

# Greystone INSIDER<sup>®</sup>

Volume 4, Number 2

Sand & Gravel Edition, Summer 2000

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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 (858) 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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## “Put a Little Bandwidth in Your Annual Report”

Unless you have been camping out with a group of nomads during the last five years, you are bound to know something about the Internet and its ancillary technologies. As an investor, you may have noticed the hype and frenzy around those technology stocks that involve anything remotely associated with the Internet. And if not, you probably have used e-mail at work or at home. You may even have purchased an article, looked for directions, or researched a special topic through the World Wide Web. You probably have not, however, utilized the Internet to procure sand and gravel. Well, that may soon change.

During the last few months, several giants in the building materials industry have sent out news releases proclaiming their investments in, or intent to invest in, the Internet technology arena in one form or another. Why not? The business terminology in the technology field certainly has a more 21st Century ring to it than what we are used to in our industry. Bandwidth, Vertical Portal, B2B exchange, and e-commerce are terms that command media attention these days and that tend to pop-up in annual reports across industry segments. Words like sand and gravel, mining and ready mix trucks typically do not. Sometimes, we too are tempted to add some virtual world lingo to our company material for some extra oomph. Case in point; see our announcement regarding posting future issues of the Insider on our web site.

But don't be fooled. Just because at first we may not picture ourselves logging on to the Internet to buy some crushed rock and have it delivered via FedEx the next morning in the same fashion we purchase books from amazon.com, the industry leaders that are investing in e-business concepts may be the ones laughing all the way to the bank. Even our traditional resource-based industry, which typically is thought of as low-tech, can see tremendous benefits from the use of modern technology. So exactly how is the building materials industry merging construction materials with Internet technology?

**Blue Circle Industries PLC** (London: BCI.L, [www.bluecircleindustries.com](http://www.bluecircleindustries.com)) appears to be the first building materials concern to enter the virtual world, giving a new meaning to the technology term “click and mortar”. On March 9, Blue Circle announced that it had launched **e-cement.com** with **Just2Clicks.com PLC**. e-cement.com is a business to business (B2B) procurement and cement trading exchange and “will provide an open, transparent market for the procurement and sales of plant, parts, bulk materials and related products, with the aim of delivering:

- ◆ Reduced procurement process and transaction costs for customers and suppliers;
- ◆ Increased buying power for independent purchasers by grouping orders;
- ◆ Release of working capital through inventory reductions of all procured material; and,
- ◆ High value services, such as shipping and logistical support.”

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*The Insider* to become available online

In response to numerous requests by our readers, we are now making future and prior issues of *The Greystone Insider* available to our clients' at [www.thegreystonegroup.com](http://www.thegreystonegroup.com). The publication will soon be available to anyone with a web browser and Internet access. If you wish to be added to our electronic distribution list for announcements of up-coming issues, transaction activity and other events at Greystone, please contact us through our website.

We apologize to those readers that wish to continue receiving this publication in the mail. As a result of offering this complimentary service on-line, *The Insider* Volume 4, Number 4 will be the final issue to be sent by mail. If you are a client of Greystone, and if this causes problems for you, please email us at [Insider@greystonemail.com](mailto:Insider@greystonemail.com). We are hopeful that this new service will allow us to expand our audience, which is currently approaching 3,000 construction materials executives.

Additionally, [e-cement.com](http://e-cement.com) will operate a global news and information forum for the cement industry, offering a daily updated news service, as well as a suite of commercial and technical support services to the industry. We have perused the site, which is still under development, and liked what we saw as an information resource. Our firm probably won't use the site to purchase any cement, but we are interested in learning about the effectiveness of the exchange in "reducing procurement process and transaction costs" for its users. **Italcementi Group** apparently was happy with their experience from a recent supply, services and plant online auction at the exchange. On July 21, the company, which is Europe's largest cement manufacturer, announced that it had bought a 37.5 percent stake in [e-cement.com](http://e-cement.com). According to Carlos Pesenti, Managing Director of Italcementi, "using [e-cement.com](http://e-cement.com) enabled us to get the best possible price, saving us more time and money than we thought possible." A fairly bold statement if you ask us.

**Cemex, S.A. de C.V.** (NYSE: CX, [www.cemex.com](http://www.cemex.com)) has long been known for being a contrarian investor, making audacious moves into new markets at times when few others would consider them (i.e. US in 1991, Asia in 1997). In April, the company announced that it had become the sole seed investor in Miami-based PuntoCom Holdings, a Latin American e-business development accelerator, as part of Cemex's Internet and e-business strategy. And Cemex didn't put up pocket change – it committed US\$20 million. PuntoCom will focus primarily on business-to-business opportunities and is organized to identify and develop the most attractive opportunities in the region. Additionally, Cemex is also investing US\$30 million in PuntoCom Investments, a venture fund which will make investments in Latin American e-businesses. So, for a combined US\$50 million, Cemex "aims to gain insights into the myriad of value-added e-business opportunities this emerging new medium presents for its core

business." We place particular emphasis on the last part of that statement.

