average Annual Permits	8.6	9.3
Cement Consumption (000 MT)		
High	1,201	1,544
Low	808	1,191
Average	980	1,361
Aggregate Production (000 MT)		
High	22,590	28,224
Low	15,963	18,491
Average	19,954	23,084

Economic Assessment
Nebraska

- With 77,358 square miles, Nebraska ranks 16th in total land area, but 38th in population with 1,713,000 people.

- The majority of Nebraska's population is concentrated in the eastern half of the state, which includes Nebraska's two major cities – Lincoln, the capitol and an important insurance center, and Omaha, the state's largest city.

- With over 723,000 residents, or 42 percent of the state's population, Omaha is clearly the largest commercial center in Nebraska and the surrounding area.

- As Nebraska's second largest MSA, Lincoln's 252,000 people represent nearly 15 percent of the state's total population.

Economic Assessment
Nebraska

- Over the past ten years, Nebraska's population averaged an annual growth rate of 0.7 percent, 0.3 percent under the national average of 1.0 percent. The decrease and net outmigration in most rural counties were the main reasons for the state's modest population growth over the last decade.

- Nebraska has been successful at attracting new industries and diversifying it agricultural based communities. Back-office service centers and call centers have been important contributors.

- The state's business center in Omaha has attracted companies in financial services, business services, transportation and construction.

- Corporate headquarters for large growing corporations, such as Berkshire Hathaway and Peter Kiewit and Sons, are supporting the expansion of ancillary service firms in Omaha.

Economic Assessment Nebraska

- Despite achievements in attracting new jobs in new industry sectors, agriculture remains the most important industry. An estimated one in every four Nebraskans depend on some form of agriculture for employment.

- A solid anchor in agriculture, manufacturing and tourism has allowed the state stable growth in employment levels. The state even saw job growth during 1990-1991 when the nation experienced a recession.

- Tourism is Nebraska's third leading industry. Some of Omaha's attractions for regional and national tourists include the Henry Doorly Zoo, Eugene T. Mahoney State Park, Fort Atkinson State Park, and Scotts Bluff National Monument.

- Just as Nebraska did not slide into the depths of recession along with the national economy, it is not expected to experience a spectacular rise in the next few years. Slow growth will characterize the Nebraska economy in the near future with a possible return to more normal growth rates after a couple of years.

Economic Assessment
Nebraska

- Over the past ten years, non-farm employment grew at an average rate of 2.1 percent from 740,000 in 1991 to 909,000 in 2001, just above the national growth rate of 2.0 percent.

- As of August, total non-farm employment was down 0.6 percent from levels this time last year with the number of non-farm jobs totaling 904,500. Looking forward, employment growth is forecast to average 1.9 percent over the next ten years with employment levels reaching 1 million by 2006.

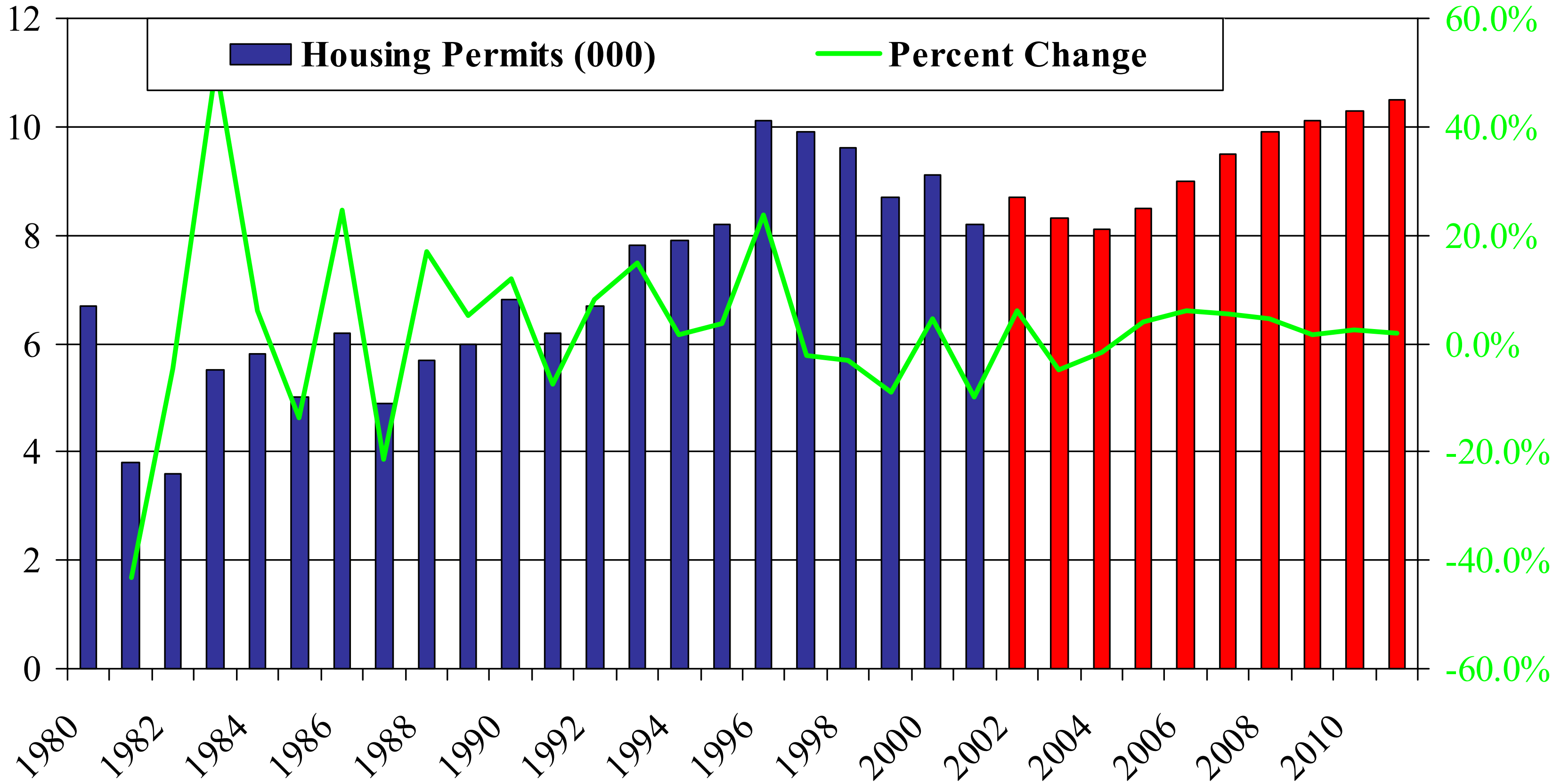
- Construction employment, which accounts for 4.7 percent of total non-farm employment, has also averaged 4.7 percent annual growth over the past ten years. In the decade ahead, construction employment growth is forecast to be below historic levels, averaging 3.6 percent growth.

Economic Assessment Nebraska

- The historic growth in construction employment was one result of the strong residential construction market during the past twenty years.
- Between 1987 and 1996, the number of housing permits more than doubled to over 10,000. Since 1996, housing permits have fallen to a level equal to that of 1995.
- Last year, the number of housing permits decreased by 10 percent, a decrease from 9,105 units in 2000 to 8,198 units in 2001. This decline consisted of a 22 percent decrease in metropolitan Nebraska and an increase of 26 percent in the remainder of the state.
- As of August of this year, Nebraska posted year-to-date totals of 6,150 units authorized, a 7.0 percent increase from the same month last year. An increase of 5.9 percent is forecast for all of 2002. Housing permits are forecast to reach 10,500 by 2011.

Economic Assessment Nebraska

Housing Permits



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Economic Assessment
Nebraska

Cement Consumption

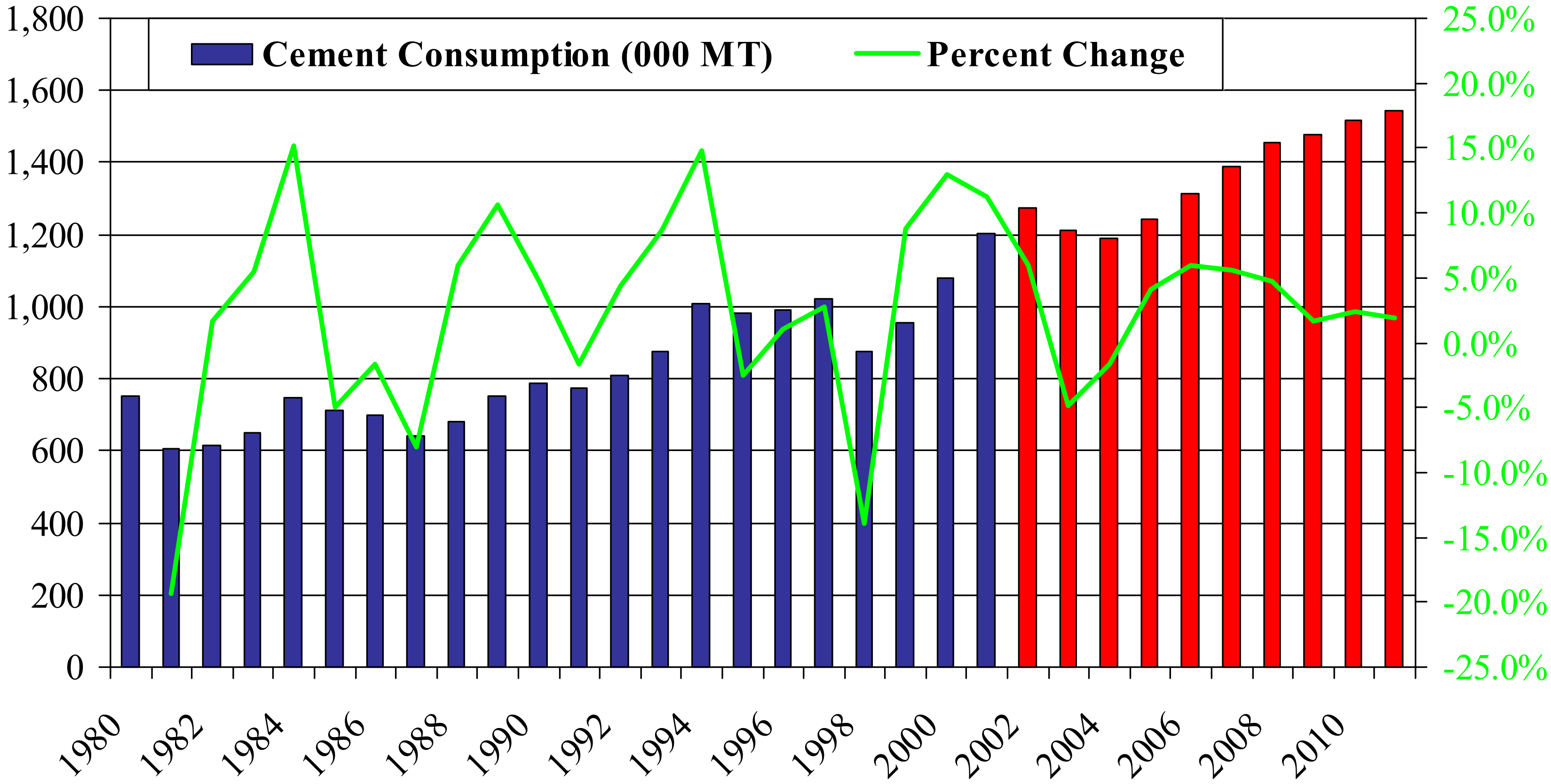
- A cooling in residential activity over the past six years will continue to impact materials consumption in the near future.

- During the 1990's, cement consumption grew by 282,000 tons from 774,000 in 1991 to nearly 1.1 million tons in 2000. However, consumption increased 11.3 percent to over 1.2 million tons last year.

- Current year to date figures suggest that cement consumption will advance by 5.9 percent in 2002 with declines expected in 2003 and 2004, falling back below 1.2 million tons in 2004. This correction should be followed by steady increases during the remainder of the decade, surpassing 1.5 million tons in 2011.

Economic Assessment Nebraska

Cement Consumption



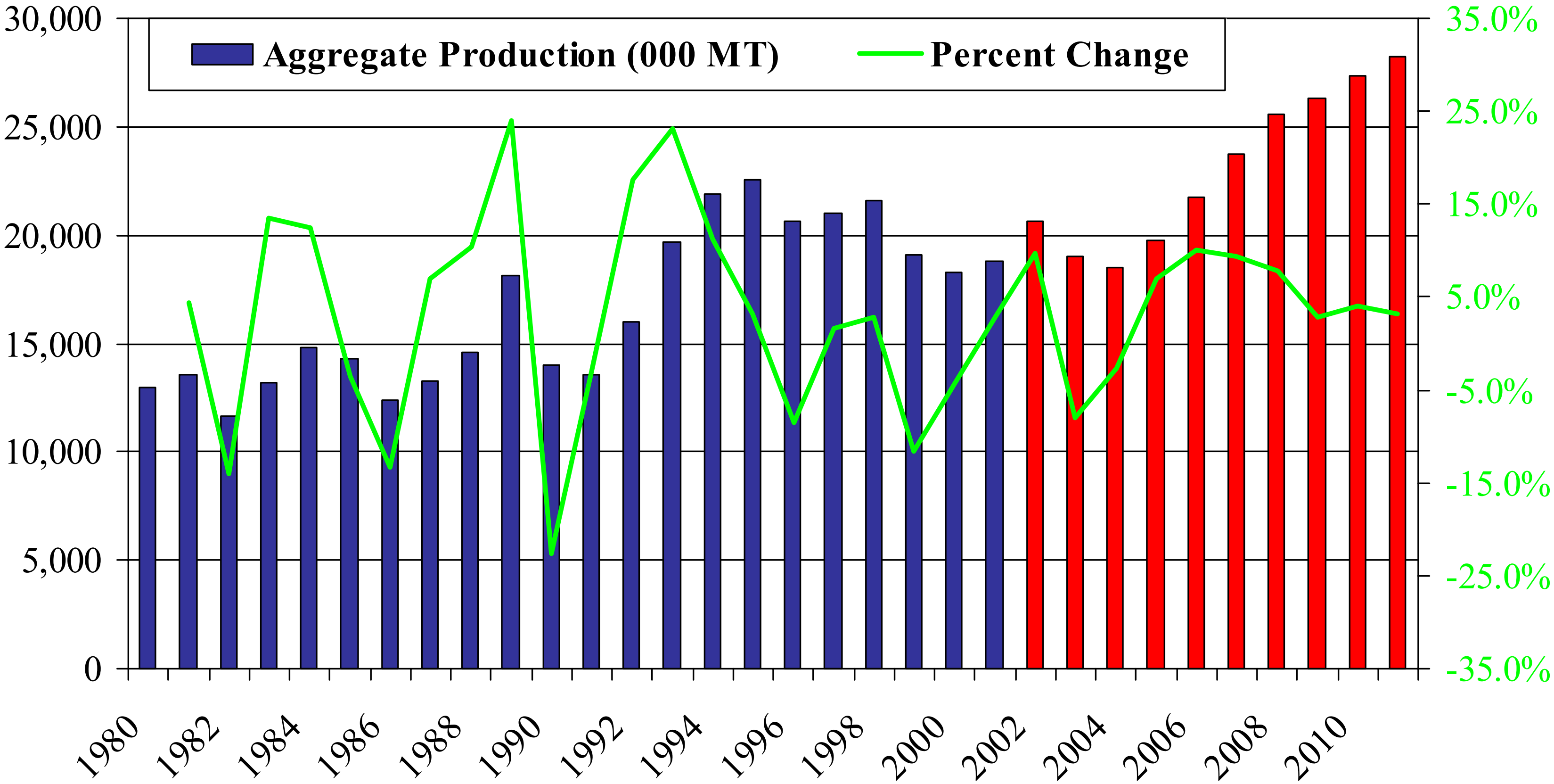
Economic Assessment
Nebraska

Aggregate Production

- During the past ten years, aggregate production averaged 19.5 million tons compared to only 14.0 million tons during the 1980s, a difference of 5.5 million tons.
- Much like housing permits, aggregate production peaked in the mid 1990’s and has experienced a downtrend for the past six years. However, aggregate production grew by 2.8 percent last year.
- Aggregate production is projected to reach 26 million tons in 2011, averaging 3.4 percent annual growth during the decade ahead.

Economic Assessment Nebraska

Aggregate Production



Economic Assessment
Nebraska

Ready Mix Concrete Consumption

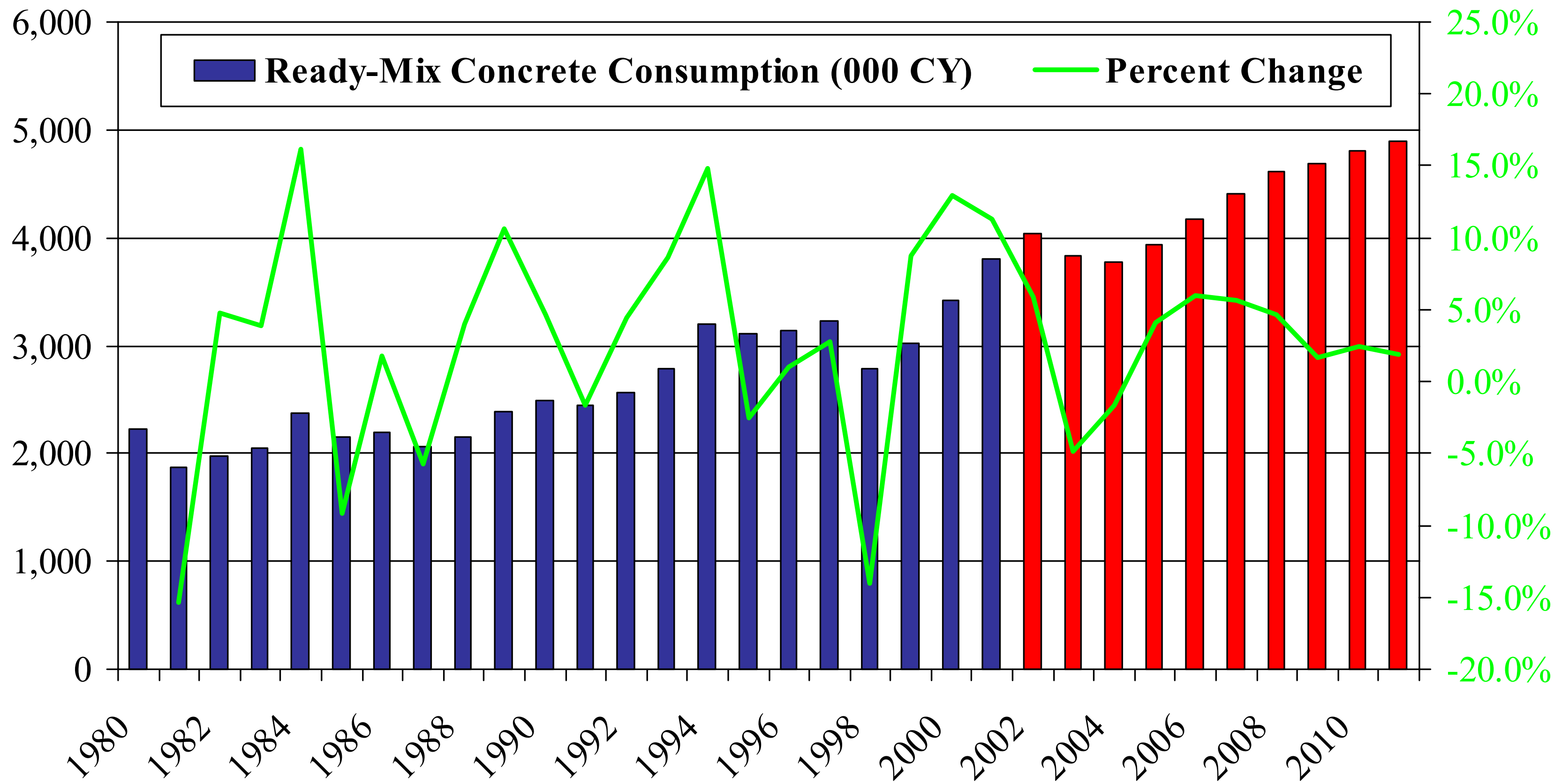
- During the past twenty years, ready mix concrete consumption has escalated from 2.0 million cubic yards in 1982 to almost 3.8 million cubic yards in 2001. The majority of this gain was realized during the 1990s, as growth averaged 3.6 percent per year compared to 1.2 percent per year growth during the 1980s.

