

Greystone INSIDER[®]

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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 San Diego, 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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FASB Ruling Won't Slow Construction Materials Acquisitions

In our last issue of the *Insider*, we discussed the stock market's response to acquisitions in the construction materials industry. We concluded that (1) the industry remains fragmented and therefore should see continued merger and acquisition activity, and (2) the stock market appears to evaluate acquisitive companies in a rational way and reward companies that apply appropriate evaluation methodologies to acquisitions. We were therefore somewhat surprised to read recent articles in leading business publications, including the *Wall Street Journal* and *Fortune*, suggesting that the elimination of pooling of interests accounting will slow today's merger and acquisition activity. According to *Fortune's* April 26th issue, "Chase, Citigroup and J.P. Morgan, among others, have written urgent letters to FASB (Financial Accounting Standards Board) on behalf of current standards. They say taking measures to tighten the rules will.....bring the merger train to a screeching halt." Naturally, we wanted to examine the suggested impact of this accounting change to merger and acquisition activity in the construction materials industry.

The Accounting Issue

On April 21st of this year, FASB unanimously voted to eliminate pooling of interests as a method of accounting for business combinations. According to FASB Chairman Edmund Jenkins, "The board decided that it was hard for investors to make sound decisions about combining two companies when two different accounting treatments exist.....We believe that the purchase method of accounting gives investors a better idea of the initial cost of an investment and the investment's performance over time....." In addition to consistency in U.S. accounting standards, eliminating pooling of interests would move U.S. accounting more in line with international standards where pooling of interests is not allowed in many countries and severely restricted in many more.

The pooling of interests method combines the balance sheet of the target company with the purchasing company, effectively reporting the value of the transaction as the current book value of the assets and liabilities of the target company. By "stepping into the shoes" of the target company, this accounting treatment generally allows the acquiring company to report higher earnings immediately after the acquisition because the purchased companies assets are usually valued significantly lower than fair market value. Additionally, pooling of interests allows the purchaser to avoid depreciating the full value of the acquired company and as a result, report higher earnings than would be reported under the purchase method.

Conversely, the purchase method requires that the purchasing company record the actual price paid in the transaction, which is consistent with how other assets are accounted for. Goodwill, or excess of the purchase price over the net assets, is charged to the buyer's earnings over time, lowering the share value of the combined companies. It should be noted here that whether an acquisition is accounted for under the pooling method or the purchase method, it has no economic impact to the transaction. Rather, it is a bookkeeping issue and a matter of how earnings are presented to investors.

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What is the Impact?

There is no question that pooling acquisitions have become popular during the past few years. *Fortune* estimated that the pooling method accounted for more than half of all acquisitions in terms of dollar value during 1998 compared to less than 5 percent during the early 1990s. Furthermore, according to *Securities Data Co.*, nine of the ten largest acquisitions last year were classified as pooling of interests acquisitions. Calculating an earnings scenario under the two different accounting practices further emphasizes how pooling of interests accounting "dresses up" the books. For example, Nationsbank first purchased Barnett Banks for \$13.7 billion and then BankAmerica for \$42 billion. The \$55 billion is estimated to be a premium of \$30 billion over the estimated fair market value of the assets purchased. It is estimated that if the purchase method had been used, amortization would reduce 1999 earnings by almost \$0.50 per share and the additional \$30 billion on the balance sheet would reduce 1999 return on equity from 17.0 percent to 9.1 percent. Assuming investors look no further than to earnings when they evaluate corporate performance, one can see why the pooling method has become so popular.

The volume of pooling transactions may be somewhat illusory as the tendency to book acquisitions under pooling accounting is primarily driven by deals in the banking, technology and pharmaceutical industries. In fact, when looking closely at the construction materials industry, very few transactions are recorded utilizing the pooling of interests method. With the exception of the highly publicized Southdown-Medusa merger during 1998, very few construction materials transactions were consummated using the pooling method. So why is it that the construction materials industry is not taking advantage of this accounting method, which according to the April 22nd issue of the *Wall Street Journal* "has helped fuel the recent surge in mergers and acquisitions"?

One reason for the lack of pooling transactions among construction materials companies may be the FASB guidelines that require that only voting common stock of the purchaser may be issued in the transaction. We are currently riding a strong economy which has been fueling record levels of construction spending for several years. Consequently, many large

construction materials companies today are cash rich, fueling a desire to pay for transactions with cash rather than stock. Using stock as an acquisition currency dilutes current ownership, and too much cash on the balance sheet can become a concern to management as it has a tendency to identify a company as a potential takeover target. While pooling transactions require the use of stock, it does not mean that stock-for-stock deals can't be done in purchase transactions as well to benefit sellers' tax situations.

