Planning For The Future

Presented to:

NRMCA Pacific Southwest Region
Spring Promotion Plus Forum

April 22, 1999
Ontario, California

The Greystone Group LLC
Investment Banking

Discussion Outline

I. The Cyclical Nature of the U.S. Construction Materials Industry

II. California Regional Economic Status
   A. San Francisco Bay Area
   B. Los Angeles Basin
   C. San Diego

III. Ready Mix Concrete Consumption (1980-2008)
   A. United States
   B. Pacific Southwest Region
   C. California
   D. San Francisco Bay Area
   E. Los Angeles Basin
   E. San Diego

IV. Planning for the Next Downturn

V. Conclusion

I. The Cyclical Nature of the U.S. Construction Materials Industry

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The U.S. Economy Today

- The United States trade deficit jumped to more than $21 billion in February, The widest gap ever and a solid $3 billion more than economists were predicting according to the April 21, 1999 Wall Street Journal.

- A much higher-than-expected reading could slow economic growth in the first quarter according to the Federal Open Market Committee (FOMC).

- "The rest of the world is not in good shape and exporting to them is a tough slog," Maureen Allyn, chief economist at Scudder Kemper Investments.

- During all of 1998, exports fell for the first time in 13 years and imports grew 5.5 percent.

The U.S. Economy Today

- Most analysts expect the deficit to hit another record this year as U.S. exports remain weak and countries abroad try to export their way out of trouble.

- “The world's problems are starting to infect the U.S. economy," according to former Federal Reserve governor Lawrence Lindsey

- "And the situation overseas is getting worse, not better, both in Asia and Europe," he said, adding that should help keep the Fed "on hold" on interest rates.

- However, a serious downturn will not incur in 1999 as suggested by the IMF’s upgraded U.S. Economic Outlook (1999 inflation adjusted GDP revised from 1.8% to 3.3%). “The U.S. will remain the well-tuned engine of an otherwise sputtering world economy in 1999.”

The Cyclical Nature of the U.S. Construction Materials Industry

- Since 1964, the U.S. construction industry has seen four primary cycles.

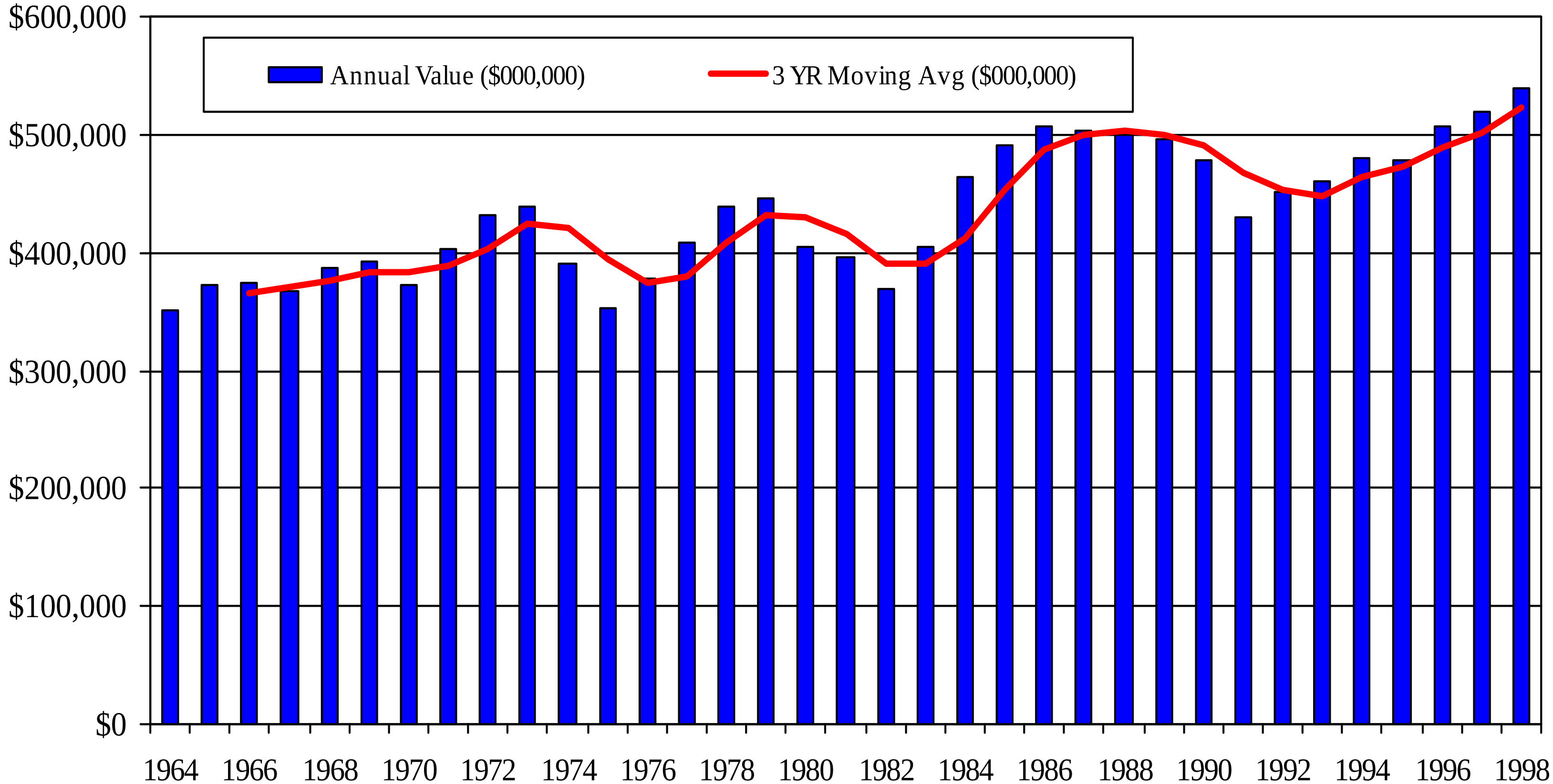
- We have now entered the eighth year of steady growth in construction spending.

- Conversely, the prior three cycles either saw a shorter and more aggressive growth curve (75-82 and 82-91), or a longer but less consistent expansion (64-75).

- We suggest the current up-cycle has sustained this long, and will see less of a down cycle in the next dip, because:
  - ⇒ it started more moderately,
  - ⇒ is seeing moderation affected by varying regional pacing,
  - ⇒ will continue to benefit from a strong economy driven by improved productivity and smarter fiscal policy,
  - ⇒ and will enjoy smoothing due to new federal spending programs (i.e. TEA-21).

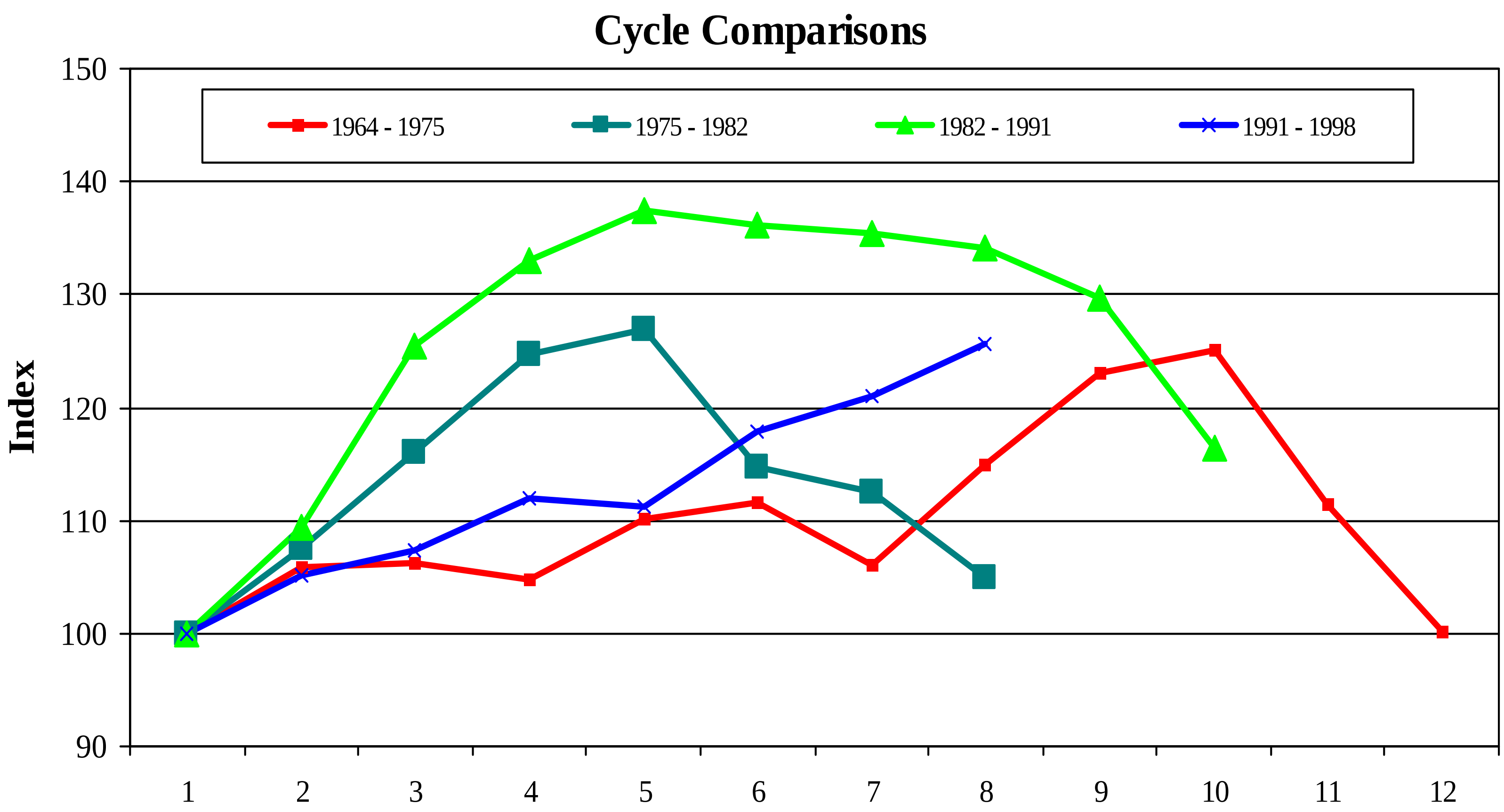
The Cyclical Nature of the U.S. Construction Materials Industry

