

# Greystone INSIDER<sup>®</sup>

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*The Insider* is published quarterly for the clients of The Greystone Group. Quarterly publications include forecasts for cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption. Please contact us at (619) 587-3900 if you are interested in being added to our mailing list.

The Greystone Group, located in La Jolla, California, is an investment banking firm specializing in the cement and construction materials industry. Primary services include mergers and acquisitions, strategic planning, asset divestitures and debt placement activities. To learn more about Greystone please contact us at the address set forth below.

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## U.S. Economic Turmoil Healthy Concern or Paranoia?

Not long ago, the media panicked over volatile shifts in international financial markets, supported by doomsday prophets who were once again brushing the dust off their old theories. Although the concerns over a global economic meltdown appear to have subsided in the past month, as an investment bank specializing in the construction industry, we know how important it is to have a long-term outlook.

Certainly, the Asian flu, which has turned into a more serious virus, is troublesome. Devaluation of virtually every stock market in the world concerns us. Information about faltering major financial institutions is disappointing and the apparent slow-down in international trade is disturbing. Additionally, when we realize that we have already enjoyed eight long and prosperous years of economic expansion in the U.S., it almost sounds reasonable that we are now standing on the brink of a sudden, long and painful period of economic downfall. What comes up must come down, right? Relax! An immediate U.S. recession is not eminent and the U.S. economy is actually quite robust. Furthermore, the U.S. still represents the most stable investment market in the world, and our national balance sheet is healthier than it has been in years.

### Global Effects

What do these seemingly contradicting views indicate? In our opinion, proponents of extreme economic theories are usually wrong, and today's economic climate is only reflecting a short stretch of a cycle within a period of long-term growth. Despite the gloomy picture and recent world economic turmoil, we do not believe the U.S. or world economy will see a prolonged recession for several reasons.

Countries no longer rely on the gold standard, and governments today are at liberty to ease fiscal programs as economies hit recessions, thereby boosting investment. Additionally, as governments are better at applying sound macroeconomic practices, and have a larger share of their domestic products to work with, they can stabilize their own economies by creating economic activity. International monetary institutions such as the G7 and IMF also contribute by sharing information, intervening in poor economic handling and supporting economically starved countries. Furthermore, information and technology are available to more nations, adding many more spokes to the world economic wheel. The same technology has also contributed to increased growth in productivity and will continue to open new doors for increased output. In addition, while technology enables bad news to travel faster, it also distributes good news and favorable trends equally fast. In our opinion, disseminating information around the world with immediate impact contributes to greater gyrations in short-term markets, but also supports faster market corrections and shorter down cycles.

For a world recession to dawn, we need numerous parallel events to take place such as a deepening of the emerging market crisis combined with no IMF infusion or a lack of governmental assistance to needy Japanese banks. Another example could be a Wall Street crash without a corresponding cut in interest rates by the Federal Reserve Board or an increase in interest rates by European central banks without regard for anything but inflationary pressures. Despite Murphy's law, the likelihood of a massive world economic recession is still far away.

### Current U.S. Activity

After a strong four percent growth in the U.S. GDP during 1997, current statistics suggest that growth in 1998 will slow to three percent. However, employment is strong, unemployment is low, inflation is absent, housing markets are strong, the U.S. balance sheet is excellent, public spending is expected to increase and interest rates are favorable. So why is suddenly the media

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warning us of a world economic disaster? Could it simply be that bad news sells better than good news? A more reasonable explanation is that too many years of rosy conditions have caused us to be paranoid by sudden jolts of bad economic news. After so many years of strong growth, any slowdown in the U.S. economy may seem unsettling, but it should also be seen in historical perspective. Even though equity markets have dropped since the spring, the 1990s are still outperforming previous decades in terms of stock market growth.

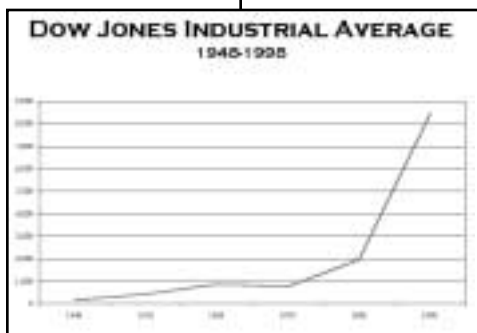
The overall healthy U.S. investment market coupled with continued increases in personal income have also favored fiscal budgets of state and local governments. Resulting from strong personal income tax contributions and steady growth of sales tax revenues, the second quarter federal budget surplus rose to \$134 billion, near the decade's peak. Tight labor markets are inducing employers to pay higher wages and bonuses to retain employees. Aside from the direct benefit of strong personal income growth, the strong income growth provides a second benefit as well. As household incomes rise, more taxpayers move into higher tax brackets. Because households are distributed more heavily in the upper tax brackets than before, the amount of tax revenue collected per dollar of income taxed is higher for a given tax rate structure.

The fundamental health of the economy and the increase in tax revenue per dollar of taxable income will support public spending by local governments, including construction spending. In fact, spending has been rising even as state and local revenue growth appears to be near its peak. Rising revenues from a strong economy and federal

government commitments like the large Transportation Equity Act for the 21st Century (TEA-21) are leading some states and localities to increase their spending budgets. In addition, some states are required to balance their budgets leading to either increased expenditures or rebates in the current revenue environment.