Another explanation lies with the ownership of many of the larger construction materials companies in the U.S. Pioneer, Hanson, Oldcastle, Blue Circle and RMC, to name just a few, are foreign owned companies typically unable to utilize the pooling method due to stricter accounting rules in their parent's countries. Furthermore, the shares of these companies are generally not traded in U.S. equity markets (in some cases as ADR's) making this currency less attractive to U.S. sellers.

Additionally, foreign owned companies have an extra incentive to reinvest cash proceeds from U.S. operations back into U.S. assets due to repatriation taxes. The rarity of pooling abroad is one of the reasons FASB has moved to eliminate the accounting practice, citing it as "largely an American phenomenon." According to Mr. Jenkins, the U.S. not only is out of step with other countries....., but domestically we have a great deal of diversity in practice as well."

Finally, if our conversations with financial executives at companies like Martin Marietta, Vulcan, Southdown, Pioneer and Hanson, to name a few, are an indication of the industry at large, it appears construction materials executives are more focused on cash flow than on earnings. And we believe rightly so. For instance, because Vulcan's and Martin Marietta's focus is on cash flow, they see no economic benefit in applying pooling accounting. Neither company has consummated any pooling transactions so far, although both say they would consider it for future acquisitions if the circumstances called for it. However, a CEO willing to pay more for a pooling transaction than a purchase transaction in order to give earnings a boost must be careful not to overpay for those assets at the expense of beautifying earnings to please Wall Street. Because pooling accounting

Greystone is pleased to announce the expansion and relocation of its San Diego office.

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cannot alter the economic merits of any deal, only change how a deal is perceived, it is likely that we will see greater focus on cash based earnings across all industries in the future. At least the construction materials industry is on the right track.

Conclusion: Investors are Rational - Accounting Rules are Only Scorecards

Pooling of interests accounting has fueled overall U.S. merger and acquisition activity in the past years, and the elimination of this accounting practice may increase transaction activity over the next 18 months as companies race to utilize the accounting standard before it expires in January of 2001. However, when examining construction materials transactions during the past three years, our industry does not seem to be a strong proponent of this form of bookkeeping. Although *Fortune* writes "By inflating reported earnings and covering up the true cost of an acquisition, they (U.S. dealmakers) can make even a dog of a deal look brilliant", we think both investors and executives in our industry care more for actual performance (read cash flow) than perceived performance (read earnings). Our take: accounting rules only act as scorecards, and merger and acquisition activity in the construction materials industry won't slow as a result of FASB's issuance of the final standard, expected late in 2000. ■

U.S. Sand & Gravel Production Northeast Region

(000MT)	Actual				Greystone Forecast				
	1995	1996	1997	1998	1999	2000	2001	2002	2003
<u>New England:</u>									
Connecticut	5,300	7,380	6,790	6,260	6,820	7,834	7,769	7,407	6,304
% Change	-2.2%	39.2%	-8.0%	-7.8%	8.9%	14.9%	-0.8%	-4.7%	-14.9%
Maine	5,000	6,790	7,560	6,790	7,409	8,282	8,893	9,089	7,608
% Change	-15.1%	35.8%	11.3%	-10.2%	9.1%	11.8%	7.4%	2.2%	-16.3%
Massachusetts	10,500	15,000	15,800	13,800	12,050	11,808	12,434	13,783	14,831
% Change	-14.6%	42.9%	5.3%	-12.7%	-12.7%	-2.0%	5.3%	10.9%	7.6%
N. Hampshire	5,600	6,130	14,800	8,630	8,359	8,310	7,713	8,369	8,730
% Change	-21.3%	9.5%	141.4%	-41.7%	-3.1%	-0.6%	-7.2%	8.5%	4.3%
Rhode Island	2,900	3,000	1,970	2,020	2,293	2,238	2,382	2,694	2,881
% Change	25.5%	3.4%	-34.3%	2.5%	13.5%	-2.4%	6.5%	13.1%	7.0%
Vermont	2,900	5,770	3,640	4,530	5,033	5,448	5,990	6,075	6,339
% Change	-25.4%	99.0%	-36.9%	24.5%	11.1%	8.2%	10.0%	1.4%	4.3%
Subtotal - New England	32,200	44,070	50,560	42,030	41,964	43,921	45,181	47,416	46,693
% Change	-12.8%	36.9%	14.7%	-16.9%	-0.2%	4.7%	2.9%	4.9%	-1.5%
<u>Mid Atlantic:</u>									
New Jersey	15,000	12,700	17,600	16,700	18,175	18,916	19,495	19,394	19,752
% Change	-6.8%	-15.3%	38.6%	-5.1%	8.8%	4.1%	3.1%	-0.5%	1.8%
New York	26,800	29,700	28,200	31,000	36,824	39,332	40,476	37,689	35,266
% Change	-4.3%	10.8%	-5.1%	9.9%	18.8%	6.8%	2.9%	-6.9%	-6.4%
Pennsylvania	15,100	15,300	14,600	18,400	19,736	20,292	20,445	19,421	18,641
% Change	-5.0%	1.3%	-4.6%	26.0%	7.3%	2.8%	0.8%	-5.0%	-4.0%
Subtotal - Mid Atlantic	56,900	57,700	60,400	66,100	74,735	78,540	80,416	76,504	73,659
% Change	-5.2%	1.4%	4.7%	9.4%	13.1%	5.1%	2.4%	-4.9%	-3.7%
Total Northeast Region	89,100	101,770	110,960	108,130	116,699	122,461	125,597	123,920	120,351
% Change	-8.1%	14.2%	9.0%	-2.6%	7.9%	4.9%	2.6%	-1.3%	-2.9%