Total Value Put in Place - Constant 1992 Dollars



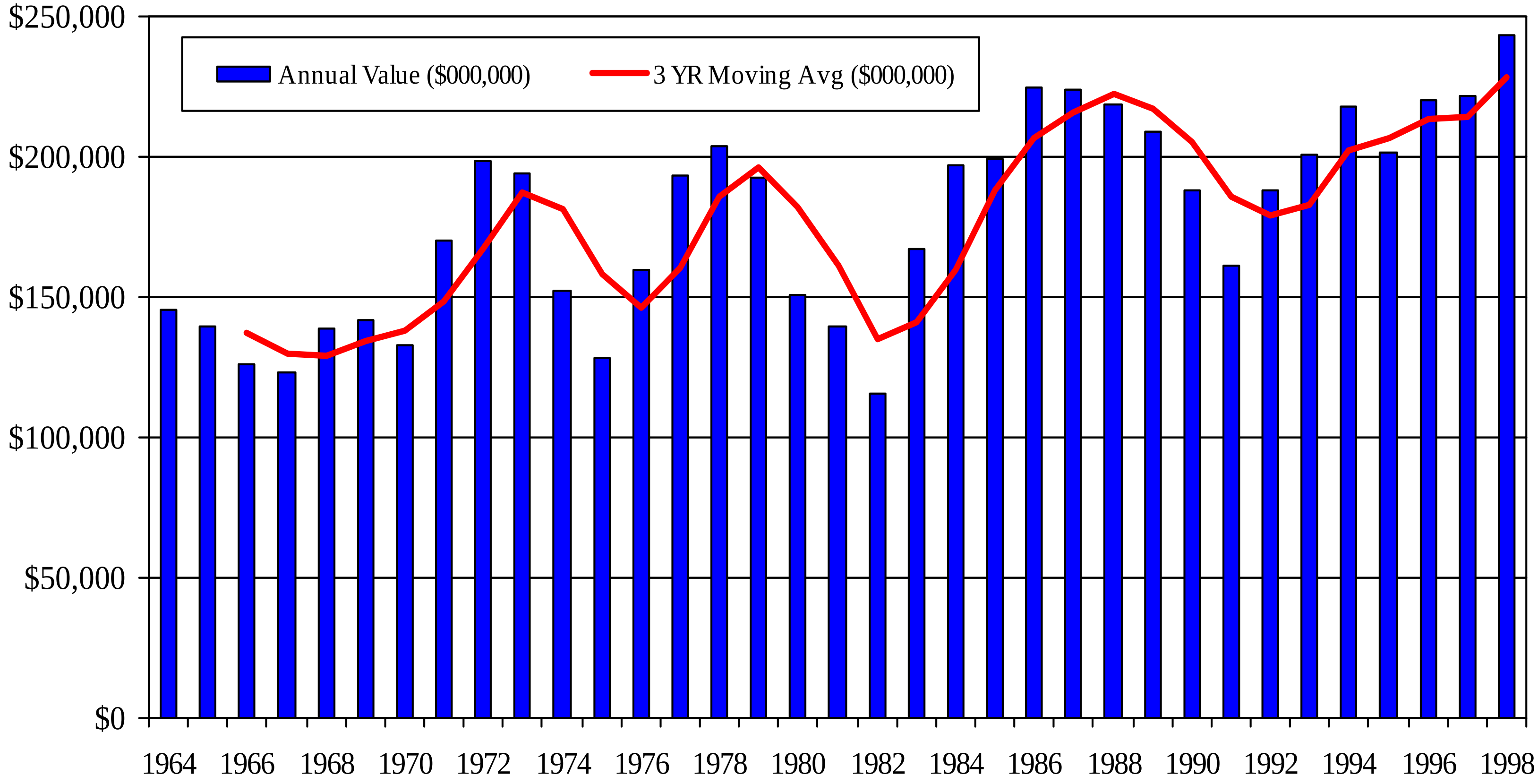
The Cyclical Nature of the U.S. Construction Materials Industry

Total Value Put in Place - Constant 1992 Dollars



The Cyclical Nature of the U.S. Construction Materials Industry

Residential Value Put in Place - Constant 1992 Dollars



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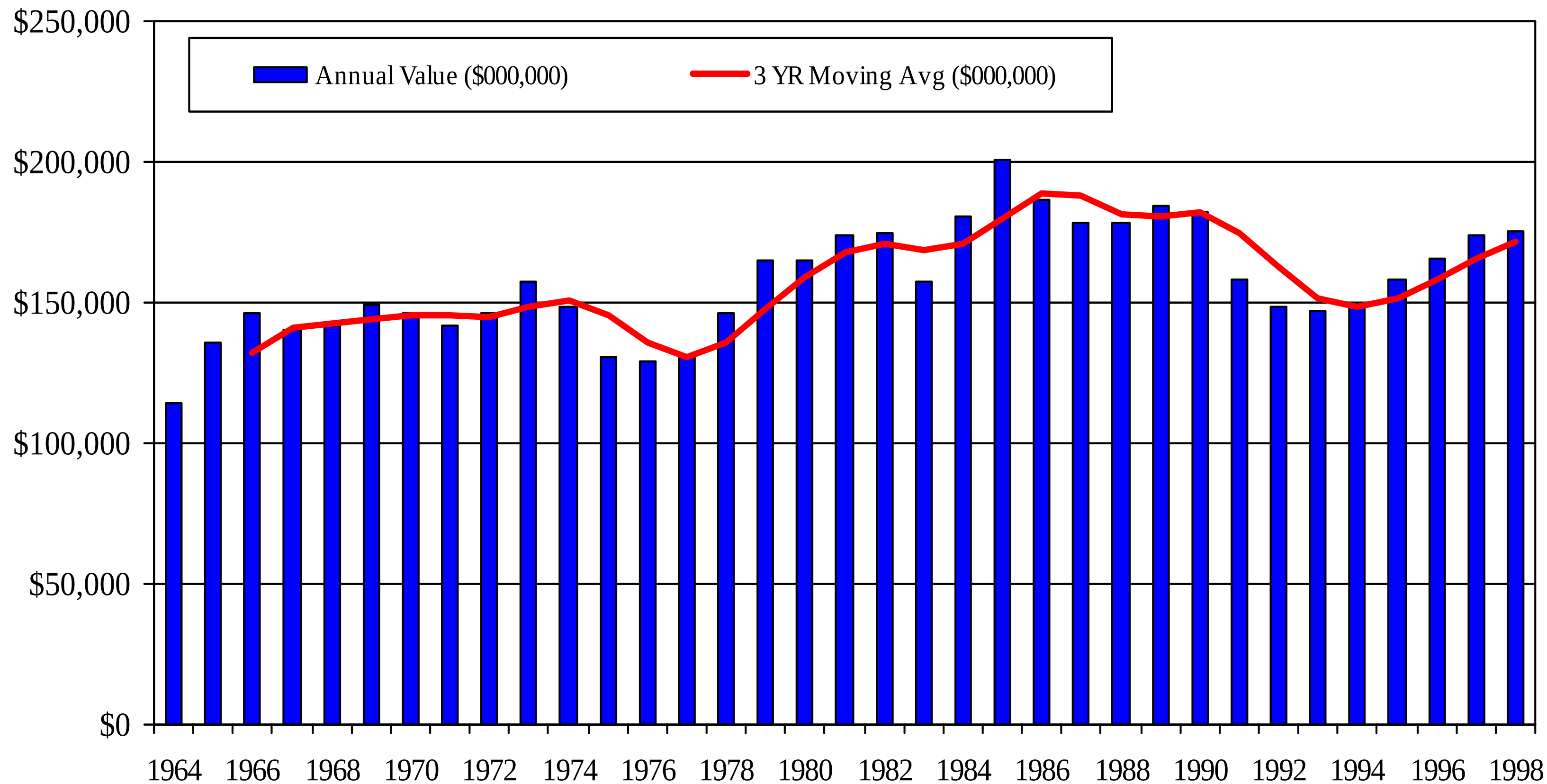
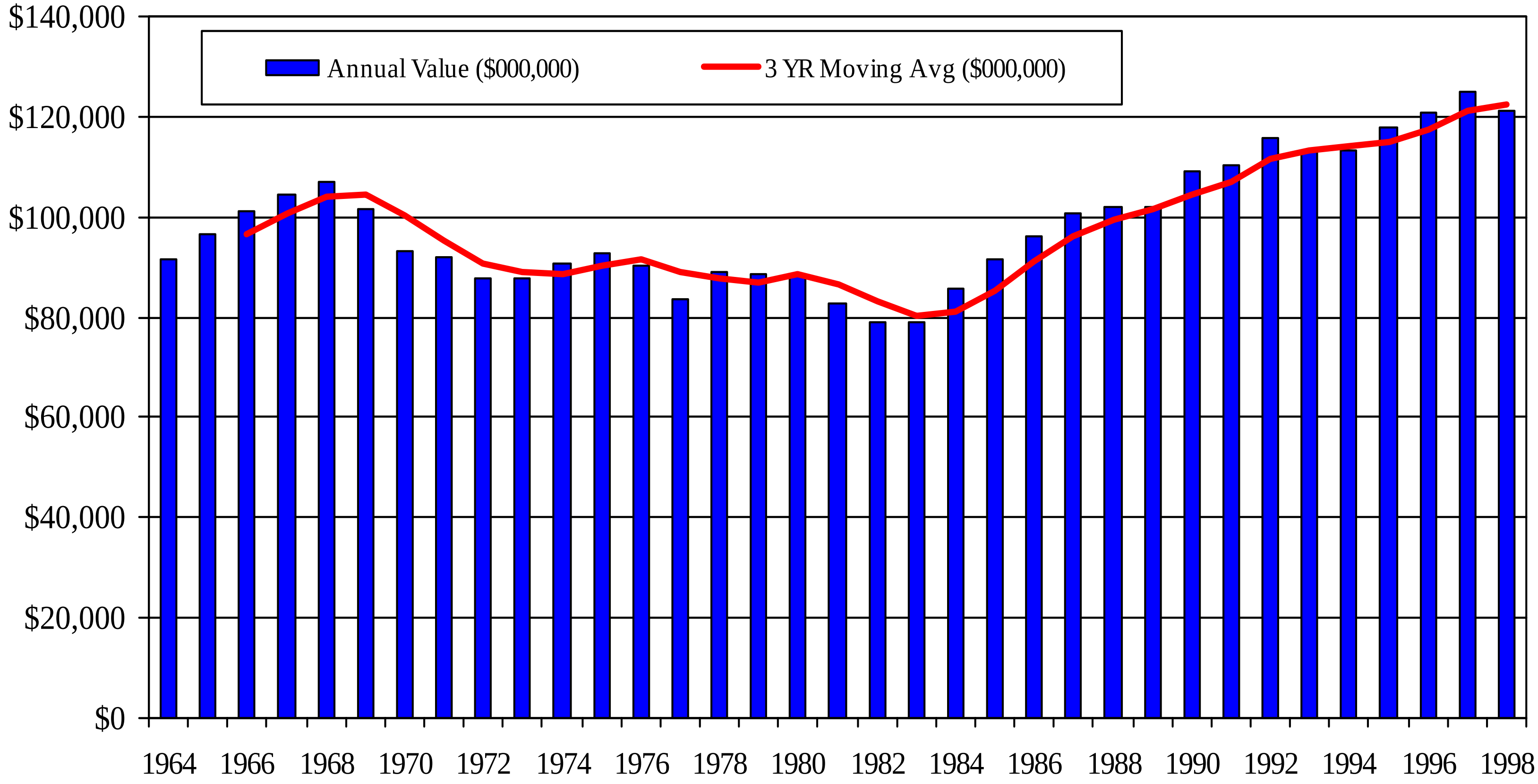
The Cyclical Nature of the U.S. Construction Materials Industry