#### Exports versus Imports

At the moment, the most unsettling news to swallow appears to be international financial turmoil. Many economists believe that a continued Asian flu will eventually make the U.S. economy ill because exports to Asia will dry out. While a dampening in purchase



power from other nations means a slowdown in exports, it is not uniformly bad for the U.S. economy. As international

economies weaken, money flows to U.S. bond markets, the most secure investment market available. The inflow to bond markets in turn leads to lower interest rates, boosting spending which fuels economic growth. Particularly,

lower mortgage rates lead to increases in mortgage refinancing which again supports residential construction. An inflow of capital into the U.S. also strengthens the dollar, and while this again dampens exports, it also reduces imports, energy and agricultural prices for U.S. consumers. Some economists argue that this effect cancels many of the negative aspects of reduced exports.

So while a downward spiraling Asian economy may reduce the demand for export products such as lumber and high technology components, other industries including the construction sector may

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## www.thegreystonegroup.com For the Latest News & Information

We've recently updated our web site, which is designed to provide timely information about the cement and construction materials industry for anyone with a web browser and Internet access. The following web sections are up and running:

**About Greystone** provides an introduction to Greystone and to the services we offer our clients.

**Greystone Insider** offers access to both current and past issues of 'The Insider.'

**Greystone Offerings** (Restricted Access) provides general information about our current and forthcoming offerings.

**Services** offer a plethora of information about the construction materials industry, including access to **Industry News**, specifically relating to transactions closed since January 1, 1997.

**Transaction Portfolio** provides a summary of recently completed transactions managed by Greystone.

**Statistics** provides client access to Greystone's vast database, including state-by-state statistics on population; construction employment; housing starts; cement consumption; sand, gravel and crushed stone production and ready mix concrete consumption.

Readers can reach Greystone's La Jolla, California office or request additional information, via e-mail, at [www.thegreystonegroup.com](http://www.thegreystonegroup.com). We look forward to hearing from you.

actually see a windfall. Furthermore, as the dollar strengthens and prices of export products rise, import products become less expensive. States like California will see the benefits of increased imports as it is home to the nation's largest container ports and is the primary receiver of Asian imports.

#### Interest Rate Environment

Another reason for our less dramatic reading of the U.S. economy lies with the tools of the Federal Reserve. U.S. policymakers have several alternatives that can be implemented to soften a downturn in the economy. Most importantly, the Federal Reserve has the ability to loosen the money supply further by lowering interest rates. Given the currently low inflation, the move should allow for fine tuning economic growth. The potential problem is a rapid accelerating inflation once the global crisis is alleviated, but again, the Federal Reserve can quickly tighten money supply.

In our view, Greenspan will continue to act swiftly to fine tune the U.S. economy. He did so on September 29, and again on October 15; each time he lowered the federal funds rate by 25 basis points. While the September 29th move made no impact on investor confidence, the October 15th

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## U.S. Ready Mix Consumption Northeast Region

(000CYD)	Actual				Greystone Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<u>New England:</u>									
Connecticut	1,972	1,916	2,064	2,178	2,345	2,516	2,752	2,727	2,623
% Change	6.3%	-2.8%	7.7%	5.5%	7.6%	7.3%	9.4%	-0.9%	-3.8%
Maine	717	656	663	583	719	768	835	896	909
% Change	1.4%	-8.6%	1.1%	-12.0%	23.3%	6.8%	8.7%	7.4%	1.4%
Massachusetts	3,534	3,271	3,392	3,985	5,039	4,560	4,218	3,433	4,061
% Change	11.7%	-7.4%	3.7%	17.5%	26.5%	-9.5%	-7.5%	-18.6%	18.3%
N. Hampshire	763	808	870	832	918	742	691	581	647
% Change	8.9%	5.9%	7.6%	-4.4%	10.4%	-19.1%	-6.9%	-16.0%	11.3%
Rhode Island	481	369	351	403	489	567	506	611	749
% Change	13.3%	-23.2%	-5.0%	14.7%	21.5%	15.9%	-10.8%	20.8%	22.6%
Vermont	319	332	352	334	391	427	503	506	510
% Change	-5.3%	4.0%	6.0%	-5.1%	17.1%	9.0%	17.9%	0.5%	0.8%
<b>Subtotal - New England</b>	<b>7,787</b>	<b>7,353</b>	<b>7,692</b>	<b>8,314</b>	<b>9,901</b>	<b>9,580</b>	<b>9,505</b>	<b>8,754</b>	<b>9,498</b>
<b>% Change</b>	<b>8.3%</b>	<b>-5.6%</b>	<b>4.6%</b>	<b>8.1%</b>	<b>19.1%</b>	<b>-3.2%</b>	<b>-0.8%</b>	<b>-7.9%</b>	<b>8.5%</b>
<u>Mid Atlantic:</u>									
New Jersey	3,934	3,886	4,054	4,685	5,509	5,795	6,045	6,172	6,132
% Change	0.1%	-1.2%	4.3%	15.6%	17.6%	5.2%	4.3%	2.1%	-0.6%
New York	7,404	7,211	7,592	8,341	9,239	10,373	11,245	11,468	10,832
% Change	8.2%	-2.6%	5.3%	9.9%	10.8%	12.3%	8.4%	2.0%	-5.5%
Pennsylvania	8,449	7,655	7,862	8,404	9,080	9,257	9,877	9,907	9,501
% Change	8.3%	-9.4%	2.7%	6.9%	8.0%	1.9%	6.7%	0.3%	-4.1%
<b>Subtotal - Mid Atlantic</b>	<b>19,786</b>	<b>18,752</b>	<b>19,509</b>	<b>21,430</b>	<b>23,828</b>	<b>25,425</b>	<b>27,167</b>	<b>27,546</b>	<b>26,464</b>
<b>% Change</b>	<b>6.5%</b>	<b>-5.2%</b>	<b>4.0%</b>	<b>9.9%</b>	<b>11.2%</b>	<b>6.7%</b>	<b>6.8%</b>	<b>1.4%</b>	<b>-3.9%</b>
<b>Total Northeast Region</b>	<b>27,573</b>	<b>26,105</b>	<b>27,201</b>	<b>29,745</b>	<b>33,729</b>	<b>35,005</b>	<b>36,672</b>	<b>36,300</b>	<b>35,962</b>
<b>% Change</b>	<b>7.0%</b>	<b>-5.3%</b>	<b>4.2%</b>	<b>9.4%</b>	<b>13.4%</b>	<b>3.8%</b>	<b>4.8%</b>	<b>-1.0%</b>	<b>-0.9%</b>