- Ready mix consumption is expected to average 3.9 million cubic yards per year over the next ten years, up from an average of 3.1 million cubic yards per year during the past decade.

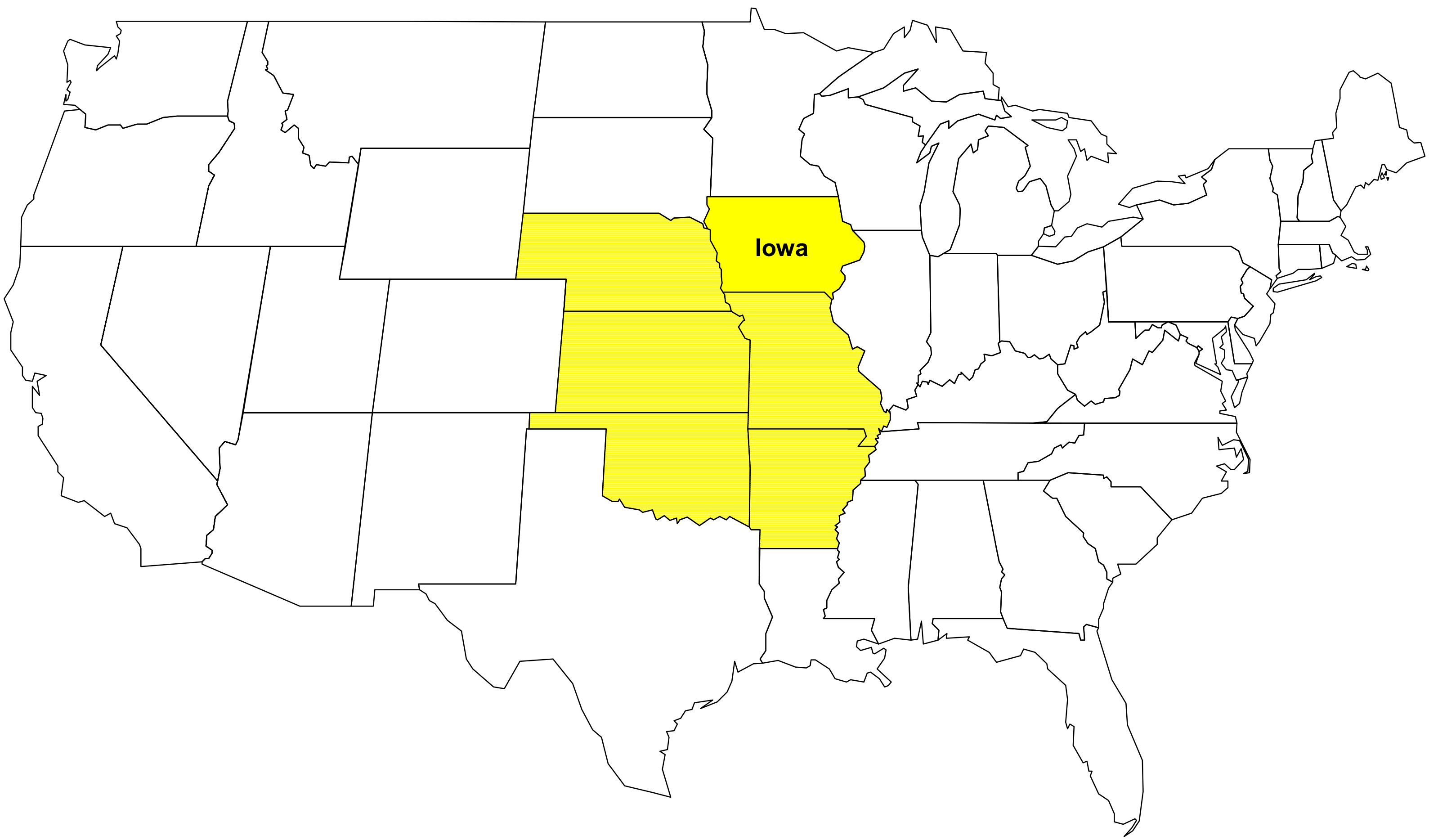
- By 2011, ready mix consumption is forecast to be almost 4.9 million cubic yards.

Economic Assessment
Nebraska

Ready Mix Concrete Consumption



Economic Assessment
Iowa



Economic Assessment
Iowa

	1992-2001	2002-2011
Population		
Average Annual % Change	0.4	0.3
Real Annual Increase (000s)	12.5	7.6
Housing (000 Units)		
Average Annual Permits	12.0	13.5
Cement Consumption (000 MT)		
High	1,739	2,039
Low	1,308	1,843
Average	1,580	1,937
Aggregate Production (000 MT)		
High	55,400	62,732
Low	47,100	56,109
Average	51,081	59,262

Economic Assessment
Iowa

- With the Missouri River to the west and the Mississippi to the east, Iowa is located in the heart of America and is the only state bordered by two navigable rivers.
- With approximately 2.9 million residents, Iowa ranks 30th in population and 23rd in land area.
- Des Moines is the largest commercial center in Iowa with a population of 463,000 and a workforce of 291,000.
- After significant net out-migration during the first half of the 1980's, Iowa's demographic trend took a positive turn in 1988 and the state has seen growth almost every year since.
- However, Iowa's 0.4 percent population growth over the past decade is well below the national average. This below average growth is expected to continue throughout the decade ahead.

Economic Assessment Iowa

- With the exception of last year, the state has been able to expand its workforce every year since 1987, albeit at a relatively modest pace.
- Iowa's unemployment rate dropped from 4.0 percent in July to 3.7 percent in August. This below average jobless rate is not surprising as Iowa's unemployment rate has consistently been one of the lowest in the nation.
- Although the unemployment rate is still higher than the 3.4 percent level reported for the same month one year ago, total employment matched the record level that was set in May of this year.
- Agriculture is the leading industry in Iowa with more than 97,000 farms. The largest source of personal income for Iowans is manufacturing, followed by services, trade, and government.
- Iowa has a strong-hold in manufacturing with companies such as Deere and Company, which alone employs more than 10,000 workers.

Economic Assessment
Iowa

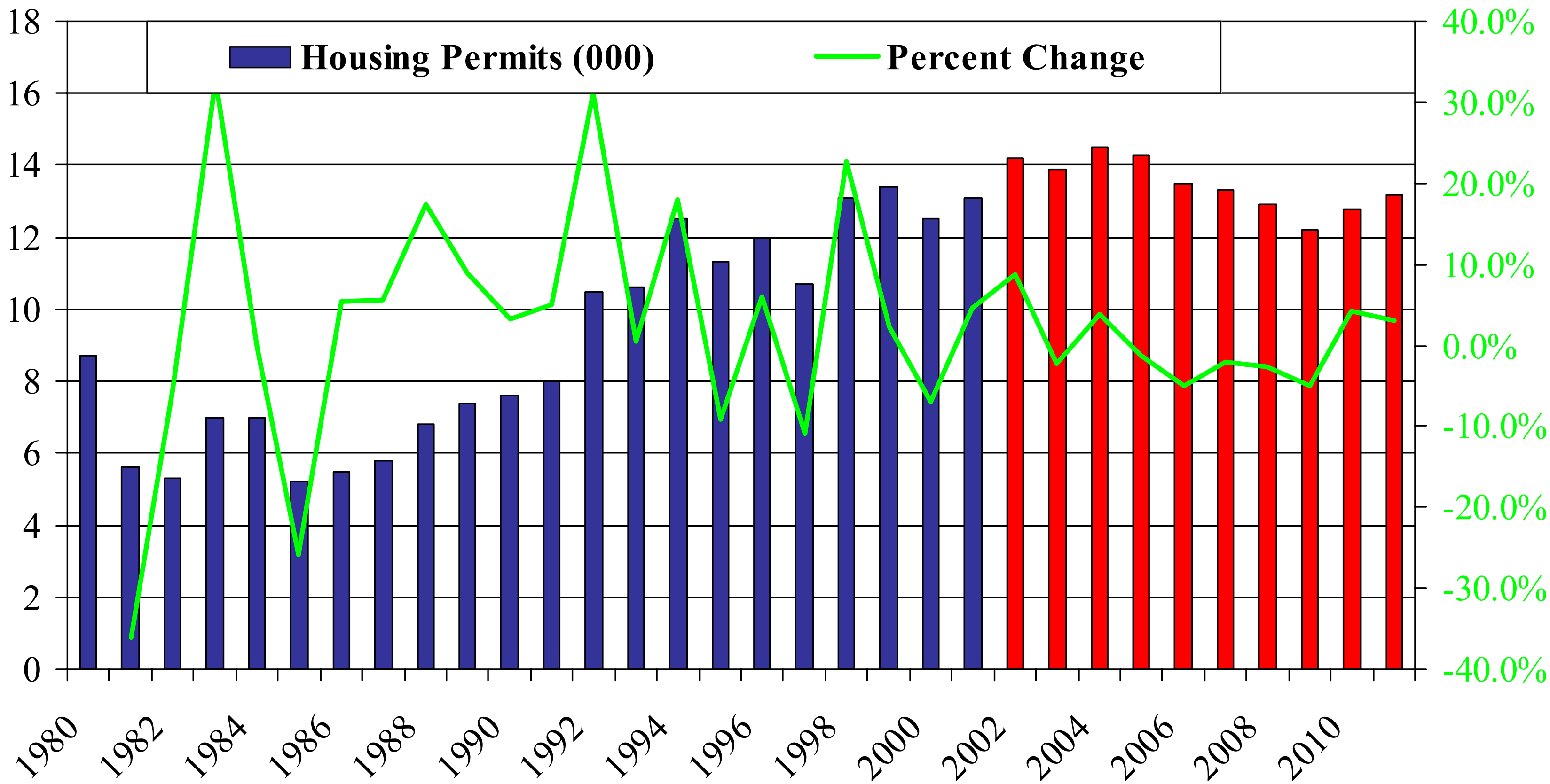
- Non-farm employment in Iowa has averaged a steady 3.4 percent growth over the last ten years. Additionally, non-farm employment reached a record level with 1,464,500 jobs reported in August of this year. Job growth occurred in all of the major divisions except mining and durable goods manufacturing.

- While the service and trade sectors comprise the largest percentage of non-farm employment with 26.9 percent and 23.9 percent, respectively, construction accounted for 4.3 percent in 2001. Like non-farm employment, construction employment has increased at an annual rate of 3.4 percent over the last ten years. Iowa has experienced fourteen straight years of construction employment growth.

- The number of housing permits has also shown steady growth over the past sixteen years, although at a much more volatile pace. Housing permits grew 5.8 percent per year over the last ten years, peaking in 1999 at 13,400.

- Between 1985 and 1991, housing permits grew at a steady 7.4 percent. In 1992, as Iowa's population growth rate peaked at 0.7 percent, the number of housing permits leaped by 2,500 units. Since then, housing permits have continued to increase, although with a higher degree of variability.

Economic Assessment
Iowa
Housing Permits



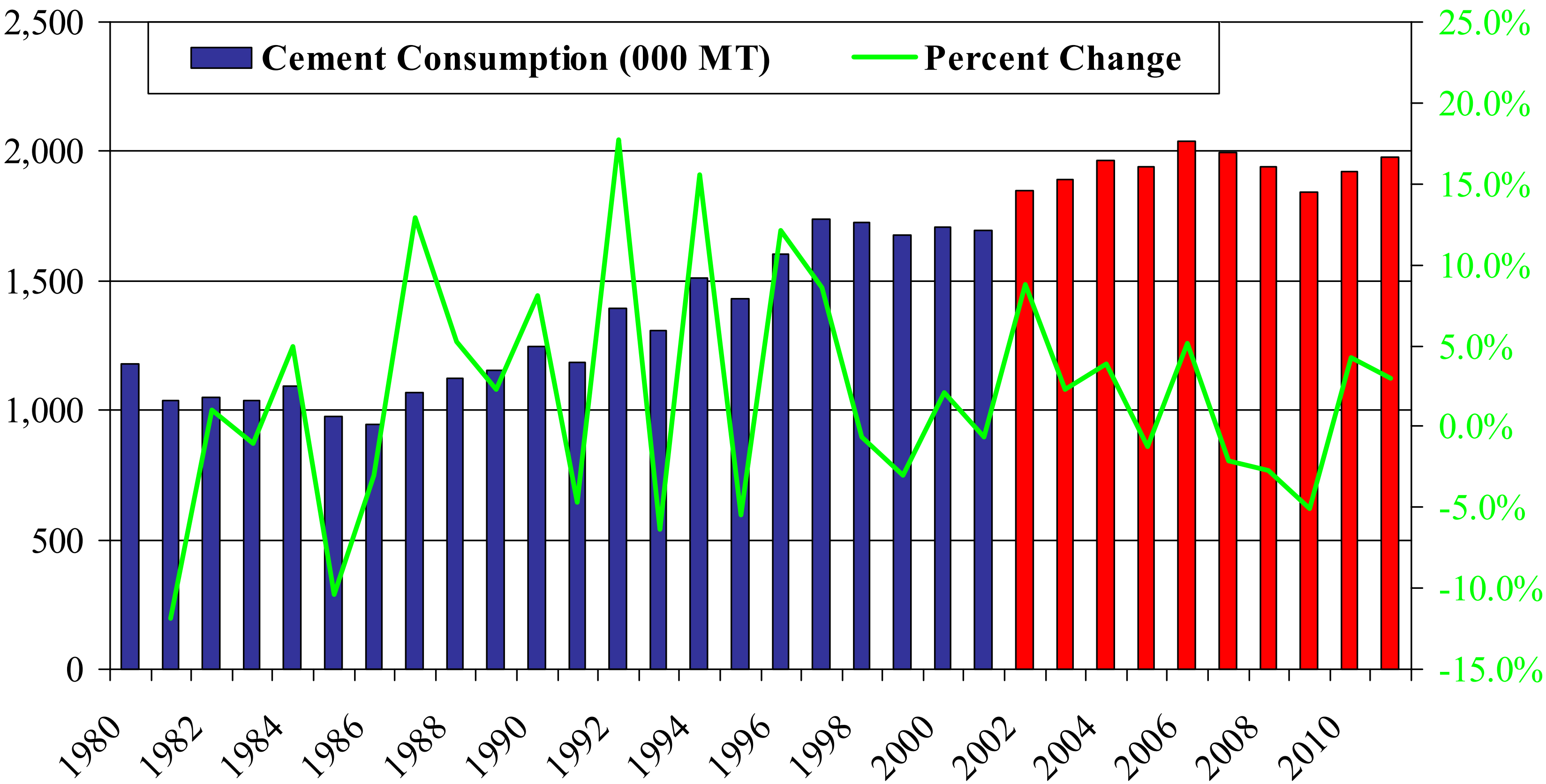
Economic Assessment
Iowa

Cement Consumption

- Cement consumption has experienced steady growth over the past ten years, averaging 3.6 percent per year, almost one percent below the national average of 4.5 percent. Cement consumption has increased by approximately 300,000 tons during this timeframe.
- Over the past five years, cement consumption remained relatively flat with an overall decline of 41,000 tons, or 0.6 percent, between 1997 and 2001.
- Cement consumption is projected to grow 3.7 percent between 2002 and 2006. However, due to a 3.3 percent decline between 2006 and 2009, the ten-year average growth rate is projected to be 1.5 percent per year.

Economic Assessment
Iowa

Cement Consumption



Economic Assessment Iowa

Aggregate Production

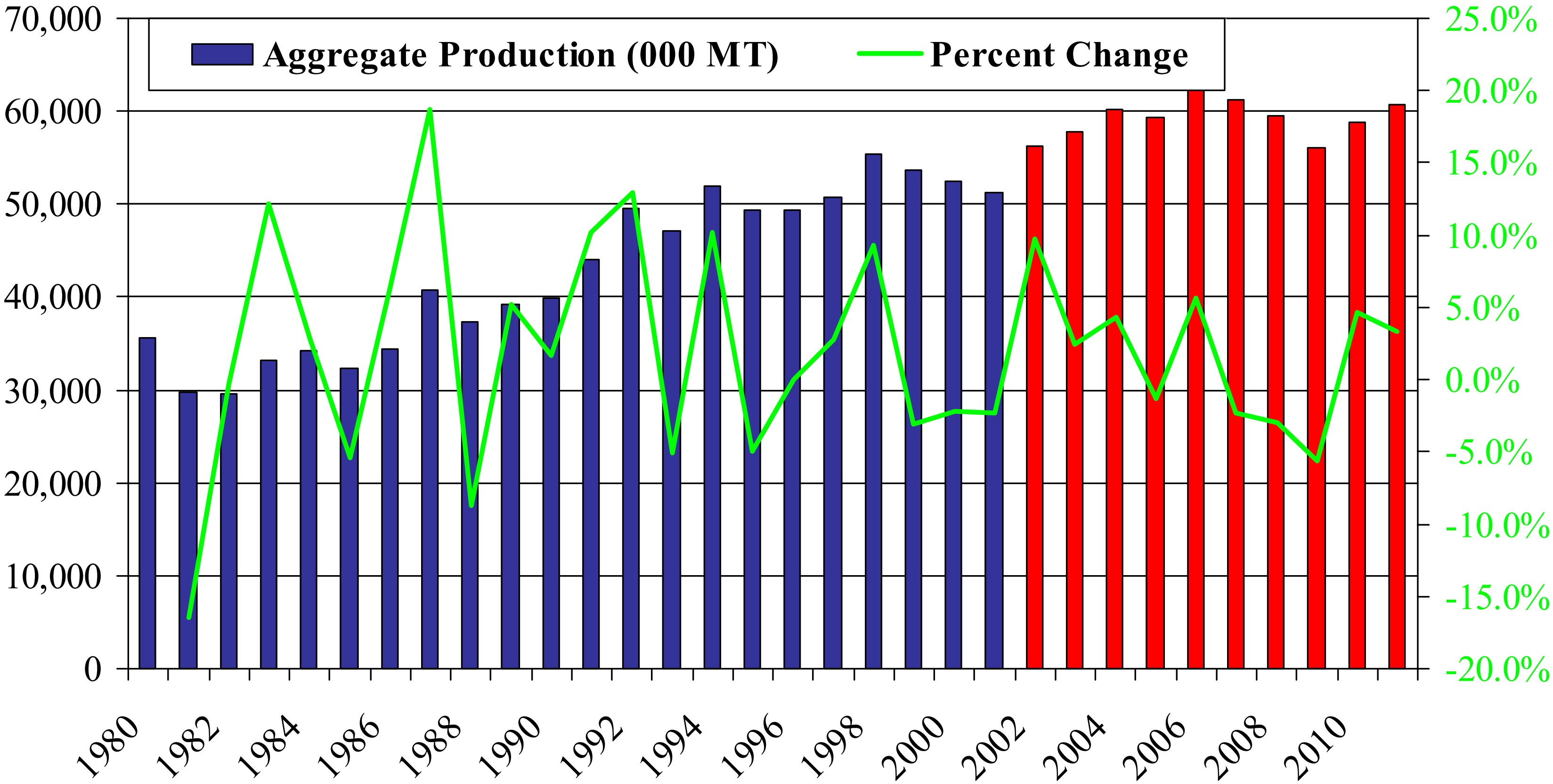
- Last year, Iowa's aggregate production fell for the fourth straight year to 51 million tons, a 2.5 percent decline from a high of 55 million tons in 1998.

- The ten-year average annual growth rate was 1.8 percent, an annual increase of just over 1.1 million tons. Aggregate production over the next ten years should average 1.7 percent, an annual increase of 940,000 tons.

- By 2011, aggregate production levels are forecast to reach 61 million tons, 10 million tons more than the current level of 51 million tons.