Subsequently, on July 13, Cemex announced that it, together with three other of the largest companies in its region, had formed an alliance to create the leading e-procurement marketplace in Latin America. While the new company, named Latinexus, will initially focus on electronics, equipment, parts and office supplies, it shouldn't be long until the world's largest cement trader, and the world's fourth largest cement producer, leverages its e-commerce investment with its expertise and power in the building materials industry.

Then, on September 13 Cemex came out with yet an "e-announcement", touting a header that reads "The leading provider of Internet-based solutions in the construction industry". In short, the news release discusses the launch of CxNetworks, a new Cemex subsidiary that will construct a network of e-businesses, leverage Cemex's assets onto the Internet, and extend the reach of the company into markets that are complementary to Cemex's core business. Cemex feels that these new networks are "integral to success in the digital age" and places emphasis on "building an e-culture throughout Cemex."

The third prime competitor, so far, in the B2B marketplace for building materials

appeared just last month. On July 27, those of us surfing the Internet wave for construction materials industry news would notice the header "Leading building materials companies plan new marketplace for heavy building materials." The four "leading companies" were **Hanson PLC** (NYSE: HAN, [www.hansonplc.com](http://www.hansonplc.com)), **Heidelberg Zement AG** (Frankfurt:604700.F, [www.hzag.de](http://www.hzag.de)), **Lafarge S.A.** (ParisBourse: 12053, [www.lafarge.com](http://www.lafarge.com)) and **RMC Group PLC** (London:RMC.L, [www.rmccgroup.com](http://www.rmccgroup.com)). All four companies have headquarters in Western Europe and operate major assets in the U.S. Between them, they operate in more than 50 countries around the globe and are the world's number two and three in cement production (Lafarge and Heidelberg), the world's number one in aggregates (Hanson) and the world's number one and two in ready-mixed concrete (RMC and Hanson). The B2B marketplace is expected to be operational in 2001, and will initially operate in Europe starting in Benelux, France, Germany and the U.K. Furthermore, the press release states "In recognition of the regional nature of sales of heavy building materials, the exchange will focus on serving local markets within these countries." Additionally, the four companies aim at providing "best in class services to its customers across the supply chain", and

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## U.S. Sand & Gravel Production Northeast Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>New England:</u>									
Connecticut	7,380	6,790	6,260	5,800	6,189	6,137	5,851	4,980	4,431
% Change	39.2%	-8.0%	-7.8%	-7.3%	6.7%	-0.8%	-4.7%	-14.9%	-11.0%
Maine	6,790	7,560	6,790	8,900	9,461	10,159	10,383	8,692	8,188
% Change	-35.8%	11.3%	-10.2%	31.1%	6.3%	7.4%	2.2%	-16.3%	-5.8%
Massachusetts	15,000	15,800	13,800	14,100	14,015	14,757	16,359	17,603	19,055
% Change	42.9%	5.3%	-12.7%	2.2%	-0.6%	5.3%	10.9%	7.6%	8.3%
N. Hampshire	6,130	14,800	8,630	7,900	7,876	7,310	7,932	8,274	8,741
% Change	9.5%	141.4%	-41.7%	-8.5%	-0.3%	-7.2%	8.5%	4.3%	5.7%
Rhode Island	3,000	1,970	2,020	1,110	1,109	1,060	1,198	1,281	1,315
% Change	3.4%	-34.3%	2.5%	-45.0%	-0.1%	-4.5%	13.1%	7.0%	2.7%
Vermont	5,770	3,640	4,530	5,100	4,728	5,198	5,272	5,501	4,983
% Change	99.0%	-36.9%	24.5%	12.6%	-7.3%	10.0%	1.4%	4.3%	-9.4%
<b>Subtotal - New England</b>	<b>44,070</b>	<b>50,560</b>	<b>42,030</b>	<b>42,910</b>	<b>43,378</b>	<b>44,621</b>	<b>46,994</b>	<b>46,330</b>	<b>46,713</b>
<b>% Change</b>	<b>36.9%</b>	<b>14.7%</b>	<b>-16.9%</b>	<b>2.1%</b>	<b>1.1%</b>	<b>2.9%</b>	<b>5.3%</b>	<b>-1.4%</b>	<b>0.8%</b>
<u>Mid Atlantic:</u>									
New Jersey	12,700	17,600	16,700	16,600	16,733	17,245	17,155	17,472	16,598
% Change	-15.3%	38.6%	-5.1%	-0.6%	0.8%	3.1%	-0.5%	1.8%	-5.0%
New York	29,700	28,200	31,000	29,300	30,188	31,065	28,927	27,067	26,138
% Change	10.8%	-5.1%	9.9%	-5.5%	3.0%	2.9%	-6.9%	-6.4%	-3.4%
Pennsylvania	15,300	14,600	18,400	18,700	19,392	19,539	18,560	17,814	17,970
% Change	1.3%	-4.6%	26.0%	1.6%	3.7%	0.8%	-5.0%	-4.0%	0.9%
<b>Subtotal - Mid Atlantic</b>	<b>57,700</b>	<b>60,400</b>	<b>66,100</b>	<b>64,600</b>	<b>66,312</b>	<b>67,849</b>	<b>64,641</b>	<b>62,353</b>	<b>60,706</b>
<b>% Change</b>	<b>1.4%</b>	<b>4.7%</b>	<b>9.4%</b>	<b>-2.3%</b>	<b>2.7%</b>	<b>2.3%</b>	<b>-4.7%</b>	<b>-3.5%</b>	<b>-2.6%</b>
<b>Total Northeast Region</b>	<b>101,770</b>	<b>110,960</b>	<b>108,130</b>	<b>107,510</b>	<b>109,690</b>	<b>112,470</b>	<b>111,636</b>	<b>108,683</b>	<b>107,419</b>
<b>% Change</b>	<b>14.2%</b>	<b>9.0%</b>	<b>-2.6%</b>	<b>-0.6%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>-0.7%</b>	<b>-2.6%</b>	<b>-1.2%</b>