## U.S. Ready Mix Consumption Regional Comparison

(000CYD)	1988 to 1997			1998 to 2007			Ave. Annual Percent Change		
	HIGH	LOW	AVG	HIGH	LOW	AVG	HIGH	LOW	AVG
Northeast Region	33,717	24,499	27,859	36,672	29,298	33,742	0.9%	2.0%	2.1%
Midwest Region	78,975	58,731	67,600	94,251	76,483	85,394	1.9%	3.0%	2.6%
South Region	106,666	76,975	91,040	131,892	102,720	114,228	2.4%	3.3%	2.5%
West Region	70,136	53,812	61,261	82,227	72,592	76,854	1.7%	3.5%	2.5%
<b>Total U.S.</b>	<b>285,521</b>	<b>214,017</b>	<b>247,761</b>	<b>327,031</b>	<b>297,716</b>	<b>310,219</b>	<b>1.5%</b>	<b>3.9%</b>	<b>2.5%</b>

## U.S. Ready Mix Consumption Midwest Region

(000CYD)	Actual				Greystone Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<u>East N. Central:</u>									
Illinois	13,394	12,163	12,820	12,974	12,624	12,295	12,061	12,554	14,061
% Change	8.4%	-9.2%	5.4%	1.2%	-2.7%	-2.6%	-1.9%	4.1%	12.0%
Indiana	6,171	6,146	6,440	7,077	7,306	6,707	7,351	7,969	8,551
% Change	6.9%	-0.4%	4.8%	9.9%	3.2%	-8.2%	9.6%	8.4%	7.3%
Michigan	8,573	8,839	9,752	10,433	10,986	10,997	10,106	9,671	10,281
% Change	12.9%	3.1%	10.3%	7.0%	5.3%	0.1%	-8.1%	-4.3%	6.3%
Ohio	12,298	12,409	13,082	13,254	13,697	14,355	13,953	15,094	15,562
% Change	8.5%	0.9%	5.4%	1.3%	3.3%	4.8%	-2.8%	8.2%	3.1%
Wisconsin	5,970	5,828	6,487	6,752	7,138	6,760	6,483	6,353	6,906
% Change	4.0%	-2.4%	11.3%	4.1%	5.7%	-5.3%	-4.1%	-2.0%	8.7%
<b>Subtotal - East N. Central</b>	<b>46,407</b>	<b>45,386</b>	<b>48,581</b>	<b>50,489</b>	<b>51,750</b>	<b>51,112</b>	<b>49,953</b>	<b>51,642</b>	<b>55,360</b>
<b>% Change</b>	<b>8.4%</b>	<b>-2.2%</b>	<b>7.0%</b>	<b>3.9%</b>	<b>2.5%</b>	<b>-1.2%</b>	<b>-2.3%</b>	<b>3.4%</b>	<b>7.2%</b>
<u>West N. Central:</u>									
Iowa	4,380	4,253	4,766	5,177	4,874	4,509	4,491	4,024	3,904
% Change	15.6%	-2.9%	12.1%	8.6%	-5.8%	-7.5%	-0.4%	-10.4%	-3.0%
Kansas	4,256	4,303	4,909	4,848	4,704	4,606	4,311	4,477	4,224
% Change	13.9%	1.1%	14.1%	-1.2%	-3.0%	-2.1%	-6.4%	3.9%	-5.6%
Minnesota	4,760	5,006	5,089	5,368	5,982	6,047	6,327	7,096	8,039
% Change	8.2%	5.2%	1.7%	5.5%	11.5%	1.1%	4.6%	12.2%	13.3%
Missouri	8,551	7,850	7,971	8,100	8,021	7,443	7,153	7,526	9,088
% Change	26.9%	-8.2%	1.5%	1.6%	-1.0%	-7.2%	-3.9%	5.2%	20.7%
Nebraska	3,194	3,309	3,343	3,436	2,708	2,559	2,679	2,546	2,502
% Change	14.8%	3.6%	1.0%	2.8%	-21.2%	-5.5%	4.7%	-5.0%	-1.7%
N. Dakota	576	742	719	473	741	778	866	897	868
% Change	0.7%	28.8%	-3.2%	-34.3%	56.8%	4.9%	11.4%	3.6%	-3.3%
S. Dakota	811	779	859	1,085	983	860	703	798	907
% Change	2.2%	-3.9%	10.2%	26.3%	-9.3%	-12.5%	-18.2%	13.4%	13.8%
<b>Subtotal - West N. Central</b>	<b>26,528</b>	<b>26,242</b>	<b>27,655</b>	<b>28,486</b>	<b>28,015</b>	<b>26,802</b>	<b>26,530</b>	<b>27,365</b>	<b>29,532</b>
<b>% Change</b>	<b>16.3%</b>	<b>-1.1%</b>	<b>5.4%</b>	<b>3.0%</b>	<b>-1.7%</b>	<b>-4.3%</b>	<b>-1.0%</b>	<b>3.1%</b>	<b>7.9%</b>
<b>Total Midwest Region</b>	<b>72,935</b>	<b>71,628</b>	<b>76,237</b>	<b>78,975</b>	<b>79,765</b>	<b>77,914</b>	<b>76,483</b>	<b>79,006</b>	<b>84,892</b>
<b>% Change</b>	<b>11.2%</b>	<b>-1.8%</b>	<b>6.4%</b>	<b>3.6%</b>	<b>1.0%</b>	<b>-2.3%</b>	<b>-1.8%</b>	<b>3.3%</b>	<b>7.4%</b>