Economic Assessment
Iowa

Aggregate Production



Economic Assessment
Iowa

Ready Mix Concrete Consumption

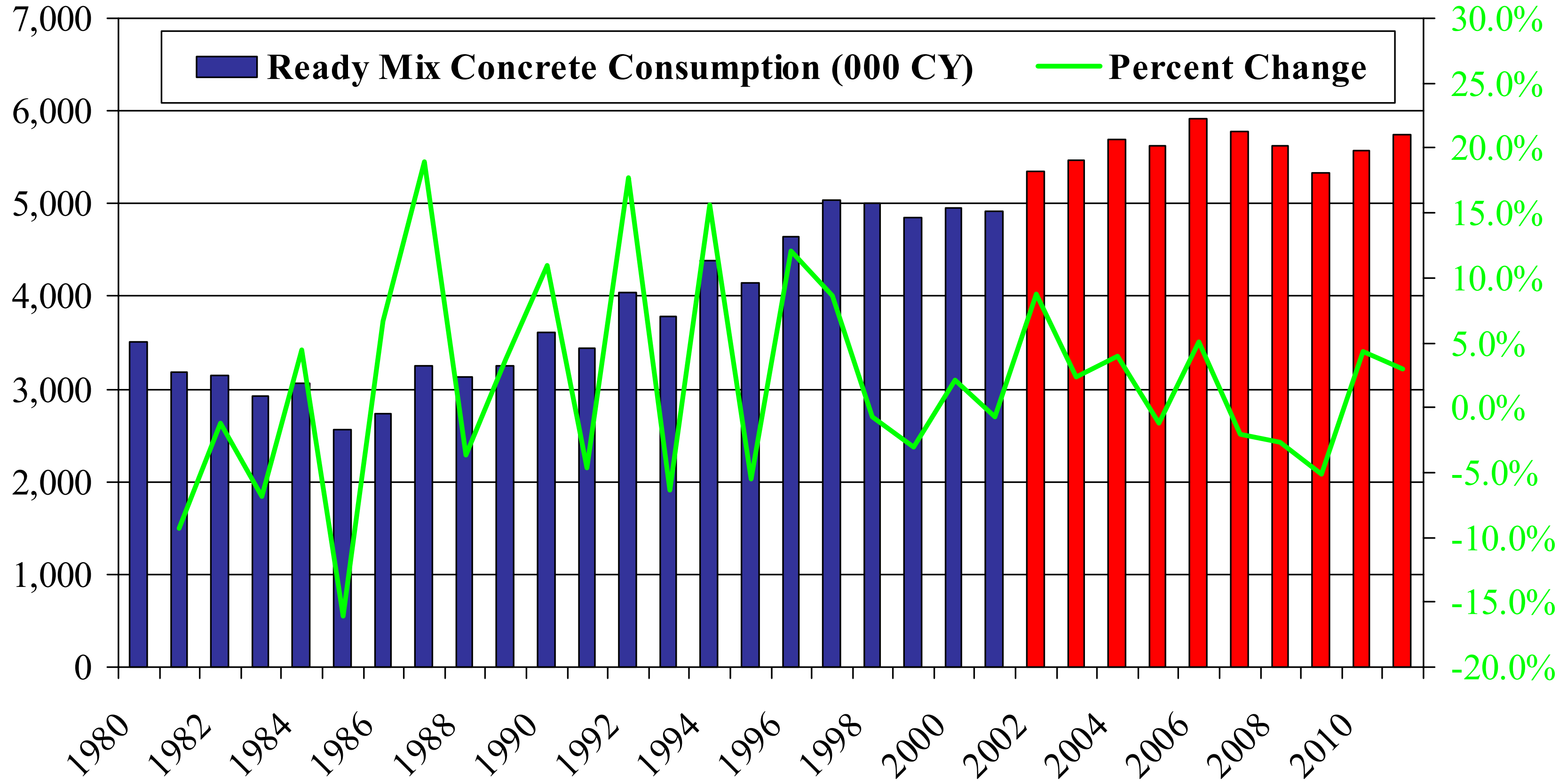
- Concrete consumption has experienced very steady growth in Iowa over the past fifteen years, growing from 2.6 million cubic yards in 1985 to 5.0 million cubic yards in 1997.

- However, since breaking the 5 million cubic yard mark in 1997, concrete consumption has continued to hover around that level.

- Looking forward, concrete consumption is forecast to reach an all-time high of 5.9 million cubic yards in 2006, dropping to 5.7 million cubic yards in 2011.

Economic Assessment
Iowa

Ready Mix Concrete Consumption



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Economic Assessment
Kansas

Economic Assessment Kansas

	1992-2001	2002-2011
Population		
Average Annual % Change	0.8	0.6
Real Annual Increase (000s)	19.6	16.7
Housing (000 Units)		
Average Annual Permits	13.3	13.5
Cement Consumption (000 MT)		
High	1,624	1,915
Low	1,098	1,442
Average	1,398	1,652
Aggregate Production (000 MT)		
High	34,500	35,751
Low	24,036	29,005
Average	31,699	32,038

Economic Assessment
Kansas

- Kansas comprises 82,264 square miles, ranking it 15th in the U.S.
- Located in the heartland of the contiguous United States, Kansas has a population of nearly 2.7 million and a non-farm workforce of nearly 1.4 million people.
- Although Kansas is one of the leading agricultural states in the country with nearly 50 million acres devoted to farming, the growth and diversification of the non-farm labor force has been an important driver of the state's economic development.
- With a solid economic base and growth in key industries, Kansas has proven to be an attractive location for many companies serving national and international markets. Specifically, agriculture, aircraft, telecommunications, and health services are major contributors to the Kansas economy.

Economic Assessment Kansas

- In the midst of a global economic slowdown, Kansas' exports defied the national trend by growing 8.0 percent to a record $5.4 billion in 2001. Over the past three years, the state's exports have increased by $1 billion, roughly 25 percent.

- Transportation equipment and food manufacturing accounted for nearly 60 percent of the state's exports in 2001. While shipments of agricultural crops have fallen for five consecutive years, now at the lowest level in a decade, transportation equipment surged $576 million to a record $1.6 billion, up 59 percent from last year.

- Much of the state's economic success during recent years can be attributed to a mixture of enhanced economic incentive legislation, increased capital flowing into the state, and a growing availability of jobs.

- Although Kansas has successfully diversified its economic base, it continues to be a very important agricultural, mineral, and natural gas center in the United States.

- Kansas is ranked not only as one of the country's leading producers of wheat and sorghum, but also helium, petroleum, natural gas, and salt.

Economic Assessment Kansas

- Other industries which are important drivers of the state's economy are aircraft manufacturing, telecommunications, and health services. In fact, Kansas is the world leader in the production of general aviation aircraft, with more than 37,000 workers employed by four major aerospace companies.

- Over the past ten years, non-farm employment has grown at an average annual rate of 2.2 percent. Although total non-farm employment slipped by 0.1 percent in August, the 5.4 percent year over year growth rate recorded in July was the highest in the nation.

- The unemployment rate in August dropped to 4.4 percent, down from 4.6 percent in July. The current unemployment rate remains below the national rate and in line with Kansas' seasonally adjusted ten-year average.

Economic Assessment Kansas

- With a foundation in agribusiness, Kansas has evolved into a broad and diverse economy. Currently, the two largest employment sectors in Kansas are services and trade, accounting for approximately 50 percent of total employment.

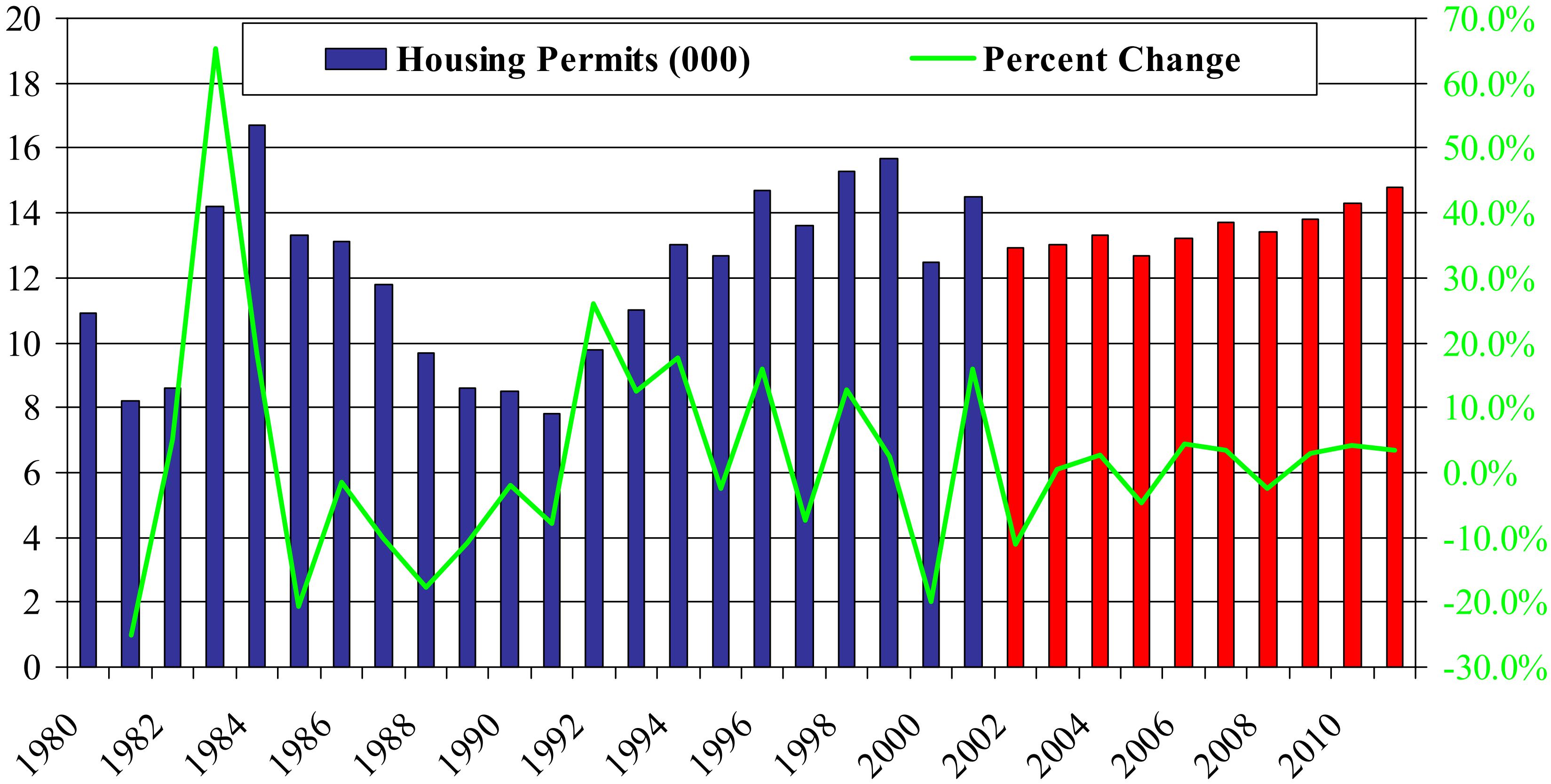
- Construction, accounting for 4.7 percent of non-farm employment in 2001, has experienced solid growth over the past ten years averaging an annual increase of 4.5 percent. This growth was above the national average of 4.2 percent for the same period.

- From 1991 to 1999, the number of housing permits doubled from 7,800 to 15,700 units, contributing to the growth in construction employment experienced over the same period.

- After shrinking by 20 percent in 2000, housing permits experienced solid growth of 16 percent last year. Over the next ten years, housing permits are projected to average 13,500 units, roughly even with the 13,300 units averaged during the past decade.

Economic Assessment Kansas

Housing Permits



Economic Assessment
Kansas

Cement Consumption

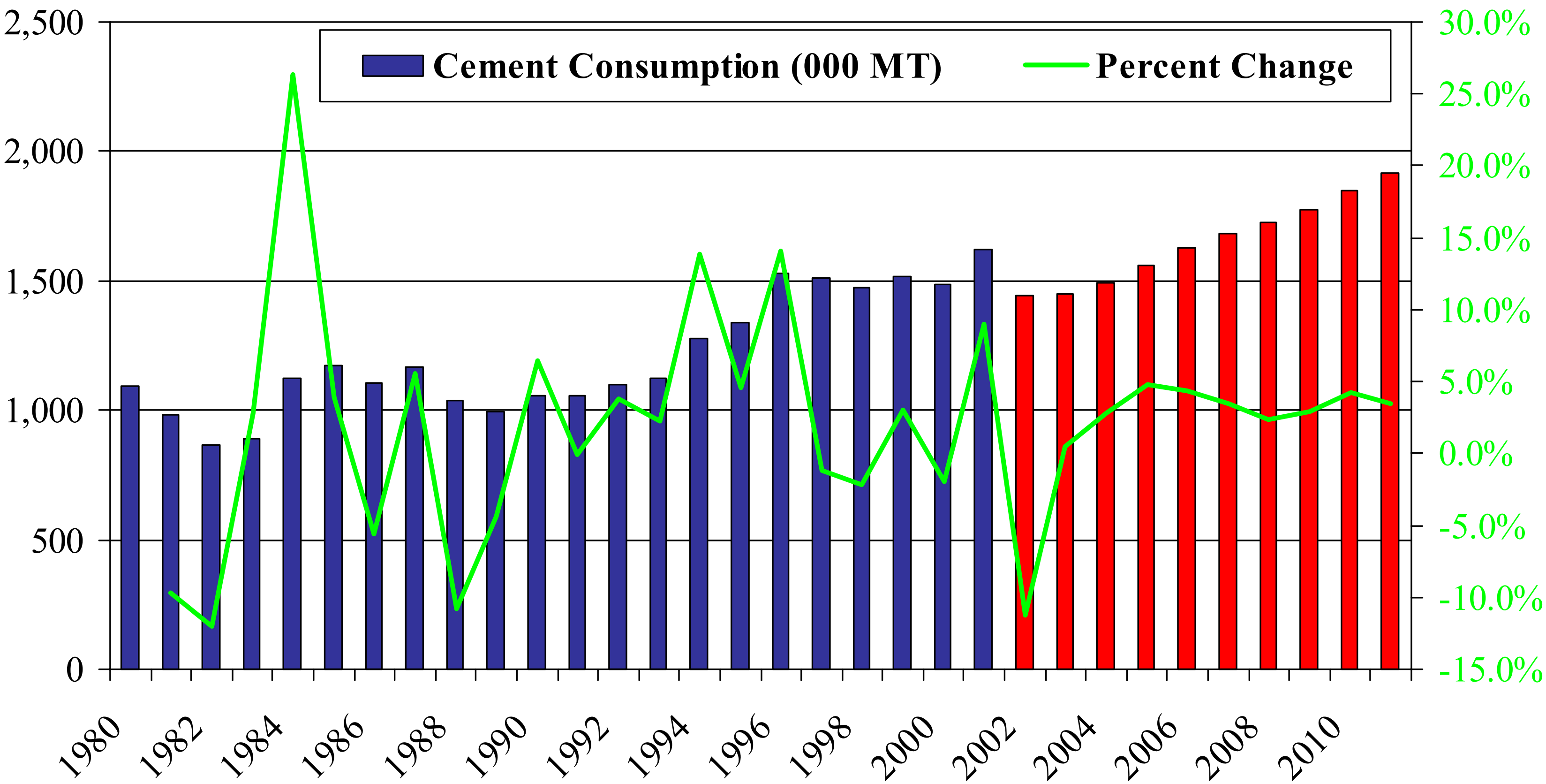
- Cement consumption has experienced annual growth of 4.5 percent over the past ten years, in line with the national average for cement consumption. The majority of this increase occurred between 1991 and 1996, with average annual growth rates of 7.7 percent.

- Over the past five years, cement consumption remained somewhat flat, although cement consumption posted a 9.0 percent gain in 2001.

- Despite the strong growth in 2001, current year-to-date figures suggest that cement consumption will drop by 11 percent in 2002. Over the next ten years, cement consumption is forecast to average 1.8 percent growth, surpassing the 1.6 million ton level in 2011.

Economic Assessment
Kansas

Cement Consumption



Economic Assessment
Kansas

<u>Aggregate Production</u>

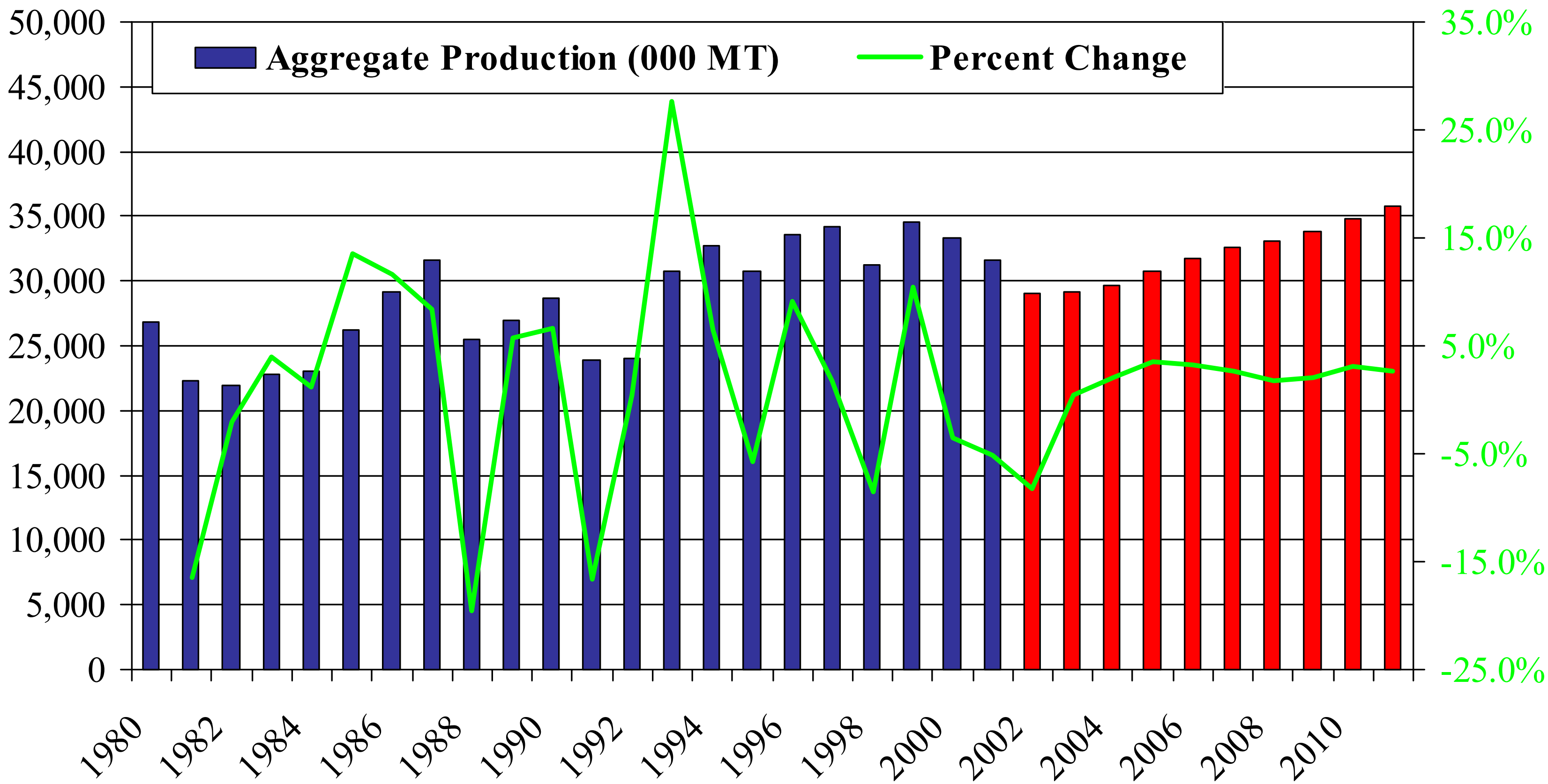
- Kansas' aggregate production has been volatile over the past ten years with last year's production of 32 million tons roughly equal to that of 1994.

- After breaking 30 million tons in 1993, Kansas' aggregate production reached an all-time high of 34.5 million tons in 1999.

- Aggregate production is forecast to approach 36 million tons in 2011, representing average annual growth of 1.2 percent.