U.S. Sand & Gravel Production Regional Comparison

(000MT)	1988 to 1997			1998 to 2007			Ave. Annual Percent Change		
	HIGH	LOW	AVG	HIGH	LOW	AVG	HIGH	LOW	AVG
Northeast Region	110,960	73,195	94,992	128,170	110,843	119,823	1.6%	5.1%	2.6%
Midwest Region	305,420	221,127	272,045	380,383	306,355	343,491	2.5%	3.9%	2.6%
South Region	218,550	155,097	187,882	295,211	218,501	250,186	3.5%	4.1%	3.3%
West Region	388,618	258,314	311,962	532,591	432,807	465,363	3.7%	6.8%	4.9%
Total U.S.	1,015,048	707,732	866,881	1,315,039	1,090,175	1,178,863	3.0%	5.4%	3.6%

U.S. Sand & Gravel Production Midwest Region

(000MT)	Actual				Greystone Forecast				
	1995	1996	1997	1998	1999	2000	2001	2002	2003
<u>East N. Central:</u>									
Illinois	35,000	36,000	36,200	34,800	34,313	34,375	36,317	38,276	41,702
% Change	-7.7%	2.9%	0.6%	-3.9%	-1.4%	0.2%	5.6%	5.4%	8.9%
Indiana	27,900	26,400	20,500	23,800	22,532	24,769	26,461	27,682	28,490
% Change	-0.7%	-5.4%	-22.3%	16.1%	-5.3%	9.9%	6.8%	4.6%	2.9%
Michigan	53,000	54,700	57,600	61,000	65,147	60,014	56,858	61,699	66,226
% Change	8.6%	3.2%	5.3%	5.9%	6.8%	-7.9%	-5.3%	8.5%	7.3%
Ohio	49,500	47,100	47,000	49,300	53,882	53,349	59,199	61,776	71,791
% Change	3.8%	-4.8%	-0.2%	4.9%	9.3%	-1.0%	11.0%	4.4%	16.2%
Wisconsin	31,000	33,500	33,300	32,400	31,696	30,847	30,147	33,654	37,103
% Change	6.2%	8.1%	-0.6%	-2.7%	-2.2%	-2.7%	-2.3%	11.6%	10.2%
Subtotal - East N. Central	196,400	197,700	194,600	201,300	207,571	203,355	208,982	223,088	245,312
% Change	2.5%	0.7%	-1.6%	3.4%	3.1%	-2.0%	2.8%	6.7%	10.0%
<u>West N. Central:</u>									
Iowa	14,000	14,900	13,400	13,600	12,808	13,081	12,240	11,804	12,777
% Change	-8.5%	6.4%	-10.1%	1.5%	-5.8%	2.1%	-6.4%	-3.6%	8.2%
Kansas	10,400	15,000	11,200	9,450	9,624	9,079	8,459	8,707	9,085
% Change	-7.1%	44.2%	-25.3%	-15.6%	1.8%	-5.7%	-6.8%	2.9%	4.3%
Minnesota	34,000	33,000	44,600	33,600	35,256	38,311	34,902	34,380	36,862
% Change	15.3%	-2.9%	35.2%	-24.7%	4.9%	8.7%	-8.9%	-1.5%	7.2%
Missouri	8,400	10,600	10,000	8,670	8,333	8,132	8,711	9,724	9,854
% Change	-13.9%	26.2%	-5.7%	-13.3%	-3.9%	-2.4%	7.1%	11.6%	1.3%
Nebraska	16,000	14,300	14,100	14,100	13,649	14,844	13,933	13,667	12,284
% Change	6.7%	-10.6%	-1.4%	0.0%	-3.2%	8.8%	-6.1%	-1.9%	-10.1%
N. Dakota	6,857	8,500	8,320	9,360	10,394	12,210	12,822	12,319	11,729
% Change	-14.3%	24.0%	-2.1%	12.5%	11.0%	17.5%	5.0%	-3.9%	-4.8%
S. Dakota	6,600	9,530	9,200	9,670	8,719	8,604	9,353	10,259	10,479
% Change	-14.3%	44.4%	-3.5%	5.1%	-9.8%	-1.3%	8.7%	9.7%	2.2%
Subtotal - West N. Central	96,257	105,830	110,820	98,450	98,784	104,261	100,421	100,859	103,072
% Change	-0.2%	9.9%	4.7%	-11.2%	0.3%	5.5%	-3.7%	0.4%	2.2%
Total Midwest Region	292,657	303,530	305,420	299,750	306,355	307,616	309,402	323,947	348,384
% Change	1.6%	3.7%	0.6%	-1.9%	2.2%	0.4%	0.6%	4.7%	7.5%