### The Greystone Methodology

The success of any transaction depends on the participant's ability to accurately forecast future financial performance. As part of this process, The Greystone Group constantly scrutinizes the numerous economic indicators that ultimately influence the consumption of cement and construction materials. Additionally, we maintain a database of historical population, housing starts, construction employment, cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption on a state-by-state basis. In many regions, we maintain this information by county or major metropolitan area.

After analyzing economic projections generated by a myriad of independent economists from each relevant market, we apply Greystone's proprietary correlation in order to produce our construction materials forecast.

## U.S. Ready Mix Consumption South Region

(000CYD)	Actual				Greystone Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<u>South Atlantic:</u>									
Delaware	634	615	662	681	714	704	683	636	797
% Change	-1.3%	-3.0%	7.6%	2.9%	4.8%	-1.3%	-3.0%	-6.8%	25.2%
District of Columbia	352	336	360	329	315	328	313	305	372
% Change	4.3%	-4.6%	7.1%	-8.6%	-4.2%	4.3%	-4.6%	-2.6%	21.9%
Florida	16,516	16,747	17,655	18,680	19,716	19,499	18,894	17,383	18,408
% Change	7.0%	1.4%	5.4%	5.8%	5.5%	-1.1%	-3.1%	-8.0%	5.9%
Georgia	8,170	9,338	9,754	9,892	10,466	9,901	9,990	9,021	9,481
% Change	10.5%	14.3%	4.5%	1.4%	5.8%	-5.4%	0.9%	-9.7%	5.1%
Maryland	3,391	3,556	3,841	3,990	3,778	3,732	3,393	3,231	3,247
% Change	6.7%	4.8%	8.0%	3.9%	-5.3%	-1.2%	-9.1%	-4.8%	0.5%
North Carolina	6,588	6,778	6,905	7,939	8,077	7,608	6,984	7,477	8,040
% Change	10.8%	2.9%	1.9%	15.0%	1.7%	-5.8%	-8.2%	7.0%	7.5%
South Carolina	2,987	3,220	3,611	3,733	3,811	3,598	3,249	3,288	3,470
% Change	0.8%	7.8%	12.1%	3.4%	2.1%	-5.6%	-9.7%	1.2%	5.5%
Virginia	5,476	5,721	5,841	6,218	6,017	5,439	5,135	5,194	5,615
% Change	5.8%	4.5%	2.1%	6.5%	-3.2%	-9.6%	-5.6%	1.2%	8.1%
West Virginia	1,394	1,342	1,443	1,431	1,321	1,279	1,339	1,375	1,469
% Change	-1.0%	-3.7%	7.5%	-0.8%	-7.7%	-3.2%	4.7%	2.7%	6.8%
<b>Subtotal - South Atlantic</b>	<b>45,508</b>	<b>47,653</b>	<b>50,072</b>	<b>52,894</b>	<b>54,214</b>	<b>52,089</b>	<b>49,980</b>	<b>47,910</b>	<b>50,899</b>
<b>% Change</b>	<b>7.1%</b>	<b>4.7%</b>	<b>5.1%</b>	<b>5.6%</b>	<b>2.5%</b>	<b>-3.9%</b>	<b>-4.0%</b>	<b>-4.1%</b>	<b>6.2%</b>
<u>East S. Central:</u>									
Alabama	4,061	3,801	4,032	3,899	4,056	3,934	3,440	3,231	3,606
% Change	10.5%	-6.4%	6.1%	-3.3%	4.0%	-3.0%	-12.6%	-6.1%	11.6%
Kentucky	3,709	3,965	4,174	4,404	4,289	4,515	4,340	4,203	3,848
% Change	-1.6%	6.9%	5.3%	5.5%	-2.6%	5.3%	-3.9%	-3.2%	-8.4%
Mississippi	2,515	2,306	2,510	2,581	2,581	2,810	2,751	2,396	2,549
% Change	5.0%	-8.3%	8.9%	2.8%	-0.0%	8.9%	-2.1%	-12.9%	6.4%
Tennessee	5,121	5,489	5,975	6,203	6,216	6,123	5,860	5,479	5,742
% Change	12.0%	7.2%	8.8%	3.8%	0.2%	-1.5%	-4.3%	-6.5%	4.8%
<b>Subtotal - East S. Central</b>	<b>15,406</b>	<b>15,562</b>	<b>16,691</b>	<b>17,087</b>	<b>17,142</b>	<b>17,383</b>	<b>16,391</b>	<b>15,309</b>	<b>15,745</b>
<b>% Change</b>	<b>6.9%</b>	<b>1.0%</b>	<b>7.3%</b>	<b>2.4%</b>	<b>0.3%</b>	<b>1.4%</b>	<b>-5.7%</b>	<b>-6.6%</b>	<b>2.8%</b>
<u>West S. Central:</u>									
Arkansas	2,407	2,475	2,391	2,666	3,096	3,216	3,110	3,051	3,008
% Change	8.2%	2.8%	-3.4%	11.5%	16.1%	3.9%	-3.3%	-1.9%	-1.4%
Louisiana	4,653	4,754	4,800	4,953	5,313	5,445	5,434	5,266	5,166
% Change	1.2%	2.2%	1.0%	3.2%	7.3%	2.5%	-0.2%	-3.1%	-1.9%
Oklahoma	2,820	2,760	2,859	2,966	3,052	3,006	2,997	2,836	2,847
% Change	6.1%	-2.1%	3.6%	3.8%	2.9%	-1.5%	-0.3%	-5.4%	0.4%
Texas	21,783	23,206	24,448	26,099	29,048	30,094	29,101	28,348	26,052
% Change	4.8%	6.5%	5.3%	6.8%	11.3%	3.6%	-3.3%	-2.6%	-8.1%
<b>Subtotal - West S. Central</b>	<b>31,663</b>	<b>33,195</b>	<b>34,498</b>	<b>36,685</b>	<b>40,508</b>	<b>41,762</b>	<b>40,643</b>	<b>39,501</b>	<b>37,073</b>
<b>% Change</b>	<b>4.6%</b>	<b>4.8%</b>	<b>3.9%</b>	<b>6.3%</b>	<b>10.4%</b>	<b>3.1%</b>	<b>-2.7%</b>	<b>-2.8%</b>	<b>-6.1%</b>
<b>Total South Region</b>	<b>92,577</b>	<b>96,410</b>	<b>101,261</b>	<b>106,666</b>	<b>111,865</b>	<b>111,234</b>	<b>107,015</b>	<b>102,720</b>	<b>103,717</b>
<b>% Change</b>	<b>6.2%</b>	<b>4.1%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>4.9%</b>	<b>-0.6%</b>	<b>-3.8%</b>	<b>-4.0%</b>	<b>1.0%</b>