Non-Residential Value Put in Place - Constant 1992 Dollars



The Cyclical Nature of the U.S. Construction Materials Industry

Public Value Put in Place - Constant 1992 Dollars



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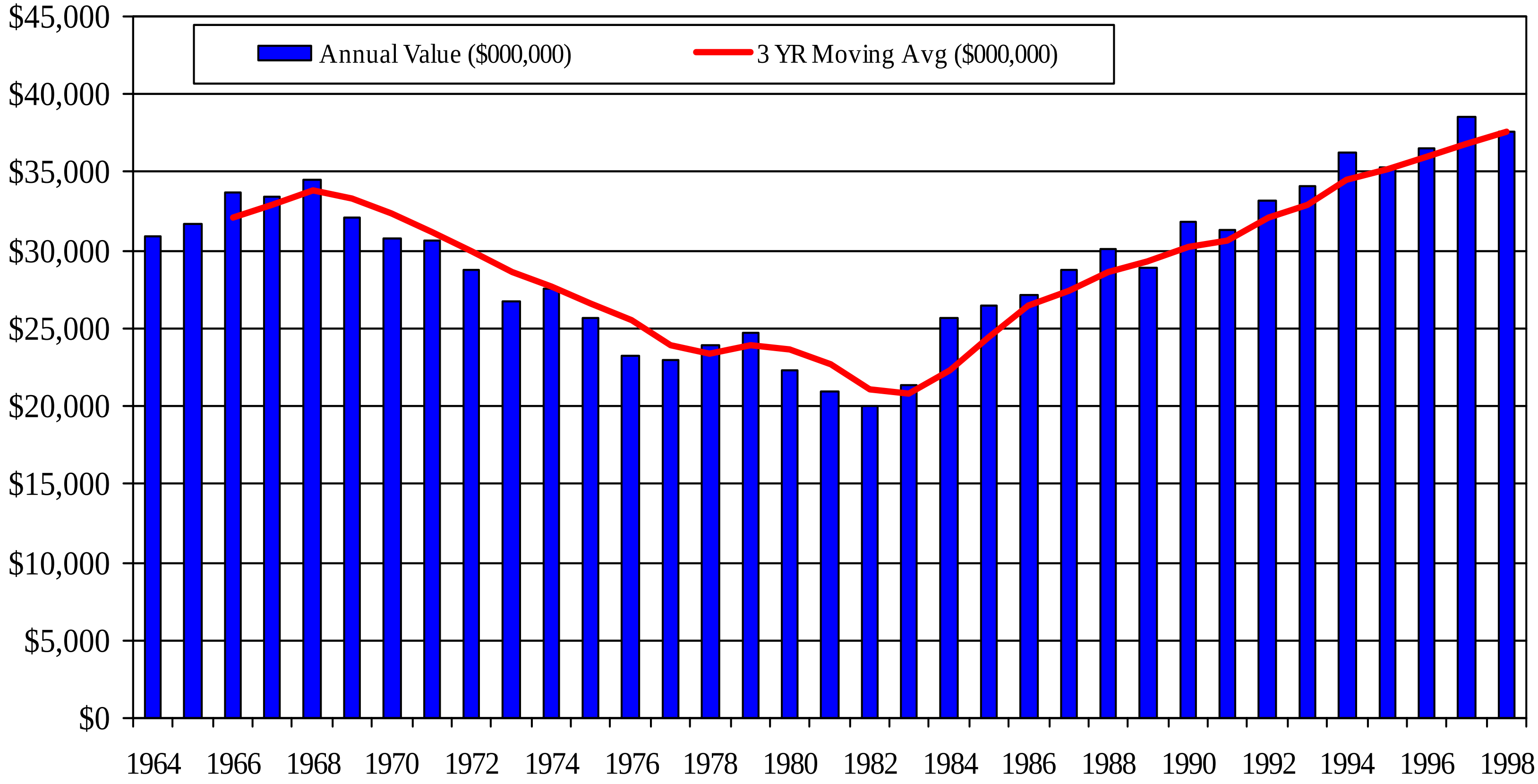
The Cyclical Nature of the U.S. Construction Materials Industry

Highways & Streets Put in Place - Constant 1992 Dollars



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The Cyclical Nature of the U.S. Construction Materials Industry

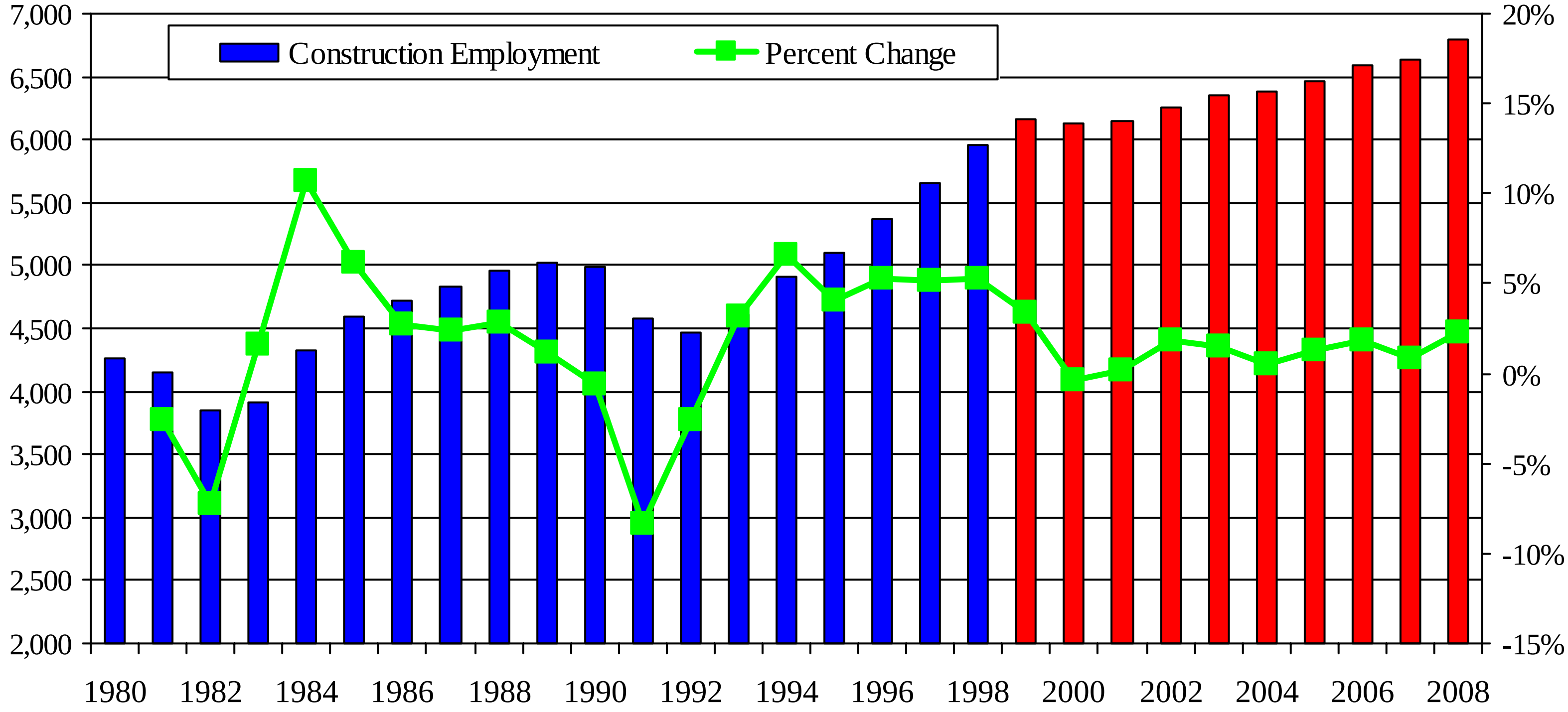
- It is apparent to us that the U.S. construction industry has been, and will continue to be a cyclical industry.

- Despite a smoothing national cycle in the future, regional and local cycles will still occur, albeit somewhat less dramatic than in the past.

- Consequently, materials producers, including aggregate manufacturers, should be prepared for managing the inevitable future down- and up- cycles.