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. Sand & Gravel Production South Region

(000MT)	Actual				Greystone Forecast				
	1995	1996	1997	1998	1999	2000	2001	2002	2003
<u>South Atlantic:</u>									
Delaware	2,600	3,660	1,840	2,320	2,433	2,401	2,196	2,923	2,710
% Change	0.8%	40.8%	-49.7%	26.1%	4.9%	-1.3%	-8.5%	33.1%	-7.3%
District of Columbia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
% Change	0%	0%	0%	0%	0%	0%	0%	0%	0%
Florida	15,800	20,200	19,200	20,300	21,245	20,952	18,842	20,349	22,239
% Change	-4.8%	27.8%	-5.0%	5.7%	4.7%	-1.4%	-10.1%	8.0%	9.3%
Georgia	5,700	6,630	6,220	7,380	7,448	7,732	6,783	7,254	8,381
% Change	3.3%	16.3%	-6.2%	18.6%	0.9%	3.8%	-12.3%	7.0%	15.5%
Maryland	8,400	10,200	10,700	11,700	11,731	10,654	10,029	10,126	11,041
% Change	-5.8%	21.4%	4.9%	9.3%	0.3%	-9.2%	-5.9%	1.0%	9.0%
North Carolina	10,700	10,300	12,300	10,600	10,405	9,571	10,480	11,541	13,194
% Change	-3.6%	-3.7%	19.4%	-13.8%	-1.8%	-8.0%	9.5%	10.1%	14.3%
South Carolina	9,700	9,950	9,000	9,090	9,294	8,371	8,531	9,173	9,299
% Change	12.8%	2.6%	-9.5%	1.0%	2.2%	-9.9%	1.9%	7.5%	1.4%
Virginia	8,200	10,200	10,800	10,900	11,114	10,600	10,795	11,966	12,906
% Change	1.7%	24.4%	5.9%	0.9%	2.0%	-4.6%	1.8%	10.8%	7.9%
West Virginia	1,300	1,600	1,800	1,640	1,632	1,775	1,844	2,013	2,097
% Change	-5.8%	23.1%	12.5%	-8.9%	-0.5%	8.8%	3.8%	9.2%	4.2%
Subtotal - South Atlantic	62,400	72,740	71,860	73,930	75,302	72,057	69,499	75,344	81,868
% Change	-0.6%	16.6%	-1.2%	2.9%	1.9%	-4.3%	-3.6%	8.4%	8.7%
<u>East S. Central:</u>									
Alabama	12,100	14,400	14,100	14,100	14,493	12,511	11,567	13,348	14,675
% Change	-3.2%	19.0%	-2.1%	0.0%	2.8%	-13.7%	-7.6%	15.4%	9.9%
Kentucky	8,500	7,010	7,880	7,630	8,652	8,445	8,126	7,260	7,764
% Change	-7.0%	-17.5%	12.4%	-3.2%	13.4%	-2.4%	-3.8%	-10.7%	6.9%
Mississippi	10,800	13,000	12,700	15,400	18,118	18,105	17,059	18,531	20,011
% Change	-12.9%	20.4%	-2.3%	21.3%	17.7%	-0.1%	-5.8%	8.6%	8.0%
Tennessee	7,600	8,680	9,670	8,950	9,385	9,109	8,369	8,919	9,956
% Change	-12.7%	14.2%	11.4%	-7.4%	4.9%	-2.9%	-8.1%	6.6%	11.6%
Subtotal - East S. Central	39,000	43,090	44,350	46,080	50,648	48,170	45,120	48,058	52,407
% Change	-8.8%	10.5%	2.9%	3.9%	9.9%	-4.9%	-6.3%	6.5%	9.0%
<u>West S. Central:</u>									
Arkansas	10,800	10,700	12,100	11,200	12,038	11,844	11,594	11,420	10,733
% Change	1.9%	-0.9%	13.1%	-7.4%	7.5%	-1.6%	-2.1%	-1.5%	-6.0%
Louisiana	13,200	11,700	11,700	11,400	12,465	12,763	12,291	12,027	12,425
% Change	7.3%	-11.4%	0.0%	-2.6%	9.3%	2.4%	-3.7%	-2.1%	3.3%
Oklahoma	8,600	8,140	9,070	8,940	9,291	9,503	8,868	8,943	9,390
% Change	1.4%	-5.3%	11.4%	-1.4%	3.9%	2.3%	-6.7%	0.8%	5.0%
Texas	55,600	69,300	54,900	67,000	74,570	73,350	71,129	63,869	62,329
% Change	-1.9%	24.6%	-20.8%	22.0%	11.3%	-1.6%	-3.0%	-10.2%	-2.4%
Subtotal - West S. Central	88,200	99,840	87,770	98,540	108,364	107,461	103,882	96,259	94,877
% Change	0.1%	13.2%	-12.1%	12.3%	10.0%	-0.8%	-3.3%	-7.3%	-1.4%
Total South Region	189,600	215,670	203,980	218,550	234,315	227,688	218,501	219,661	229,152
% Change	-2.1%	13.8%	-5.4%	7.1%	7.2%	-2.8%	-4.0%	0.5%	4.3%