## U.S. Ready Mix Consumption West Region

(000CYD)	Actual				Greystone Forecast				
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<u>Mountain:</u>									
Arizona	5,915	6,394	7,098	7,193	8,095	7,944	7,491	6,629	7,005
% Change	17.2%	8.1%	11.0%	1.3%	12.5%	-1.9%	-5.7%	-11.5%	5.7%
Colorado	4,710	4,550	5,264	5,605	6,437	6,753	6,888	6,516	6,281
% Change	-15.9%	-3.4%	15.7%	6.5%	14.9%	4.9%	2.0%	-5.4%	-3.6%
Idaho	1,278	1,336	1,293	1,365	1,343	1,259	1,458	1,414	1,704
% Change	12.0%	4.5%	-3.2%	5.5%	-1.6%	-6.3%	15.8%	-3.0%	20.5%
Montana	815	799	794	883	906	911	998	979	1,052
% Change	-30.5%	-1.9%	-0.6%	11.2%	2.6%	0.6%	9.5%	-1.9%	7.5%
Nevada	3,672	4,153	5,050	5,351	5,408	5,543	5,400	4,362	3,930
% Change	18.7%	13.1%	21.6%	6.0%	1.1%	2.5%	-2.6%	-19.2%	-9.9%
New Mexico	1,823	1,967	2,076	2,052	2,126	2,062	1,990	1,952	2,213
% Change	-3.3%	7.9%	5.5%	-1.1%	3.6%	-3.0%	-3.5%	-1.9%	13.4%
Utah	2,909	3,685	3,630	3,884	4,276	4,750	4,969	5,038	4,620
% Change	13.0%	26.7%	-1.5%	7.0%	10.1%	11.1%	4.6%	1.4%	-8.3%
Wyoming	738	576	525	611	583	490	563	545	512
% Change	19.4%	-22.0%	-8.8%	16.3%	-4.5%	-16.0%	14.8%	-3.2%	-6.0%
<b>Subtotal - Mountain</b>	<b>21,860</b>	<b>23,460</b>	<b>25,730</b>	<b>26,944</b>	<b>29,174</b>	<b>29,712</b>	<b>29,756</b>	<b>27,434</b>	<b>27,318</b>
% Change	<b>3.4%</b>	<b>7.3%</b>	<b>9.7%</b>	<b>4.7%</b>	<b>8.3%</b>	<b>1.8%</b>	<b>0.1%</b>	<b>-7.8%</b>	<b>-0.4%</b>
<u>Pacific:</u>									
Alaska	337	345	315	342	355	370	357	377	345
% Change	-3.5%	2.4%	-8.5%	8.4%	3.7%	4.3%	-3.5%	5.5%	-8.5%
California	27,859	27,152	28,369	31,871	33,782	37,712	38,979	41,756	43,745
% Change	7.0%	-2.5%	4.5%	12.3%	6.0%	11.6%	3.4%	7.1%	4.8%
Hawaii	1,287	1,153	1,006	809	862	986	1,116	1,221	1,454
% Change	-10.4%	-10.4%	-12.8%	-19.6%	6.6%	14.4%	13.2%	9.3%	19.1%
Oregon	3,130	3,252	3,688	3,784	3,700	3,485	3,454	3,406	3,433
% Change	15.9%	3.9%	13.4%	2.6%	-2.2%	-5.8%	-0.9%	-1.4%	0.8%
Washington	6,128	5,724	5,920	6,386	6,234	5,716	5,602	5,496	5,932
% Change	6.9%	-6.6%	3.4%	7.9%	-2.4%	-8.3%	-2.0%	-1.9%	7.9%
<b>Subtotal - Pacific</b>	<b>38,741</b>	<b>37,626</b>	<b>39,298</b>	<b>43,192</b>	<b>44,933</b>	<b>48,270</b>	<b>49,509</b>	<b>52,255</b>	<b>54,909</b>
% Change	<b>6.8%</b>	<b>-2.9%</b>	<b>4.4%</b>	<b>9.9%</b>	<b>4.0%</b>	<b>7.4%</b>	<b>2.6%</b>	<b>5.5%</b>	<b>5.1%</b>
<b>Total West Region</b>	<b>60,602</b>	<b>61,086</b>	<b>65,028</b>	<b>70,136</b>	<b>74,107</b>	<b>77,981</b>	<b>79,265</b>	<b>79,689</b>	<b>82,227</b>
% Change	<b>5.6%</b>	<b>0.8%</b>	<b>6.5%</b>	<b>7.9%</b>	<b>5.7%</b>	<b>5.2%</b>	<b>1.6%</b>	<b>0.5%</b>	<b>3.2%</b>