The Cyclical Nature of the U.S. Construction Materials Industry

Construction Employment - 000 Persons



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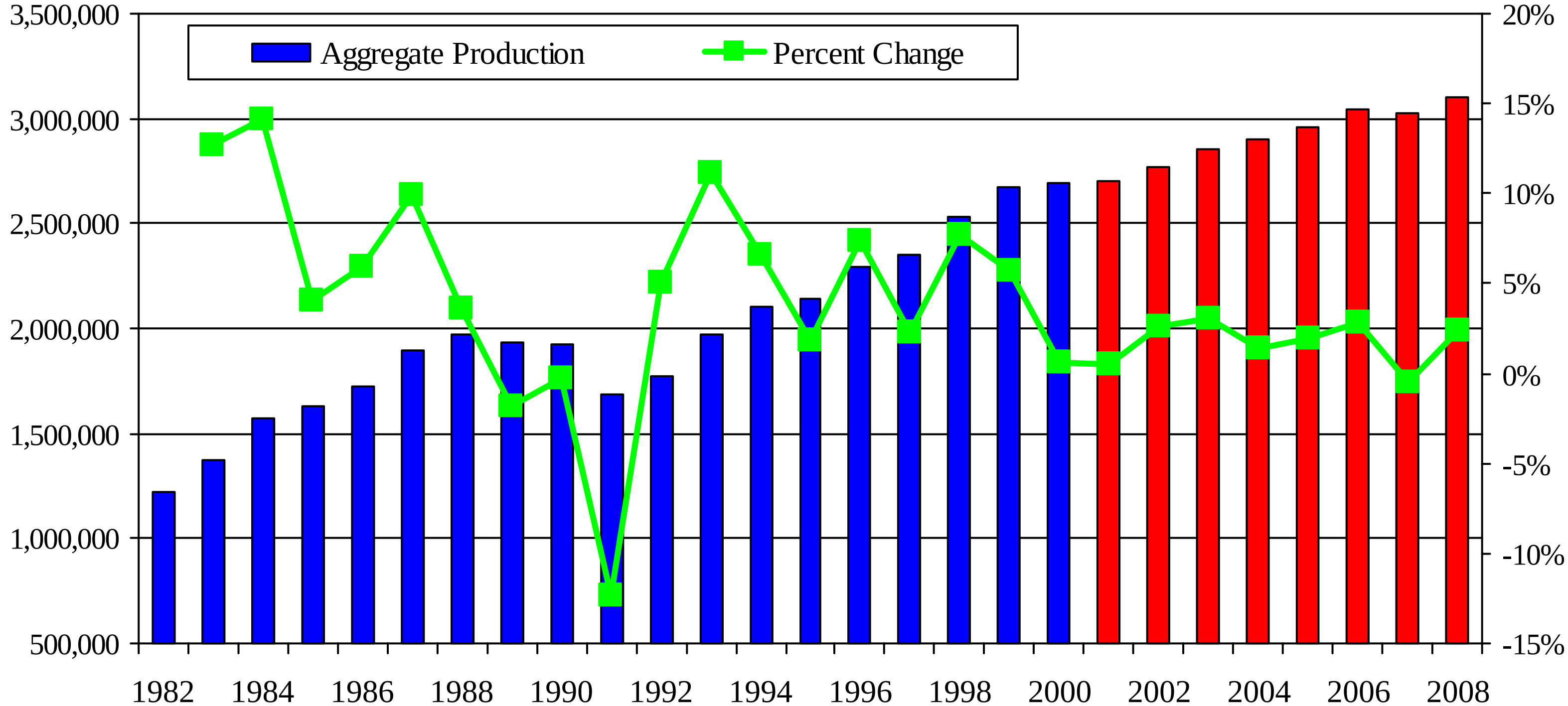
The Cyclical Nature of the U.S. Construction Materials Industry

Aggregate Production - 000 Metric Tons



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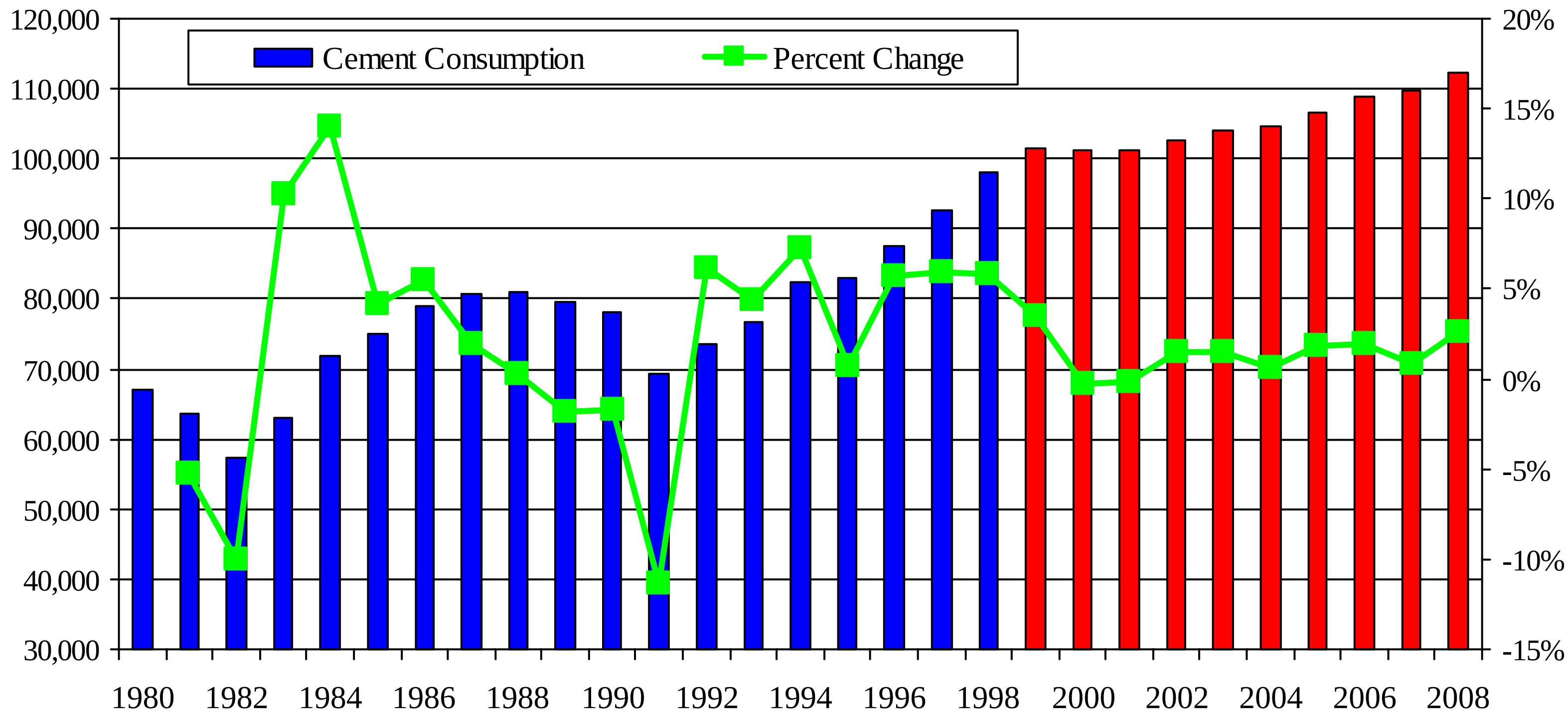
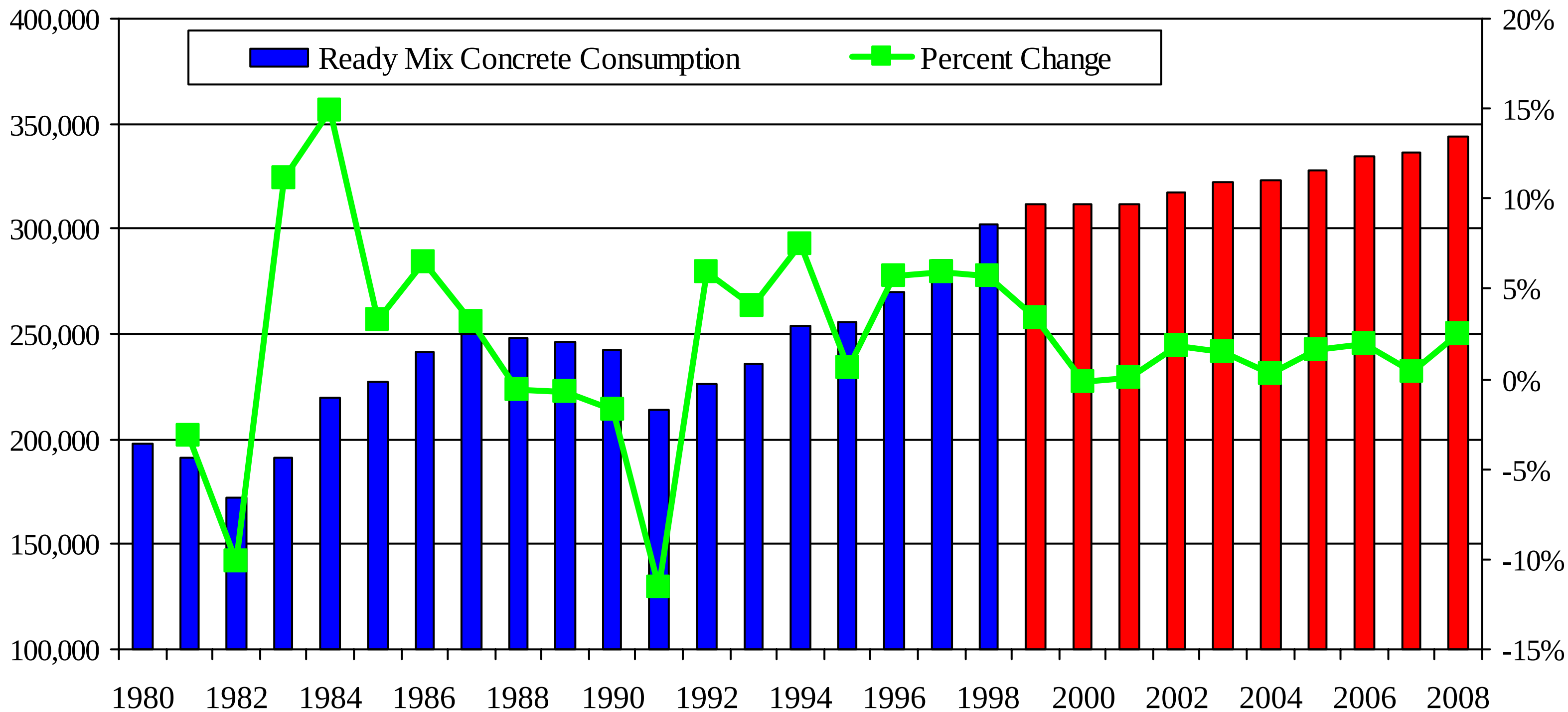
The Cyclical Nature of the U.S. Construction Materials Industry

Cement Consumption - 000 Metric Tons



The Cyclical Nature of the U.S. Construction Materials Industry

Ready Mix Concrete Consumption - 000 Cubic Yards



The Cyclical Nature of the U.S. Construction Materials Industry
Summary

- With an expected slowdown in the U.S. economy during 1999 and 2000, we will finally experience the famous soft landing.
- Continued economic growth at current growth rates (3.9 percent) is not sustainable long-term when employment is as strong as it is today.
- There simply is not enough workers to fuel continued expansion above the long-term trend rates of 2.0-2.5 percent.
- However, there is no threat of serious unemployment either because even a dramatic slowdown is unlikely to push the jobless rate above five percent. Thus, consumer spending should not be materially affected by corporate layoffs.