U.S. Sand & Gravel Production West Region

(000MT)	Actual				Greystone Forecast				
	1995	1996	1997	1998	1999	2000	2001	2002	2003
<u>Mountain:</u>									
Arizona	37,000	41,100	41,000	46,800	52,176	52,270	48,569	41,466	44,670
% Change	6.3%	11.1%	-0.2%	14.1%	11.5%	0.2%	-7.1%	-14.6%	7.7%
Colorado	27,500	36,100	33,000	37,500	41,912	44,116	41,168	39,375	41,190
% Change	-5.2%	31.3%	-8.6%	13.6%	11.8%	5.3%	-6.7%	-4.4%	4.6%
Idaho	14,700	14,600	14,400	16,300	16,717	17,532	16,906	18,257	19,170
% Change	1.4%	-0.7%	-1.4%	13.2%	2.6%	4.9%	-3.6%	8.0%	5.0%
Montana	8,500	8,210	9,220	7,630	8,198	9,425	9,222	10,151	10,368
% Change	15.5%	-3.4%	12.3%	-17.2%	7.4%	15.0%	-2.2%	10.1%	2.1%
Nevada	22,500	22,400	18,200	23,700	26,070	25,891	19,505	17,058	16,070
% Change	-0.9%	-0.4%	-18.8%	30.2%	10.0%	-0.7%	-24.7%	-12.5%	-5.8%
New Mexico	12,300	11,000	8,720	10,400	10,441	10,243	10,024	10,982	11,859
% Change	18.3%	-10.6%	-20.7%	19.3%	0.4%	-1.9%	-2.1%	9.6%	8.0%
Utah	18,000	30,200	30,400	37,000	44,621	48,472	49,515	44,333	37,788
% Change	-14.7%	67.8%	0.7%	21.7%	20.6%	8.6%	2.2%	-10.5%	-14.8%
Wyoming	4,500	2,450	2,980	3,910	3,995	4,184	4,022	3,724	4,140
% Change	40.2%	-45.6%	21.6%	31.2%	2.2%	4.7%	-3.9%	-7.4%	11.2%
Subtotal - Mountain	145,000	166,060	157,920	183,240	204,131	212,133	198,931	185,345	185,256
% Change	1.3%	14.5%	-4.9%	16.0%	11.4%	3.9%	-6.2%	-6.8%	-0.0%
<u>Pacific:</u>									
Alaska	15,500	13,900	8,500	12,500	13,769	14,510	15,237	14,632	15,345
% Change	-1.3%	-10.3%	-38.8%	47.1%	10.1%	5.4%	5.0%	-4.0%	4.9%
California	93,000	108,000	112,000	132,000	157,735	168,817	185,018	197,073	195,652
% Change	-3.4%	16.1%	3.7%	17.9%	19.5%	7.0%	9.6%	6.5%	-0.7%
Hawaii	600	400	298	378	444	531	598	748	831
% Change	15.2%	-33.3%	-25.5%	26.8%	17.4%	19.8%	12.5%	25.2%	11.1%
Oregon	17,500	19,000	19,500	16,400	16,024	16,268	16,837	17,679	18,863
% Change	-4.9%	8.6%	2.6%	-15.9%	-2.3%	1.5%	3.5%	5.0%	6.7%
Washington	38,000	41,300	39,600	44,100	40,705	40,725	39,854	44,100	41,180
% Change	-4.0%	8.7%	-4.1%	11.4%	-7.7%	0.1%	-2.1%	10.7%	-6.6%
Subtotal - Pacific	164,600	182,600	179,898	205,378	228,676	240,852	257,543	274,231	271,870
% Change	-3.5%	10.9%	-1.5%	14.2%	11.3%	5.3%	6.9%	6.5%	-0.9%
Total West Region	309,600	348,660	337,818	388,618	432,807	452,985	456,474	459,576	457,126
% Change	-1.3%	12.6%	-3.1%	15.0%	11.4%	4.7%	0.8%	0.7%	-0.5%