<b>TOTAL U.S.</b>	<b>253,687</b>	<b>255,228</b>	<b>269,727</b>	<b>285,521</b>	<b>299,466</b>	<b>302,134</b>	<b>299,434</b>	<b>297,716</b>	<b>306,798</b>
% Change	<b>7.5%</b>	<b>0.6%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>0.9%</b>	<b>-0.9%</b>	<b>-0.6%</b>	<b>3.1%</b>

# Industry News

**Ash Grove Cement Co.** (OTC BB: ASHG) announced in September that it had conditionally decided to construct a 1.5 million ton per year cement kiln at the site of its current facility in Chanute, Kansas.

**Blue Circle Industries** agreed to buy full control of Southeast Asian cement businesses **Associated Pan Malaysia Cement** and **Pan Malaysia Cement Works Singapore**. The transaction price is equivalent to \$120 per ton.

**CEMEX S.A.** announced the regrouping of its current operations into three distinct regions. **Francisco Garza** was appointed President of the North American region and will also assume responsibility for the company's trading operations. **Victor Romo** was appointed President of the South America & Caribbean Region. Jose Luis Saenz de Miera will head the Europe & Asia region. In related news, **Jose Domene**, President of Cemex International, decided to resign from the company to pursue other personal and professional interests. **CEMEX** announced the \$115 million purchase of a 14% stake in **PT Semen Gresik**, an ailing cement maker controlled by the Indonesian government.

**Cornerstone Construction & Materials, Inc.**, a subsidiary of **Hanson PLC** (NYSE: HAN), signed an agreement in October to acquire **Alfred McAlpine, Inc.** (AMI) for \$122.5 million in cash, subject to closing adjustments. AMI is composed of two operating subsidiaries; **Becker Minerals, Inc.**, a supplier of crushed rock and sand & gravel in North and South Carolina; and **Blythe Construction, Inc.** Cornerstone has signed an agreement with **The Hubbard Group, Inc.** to sell Blythe immediately after completion of the AMI acquisition, for \$40.0 million, including the assumption of all of Blythe's debts. Becker Minerals produced approximately 6.1 million tons of aggregates in 1997 from six mining operations in the Carolinas and has approximately 240 million tons of aggregate reserves. Also in October, Cornerstone announced the \$77.1 million acquisition of **Condux Corporation** headquartered in Apple Valley, Minnesota. Condux is the 5th largest concrete pipe producer in the United States and is the leading concrete products manufacturer in Minnesota, Ohio and South Dakota.