## U.S. Sand & Gravel Production Regional Comparison

(000MT)	1990 to 1999			2000 to 2009			Ave. Annual Percent Change		
	HIGH	LOW	AVG	HIGH	LOW	AVG	HIGH	LOW	AVG
Northeast Region	110,960	73,195	95,893	133,401	104,890	113,778	2.0%	4.3%	1.9%
Midwest Region	324,900	221,127	279,919	385,316	326,953	359,822	1.9%	4.8%	2.9%
South Region	229,600	155,097	193,809	276,824	223,370	250,745	2.1%	4.4%	2.9%
West Region	419,840	258,314	324,060	515,955	418,162	446,914	2.3%	6.2%	3.8%
<b>Total U.S.</b>	<b>1,081,850</b>	<b>707,732</b>	<b>893,680</b>	<b>1,293,811</b>	<b>1,103,805</b>	<b>1,171,258</b>	<b>2.0%</b>	<b>5.6%</b>	<b>3.1%</b>

## U.S. Sand & Gravel Production Midwest Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>East N. Central:</u>									
Illinois	36,000	36,200	34,800	34,800	33,930	33,591	34,118	36,294	37,729
% Change	2.9%	0.6%	-3.9%	0.0%	-2.5%	-1.0%	1.6%	6.4%	4.0%
Indiana	26,400	20,500	23,800	26,500	26,219	24,942	24,620	25,339	26,603
% Change	-5.4%	-22.3%	16.1%	11.3%	-1.1%	-4.9%	-1.3%	2.9%	5.0%
Michigan	54,700	57,600	61,000	65,000	67,990	64,414	69,898	75,028	78,294
% Change	3.2%	5.3%	5.9%	6.6%	4.6%	-5.3%	8.5%	7.3%	4.4%
Ohio	47,100	47,000	49,300	54,400	55,107	61,149	63,812	68,163	72,007
% Change	-4.8%	-0.2%	4.9%	10.3%	1.3%	11.0%	4.4%	6.8%	5.6%
Wisconsin	33,500	33,300	32,400	34,900	36,017	35,199	37,052	39,290	40,943
% Change	8.1%	-0.6%	-2.7%	7.7%	3.2%	-2.3%	5.3%	6.0%	4.2%
<b>Subtotal - East N. Central</b>	<b>197,700</b>	<b>194,600</b>	<b>201,300</b>	<b>215,600</b>	<b>219,263</b>	<b>219,296</b>	<b>229,501</b>	<b>244,112</b>	<b>255,576</b>
<b>% Change</b>	<b>0.7%</b>	<b>-1.6%</b>	<b>3.4%</b>	<b>7.1%</b>	<b>1.7%</b>	<b>0.0%</b>	<b>4.7%</b>	<b>6.4%</b>	<b>4.7%</b>
<u>West N. Central:</u>									
Iowa	14,900	13,400	13,600	12,800	12,966	12,133	11,700	12,665	13,567
% Change	6.4%	-10.1%	1.5%	-5.9%	1.3%	-6.4%	-3.6%	8.2%	7.1%
Kansas	15,000	11,200	9,450	8,400	8,702	8,109	7,766	8,104	8,330
% Change	44.2%	-25.3%	-15.6%	-11.1%	3.6%	-6.8%	-4.2%	4.3%	2.8%
Minnesota	33,000	44,600	33,600	42,600	43,580	39,701	39,108	41,932	44,411
% Change	-2.9%	35.2%	-24.7%	26.8%	2.3%	-8.9%	-1.5%	7.2%	5.9%
Missouri	10,600	10,000	8,670	12,100	12,729	12,317	12,479	13,923	14,595
% Change	26.2%	-5.7%	-13.3%	39.6%	5.2%	-3.2%	1.3%	11.6%	4.8%
Nebraska	14,300	14,100	14,100	13,700	14,867	13,955	13,688	12,304	13,284
% Change	-10.6%	-1.4%	0.0%	-2.8%	8.5%	-6.1%	-1.9%	-10.1%	8.0%
N. Dakota	8,500	8,320	9,360	10,200	10,694	11,230	10,790	9,991	8,615
% Change	24.0%	-2.1%	12.5%	9.0%	4.8%	5.0%	-3.9%	-7.4%	-13.8%
S. Dakota	9,530	9,200	9,670	9,500	10,039	10,212	9,775	9,985	10,172
% Change	44.4%	-3.5%	5.1%	-1.8%	5.7%	1.7%	-4.3%	2.2%	1.9%
<b>Subtotal - West N. Central</b>	<b>105,830</b>	<b>110,820</b>	<b>98,450</b>	<b>109,300</b>	<b>113,578</b>	<b>107,657</b>	<b>105,305</b>	<b>108,903</b>	<b>112,975</b>
<b>% Change</b>	<b>9.9%</b>	<b>4.7%</b>	<b>-11.2%</b>	<b>11.0%</b>	<b>3.9%</b>	<b>-5.2%</b>	<b>-2.2%</b>	<b>3.4%</b>	<b>3.7%</b>
<b>Total Midwest Region</b>	<b>303,530</b>	<b>305,420</b>	<b>299,750</b>	<b>324,900</b>	<b>332,841</b>	<b>326,953</b>	<b>334,806</b>	<b>353,016</b>	<b>368,550</b>
<b>% Change</b>	<b>3.7%</b>	<b>0.6%</b>	<b>-1.9%</b>	<b>8.4%</b>	<b>2.4%</b>	<b>-1.8%</b>	<b>2.4%</b>	<b>5.4%</b>	<b>4.4%</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. Sand & Gravel Production South Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>South Atlantic:</u>									