The Cyclical Nature of the U.S. Construction Materials Industry

Summary

- A recession (negative GDP) is extremely unlikely unless we see a combination of grossly irrational consumers, inept politicians and poor fiscal policymaking, converging all at once.

- Nevertheless, a slowdown in the general economy, whether soft or sudden, should encourage companies to once again visit the notion of recession planning. Particularly in cyclical industries such as ours.

- After eight years of expansion, the U.S. economy is enjoying a solid footing, and it has plenty of fat to sustain an expected moderate diet for a few years.

II. Pacific South West Region Economic Status

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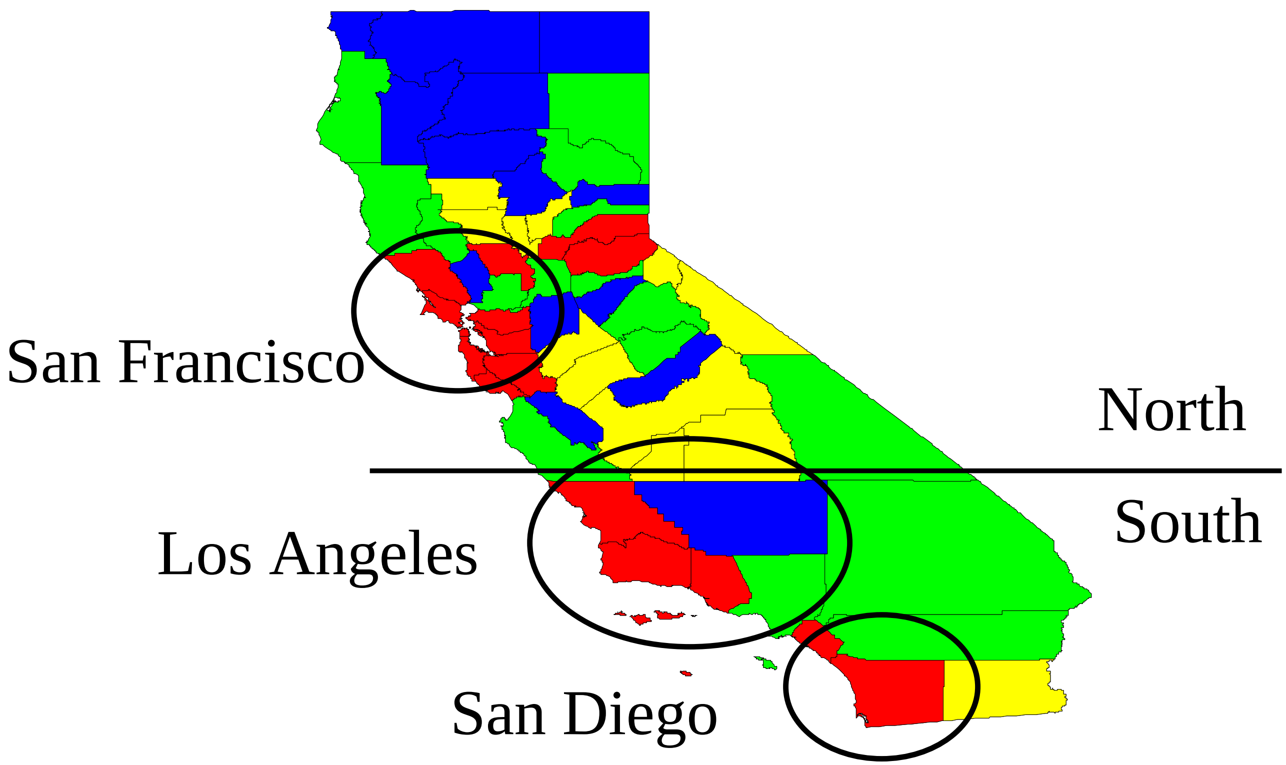
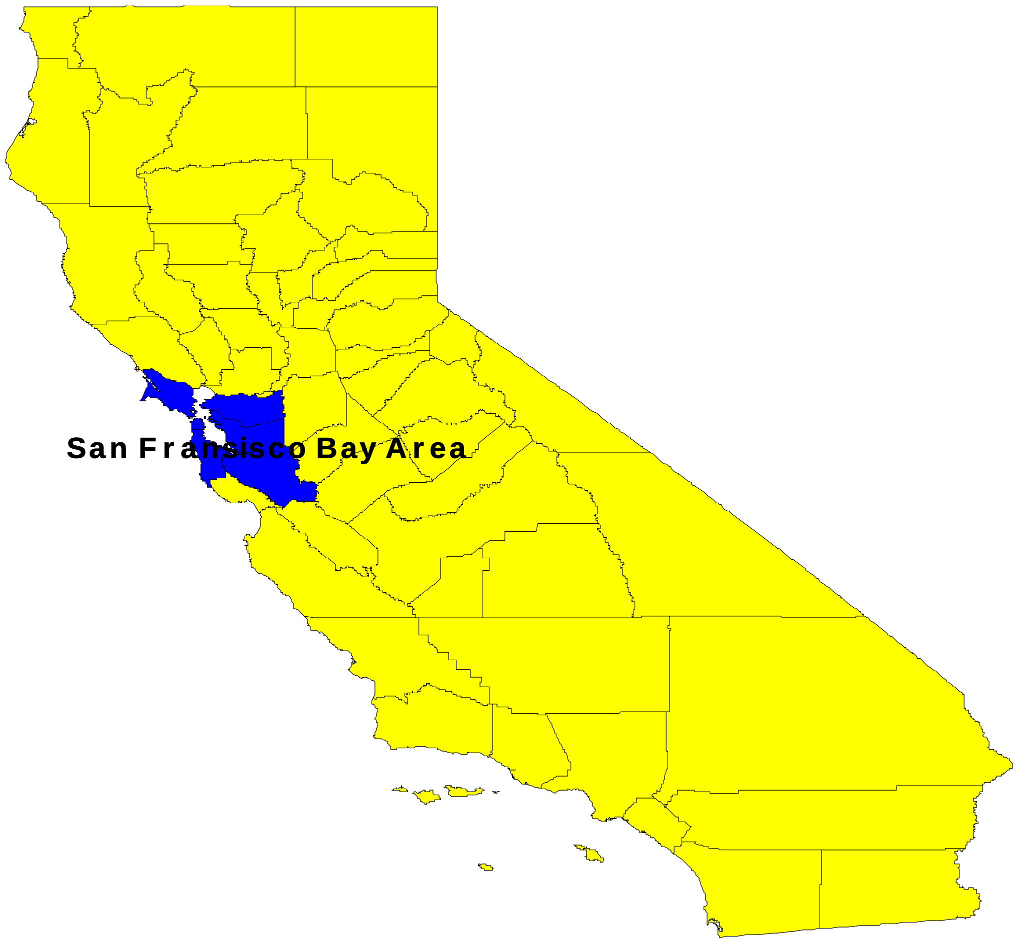
California

Three Primary Growth Markets



San Francisco Bay Area

Economic Status



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San Francisco Bay Area

Economic Status

- The region's large and diverse economic and demographic base, combined with its climate, geography, cultural and recreational opportunities place the San Francisco Bay Area as one of the top U.S. MSAs poised for both short-term and long-term prosperity.
- While the region did suffer from the 1990-1993 severe economic contraction in the state, the Bay Area was not hit as hard as the Southern California economy.
- The primary reason for the lesser down-cycle in the Bay Area was its diversified economic platform, which was less dependent on the military and aerospace industry and had a greater representation in high technology jobs.

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San Francisco Bay Area

Economic Status

- From today's population base, which is estimated at 5.7 million people, the region is cast to add roughly 1.0 million residents between 1999 and 2008.