**Essroc Cement Co.** refired a kiln at its Nazareth, Pennsylvania cement complex after a restoration program that began in April. The reactivated kiln will produce 120,000 tons of clinker annually which will compliment Essroc's cement production at Nazareth, currently estimated at 1.8 million tons annually.

**Florida Rock Industries** (NYSE: FRK) announced on November 4 that the Clean Air Act Ordinance placed on the ballot in Alachua County, Florida was rejected by voters on November 3. Construction of its new cement plant, which will produce 750,000 tons of cement annually, commenced on April 7, 1997 and is expected to be operational by the fourth quarter of the company's fiscal 1999.

In October, **Lafarge S.A.** signed an agreement with Jordan to buy a 33.09% stake in the nation's only cement company, **Jordan Cement Factories**, for about USD102 million.

**Lehigh Portland Cement Co.** announced that it would cease operations at its Gary, Indiana plant in the first quarter of 1999. The plant, which manufactures calcium aluminate, a heat resistant cement used to make bricks for blast furnaces, will be replaced by a similar facility in Pula, Croatia.

**Martin Marietta Materials, Inc.** (NYSE: MLM) announced in October that it had signed a contract with an affiliate of **Lafarge S.A.** to acquire the common stock of **Redland Stone Products Company** for \$272 million, subject to certain post-closing adjustments related to working capital. Redland Stone serves San Antonio, Houston and south Texas markets, producing an estimated 14 million tons of aggregate and 3 million tons of asphalt annually, generating revenues of approximately \$140 million. In November, Martin Marietta announced that it had consummated a transaction to purchase an initial 14% interest in the business of **Meridian Aggregates Company**. The transaction provides a mechanism for Martin Marietta to purchase the remaining interest at a predetermined formula price within five years. Meridian is the seventh largest producer of crushed stone in the United States and operates 25 aggregate production facilities and eight rail-served distribution yards in Texas, Oklahoma, Louisiana, Arkansas, Tennessee, Minnesota, Wyoming, Colorado, Montana,

Washington and California. With approximately 1.4 billion tons of mineral reserves, Meridian's 1997 revenue is expected to exceed \$130 million on sales of over 20 million tons. In September, Martin Marietta acquired a limestone quarry in Ottawa, Kansas from **Fogle Quarry Company, Inc.** The quarry, which is the largest in the state, has annual production capacity exceeding 1.8 million tons. In August, Martin Marietta acquired an underground limestone mine in Preston County, West Virginia, from **Greenbrier Aggregates, Inc.**, a subsidiary of **Harman Construction, Inc.** The operation has annual production capacity of approximately 750,000 tons with mineral reserves in excess of 40 million tons. In a separate transaction, Martin Marietta purchased a ready mixed concrete operation in Little Rock, Arkansas from **Tri City Concrete** that produces approximately 80,000 cubic yards annually.

**Pioneer International Limited** announced in September that it would acquire a 50 percent interest in the largest aggregates and asphalt operator in Malaysia, **Sungei Way Holdings Berhad**. The company operates 17 quarries and 19 asphalt plants in Malaysia. Pioneer is already the second largest pre-mixed concrete supplier in Malaysia. Pioneer also signed an option agreement with another company in the Sungei Way Group, **Sunway Building Technology Berhad (Suntech)**, to combine Pioneer's 24 existing concrete plants in Malaysia with the 48 concrete plants operated by Suntech into a 50/50 joint venture company.

The German ready-mixed concrete company **ScanBeton**, part of **Scancem's** business area **Rudus Group**, formed a joint-venture with **Heidelberger Zement's** ready-mix companies within Vulkan and Neuper Beton in the *Land* of Mecklenburg-Vorpommern. The new company - **Transportbeton Industrie GmbH & Co. KG** - will be owned 50/50 by Scancem and Heidelberger Zement.

**Vulcan Materials Company** (NYSE: VMC) announced on October 19 that the Board of Directors had adopted a shareholder rights plan and declared a dividend distribution of one preference share purchase right on each outstanding share of Vulcan common stock. According to the 8-K filing, the plan was not adopted in response to performance issues or any takeover threat.

rate cut boosted Wall Street activity as the Dow Jones Index recorded its third-biggest gain ever. In addition to its positive impact on the stock market, the drop in the fed funds rate should boost overall consumer spending, particularly in large purchases such as autos and homes. Reflecting the latest rate cut, the refinancing boom is expected to continue to support residential construction activity throughout the nation.

#### U.S. Construction Materials Industry

The U.S. construction materials industry has been, and will always continue to be cyclical by nature. As a result of a stabilized U.S. economy, we continue to stand behind our forecast of long-term growth in regional construction materials consumption. In general, our forecast calls for increased demand in 1998, leveling in 1999, and a correction in 2000-2001 followed by another period of economic growth. As in past consumption patterns, long-term growth trends in select key economic states such as Florida, Texas, California and others are expected to outperform the national average.