Delaware	3,660	1,840	2,320	2,100	1,924	1,974	2,627	2,436	2,859
% Change	40.8%	-49.7%	26.1%	-9.5%	-8.4%	2.6%	33.1%	-7.3%	17.4%
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	20,200	19,200	20,300	23,500	23,500	21,134	20,641	22,558	23,350
% Change	27.8%	-5.0%	5.7%	15.8%	0.0%	-10.1%	-2.3%	9.3%	3.5%
Georgia	6,630	6,220	7,380	8,500	8,347	7,322	7,831	8,528	9,110
% Change	16.3%	-6.2%	18.6%	15.2%	-1.8%	-12.3%	7.0%	8.9%	6.8%
Maryland	10,200	10,700	11,700	9,400	9,955	9,370	9,461	10,316	10,458
% Change	21.4%	4.9%	9.3%	-19.7%	5.9%	-5.9%	1.0%	9.0%	1.4%
North Carolina	10,300	12,300	10,600	10,000	10,520	11,519	12,684	13,384	13,931
% Change	-3.7%	19.4%	-13.8%	-5.7%	5.2%	9.5%	10.1%	5.5%	4.1%
South Carolina	9,950	9,000	9,090	10,100	9,777	9,964	10,713	10,861	11,726
% Change	2.6%	-9.5%	1.0%	11.1%	-3.2%	1.9%	7.5%	1.4%	8.0%
Virginia	10,200	10,800	10,900	12,100	11,725	11,551	10,771	11,225	11,616
% Change	24.4%	5.9%	0.9%	11.0%	-3.1%	-1.5%	-6.8%	4.2%	3.5%
West Virginia	1,600	1,800	1,640	2,100	2,060	2,139	2,335	2,434	2,378
% Change	23.1%	12.5%	-8.9%	28.0%	-1.9%	3.8%	9.2%	4.2%	-2.3%
<b>Subtotal - South Atlantic</b>	<b>72,740</b>	<b>71,860</b>	<b>73,930</b>	<b>77,800</b>	<b>77,807</b>	<b>74,972</b>	<b>77,065</b>	<b>81,743</b>	<b>85,427</b>
<b>% Change</b>	<b>16.6%</b>	<b>-1.2%</b>	<b>2.9%</b>	<b>5.2%</b>	<b>0.0%</b>	<b>-3.6%</b>	<b>2.8%</b>	<b>6.1%</b>	<b>4.5%</b>
<u>East S. Central:</u>									
Alabama	14,400	14,100	14,100	15,700	16,596	15,343	17,100	17,679	18,679
% Change	19.0%	-2.1%	0.0%	11.3%	5.7%	-7.6%	11.4%	3.4%	5.7%
Kentucky	7,010	7,880	7,630	8,700	8,700	8,371	7,479	7,999	8,898
% Change	-17.5%	12.4%	-3.2%	14.0%	0.0%	-3.8%	-10.7%	6.9%	11.2%
Mississippi	13,000	12,700	15,400	14,100	14,068	13,255	14,398	15,549	16,468
% Change	20.4%	-2.3%	21.3%	-8.4%	-0.2%	-5.8%	8.6%	8.0%	5.9%
Tennessee	8,680	9,670	8,950	9,700	9,933	9,126	9,725	10,856	11,639
% Change	14.2%	11.4%	-7.4%	8.4%	2.4%	-8.1%	6.6%	11.6%	7.2%
<b>Subtotal - East S. Central</b>	<b>43,090</b>	<b>44,350</b>	<b>46,080</b>	<b>48,200</b>	<b>49,297</b>	<b>46,095</b>	<b>48,703</b>	<b>52,083</b>	<b>55,684</b>
<b>% Change</b>	<b>10.5%</b>	<b>2.9%</b>	<b>3.9%</b>	<b>4.6%</b>	<b>2.3%</b>	<b>-6.5%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>6.9%</b>
<u>West S. Central:</u>									
Arkansas	10,700	12,100	11,200	11,500	11,569	11,325	11,155	11,852	12,223
% Change	-0.9%	13.1%	-7.4%	2.7%	0.6%	-2.1%	-1.5%	6.2%	3.1%
Louisiana	11,700	11,700	11,400	10,500	10,206	9,828	9,880	10,207	11,395
% Change	-11.4%	0.0%	-2.6%	-7.9%	-2.8%	-3.7%	0.5%	3.3%	11.6%
Oklahoma	8,140	9,070	8,940	10,000	10,720	10,805	10,357	10,874	11,315
% Change	-5.3%	11.4%	-1.4%	11.9%	7.2%	0.8%	-4.2%	5.0%	4.1%
Texas	69,300	54,900	67,000	71,600	76,039	73,736	66,211	64,614	66,888
% Change	24.6%	-20.8%	22.0%	6.9%	6.2%	-3.0%	-10.2%	-2.4%	3.5%
<b>Subtotal - West S. Central</b>	<b>99,840</b>	<b>87,770</b>	<b>98,540</b>	<b>103,600</b>	<b>108,534</b>	<b>105,694</b>	<b>97,603</b>	<b>97,548</b>	<b>101,821</b>
<b>% Change</b>	<b>13.2%</b>	<b>-12.1%</b>	<b>12.3%</b>	<b>5.1%</b>	<b>4.8%</b>	<b>-2.6%</b>	<b>-7.7%</b>	<b>-0.1%</b>	<b>4.4%</b>
<b>Total South Region</b>	<b>215,670</b>	<b>203,980</b>	<b>218,550</b>	<b>229,600</b>	<b>235,638</b>	<b>226,761</b>	<b>223,370</b>	<b>231,374</b>	<b>242,932</b>
<b>% Change</b>	<b>13.8%</b>	<b>-5.4%</b>	<b>7.1%</b>	<b>5.1%</b>	<b>2.6%</b>	<b>-3.8%</b>	<b>-1.5%</b>	<b>3.6%</b>	<b>5.0%</b>