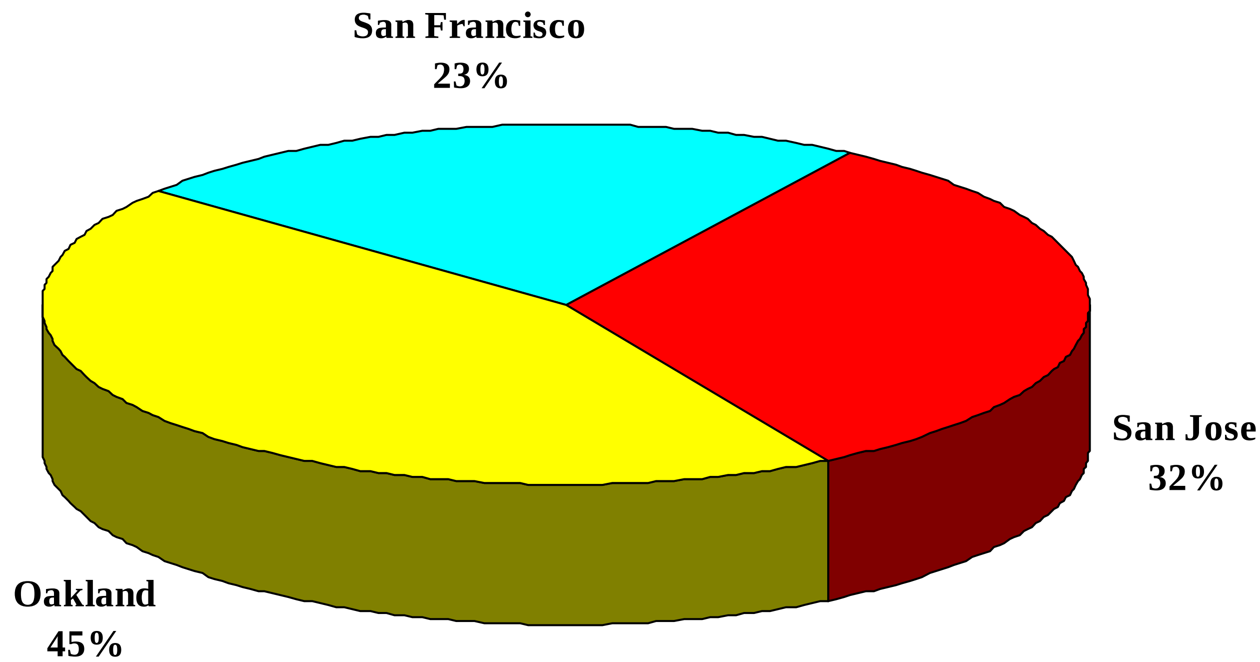
- The increasing Bay Area population will put pressure on an already strained housing market, influencing the residential build rate favorably in the years to come.

- During 1998, the East Bay counties were responsible for the largest share of new housing units representing 45 percent of the total, followed by the South Bay with 32 percent.

San Francisco Bay Area

Economic Status

Distribution of 1998 Residential Construction by Permits



San Francisco Bay Area

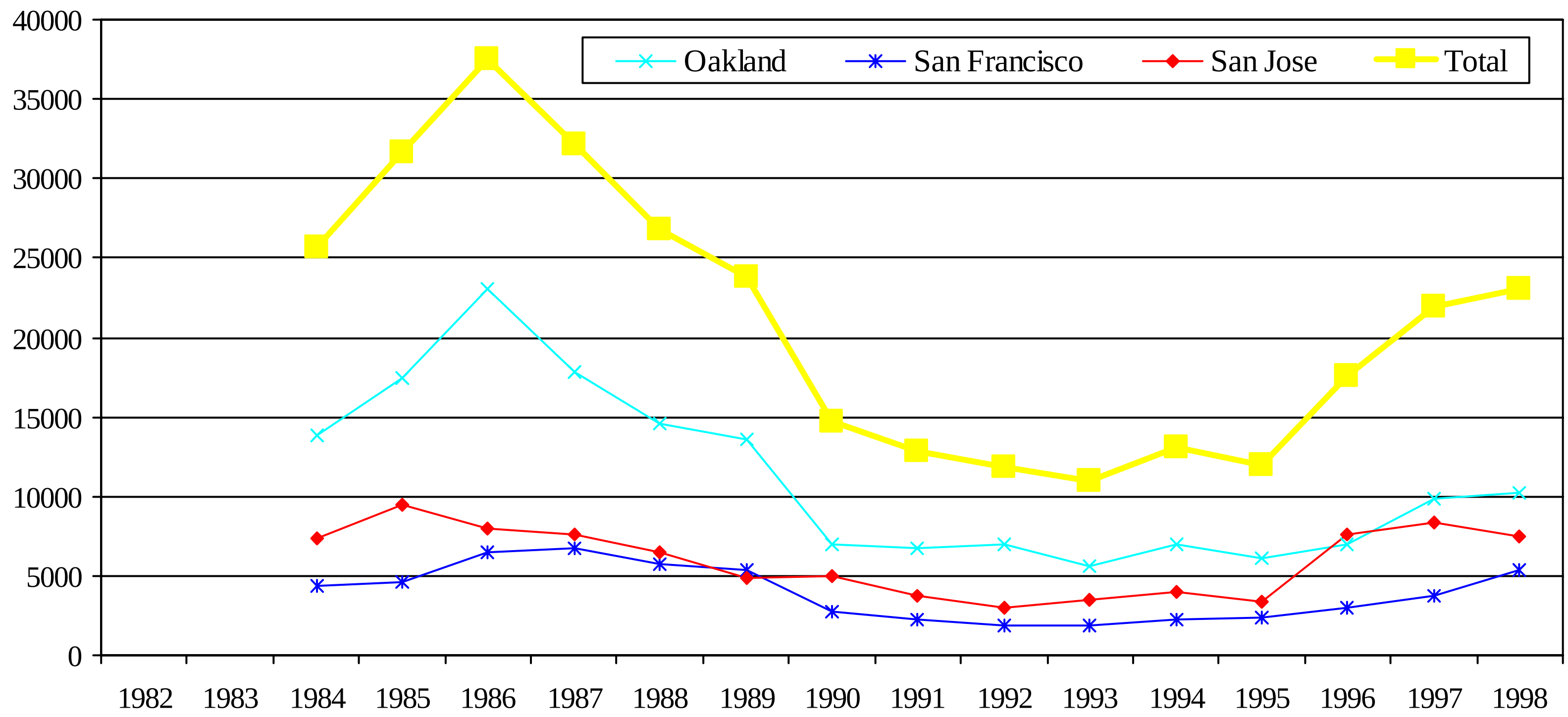
Economic Status

- After years of subdued residential activity in the San Francisco Bay Area, the region is once again experiencing a hot housing market.
- The second quarter of 1998 in particular saw a jump in housing activity due to back logs resulting from heavy winter rain, and residential activity has continued during the third and fourth quarter.
- During all of 1998, San Francisco, San Jose and Oakland metropolitan areas authorized a combined 23,100 new units, a 5.3 percent increase from the same period in 1997.
- This growth followed a 24.5 percent increase in 1997 and a 46.9 percent increase in 1996.

San Francisco Bay Area

Economic Status

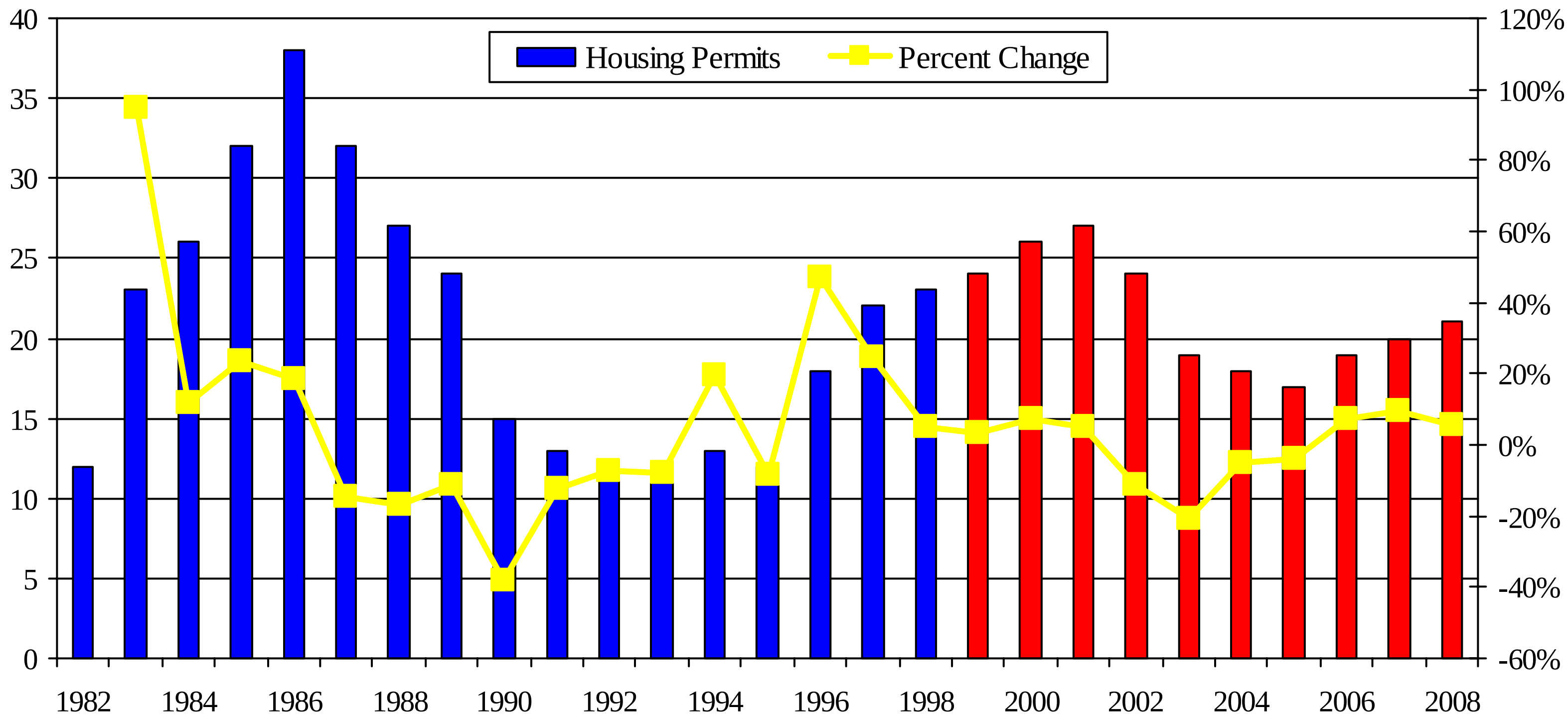
Housing Permits - 000 Authorized Units



San Francisco Bay Area

Economic Status

Housing Permits - 000 Authorized Units



San Francisco Bay Area
Economic Status

- Non-residential construction and public construction have grown most in the commercial centers of San Francisco, Silicon Valley and the heart of the East Bay.
- Reflecting increased activity during 1998, the current backlog of large public construction projects, and anticipated escalating demand for housing, the construction sector should add additional workers in the years ahead.
- During the ten-year forecast period, construction employment is cast to average 150,000 workers per year, comparing favorably to the average annual 103,000 workers employed by the sector during the past ten years.