Additionally, in the short-term, markets such as California and Utah should sustain longer periods of growth before a correction, primarily because they recovered later than

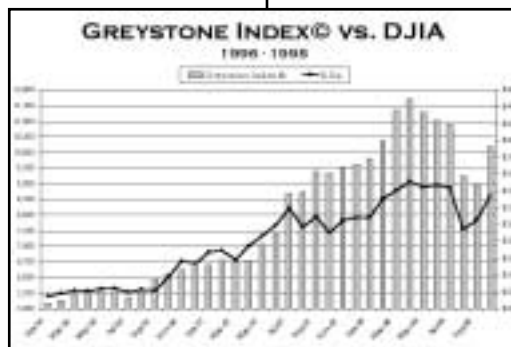
most other markets.

Additionally, the newly passed TEA-21 has allocated approximately \$26 billion per year on average for federal road work during the next six years, compared to the approximately \$18 billion average annual funding under the old Intermodal Surface Transportation Efficiency Act (ISTEA) which covered the period 1992 through 1997. The apparent 44.5 percent national increase in the federal highway budget will have a big impact on public construction spending and should significantly improve construction materials spending in nearly every state market. Although the industry will be affected by an expected moderation in economic activity during the next three years, the long-term prospects for the industry are excellent. *The Greystone Index*®, measuring the weighted average stock price of a representative sample of publicly traded construction materials companies, illustrates how the construction materials

industry is enjoying a positive outlook.

#### U.S. Economic Forecast

Concluding on the U.S. economic outlook, a continuation and worsening of international financial markets will impact the U.S. and slow down economic activity. However, with so many fundamentals in place supporting a strong domestic economy, 1998 and 1999 should see continued but moderate growth. Around the turn of the century, we predict some form of correction will take place, but with the lessons of the past and good fiscal policies and tools in place, the correction should be less severe than the 1990-1991 recession. As we look further into the 21st century, we are of the opinion that the U.S. will leverage off of its current strong economic platform and experience a period of continued growth. The U.S. still manages the largest, strongest and most stable economy in the world, and other nations will continue to look to us for economic leadership. □



### Greystone Corporate Watch 2nd Quarter 1998 Earnings Report (\*)

(\$000)		Net Revenue	98/97 %Chg.	Gross Margin	98/97 %Chg.	EBITDA	98/97 %Chg.	Pre-Tax Earnings	98/97 %Chg.
Ameron (AMN)	(i)	\$239,500	-0.1%	\$69,317	-2.2%	\$20,308	-12.7%	\$5,461	-42.8%
CalMat Co. (CZM)		\$224,030	9.5%	\$49,021	7.4%	\$28,725	0.1%	\$6,059	-20.0%
Centex Constr. (CXP)	(ii)	\$79,846	2.4%	\$30,996	9.4%	\$30,927	12.6%	\$26,961	15.2%
Dravo (DRV)		\$84,257	5.2%	\$26,557	9.3%	\$17,067	22.2%	\$7,823	35.0%
Florida Rock (FRK)	(iii)	\$351,323	5.9%	\$99,633	4.7%	\$66,903	3.4%	\$42,209	3.0%
Granite Constr. (GVA)		\$476,114	22.3%	\$80,417	21.8%	\$48,721	35.5%	\$25,689	89.3%
Giant Cement (GCHI)		\$64,208	13.3%	\$19,246	-2.1%	\$15,222	-4.1%	\$8,762	-16.8%
Lafarge (LAF)		\$1,009,587	40.0%	\$333,084	40.8%	\$221,995	40.3%	\$73,863	73.7%
Lone Star Ind. (LCE)		\$155,496	-6.0%	\$60,498	6.6%	\$56,197	23.0%	\$44,488	43.6%
Martin Marietta Matls (MLM)		\$464,272	18.9%	\$158,982	21.9%	\$116,839	15.5%	\$59,309	-2.2%
Puerto Rican Cement (PRN)		\$75,793	-6.0%	\$27,528	-9.6%	\$17,840	-18.8%	\$8,885	-32.9%
Southdown (SDW)	(iv)	\$542,600	8.8%	\$173,100	15.7%	\$57,600	-52.0%	\$22,300	-75.3%
TXI Corp. (TXI)	(v)	\$1,196,275	22.8%	\$320,136	22.8%	\$234,929	24.0%	\$163,990	40.6%
Vulcan Materials (VMC)		\$824,788	4.9%	\$300,253	11.0%	\$224,516	19.1%	\$157,138	23.6%
Average	(vi)	\$392,115	16.3%	\$122,869	19.3%	\$80,472	10.2%	\$41,432	3.0%

(i) Ameron International's earnings represent six months ended May 31, 1998.

(ii) Centex Construction Products' earnings represent three months ended June 30, 1998.

(iii) Florida Rock Industries' earnings represent nine months ended June 30, 1998.

(iv) Southdown's EBITDA and pretax earnings reflect approximately \$83 million in charges relating to the Southdown and Medusa merger.

(v) TXI's earnings represent nine months ended February 28, 1998.

(vi) Quarterly Earnings Averages exclude Ameron, Centex, Florida Rock and TXI as they are on a fiscal year end other than 12/31.

(\*) Except where noted, reflects six months earnings through June 30, 1998. Source: Individual SEC filings.