## U.S. Sand & Gravel Production West Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>Mountain:</u>									
Arizona	41,100	41,000	46,800	54,000	54,778	50,900	43,455	46,813	53,842
% Change	11.1%	-0.2%	14.1%	15.4%	1.4%	-7.1%	-14.6%	7.7%	15.0%
Colorado	36,100	33,000	37,500	45,200	46,285	45,871	45,159	47,100	49,737
% Change	31.3%	-8.6%	13.6%	20.5%	2.4%	-0.9%	-1.6%	4.3%	5.6%
Idaho	14,600	14,400	16,300	13,500	13,966	13,467	14,544	15,271	16,273
% Change	-0.7%	-1.4%	13.2%	-17.2%	3.5%	-3.6%	8.0%	5.0%	6.6%
Montana	8,210	9,220	7,630	8,940	9,333	9,132	10,053	10,267	9,553
% Change	-3.4%	12.3%	-17.2%	17.2%	4.4%	-2.2%	10.1%	2.1%	-7.0%
Nevada	22,400	18,200	23,700	24,100	26,149	19,699	17,228	16,230	18,118
% Change	-0.4%	-18.8%	30.2%	1.7%	8.5%	-24.7%	-12.5%	-5.8%	11.6%
New Mexico	11,000	8,720	10,400	9,600	9,917	9,705	9,983	10,781	11,278
% Change	-10.6%	-20.7%	19.3%	-7.7%	3.3%	-2.1%	2.9%	8.0%	4.6%
Utah	30,200	30,400	37,000	39,000	37,401	38,205	34,207	29,157	28,001
% Change	67.8%	0.7%	21.7%	5.4%	-4.1%	2.2%	-10.5%	-14.8%	-4.0%
Wyoming	2,450	2,980	3,910	3,700	3,778	3,631	3,362	3,738	4,217
% Change	-45.6%	21.6%	31.2%	-5.4%	2.1%	-3.9%	-7.4%	11.2%	12.8%
<b>Subtotal - Mountain</b>	<b>166,060</b>	<b>157,920</b>	<b>183,240</b>	<b>198,040</b>	<b>201,606</b>	<b>190,610</b>	<b>177,990</b>	<b>179,357</b>	<b>191,019</b>
<b>% Change</b>	<b>14.5%</b>	<b>-4.9%</b>	<b>16.0%</b>	<b>8.1%</b>	<b>1.8%</b>	<b>-5.5%</b>	<b>-6.6%</b>	<b>0.8%</b>	<b>6.5%</b>
<u>Pacific:</u>									
Alaska	13,900	8,500	12,500	13,200	12,514	13,141	12,619	13,234	14,533
% Change	-10.3%	-38.8%	47.1%	5.6%	-5.2%	5.0%	-4.0%	4.9%	9.8%
California	108,000	112,000	132,000	150,000	158,595	173,815	185,139	183,805	155,726
% Change	16.1%	3.7%	17.9%	13.6%	5.7%	9.6%	6.5%	-0.7%	-15.3%
Hawaii	400	298	378	400	441	496	621	690	781
% Change	-33.3%	-25.5%	26.8%	5.8%	10.3%	12.5%	25.2%	11.1%	13.3%
Oregon	19,000	19,500	16,400	17,700	16,008	15,839	15,395	15,486	16,039
% Change	8.6%	2.6%	-15.9%	7.9%	-9.6%	-1.1%	-2.8%	0.6%	3.6%
Washington	41,300	39,600	44,100	40,500	43,019	43,721	42,555	40,201	40,065
% Change	8.7%	-4.1%	11.4%	-8.2%	6.2%	1.6%	-2.7%	-5.5%	-0.3%
<b>Subtotal - Pacific</b>	<b>182,600</b>	<b>179,898</b>	<b>205,378</b>	<b>221,800</b>	<b>230,577</b>	<b>247,011</b>	<b>256,330</b>	<b>253,415</b>	<b>227,143</b>
<b>% Change</b>	<b>10.9%</b>	<b>-1.5%</b>	<b>14.2%</b>	<b>8.0%</b>	<b>4.0%</b>	<b>7.1%</b>	<b>3.8%</b>	<b>-1.1%</b>	<b>-10.4%</b>
<b>Total West Region</b>	<b>348,660</b>	<b>337,818</b>	<b>388,618</b>	<b>419,840</b>	<b>432,182</b>	<b>437,621</b>	<b>434,320</b>	<b>432,773</b>	<b>418,162</b>
<b>% Change</b>	<b>12.6%</b>	<b>-3.1%</b>	<b>15.0%</b>	<b>8.0%</b>	<b>2.9%</b>	<b>1.3%</b>	<b>-0.8%</b>	<b>-0.4%</b>	<b>-3.4%</b>
<b>TOTAL U.S.</b>	<b>969,630</b>	<b>958,178</b>	<b>1,015,048</b>	<b>1,081,850</b>	<b>1,110,351</b>	<b>1,103,805</b>	<b>1,104,132</b>	<b>1,125,845</b>	<b>1,137,064</b>
<b>% Change</b>	<b>10.1%</b>	<b>-1.2%</b>	<b>5.9%</b>	<b>6.6%</b>	<b>2.6%</b>	<b>-0.6%</b>	<b>0.0%</b>	<b>2.0%</b>	<b>1.0%</b>