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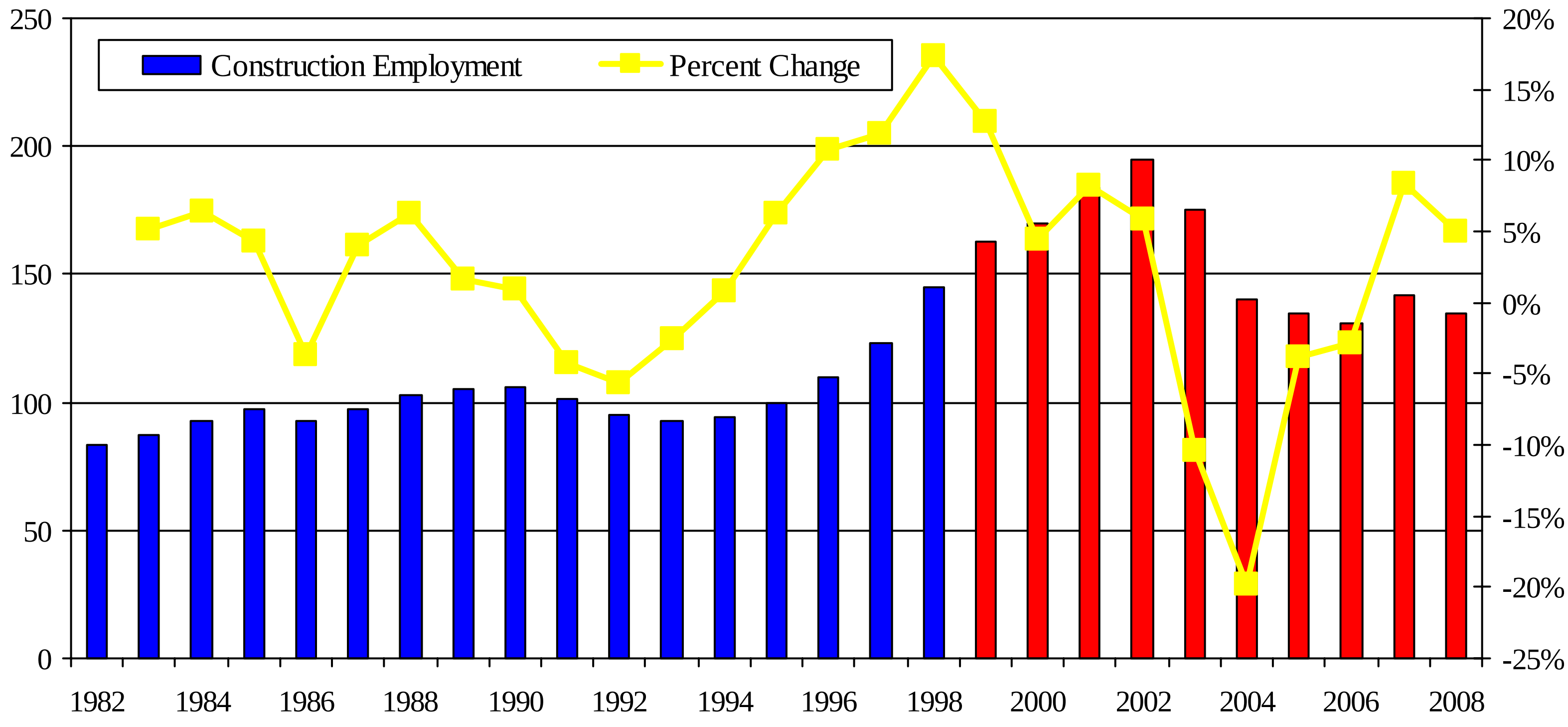
San Francisco Bay Area

Economic Status

Construction Employment - 000 Persons



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NATIONAL READY MIXED CONCRETE ASSOCIATION

Los Angeles Basin

Economic Status

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Los Angeles Basin

Economic Status

- The Los Angeles Basin, home to 16 million residents and five million households, is the world's 12th largest economy.
- The Los Angeles Basin represents half of the California market and accounts for over 5.0 percent of the nation's jobs and spending.
- The Los Angeles Basin economy was hit hard during the 1990-1991 recession, but is now recovering. So are local industries and businesses.
- In fact, all of the job losses through 1993 have been regained and an additional 25,000 jobs has been added.

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Los Angeles Basin

Economic Status

- The region is emerging from a major transition in its economic base. The defense and financial sector restructuring are almost complete.

- Opportunities in industries where Southern California has a clear leadership position – professional services, foreign trade, entertainment and tourism, fashion and design – will create jobs and increase income, population and households.

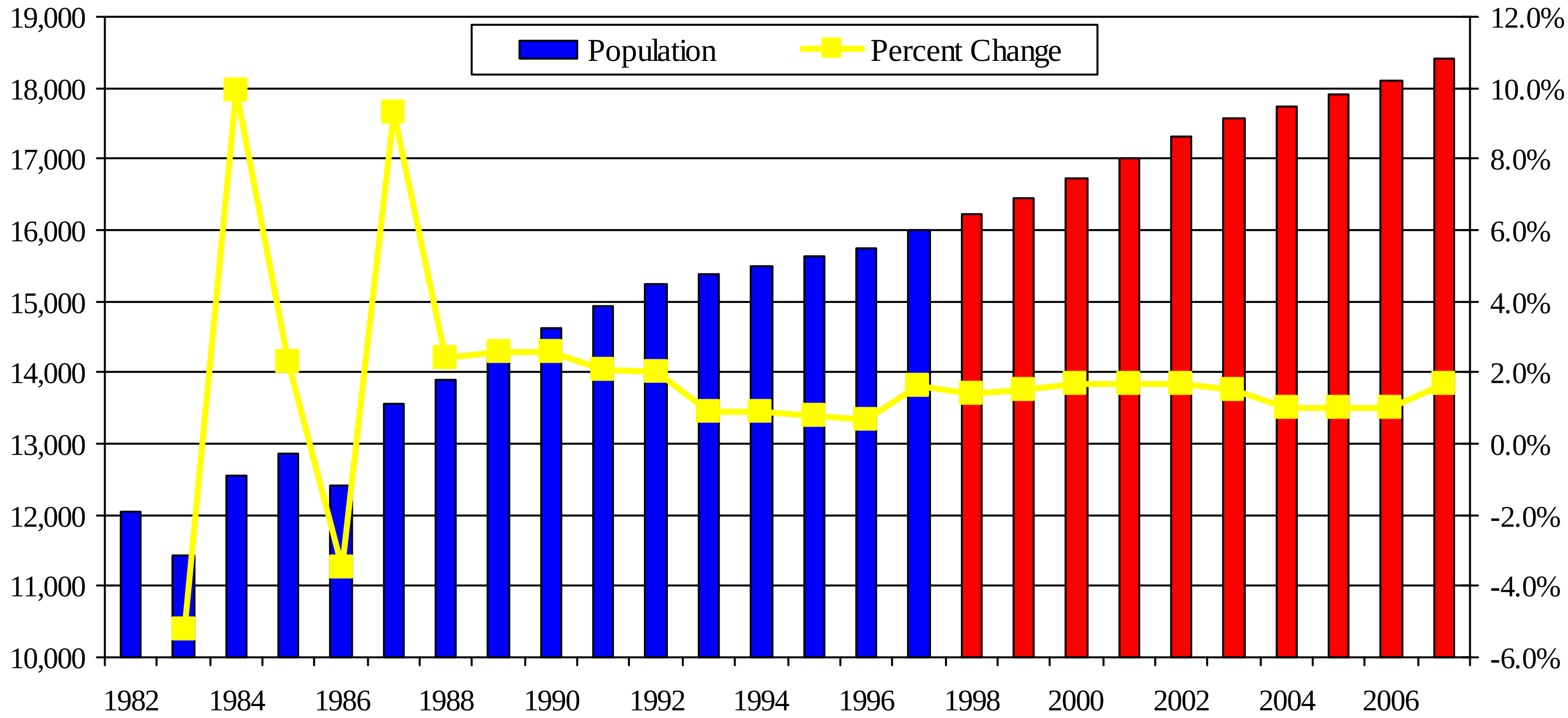
- The Los Angeles Basin's population continued to grow during the first half of the 1990s, despite the recession.

- Between July 1993 and July 1998, an additional 1.4 million citizens registered as residents, expanding the population base to over 16 million people.