Economic Assessment Kansas

Aggregate Production

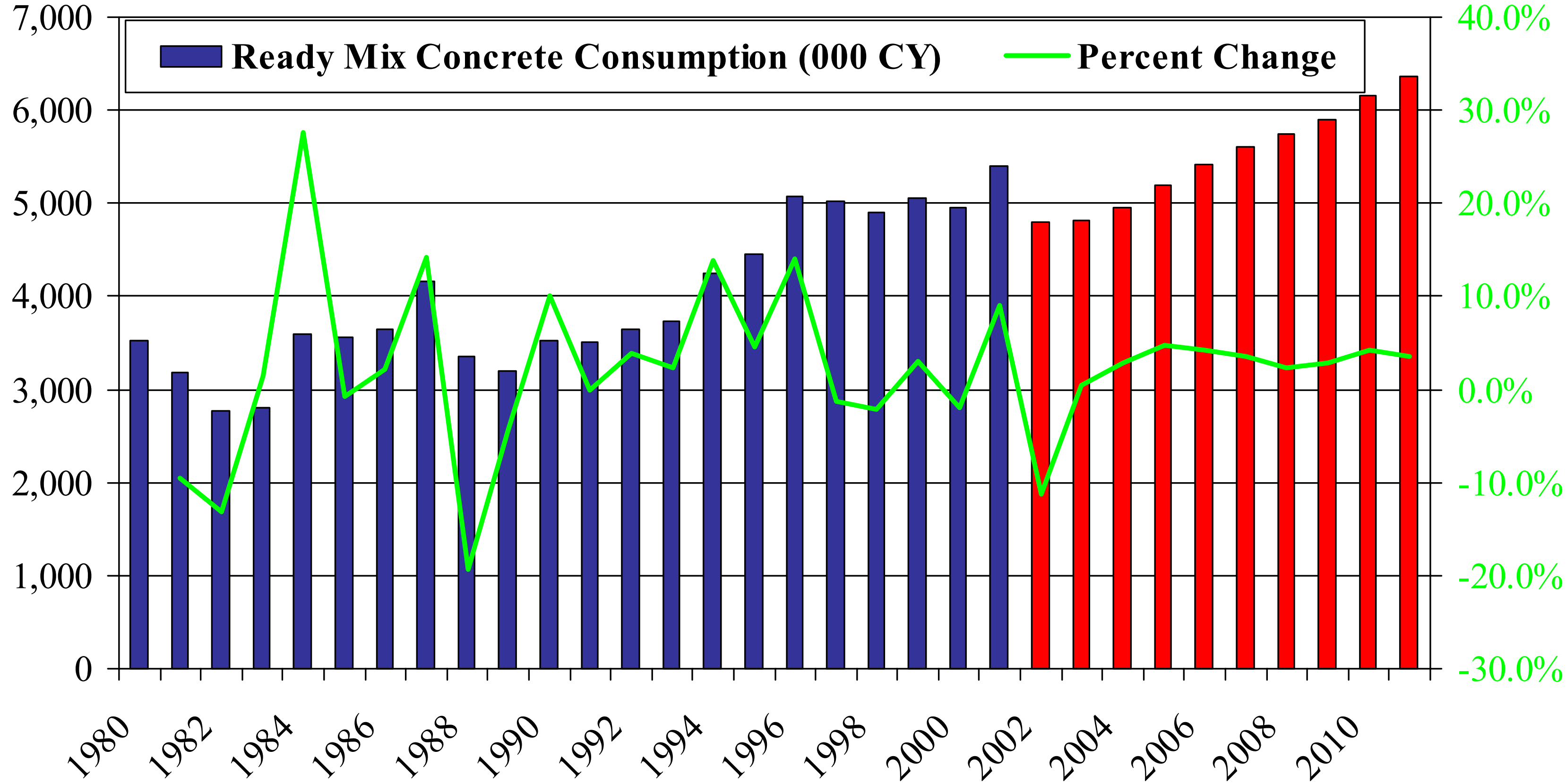


Economic Assessment
Kansas

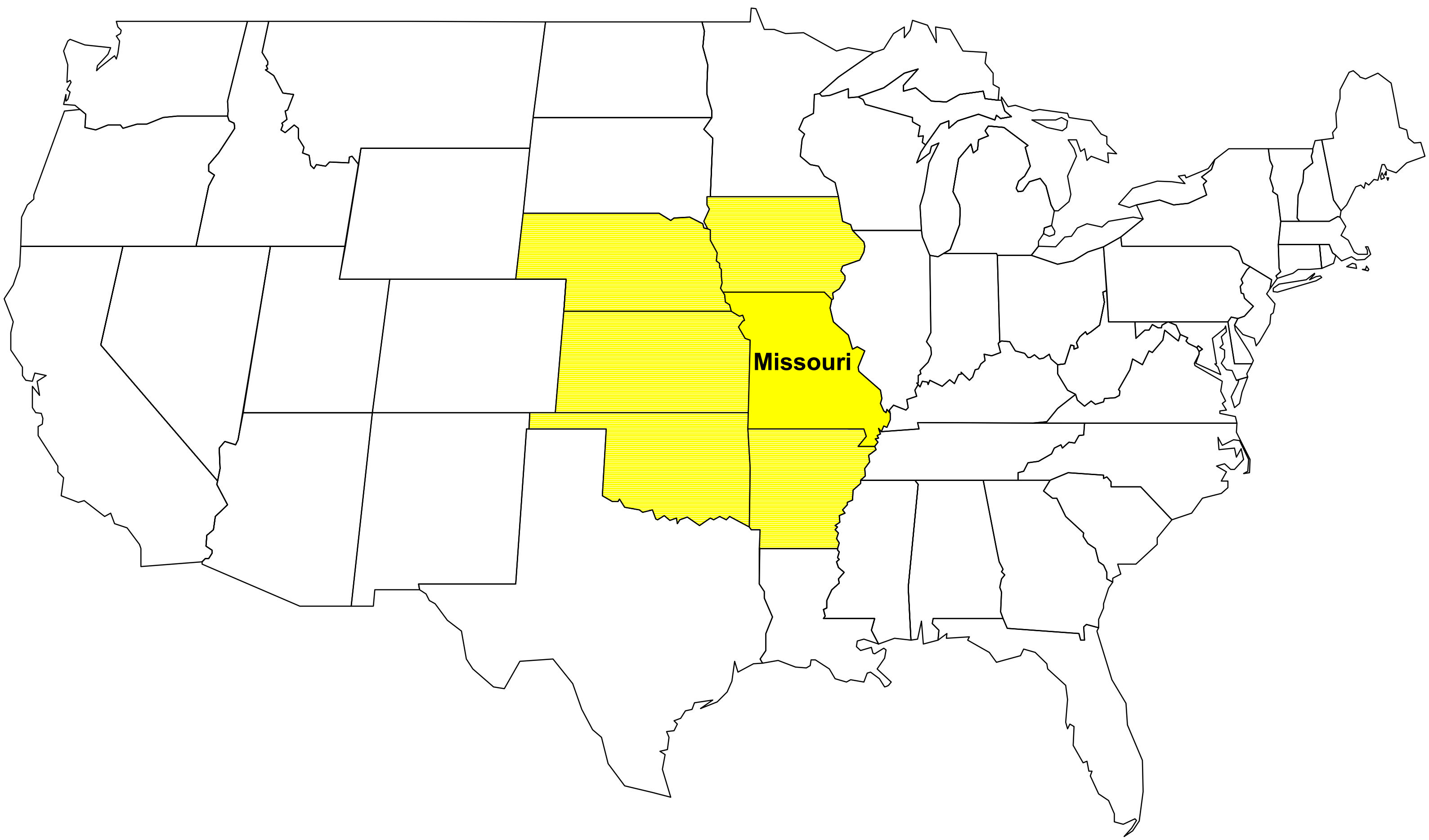
Ready Mix Concrete Consumption

- Kansas' concrete consumption has nearly doubled over the past twenty years with an increase of 2.6 million cubic yards from the 1982 level of 2.8 million cubic yards.
- Over the past ten years, concrete consumption averaged just above 4.6 million cubic yards. Consumption ranged from a ten year low of 3.7 million cubic yards in 1992 to a high last year of 5.4 million cubic yards.
- Over the next ten years, concrete consumption is forecast to reach 6.4 million cubic yards in 2011.

Economic Assessment
Kansas
Ready Mix Concrete Consumption



Economic Assessment Missouri



The Greystone Group LLC

Investment Banking

Economic Assessment Missouri

	1992-2001	2002-2011
Population		
Average Annual % Change	0.8	0.9
Real Annual Increase (000s)	45.9	51.5
Housing (000 Units)		
Average Annual Permits	24.5	26.2
Cement Consumption (000 MT)		
High	2,672	3,505
Low	1,882	2,380
Average	2,313	2,805
Aggregate Production (000 MT)		
High	86,800	116,344
Low	55,508	76,578
Average	75,924	91,498

Economic Assessment
Missouri

- Located in the heartland of the nation, Missouri is home to an estimated 5.6 million residents, ranking it 17th among all U.S. states.

- Missouri is known as a heavily industrialized state, with transportation (particularly aerospace) equipment, processed foods, electrical and electronic equipment, and chemicals as its leading industries.

- Missouri has made great efforts in recent years to create an attractive business environment, which offers both economic diversity and stability. By one measure, Missouri has the 11th most diversified economy in the nation.

- Since 1984, nearly $7.4 billion has been invested by new and expanding industries in Missouri. These figures indicate the state is attracting new industry as well as keeping those enterprises already located there, and are continuing evidence of the state's growing economic vitality.

Economic Assessment
Missouri

- Another indication of the state's long-term economic strength has been its growth in economic output. During the past eight years the state's Gross State Product grew at an average annual rate of 3.6 percent.

- Missouri exports in 2001 totaled approximately $6.9 billion, a decline of 13.2 percent from 2000.

- During the past 18 years, the state's non-farm employment base has grown to approximately 2.8 million workers. This growth represents an average annual rate of 2.1 percent, one percent less than the U.S. average during the same period.

- Recently, Missouri's economy has experienced a moderating trend due to the overall national economic slowdown. Non-farm employment has decreased since November of 2001, but the labor market is beginning to stabilize as monthly decreases continue to shrink.

Economic Assessment Missouri

- Over the past 18 years, Missouri's construction industry has experienced overall positive growth, with slight declines during the late 1980s and early 1990s as the nation went through a recession.

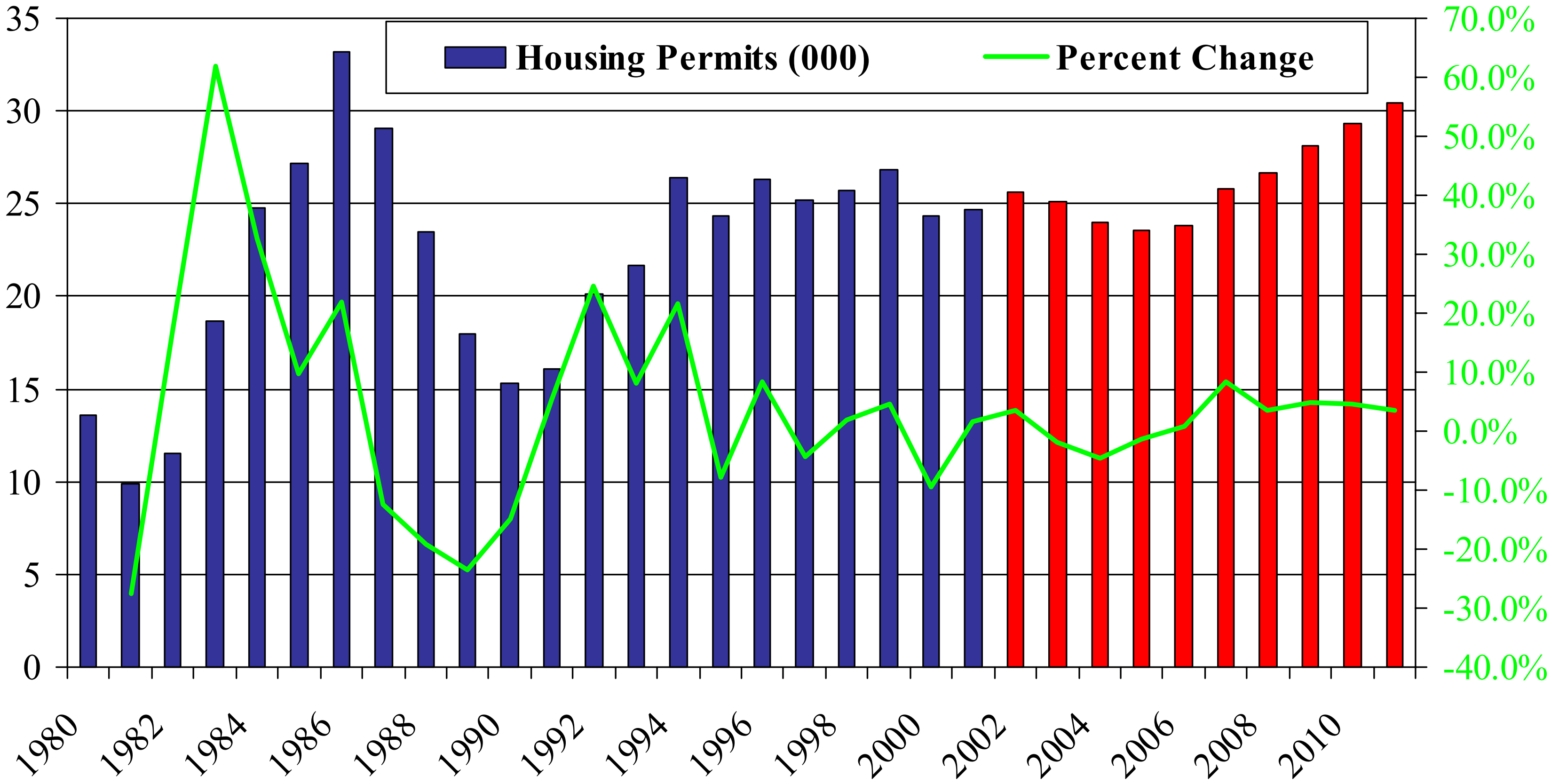
- Since 1991, construction employment has grown at a steady pace, averaging 5.0 percent per year. Construction employment in the state of Missouri totaled 143,800 workers during 2001, equivalent to 5.3 percent of the state's total non-farm labor force.

- Similar to construction employment, 1991 represented the trough in the number of housing permits authorized. Since 1991, housing permits have grown by 4.9 percent. As seen in other midwest states, housing permits have shown volatile growth swings over the past eight years while the majority of the growth occurred between 1991 and 1995.

- Although the forecast calls for an increase of 3.4 percent in 2002, the three subsequent years will experience a decline, leveling off at 23,600 in 2005. From 2005 to 2011, housing permits are projected to grow at an average annual rate of 4.3 percent, reaching 30,400 in 2011.

Economic Assessment Missouri

Housing Permits



Economic Assessment Missouri

Cement Consumption

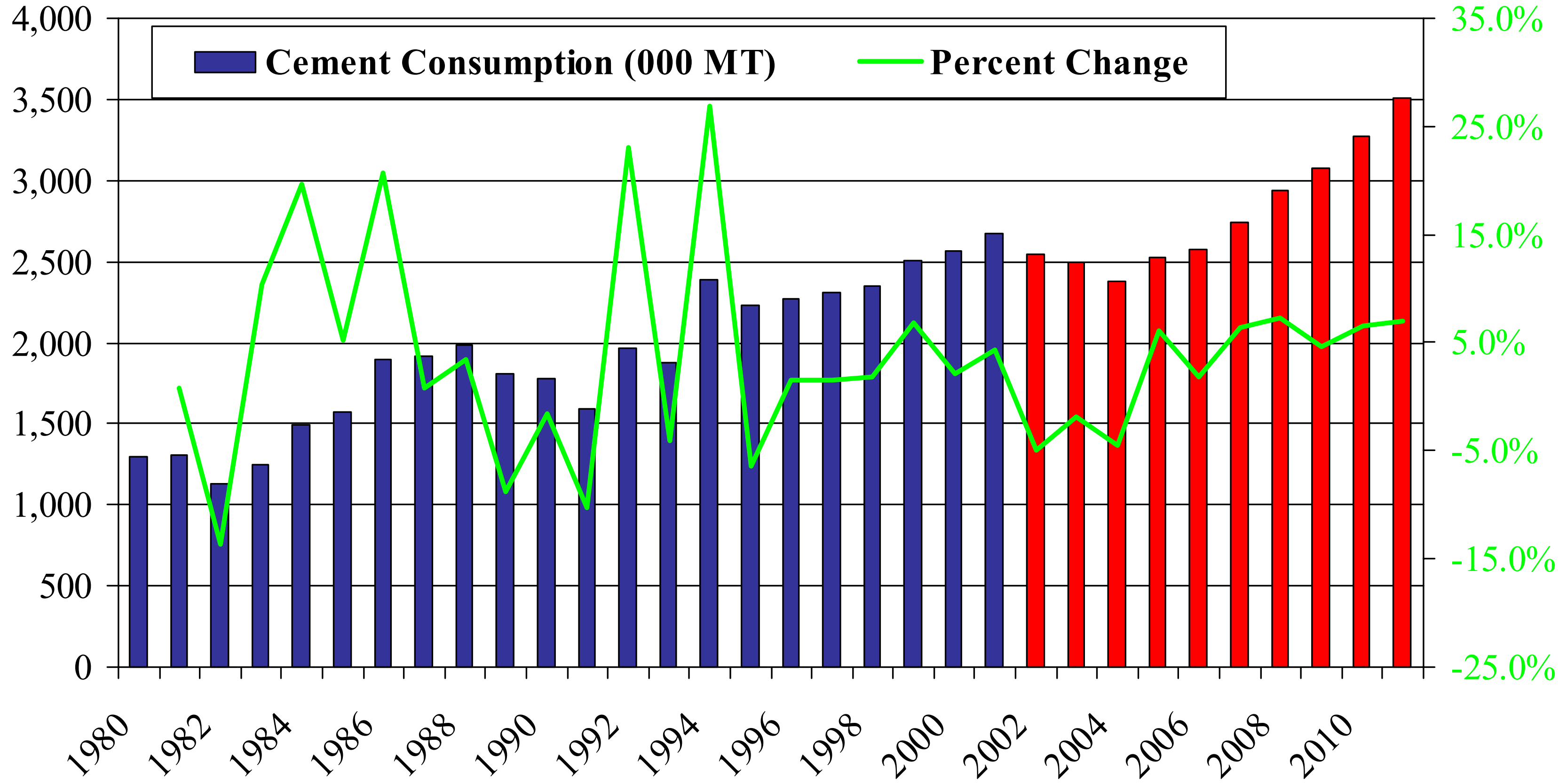
- Cement consumption experienced significant growth over the past ten years averaging an increase of 5.3 percent, well above the national average of 4.6 percent.

- Although last year marked Missouri's seventh straight year of cement consumption growth, year-to-date 2002 estimates indicate a weakness in demand.

- Accordingly, cement consumption is forecast to decline over the next three years, bottoming out in 2004 at just under 2.4 million tons. From 2005 to 2011, cement consumption is expected to reach 3.5 million tons.