TOTAL U.S.	880,957	969,630	958,178	1,015,048	1,090,175	1,110,750	1,109,974	1,127,104	1,155,013
% Change	-1.3%	10.1%	-1.2%	5.9%	7.4%	1.9%	-0.1%	1.5%	2.5%

Industry News

Blue Circle Cement and **Kinder Morgan Energy Partners, L.P.** have agreed to begin construction of a new cement import terminal in Charleston, South Carolina with annual throughput capacity of approximately 1.5 million tons. The facility is expected to be completed in the year 2000.

Cemex S.A. de C.V. (CMXBY:OTC) announced in June that it had acquired an 11.92% interest in Chile's largest cement producer, **Cementos Bio Bio, S.A.** for US\$34 million. Cementos Bio Bio has 2.25 million metric tons of installed capacity and 0.85 million cubic meters of ready-mix capacity. The company also has a 36% interest in **SOBOCE**, a Bolivian cement company with 0.5 million metric tons of installed cement capacity.

Centex Construction Products, Inc. (NYSE: CXP) announced the purchase of certain assets of **Highway 195 Crushed Stone, Inc.** located in Georgetown, Texas. The transaction, which was completed on June 3, 1999, includes a 40-year lease of 634 acres of limestone reserves.

During May, **Florida Rock Industries, Inc. (NYSE: FRK)** announced that it had agreed to acquire all of the common stock of **Harper Bros., Inc.**, an aggregate mining and highway and heavy construction company located in Fort Myers, Florida in a cash transaction for \$87.0 million. On July 2, 1999, **Florida Rock** announced that it had sold the highway and heavy construction assets and operations of its recently acquired subsidiary, **Harper Bros., Inc.** to **Harper Bros. Construction, Inc.**, a subsidiary of **Superfos Construction (U.S.), Inc.** As part of the original Harper Bros. transaction, Florida Rock agreed to enter into a consent with the Department of Justice to divest Florida Rock's existing Fort Myers quarry as well as Harper Bros., Inc.'s sand mine located in adjacent Glades County, Florida. Harper Bros. is a leading supplier of aggregates in southwest Florida with approximately 120 million tons of aggregate reserves. During June, **Florida Rock** announced that it had acquired all of the common stock of **Custom, Ltd.**, a ready-mix

concrete producer and sand and gravel miner, located in Williamsburg, Virginia.