# Industry News

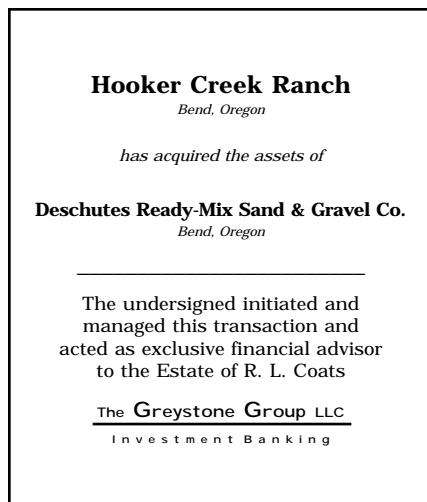
**CSR America, Inc.** announced on May 31 that it had entered into an agreement to purchase **American Limestone Company (ALC)** for \$211 million, subject to regulatory approval. ALC operates 9 hard rock quarries producing approximately 8 million tons of aggregate annually. On June 8, **CSR** announced that it had purchased **Wilson Concrete Company**, which operates in Nebraska, Iowa, Kansas, and Missouri, and **Leppert Concrete Products** in Indiana. The combined purchase price of the two concrete pipe and products businesses that produce an estimated 400,000 tons of precast concrete annually, was reported at \$84 million. **CSR** announced on June 13 that it had entered into an agreement to purchase **FCH Holdings, Inc.** and its subsidiary **Florida Crushed Stone Company (FCS)**, for \$348 million, subject to regulatory approvals. FCS operates a large aggregate quarry in Brooksville, Florida producing an estimated 4 million tons per year, three limerock (road base) quarries in west central Florida producing an estimated 5 million tons per year, and a dry process cement plant in Brooksville, which produced 742,000 tons of cement in 1999.