Economic Assessment
Missouri

Cement Consumption



Economic Assessment
Missouri

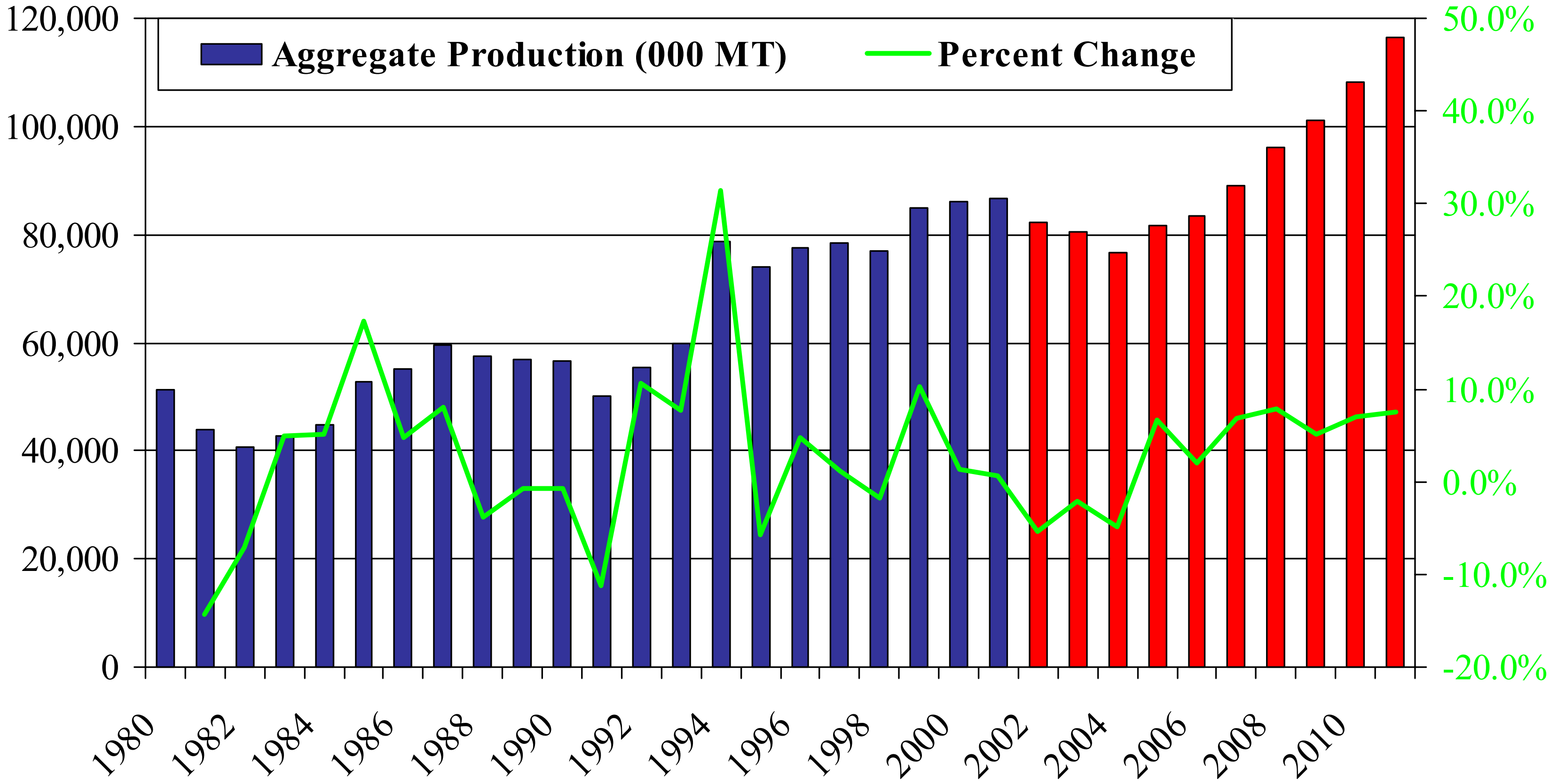
<u>Aggregate Production</u>

- Having the 7th largest highway system in the nation, Missouri's aggregate production also experienced significant growth during the past ten years. From 56 million tons in 1992 to 87 million tons in 2001, Missouri aggregate production grew at an average rate of 5.1 percent annually.

- This growth over the past ten years equates to average increases of 3.7 million tons per year.

- Looking forward, aggregate production in Missouri is forecast to top 100 million tons in 2009 and beyond.

Economic Assessment
Missouri
Aggregate Production



Economic Assessment Missouri

Ready Mix Concrete Consumption

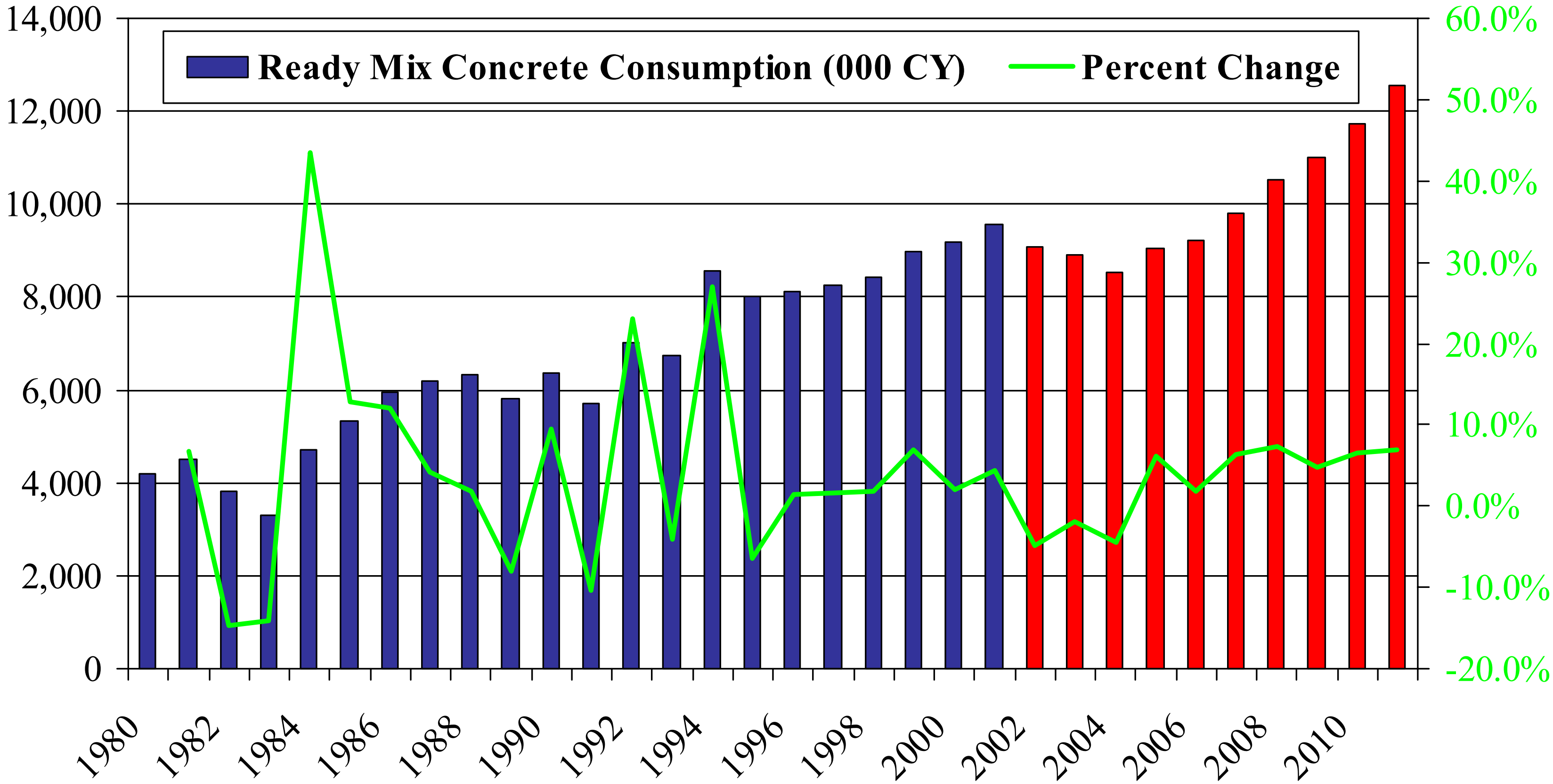
- Over the past ten years, ready-mix concrete consumption averaged just under 8.3 million cubic yards, ranging from a ten year low of 6.7 million cubic yards in 1993 to last year's high of 9.5 million cubic yards.

- On average, historic concrete consumption increased by 268,000 cubic yards annually, or 3.9 percent.

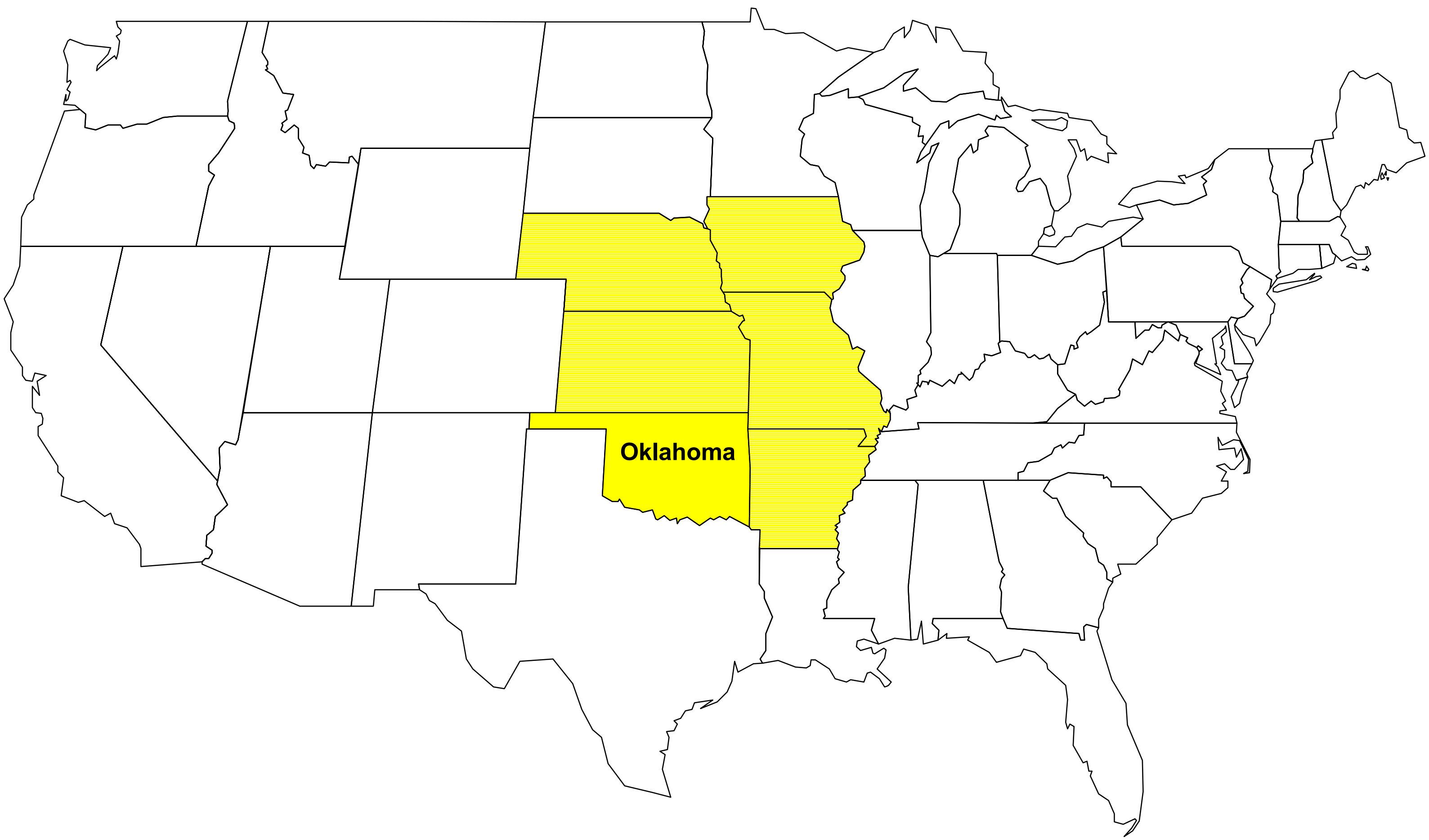
- Over the next ten years, concrete consumption is forecast to increase by 298,000 cubic yards annually, or 2.8 percent, reaching 12.5 million cubic yards in 2011.

Economic Assessment Missouri

Ready Mix Consumption



Economic Assessment
Oklahoma



Economic Assessment
Oklahoma

	1992-2001	2002-2011
Population		
Average Annual % Change	0.9	0.7
Real Annual Increase (000s)	28.5	23.5
Housing (000 Units)		
Average Annual Permits	11.0	10.7
Cement Consumption (000 MT)		
High	1,543	1,676
Low	997	1,383
Average	1,182	1,522
Aggregate Production (000 MT)		
High	59,100	67,904
Low	34,103	48,090
Average	42,784	57,225

Economic Assessment Oklahoma

- Oklahoma is home to just under 3.5 million people and ranks as the 28th most populated state in the United States.

- Although Oklahoma is the 18th largest state in the U.S. in terms of geographic size, a majority of the state's economic activity occurs in Oklahoma City and Tulsa.

- Oklahoma City is the largest MSA in Oklahoma and represents 37.6 percent of the state population and more than a third of the economic activity

- Although population growth rates were as high as 3.6 percent during the early 1980's, Oklahoma experienced out-migration for the remainder of the decade due to the oil bust that took place in the early and mid 1980s.

- Since 1991, however, Oklahoma's population has averaged a 0.9 percent growth rate, adding a total of 285,000 residents.

Economic Assessment
Oklahoma

- Over the past couple of years, labor supply has been an issue for Oklahoma. Although Oklahoma's current unemployment rate is 4.0 percent, one of the lowest in the nation, economists have felt that strong economic growth could be unsustainable due to a lack of labor supply.

- Oklahoma's current level of non-farm employment is roughly 1.5 million workers. With service and trade sectors making up the largest percentage of total non-farm employment, non-farm employment has grown an average of 2.2 percent annually over the past ten years.

- Between 1982 and 1987, the state lost more than 100,000 jobs net, of which 60,000 were in the mining sector which today accounts for only 2.1 percent of total non-farm employment compared to 8.7 percent in 1982.

- Construction employment in the state was at its high in 1982 when the sector supported approximately 55,700 jobs. This number was surpassed in 1998 and continued to grow reaching 63,800 in 2001, or 4.2 percent of Oklahoma's total non-farm employment.

Economic Assessment
Oklahoma

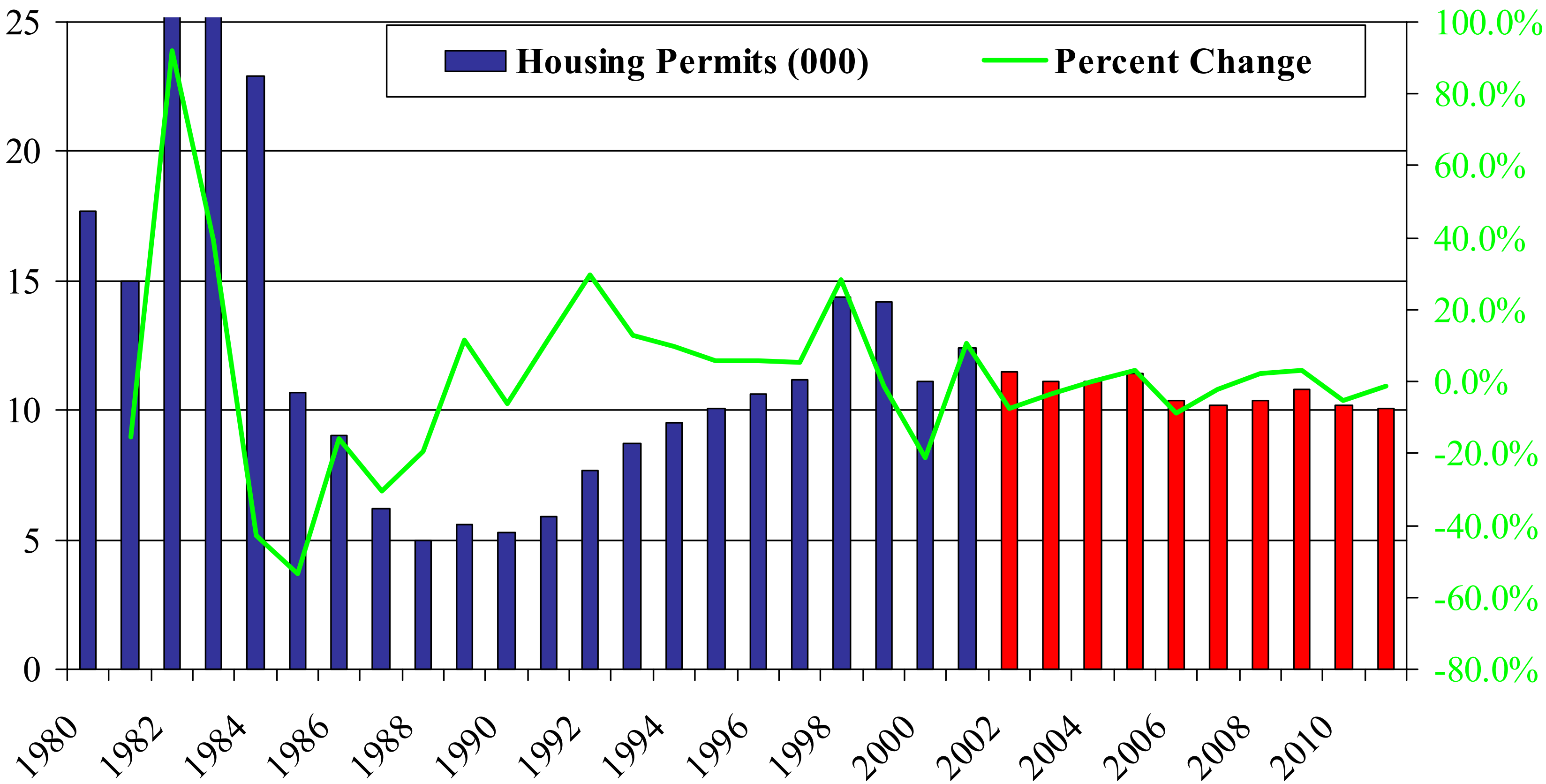
- Over the past ten years, construction employment increased 5.2 percent per year.

- As witnessed in other states, Oklahoma experienced a spike in housing permits in the early 1980's reaching 40,000 units in 1983. Oklahoma housing permits subsequently declined over the next five years to a low of 5,000 units in 1988.

- Since 1992, building permits have grown on average by 8.6 percent. However, with population growth rates projected to decline, the demand for housing permits is assumed to remain relatively flat during the forthcoming decade.

Economic Assessment Oklahoma

Housing Permits



ASH GROVE ®

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Economic Assessment
Oklahoma

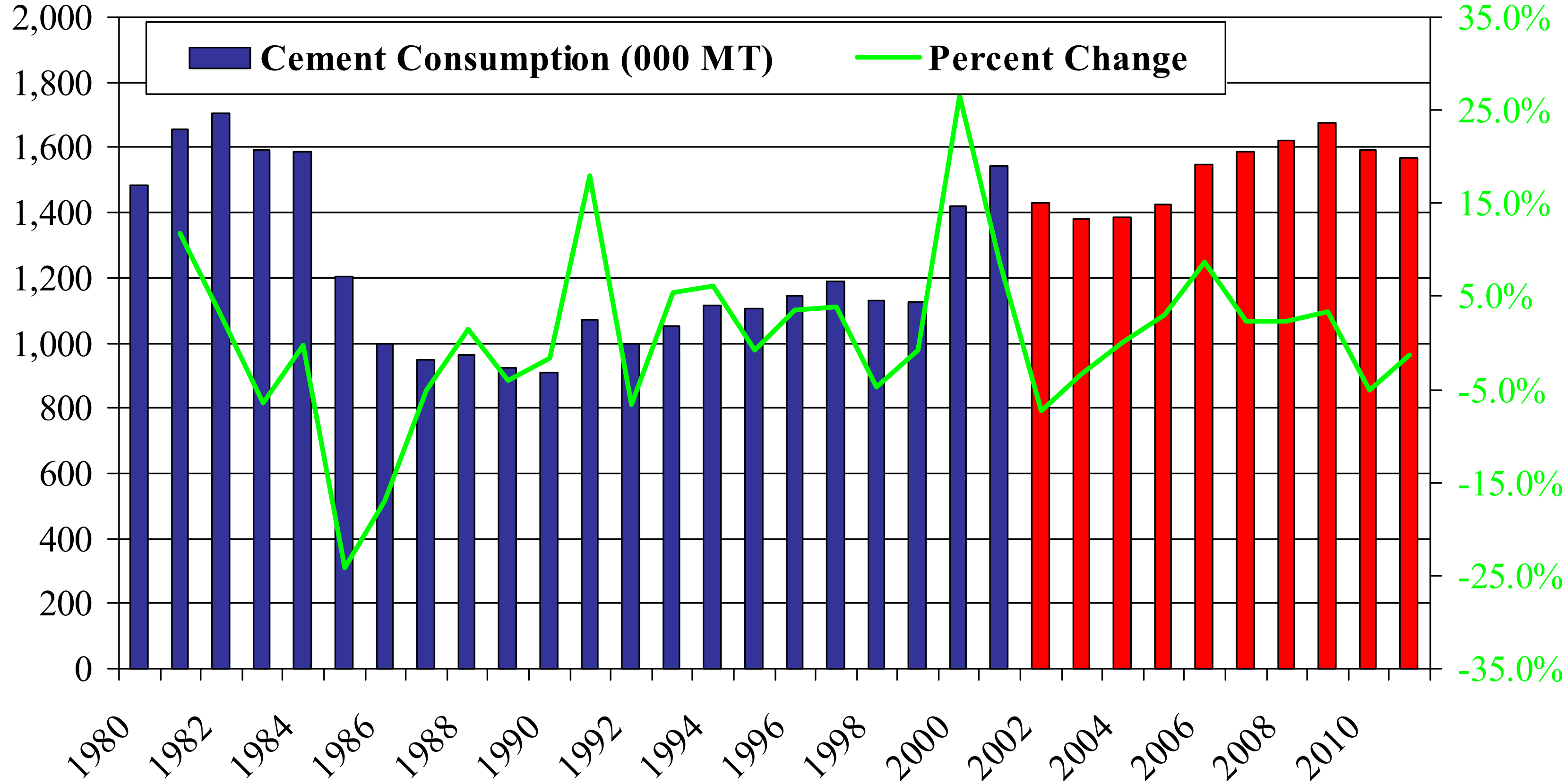
Cement Consumption

- Between 1990 and 1999, cement consumption grew at an annual rate of 2.4 percent, a total increase of 216,000 tons. However, in the past two years alone, consumption has jumped 420,000 tons, or 17.2 percent per year.