Hanson PLC (NYSE: HAN) announced in early July that its subsidiary, **Hanson Building Materials America, Inc.** had acquired the stock of **Tidewater Sand & Gravel, Inc.** and the partnership interests of **Moe Sand Co.** for \$44.0 million. Tidewater, and its affiliate Moe Sand, supply approximately 1.6 million tons of sand and gravel from its three locations in the San Francisco Bay Area.

During May, **Hanson PLC** announced that

Hanson Aggregates Mid-Pacific, Inc.
a unit of
Hanson PLC
London, England
has acquired the stock of
Tidewater Sand & Gravel, Inc.
Oakland, California
and partnership interests of
Moe Sand Co.
Oakland, California

The undersigned initiated and managed this transaction and acted as financial advisor to Tidewater Sand & Gravel, Inc. and Moe Sand Co.

The Greystone Group LLC
Investment Banking

it had acquired the **North America Brick Group of Jannock Limited** for US\$265.9 million, making Hanson the second largest brick manufacturer in North America. In June, Hanson announced the acquisition of an aggregate quarry in Opelika, Alabama from **Opelika Materials, LLC**, a privately held company based in Birmingham, Alabama. The Opelika Quarry, which began producing aggregates in 1997, contains 20 million tons of mineral reserves, providing Hanson with more than 20 years of future production.

Lafarge Corporation (NYSE, Toronto, Montreal: LAF) acquired all of the stock of **Corn Construction Co.** in March 1999, a leading aggregates and asphalt paving company in New Mexico and Southern Colorado. The acquisition will add 1.3 million tons of annual aggregate sales to Lafarge's current volumes of 4.0 million tons in New Mexico and southern Colorado. In April, **Lafarge Canada Inc.** announced the acquisition of **Stucco-Mix**

International Cell-Tex Inc., a small manufacturer of ready-mixed joint compounds located in Chambly, Quebec.

Martin Marietta Materials, Inc. (NYSE: MLM) announced three transactions in April, expanding its business in Alabama, Mississippi and Arkansas. The company completed an agreement with **The Georgia Marble Company** to process and sell approximately 500,000 tons of construction aggregates and aglime from Georgia Marble's Sylacauga Quarry to customers in South Alabama. The Company purchased a water distribution terminal at Vicksburg from **Waterways Material Company**, enabling Martin Marietta to expand its shipments of aggregates (200,000 to 250,000 tons), via barge on the Mississippi River into Jackson, Mississippi. Martin Marietta purchased an asphalt plant in Saline County located south of Little Rock, further expanding the Company's asphalt business in Arkansas. In June, Martin Marietta announced that it had acquired an asphalt plant and rail distribution yard for aggregates from **CSB Materials** located near Houston, Texas.

Pioneer USA, Inc. recently announced several construction materials transactions in the Southwest region. In March, Pioneer purchased **Metro West Ready Mix**, a leading construction materials supplier in the Salt Lake City market operating one quarry and four concrete plants. Also in March, Pioneer acquired one quarry and two concrete plants in Prescott, north of Phoenix, Arizona. In May, Pioneer acquired an integrated aggregate and concrete company in Las Vegas, Nevada for approximately US\$25 million, supplying approximately 1.3 million tons of aggregate and 400,000 cubic yards of concrete annually from one quarry and two concrete plants. Also in May, Pioneer purchased the concrete and aggregate operations of **Phoenix Redi-Mix, Inc.** located in Phoenix, Arizona consisting of three concrete plants and one sand and gravel operation. The Phoenix Redi-Mix acquisition expands Pioneer's business in Arizona which now consists of annual sales in excess of \$100

million from 1.5 million cubic yards of concrete and 4.0 million tons of aggregates.

On May 3, 1999, **Skanska** and **Aker RGI** signed a binding agreement to sell all of their shares in **Scancem** (representing in total 73.4% of the capital and 90.8% of the votes of Scancem) to **Heidelberg Cement AG**. Heidelberg Cement committed to launch a tender offer to buy the remaining outstanding shares of Scancem at the same price. The transaction is valued at approximately US\$2.5 billion.

Southdown, Inc. (NYSE: **SDW**) announced the planned expansion of its Victorville, California cement plant. The \$160 million project will incrementally expand the plant by more than 1.0 million tons to 3.1 million tons of annual capacity through the installation of a new 1.7

million ton capacity pyroprocessing system and additional high efficiency raw material and finish grinding systems. When completed, the Victorville complex will be the largest cement plant in the U.S. Southdown also announced plans to increase the capacity at its Charlevoix, Michigan cement plant by approximately 130,000 tons at a cost of \$11 million.