**Florida Rock Industries, Inc.** (NYSE: FRK) announced on June 9 that it had acquired in a cash transaction, privately held **Southern Concrete Construction Company, Inc.** located in Albany, Georgia. The transaction includes 11 ready-mix concrete plants in southwest Georgia and one in Tallahassee, Florida, two concrete block plants and two sand mines in southwest Georgia.

**Hanson PLC** (NYSE: HAN) announced that it had completed its acquisition of **Pioneer International Limited**. **Hanson Building Materials America** sold its construction business in Washington, **Acme Materials and Construction Co.**, to **Oldcastle Materials Group** for an estimated \$35 million. In May, Hanson announced the acquisition of three US concrete pipe and products producers for \$135.9 million. **Joelson Taylor Concrete Products**, based in Green Cove Springs, Florida, manufactures concrete pipe and precast concrete structures from seven plants in Florida and one plant in South Carolina. **Cincinnati Concrete Pipe** and **Milan Concrete Products**, both based in Cincinnati, Ohio, manufacture concrete pipe and manhole components from two plants in Cincinnati, Ohio and Milan, Indiana. The three companies had combined revenues of \$91.6 million and EBITDA of \$20.9 million

during the last twelve months.

**Hooker Creek Ranch**, through its affiliate **D Arrow Management Co.** announced on July 14 that it had agreed to purchase certain assets of **Deschutes Ready-Mix Sand & Gravel Co.** from the **Estate of R.L. Coats**. The acquired assets include substantially all of Deschutes' aggregate, ready-mix and asphalt operations in Central Oregon. Deschutes is one of the leading suppliers of aggregate, ready mix concrete and commercial paving activities in Central Oregon with operations in Bend, Redmond and Madras. Hooker Creek Ranch, and its affiliates **Bend Ready Mix** and **Hooker Creek Equipment & Supplies**, has become one of the largest suppliers of construction materials in Central Oregon.



**Martin Marietta Materials, Inc.** (NYSE: MLM) announced in June the acquisition of **A.B. Long Quarries, Inc.**, located in Harriman, Tennessee, in the Knoxville area, which has annual limestone production capacity in excess of 750,000 tons. Martin Marietta also announced the purchase of **Texarkana Asphalt, Inc.**, located in Texarkana, Texas. Texarkana Asphalt operates a rail-served aggregates distribution yard in Texarkana and two asphalt plants in Texarkana, Arkansas and Prescott, Arizona.

On June 6, **Knife River Corporation**, the construction materials and mining subsidiary of **MDU Resources Group, Inc.** (NYSE: MDU) announced the acquisition of **Empire Sand & Gravel Co., Inc.** Empire, headquartered in Billings, Montana, is engaged in highway and road construction, urban development projects and site preparation. The company also produces aggregate, ready-mixed concrete and asphalt for use in its own projects and for sales to third parties.

**Oglebay Norton Company** (NASDAQ:

OGLE) announced in April that it had acquired **Michigan Limestone Operations Limited Partnership** for \$53 million in cash plus contingent payments. Michigan Limestone is the largest limestone producer on the Great Lakes, operating two facilities (Rogers City, Michigan and Cedarville, Michigan) and generating revenues in excess of \$40 million.

On February 24, **CRH plc**, announced the purchase by **Oldcastle Materials Group** of the stock of **The Shelly Company** for \$362 million. The Shelly Company, an integrated aggregates, asphalt and paving contractor headquartered in Thornville, Ohio, operates three quarries, 10 active sand and gravel pits, 59 fixed asphalt plants as well as 5 portable asphalt plants. Shelly is estimated to produce 7.0 million tons of aggregate and 7.0 million tons of asphalt annually. In June, Oldcastle announced the acquisition of **Dolomite Group** and **Northern Ohio Paving Company** for a combined consideration of \$160 million. Dolomite, founded in 1920, is an integrated aggregates, asphalt and ready mix concrete producer based in Rochester, New York, producing an estimated 4.7 million tons of aggregate, 1.3 million tons of asphalt and 0.4 million cubic yards of concrete from 8 quarries, 2 sand and gravel sites, 13 asphalt plants and 6 ready mix concrete plants. Northern Ohio Paving is an integrated aggregates, asphalt and paving contractor headquartered in Twinsburg, Ohio. It operates two aggregate facilities and three asphalt plants, producing 0.9 million tons of aggregate and 0.8 million tons of asphalt.

**Texas Industries, Inc.** (NYSE: TXI) announced in June the purchase of **Central Sand & Gravel** of Jena Louisiana. Central is the primary supplier of asphalt and concrete fine and course aggregates to an area extending from North Alexandria, Louisiana to South of Monroe, Louisiana.