- Unfortunately, year-to-date consumption levels don't support continued growth for 2002. Although a decline is forecast for 2002 and 2003, cement consumption is expected to increase to an all-time high of over 1.7 million tons in 2009.

Economic Assessment Oklahoma

Cement Consumption



Economic Assessment
Oklahoma

Aggregate Production

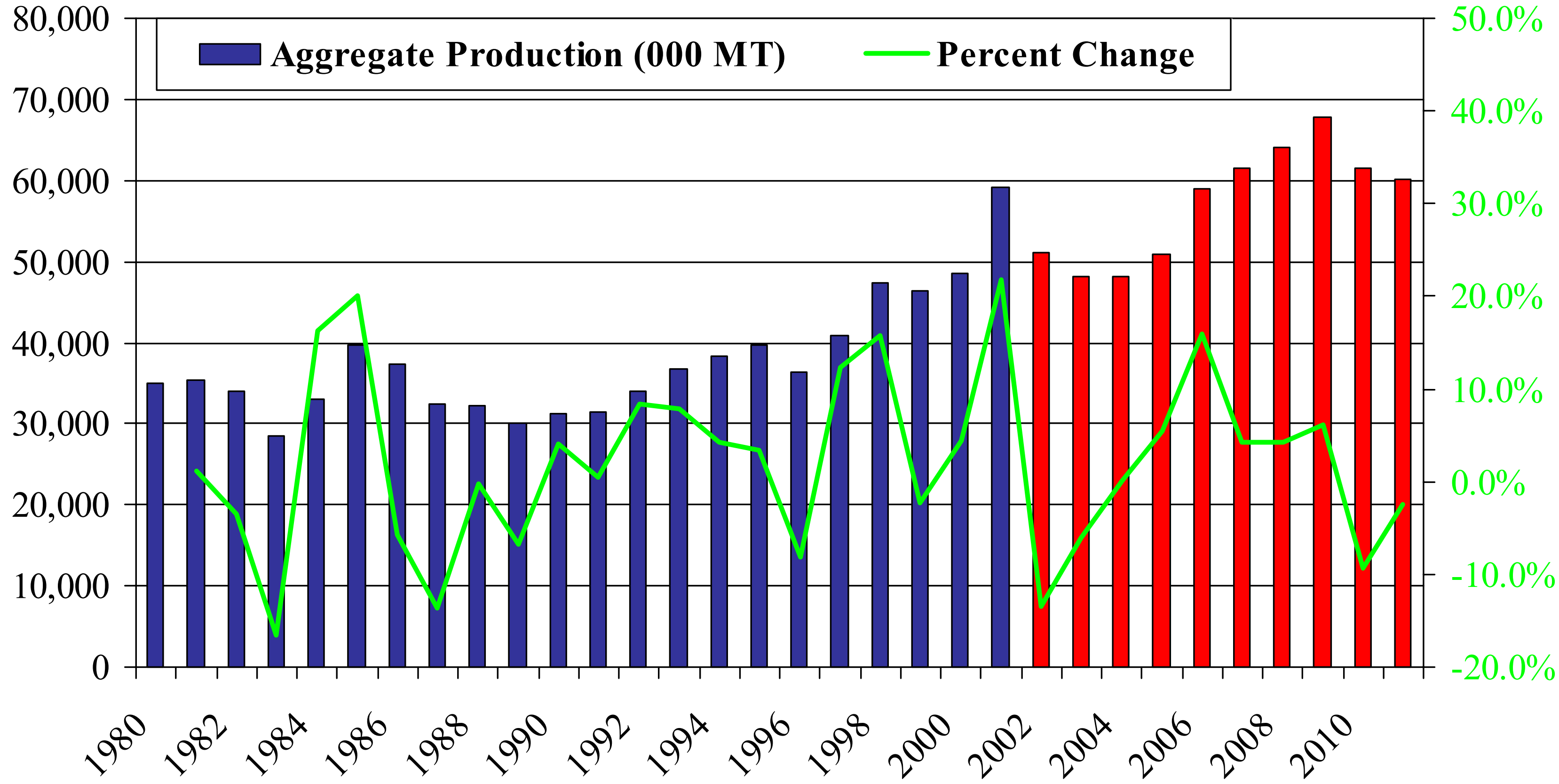
- Like cement, aggregate production in Oklahoma experienced solid growth during the past ten years. From 34 million tons in 1992 to 59 million tons in 2001, Oklahoma aggregate production grew at an average annual rate of 6.8 percent.

- Last year, aggregate production grew by 21.8 percent from 48.5 million tons to 59.1 million tons. This represents the largest annual increase in aggregate production over the past twenty years.

- During the next decade, aggregate production is expected to decline for several years and then return to positive growth in 2006, eventually reaching 67.9 million tons in 2009.

Economic Assessment Oklahoma

Aggregate Production



Economic Assessment Oklahoma

Ready Mix Concrete Consumption

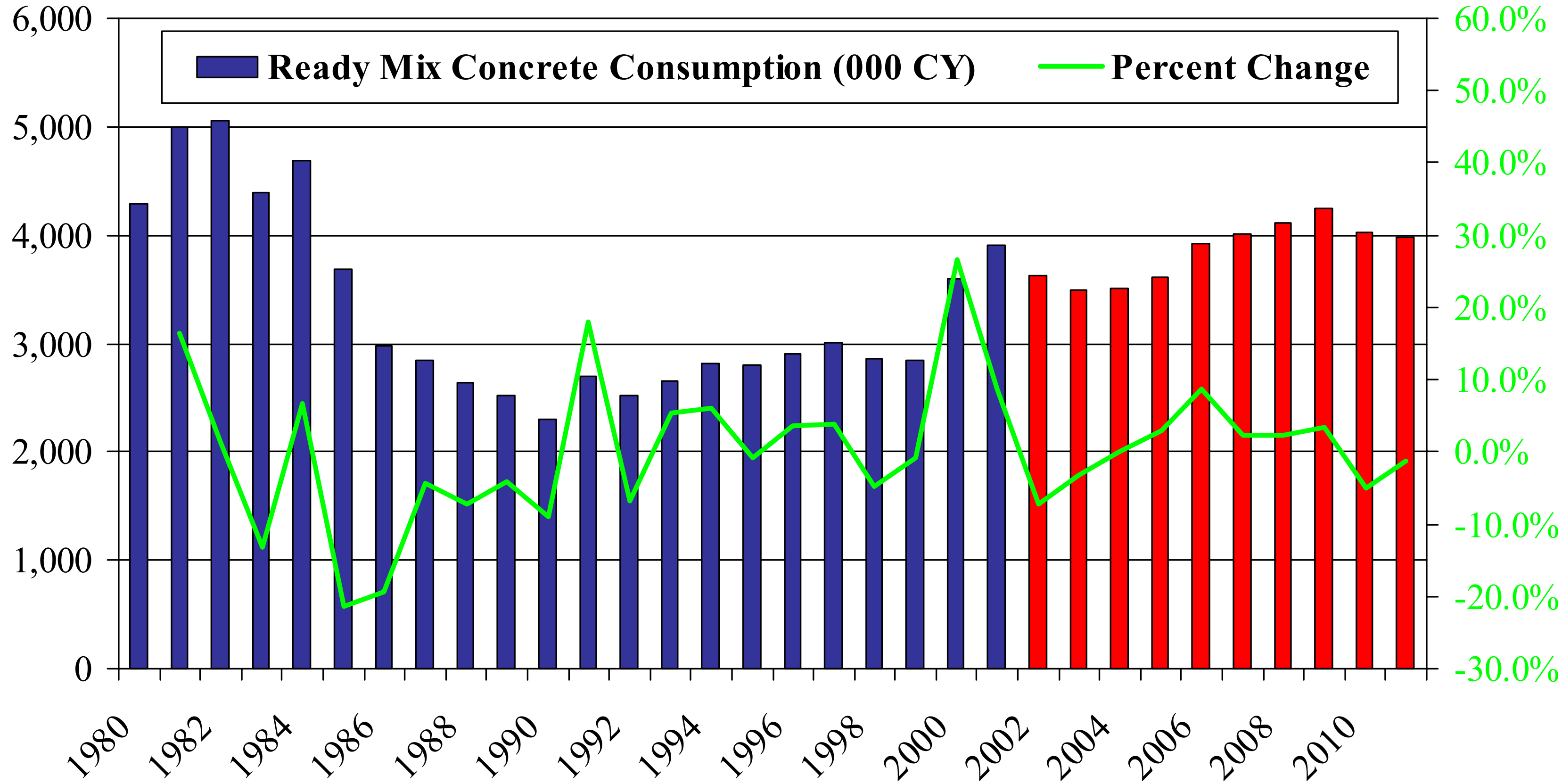
- Concrete consumption mirrored cement consumption with significant growth over the past two years.

- Over the past ten years, ready-mix concrete consumption averaged just under 3.0 million cubic yards. Consumption ranged from a ten year low of 2.5 million cubic yards in 1992 to last year's high of 3.9 million cubic yards.

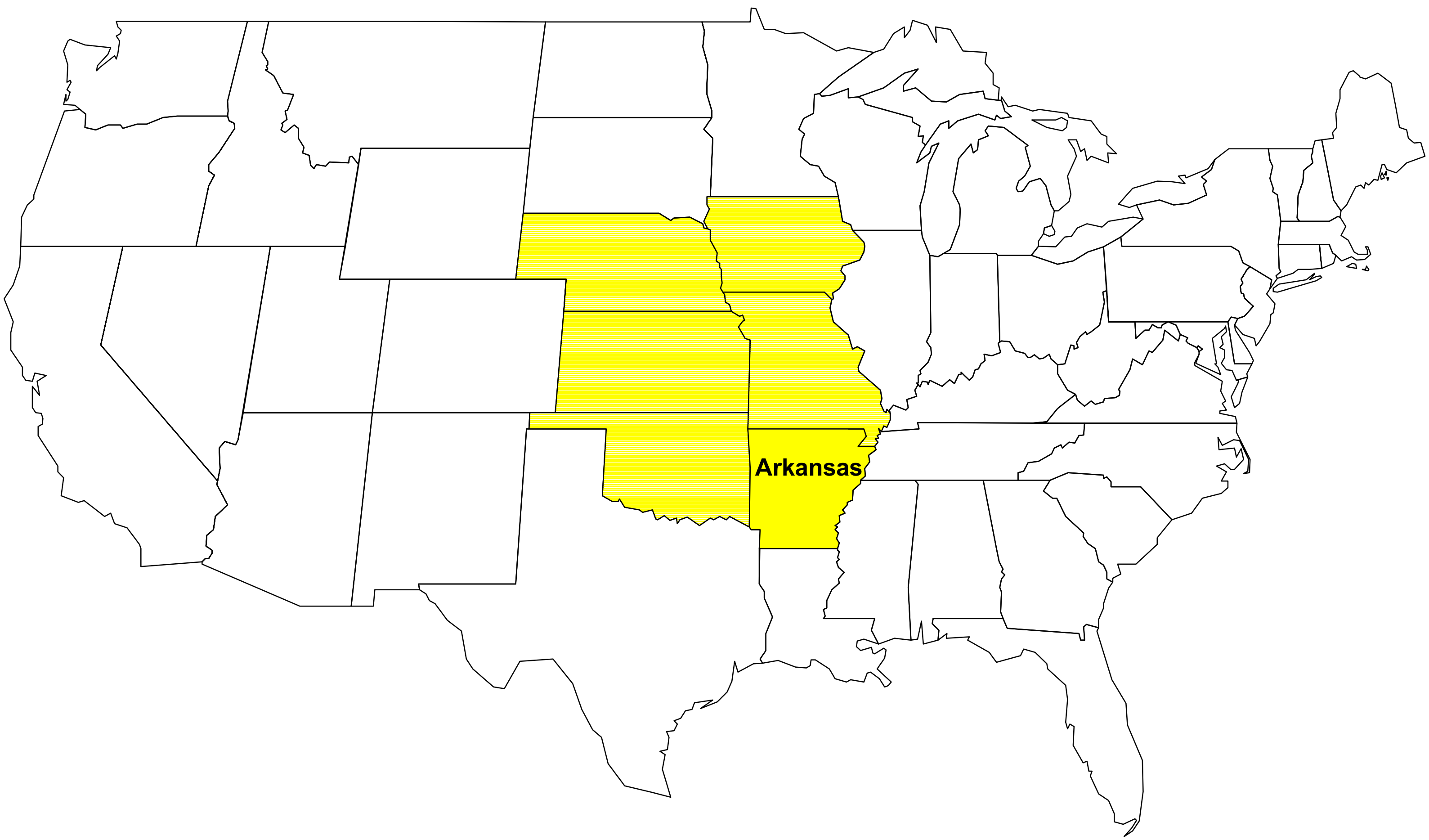
- Over the next ten years, concrete consumption is forecast to increase in line with cement consumption.

Economic Assessment Oklahoma

Ready Mix Concrete Consumption



Economic Assessment Arkansas



Economic Assessment
Arkansas

	1992-2001	2002-2011
Population		
Average Annual % Change	1.2	0.7
Real Annual Increase (000s)	30.9	19.5
Housing (000 Units)		
Average Annual Permits	10.5	10.6
Cement Consumption (000 MT)		
High	1,048	1,050
Low	791	936
Average	931	992
Aggregate Production (000 MT)		
High	46,900	49,987
Low	30,112	40,150
Average	37,813	44,914

Economic Assessment Arkansas

- With a population of nearly 2.7 million, Arkansas represents less than one percent of total U.S. population.

- The growth rate in Arkansas has been below that of its neighbors and the nation during the past 18 years.

- The Arkansas economy has historically been highly cyclical, often at intervals not congruent with the rest of the United States.

- While a heavy concentration in manufacturing generally indicates a strong economic platform for future growth, the Arkansas economy relies on manufacturing segments that are low-tech and not considered high-growth industries in the future U.S. economy.

Economic Assessment Arkansas

- Examples of these sub-sectors include food and kindred products, lumber and wood products, furniture and fixtures, and paper and allied products. All of these industries are important sectors in Arkansas.

- Nationwide reductions in manufacturing tend to have a greater impact on Arkansas due to relatively high manufacturing concentration in the state. In fact, Arkansas manufacturing businesses supported 20.8 percent of total non-farm employment in the state during 2001, compared to the national average of 13.4 percent.

- The economic outlook is still one of decelerating economic growth for Arkansas. Current levels are far from the strong 3.4 percent non-farm job growth experienced during 1995. After dropping to 1.6 percent in 1996, non-farm job growth posted only a 0.6 percent growth rate in 2001.

Economic Assessment
Arkansas

- Historical construction employment levels describe the Arkansas construction cycle well. From approximately 29,900 workers during 1982, construction employment expanded to 33,300 by 1989, equivalent to an average annual growth rate of 1.6 percent. However, between 1989 and 2001, the state added 19,900 construction jobs, an average increase of 4.1 percent per year.

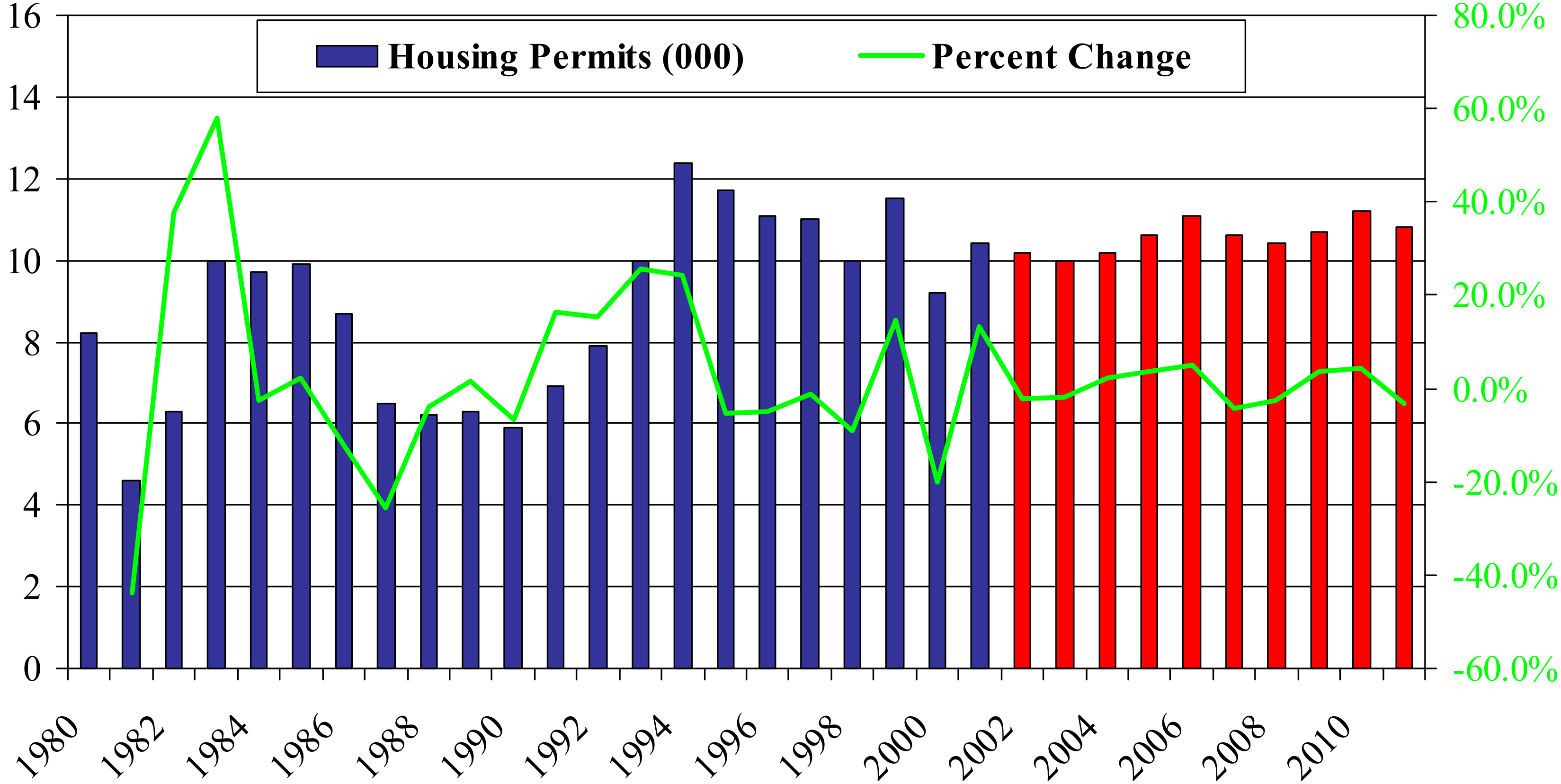
- During the ten-year forecast period, construction employment in Arkansas is expected to see cyclical growth with average employment levels equal to 54,000 jobs.