On May 26, 1999, **U.S. Concrete Inc.** was admitted to the NASDAQ National Market System following its Initial Public Offering of 3.8 million shares of its stock at \$8 per share. The company's stock trades under the ticker symbol RMIX. U.S. Concrete operates 26 ready mix plants, produced 2.5 million cubic yards of concrete and generated revenue of \$194.1 million in 1998. U.S. Concrete is a result of a "roll-up" of six concrete companies; **Central Concrete Supply Co., Inc.** from San Jose, California; **Walkers Concrete,**

Inc. based in Hayward, California; **Bay Cities Building Materials Co., Inc.** in San Francisco, California; Santa Rosa **Cast Products Co.** based in Santa Rosa, California; **Opportunity Concrete Corp.** in Washington D.C.; and **Baer Concrete, Inc.** in Roseland, New Jersey.

On March 15, **Vulcan Materials Company** (NYSE: **VMC**) announced that it had acquired a granite quarry in Mitchell County, North Carolina from **Maryland Stone Company, Inc.** The operation is located near the town of Spruce Pine in western North Carolina north of Asheville. In June, Vulcan announced that it had acquired the **R.C. Fulfer Company** which owns a limestone quarry on the west side of San Antonio, Texas. The new quarry will be operated by Vulcan's Southwest Division.

Greystone Corporate Watch 1st Quarter 1999 Earnings Report (*)

(\$000)		Net Revenue	97/96 % Chg.	Gross Margin	97/96 % Chg.	EBITDA	97/96 % Chg.	Pre-Tax Earnings	97/96 % Chg.
Ameron (AMN)	(i)	\$122,899	19.9%	\$35,872	26.2%	\$9,992	88.4%	\$1,476	NM
Centex Constr. (CXP)	(ii)	\$336,073	13.0%	\$144,580	36.1%	\$140,200	36.9%	\$121,127	37.1%
Florida Rock (FRK)	(iii)	\$277,202	26.4%	\$79,505	33.6%	\$48,537	26.4%	\$30,518	34.6%
Granite Constr. (GVA)		\$214,804	17.2%	\$33,286	17.3%	\$15,865	19.1%	\$4,065	82.4%
Giant Cement (GCHI)	(iv)	\$34,967	49.0%	\$9,010	39.2%	\$4,826	7.5%	\$541	-61.6%
Lafarge (LAF)		\$369,781	10.5%	\$60,237	55.1%	\$7,605	NM	(\$47,189)	27.3%
Lone Star Ind. (LCE)		\$66,663	15.3%	\$25,030	32.5%	\$21,340	27.4%	\$14,560	36.6%
Martin Marietta Matls (MLM)(v)		\$241,061	29.2%	\$62,386	19.7%	\$44,086	37.8%	\$12,196	201.9%
Puerto Rican Cement (PRN)		\$44,664	22.4%	\$16,560	37.8%	\$10,631	31.5%	\$5,742	48.0%
Southdown (SDW)	(vi)	\$244,900	8.9%	\$81,400	18.5%	\$63,300	39.7%	\$44,500	79.4%
TXI Corp. (TXI)	(vii)	\$832,237	-3.4%	\$224,238	0.5%	\$160,990	-0.3%	\$92,933	-8.9%
Vulcan Materials (VMC)		\$482,222	34.3%	\$147,179	20.1%	\$100,399	12.4%	\$39,826	-26.7%
Average	(viii)	\$212,383	20.8%	\$54,386	25.0%	\$33,507	41.4%	\$9,280	103.6%

- (i) Ameron International's earnings represent three months ended February 28, 1999.
- (ii) Centex Construction Products' earnings represent 12 months ended March 31, 1999. Depreciation was estimated based on results through fiscal third quarter.
- (iii) Florida Rock Industries' earnings represent six months ended March 31, 1999.
- (iv) Giant Cement Holding's earnings include the acquisition of Solite in April of 1998.
- (v) Martin Marietta's earnings include the completed acquisition of Redland Stone in December 1998 and a non recurring settlement from an antitrust claim.
- (vi) Southdown's earnings are impacted by accounting adjustments related to the completed Medusa acquisition in June of 1998.
- (vii) TXI's earnings represent nine months ended February 28, 1998.
- (viii) 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 first quarter 1999 earnings through March 31, 1999. Source: Individual SEC filings.