In April, **U.S. Aggregates, Inc.** (NYSE: AGA) announced that it had entered into a contract with **Ready Mix USA, Inc.**, one of the largest producers of ready mix in Alabama, for the sale of U.S. Aggregates' ready mix operations in Birmingham for an undisclosed amount.

**U.S. Concrete, Inc.** (NASDAQ: RMIX) announced in April that it had completed the acquisition of the **Superior Companies** located in the greater Detroit area. Superior, which produces ready-mixed concrete and concrete block in the Auburn Hills and Rochester areas of greater Detroit, is expected to generate over \$18 million in annualized revenues during 2000.

“seek to offer the following benefits to its customers:

- ◆ Significantly lower transaction costs;
- ◆ Increased provision of on-line product information;
- ◆ Provision of value-added services;
- ◆ State-of-the-art e-commerce technology; and,
- ◆ Guaranteed confidentiality of all transactions.”

So, it is clear that e-commerce, B2B marketplaces, Internet exchanges, or whatever the terminology you prefer to use, has finally arrived in the construction materials industry, and that the industry’s “big guns” believe in its importance. Several other construction materials companies are following the trend too, including Trinity Industries, Inc (NYSE: TRN, www.trin.net) with its www.ironox.com auction portal and online exchange, and Boral Limited (NASDAQ: BORAY,

www.boral.com.au) through its subsidiary Boral Bricks, U.S.A. who has joined the BuildNet e-building exchange as a founding member.

Will it change the way we do business? Well, that depends on where in the corporate hierarchy you are and whether you work in marketing, finance or operations. More than anything else, Internet technology will change the way we gather information, analyze data and communicate our business intents. Accordingly, this new communication medium will likely reduce transaction costs, improve pricing information and offer some other value-added services. Because of its speed and universal access, the Internet will bring us closer to what we in economic terms call “Perfect Competition”, as it will make it harder for any one buyer or seller to alter the market price.

On the other hand, we have long proclaimed that it is very difficult to differentiate construction materials,

such as aggregate, ready mix concrete and cement, through a product branding strategy. Additionally, in the on-line business, there is no such thing as customer loyalty. Accordingly, in order to succeed in marketing and selling building materials products via the Internet, companies will have to be even more competitive than before. Therefore, “old-world” business concepts will continue to apply in the Internet arena; managing resources, controlling costs and creating efficiencies through economies of scale. So while putting a little bandwidth in the annual report may create some initial excitement amongst equity analysts, the use of Internet technology in the construction materials industry will take some time to perfect. Accordingly, it will be a while until significant Internet technology investment will translate into a strategic competitive asset, and “Perfect Competition” will remain a theoretical ideal, for now. □

## Industry Stock Performance

Company	Symbol	52-wk High	52-wk Low	P/E Ratio	Market Cap.	09/20/99 Close	09/20/00 Close	YTD Change
Ameron International Corp.	AMN	47.93	31.62	6.60	144.9 Mil	47.06	35.81	-23.9
Cemex S.A.	CX	28.75	19.25	7.00	6.684 Bil	23.69	22.56	-4.8
Centex Constr. Products	CXP	39.62	21.75	4.50	473.0 Mil	39.00	23.94	-38.6
Florida Rock Industries	FRK	43.25	28.00	11.80	712.0 Mil	37.56	36.88	-1.8
Granite Constr. Inc.	GVA	28.50	16.75	11.60	627.6 Mil	26.00	21.25	-18.2
Hanson PLC	HAN	44.25	24.81	8.30	3.381 Bil	38.75	24.50	-36.8
Lafarge S.A.	LAF	32.68	18.81	6.00	1.634 Bil	31.81	22.19	-30.2
Martin Marietta Materials	MLM	55.25	35.25	14.40	1.818 Bil	37.00	37.00	-
MDU Resources Group	MDU	28.18	17.62	17.40	1.673 Bil	24.00	26.50	+10.4
Monarch Cement Company	MCEM	20.75	16.25	N/A	N/A	20.75	18.00	-13.3
Morrison Knudsen Corp.	WNG	12.18	6.18	13030	605.5 Mil	10.63	11.38	+7.1
Puerto Rican Cement Co.	PRN	37.56	27.62	17.60	160.1 Mil	36.63	30.50	-16.7
Southdown, Inc.	SDW	70.68	45.31	9.90	2.093 Bil	53.25	55.50	+4.2
Texas Industries, Inc.	TXI	43.37	28.06	9.40	624.2 Mil	32.88	29.94	-8.9
U.S. Aggregates	AGA	20.25	9.50	14.80	236.5 Mil	12.63	16.00	+26.7
U.S. Concrete, Inc.	RMIX	8.93	5.87	6.80	148.4 Mil	8.50	6.88	-19.1
Vulcan Materials Co.	VMC	48.87	34.31	16.60	4.132 Bil	39.19	39.13	-0.2