- Housing permits are also expected to experience cyclical growth over the next decade. Having surged in the early 1980's, although not nearly as extreme as witnessed in other states, housing permits subsequently declined over the next five years to a low of 5,900 units in 1990.

- Housing permits peaked again in 1994 at an all-time high of 12,400 units, once again declining the following five years. Over the next decade, housing permits are expected to peak at 11,200 units, 1,200 units below the 1994 high.

Economic Assessment Arkansas

Housing Permits



Economic Assessment
Arkansas

Cement Consumption

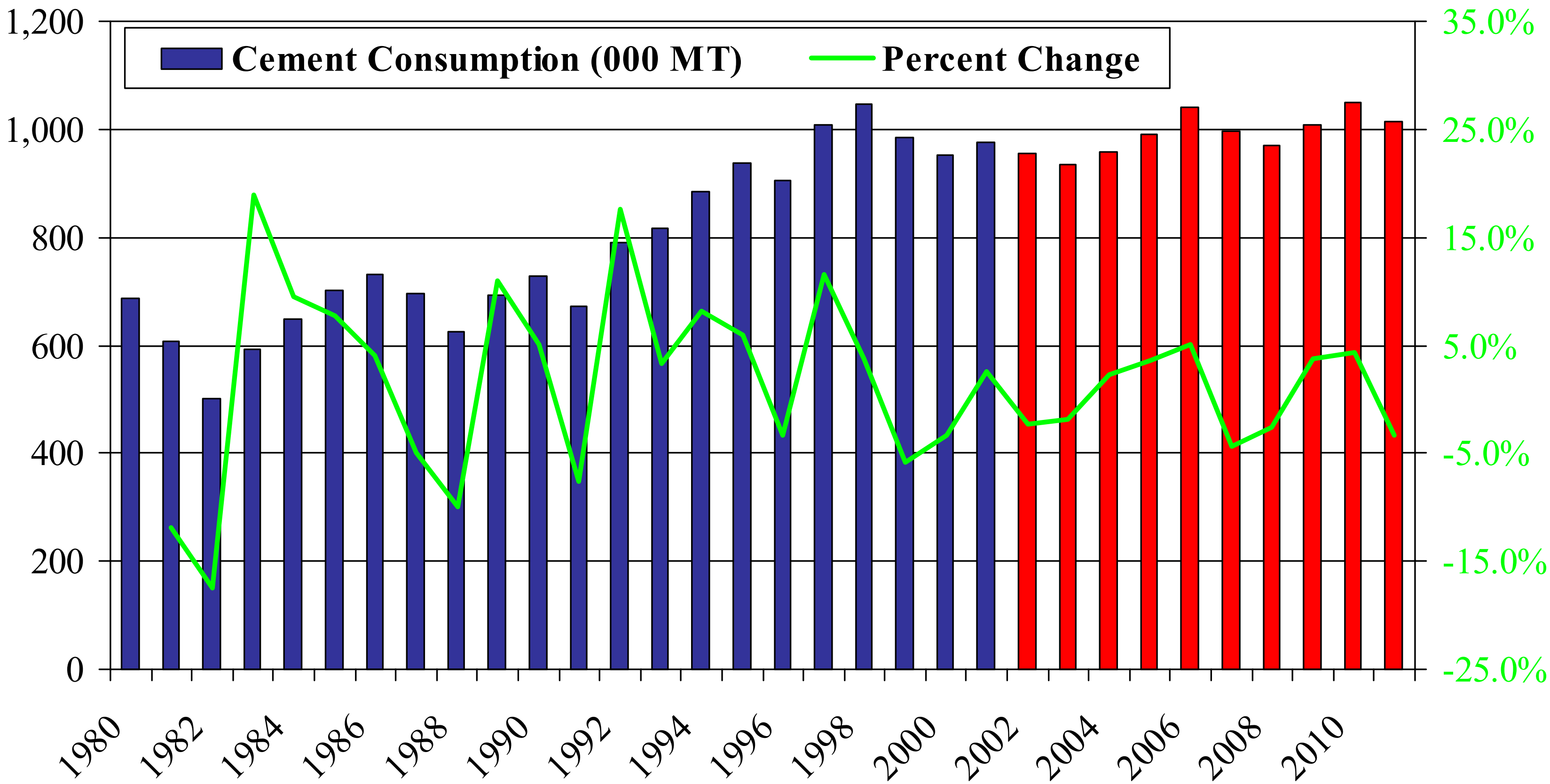
- Between 1988 and 1998, Arkansas' cement consumption grew 5.3 percent. After reaching a peak of just under 1.1 million tons in 1998, cement consumption dropped in 1999 and 2000.

- Last year, Arkansas posted a gain of 2.5 percent in cement consumption, although year-to-date numbers suggest that this gain will be erased in 2002.

- Going forward, cement consumption will experience a downtrend in the near future, recovering to the 1998 level of just over 1.0 million tons by 2006.

Economic Assessment Arkansas

Cement Consumption



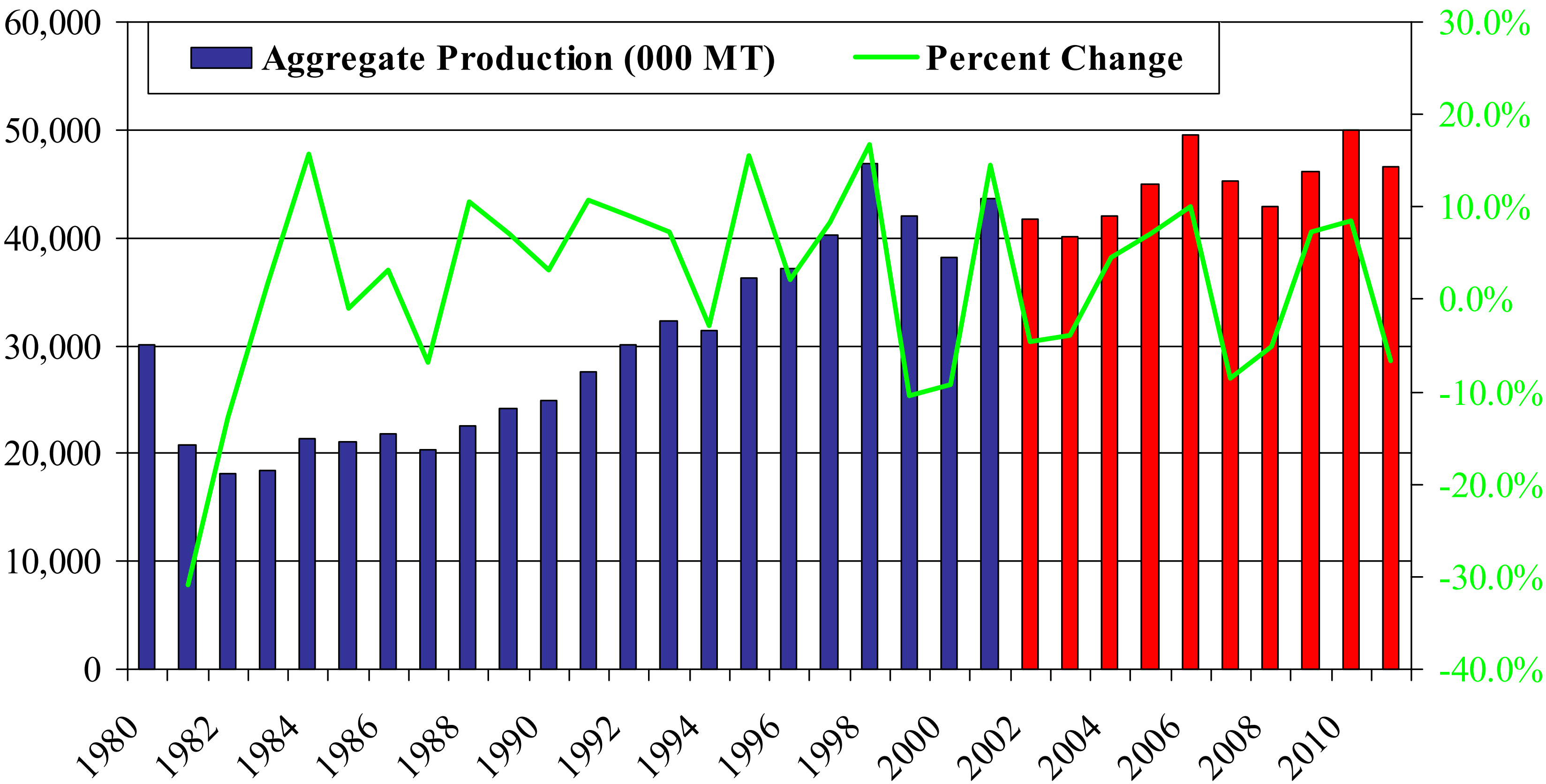
Economic Assessment
Arkansas

Aggregate Production

- In the past fifteen years, aggregate production more than doubled from 20 million tons in 1987 to 44 million tons in 2001.
- Since the surge in 1998, production levels have declined to more appropriate levels of sustainable growth.
- During the next decade, aggregate production is projected to reach 50 million tons in both 2006 and again in 2010.

Economic Assessment
Arkansas

Aggregate Production



Economic Assessment
Arkansas

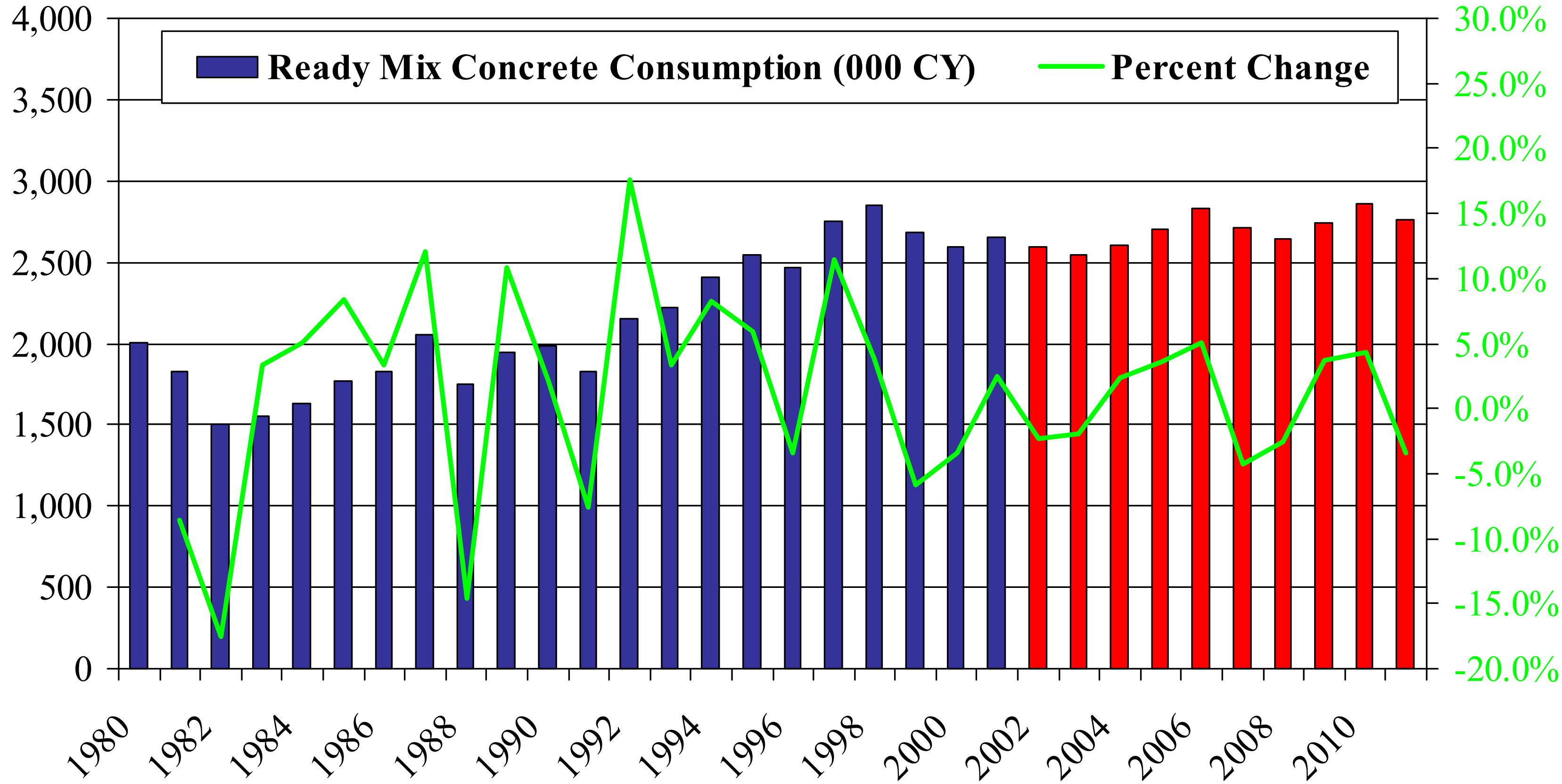
<u>Ready Mix Concrete Consumption</u>

- Over the past ten years, ready mix concrete consumption averaged just over 2.5 million cubic yards. Consumption ranged from a ten year low of 2.2 million cubic yards in 1992 to a high of 2.8 million cubic yards in 1998.

- Because of cyclical changes over the next ten years, concrete consumption is forecast to increase by a marginal rate of 0.4 percent per year, or 10,500 tons.

Economic Assessment Arkansas

Ready Mix Concrete Consumption

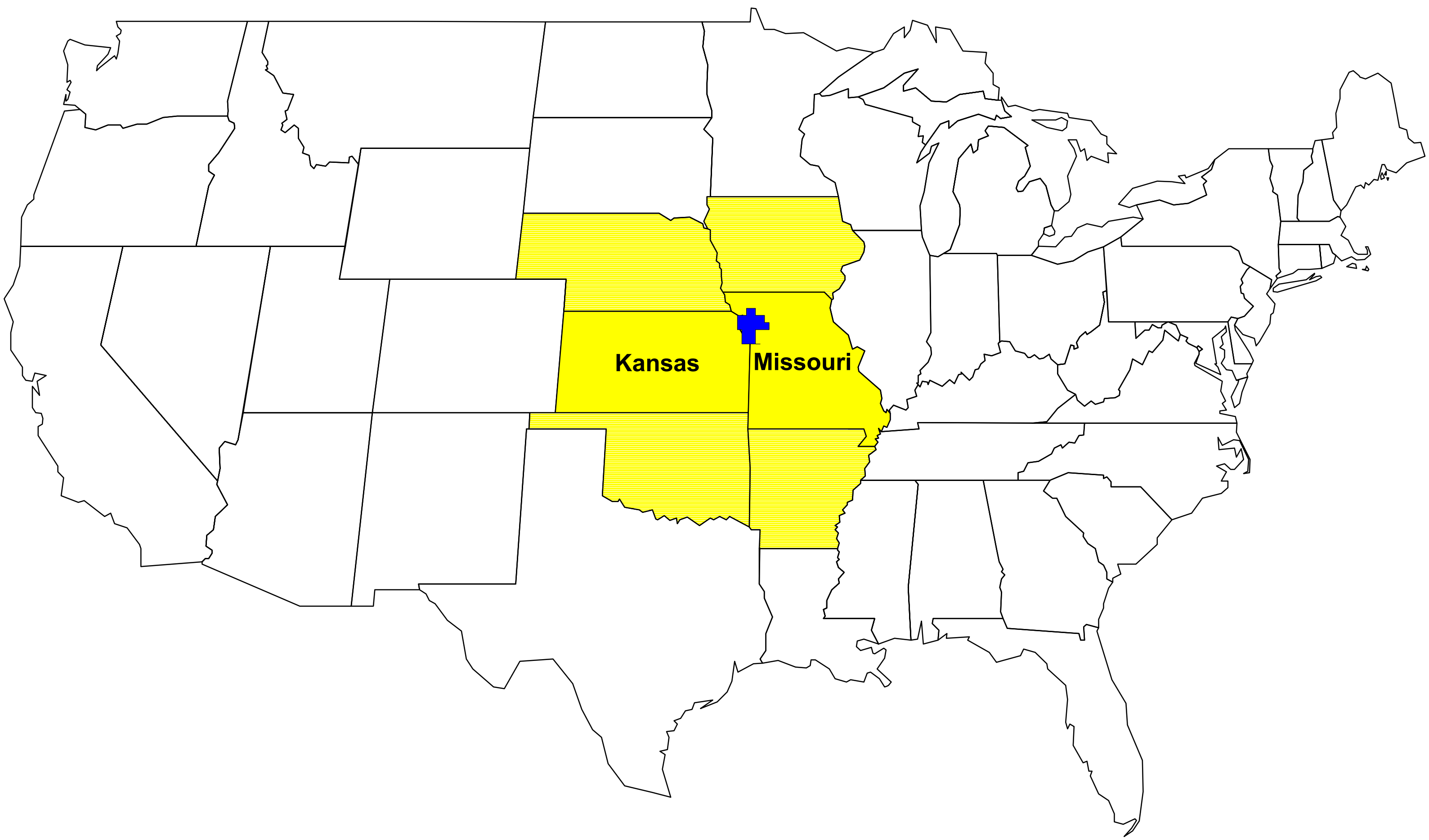


III. Economic Assessment of Greater Kansas City MSA

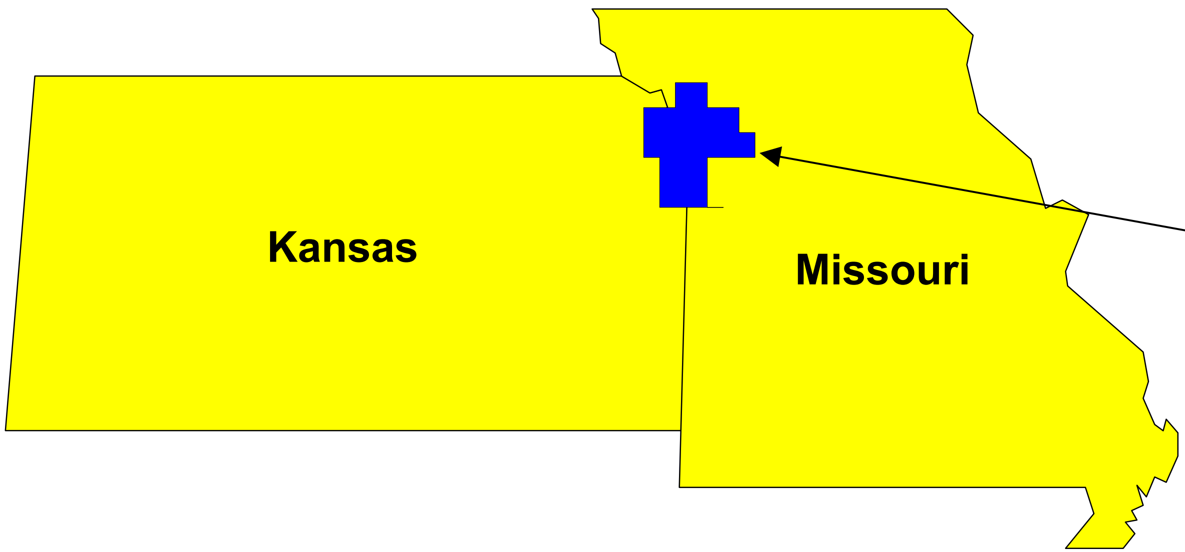
ASH GROVE

GRACE

Economic Assessment
Greater Kansas City MSA



Economic Assessment
Greater Kansas City MSA



Johnson County
Leavenworth County
Miami County
Wyandotte County
Cass County
Clay County
Clinton County
Jackson County
Lafayette County
Platte County
Ray County

Economic Assessment
Greater Kansas City MSA

	1992-2001	2002-2011
Population		
Average Annual % Change	1.2	1.1
Real Annual Increase (000s)	19.6	20.7
Housing (000 Units)		
Average Annual Starts	12.5	15.7
Cement Consumption (000 MT)		
High	913	1,198
Low	643	813
Average	791	958
Aggregate Production (000 MT)		
High	12,332	16,530
Low	7,887	10,880
Average	10,787	13,000

Economic Assessment
Greater Kansas City MSA

- Greater Kansas City, encompassing eleven counties which span both sides of the Kansas-Missouri border, is home to nearly 2 million people.

- Kansas City is known not only as one of the nation's agribusiness capitols, but also as one of the fastest growing job markets in the Midwest.

- Greater Kansas City is gaining worldwide recognition as a leader in innovative biomedical research. Spurred by the creation of the Stowers Institute for Medical Research and its $1 billion endowment, Greater Kansas City has rocketed to a prominent position in this field.

- Kansas City's fast growing job market, coupled with an attractive cost of living, has caused population to grow at an average annual rate of 1.2 percent over the last ten years, from 1.6 million in 1991 to 1.8 million in 2001.

Economic Assessment Greater Kansas City MSA

- Kansas City has established itself as one of the nation's premier locations for high technology, broadening its agricultural roots to meet the demands of the New Economy.

- Five specific industry segments define the high-tech services technology cluster. Three of these five segments provide the critical mass for Kansas City's tech community.

  1. Telecommunications services
  2. Computer and data processing services
  3. Architectural and engineering services

- Employing nearly 80,000 throughout the area, this technology cluster is more heavily concentrated in Greater Kansas City than in any other major metro region in the central U.S.

Economic Assessment
Greater Kansas City MSA

- Unfortunately, the telecommunications, computer and data processing sectors have been the hardest hit industries nationally during this most recent recession.

- Notwithstanding, Kansas City ranked number one in the Midwest and in the top ten nationally for per capita job growth. According to a study done by Arizona State University, Kansas City ranked 3rd nationally in total job growth from May 2001 to May 2002.

- Kansas City's homegrown companies include American Century, Hallmark, H&R Block, Russel Stover Candies, and Sprint. Other major employers include DST Systems, Ford Motor Company, Honeywell FM&T, Aquilla, Inc, and Yellow Corp.

- Kansas City is also home to the world's largest underground business complex, a 5 million square foot subsurface development known as *Subtropolis*.

Economic Assessment
Greater Kansas City MSA

- Recent announcements to locate significant new operations or expand existing operations have been made by companies such as Bayer Corp., ADT Security Services, Gateway, Harley Davidson Motor Company, John Deere, and WalMart.

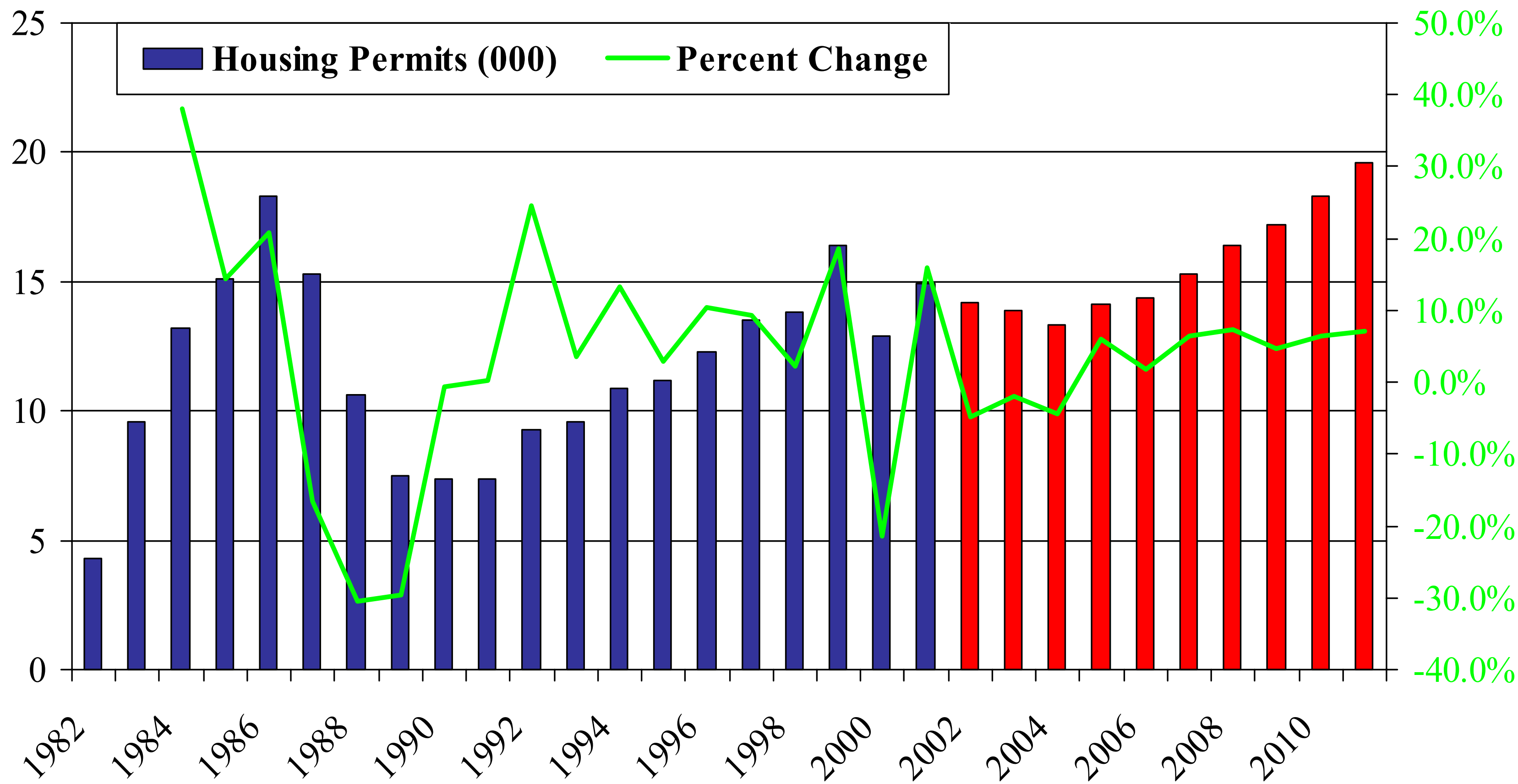
- Since 1982, the area has expanded its non-agricultural base by an average of 2,230 workers per year, reaching 987,200 workers in 2001. This signifies average annual growth of 2.6 percent compared to the 2.1 percent growth experienced nationally.

- The construction industry has followed a similar high growth trajectory. Between 1982 and 2001, construction employment expanded at an average of 5.2 percent per year. In 2001, Kansas City reported an all-time high of 52,800 construction workers, equivalent to 5.3 percent of the non-farm labor force.

- With increases in population and employment, the number of housing permits have grown by 7.2 percent over the past decade. This growth is expected to continue into the future, albeit at a more sustainable rate of 2.8 percent expected over the next decade, reaching 19,600 housing permits in 2011.

Economic Assessment Greater Kansas City MSA

Housing Permits



Economic Assessment
Greater Kansas City MSA

Cement Consumption

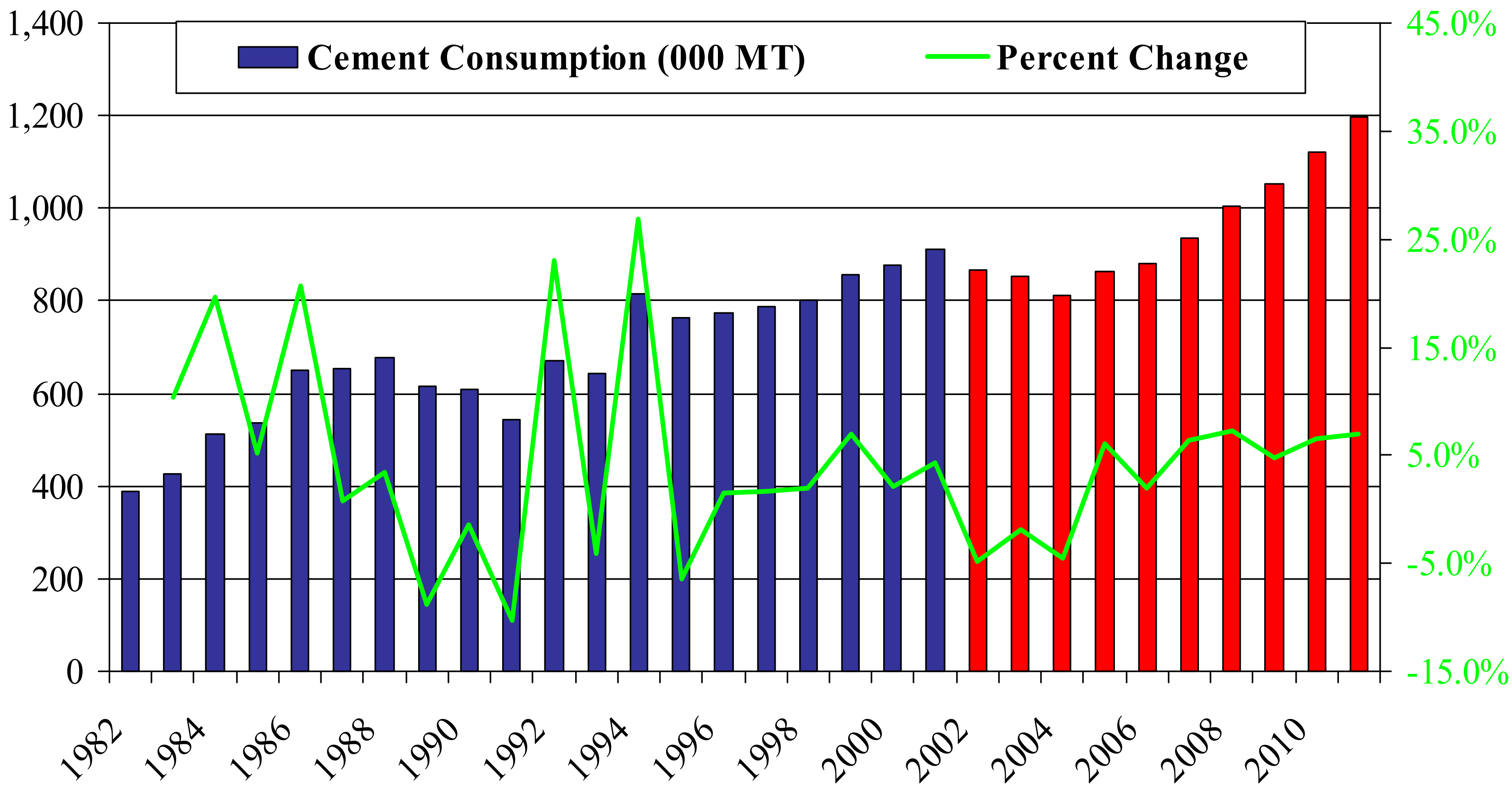
- Alongside growth in construction employment has come increasing demand for cement. Cement consumption experienced significant growth over the past ten years averaging a 5.3 percent annual increase, well above the national average of 4.6 percent.

- Due, in part, to the overall national slowdown, cement consumption will experience an average annual decline of 3.8 percent over the next three years.

- Starting in 2004, cement consumption should rebound and grow for the remainder of the decade, approaching 1.2 million tons in 2011.

Economic Assessment
Greater Kansas City MSA

Cement Consumption



Economic Assessment
Greater Kansas City MSA

Aggregate Production

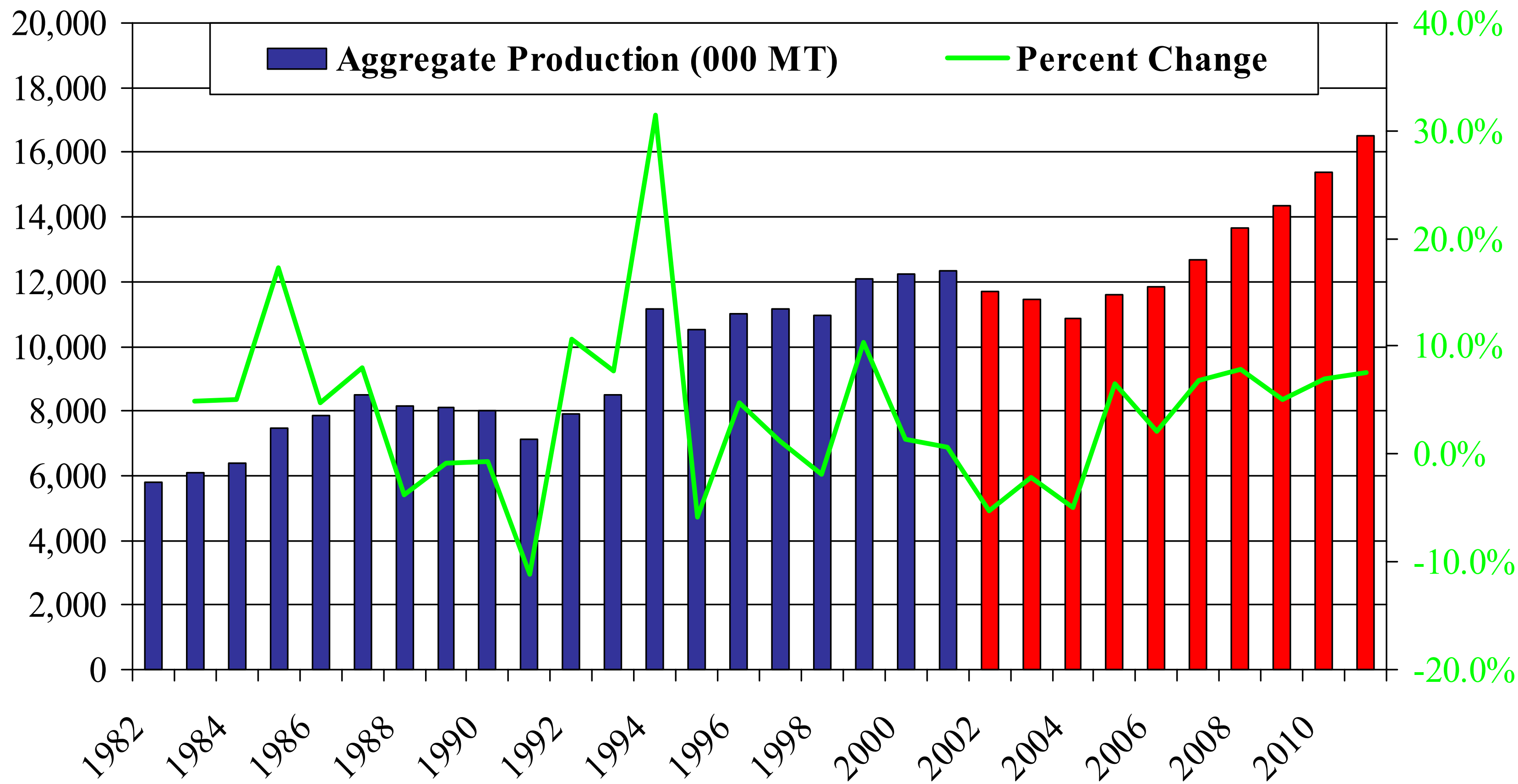
- Over the past two decades, aggregate production grew by 4.1 percent per year, from 5.8 million tons in 1982 to 12.3 million tons in 2001.

- During the last ten years, aggregate production grew by 5.6 percent per year, averaging 10.8 million tons.

- Looking forward, aggregate production is project to grow by 3.0 percent annually reaching 16.5 million tons in 2011.

Economic Assessment
Greater Kansas City MSA

Aggregate Production



THE GREYSTONE GROUP LLC
INVESTMENT BANKING

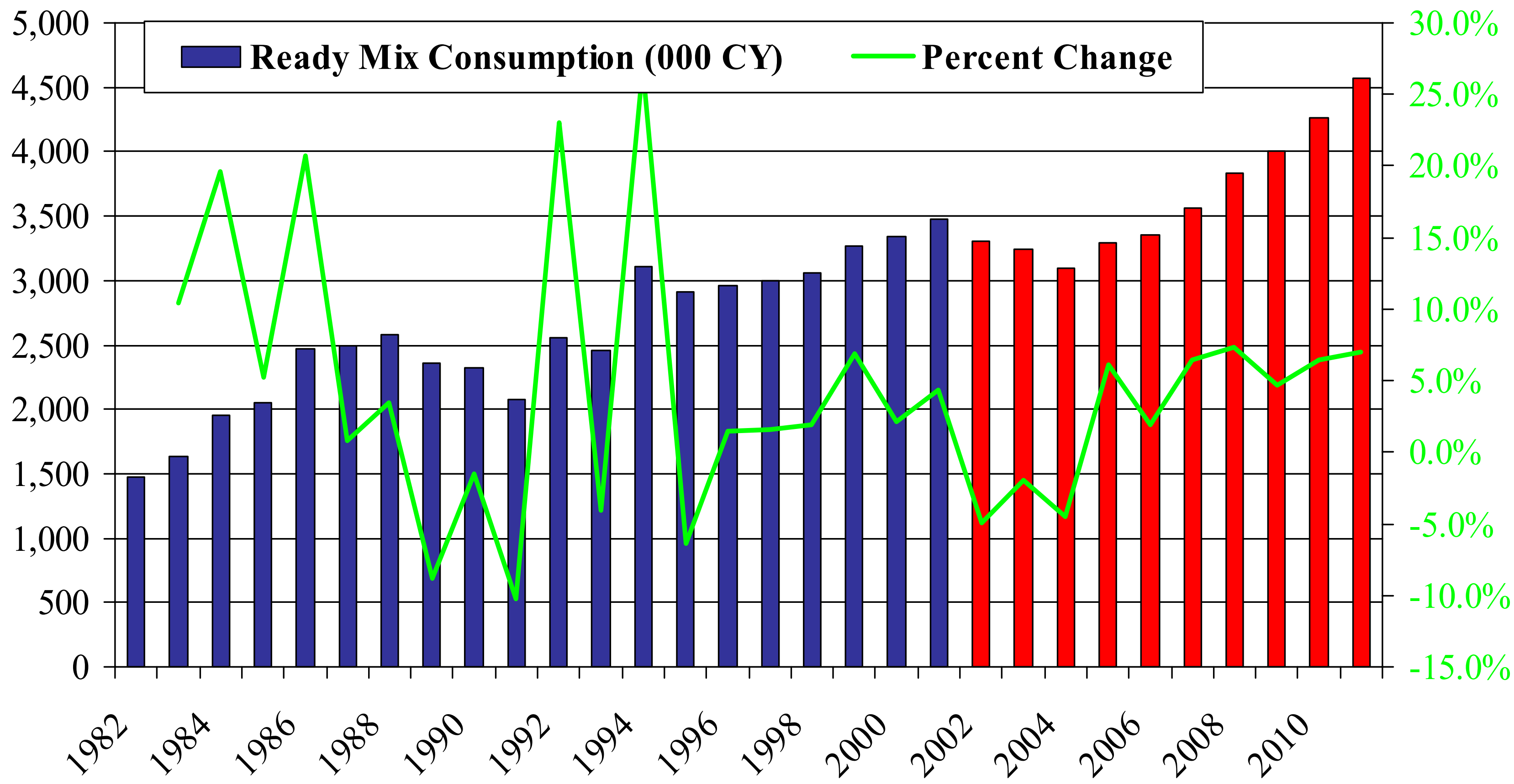
Economic Assessment
Greater Kansas City MSA

Ready Mix Concrete Consumption

- Alongside growth in cement consumption came increased demand for ready mix concrete. During the past decade, concrete consumption grew from 2.1 million cubic yards in 1991 to 3.5 million cubic yards in 2001.
- Over the next ten years concrete consumption is forecast to increase by 108,600 cubic yards annually, or 2.8 percent, reaching 4.6 million cubic yards in 2011.

Economic Assessment
Greater Kansas City MSA

Ready Mix Concrete Consumption



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INVESTMENT BANKING

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