Los Angeles Basin

Economic Status

Population - 000 Persons



Los Angeles Basin
Economic Status

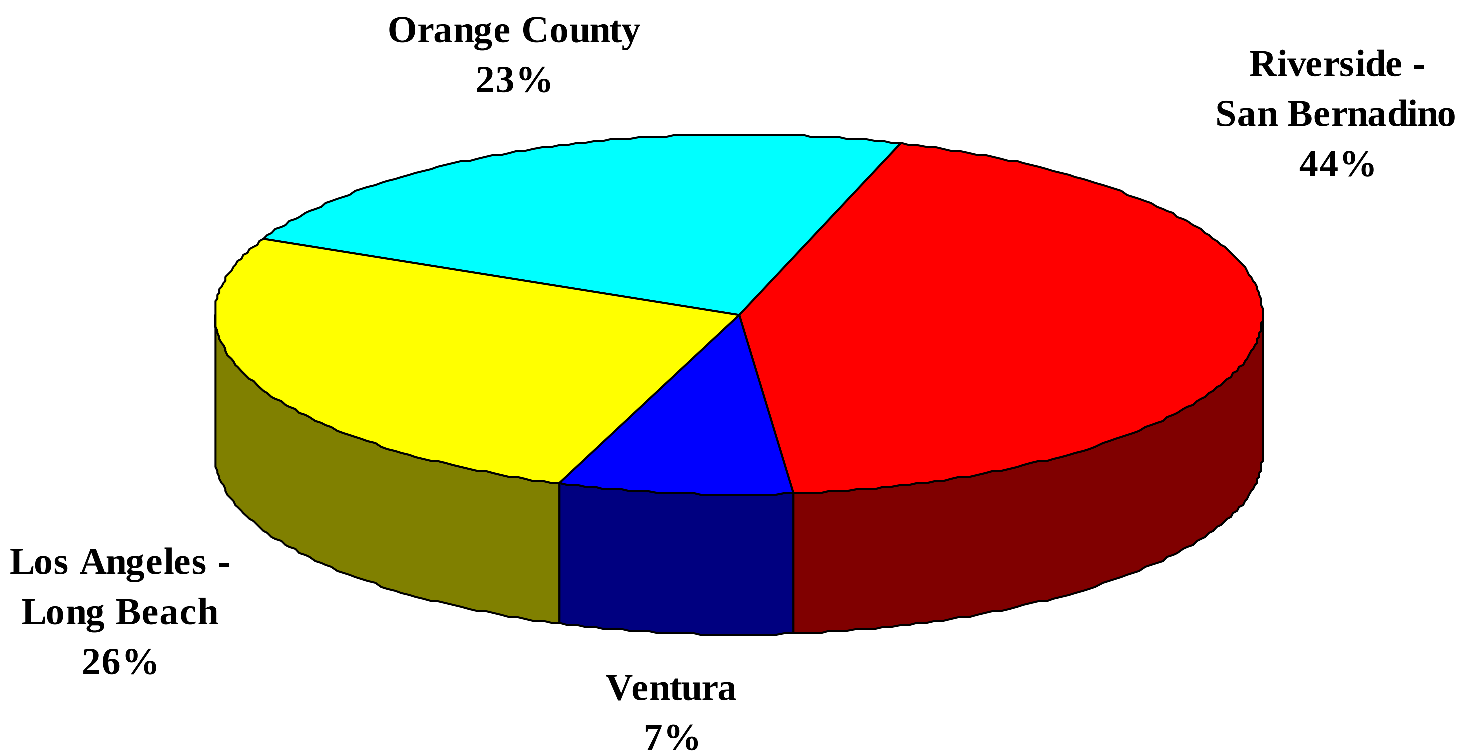
- The Los Angeles Basin is cast to add in excess of 47,000 homes per year during the next decade, leading all U.S. metropolitan markets in total units.
- A shortage of residential housing and an increase in the median home price will attract developers dependent upon construction materials in the years to come.
- This cycle is already well under way, and construction activity in the Los Angeles Basin has been increasing at healthy levels since 1996.
- Economic recovery, measured by growth in jobs, income and consumer spending, is now extending to construction markets. Housing starts have increased from 32,587 in 1996 to an estimated 42,423 in 1998, a 30.2 percent advancement.

NATIONAL READY MIXED CONCRETE ASSOCIATION

Los Angeles Basin

Economic Status

Distribution of 1998 Residential Construction by Permits

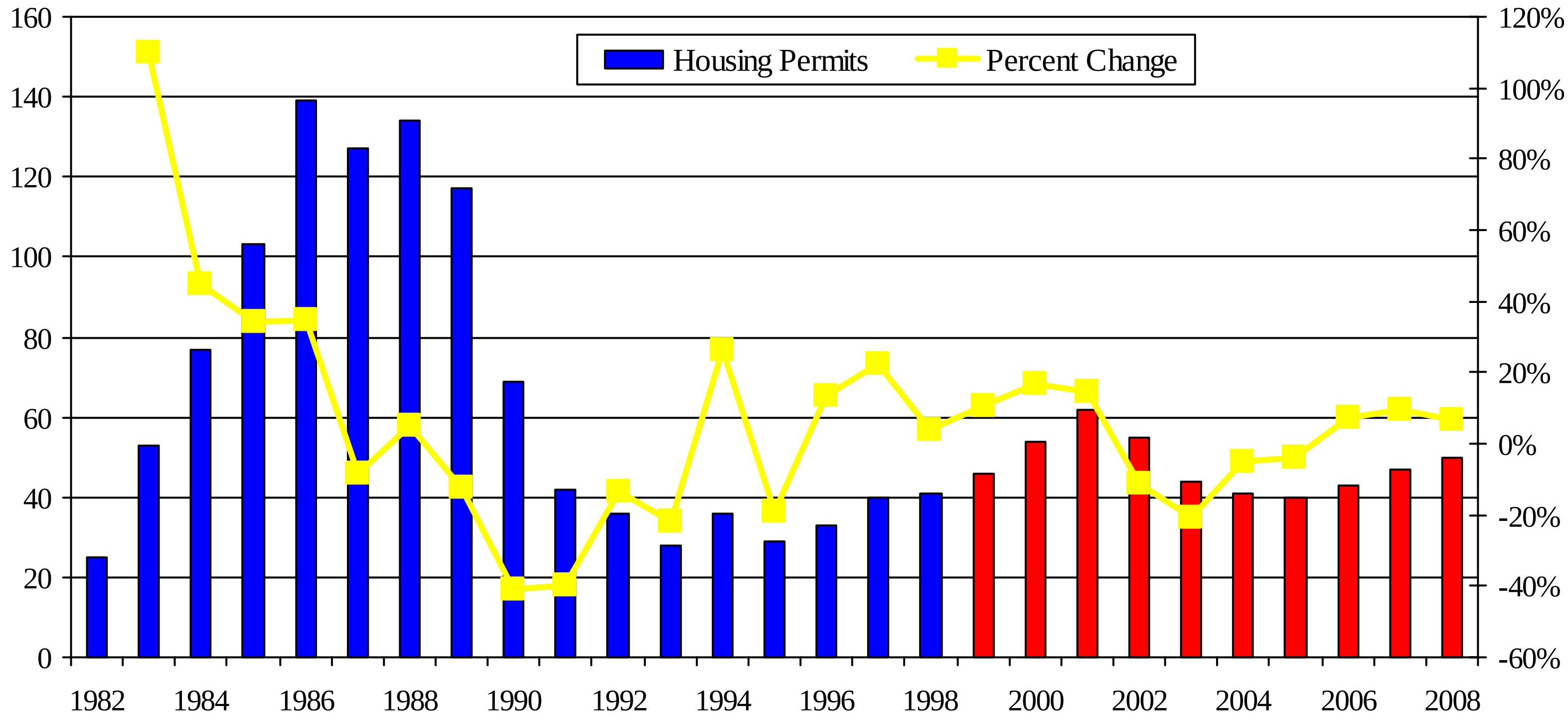


NATIONAL READY MIXED CONCRETE ASSOCIATION

Los Angeles Basin

Economic Status

Housing Permits - 000 Authorized Units



Los Angeles Basin
Economic Status

- Total construction employment reached 250,000 during 1998, representing a 32.4 percent increase since 1993.

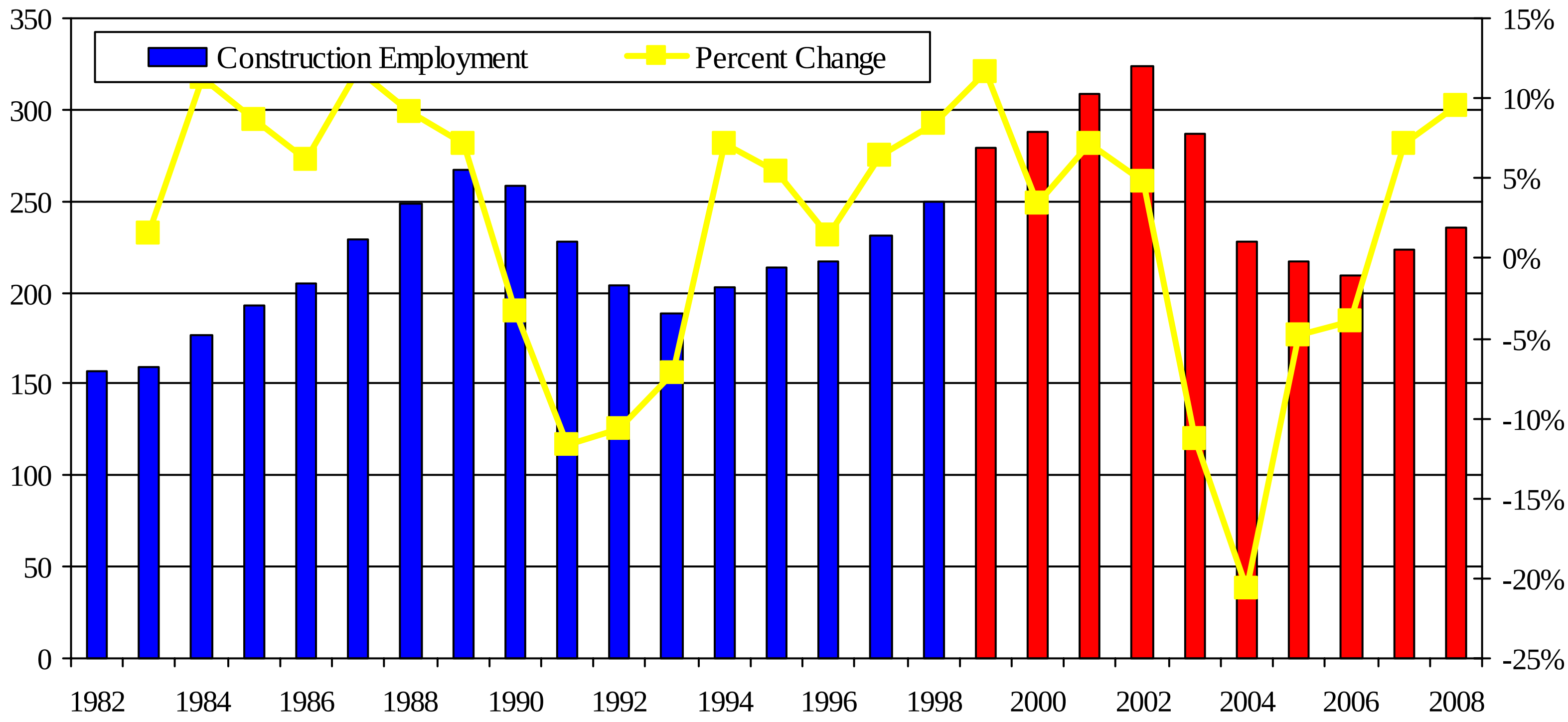
- Continued escalation in construction will cause construction employment to advance by almost 75,000 jobs during the next four years, peaking at 324,000 workers by 2002.

- During the forthcoming ten-year period, construction employment is cast to average 260,000 workers per year, comparing favorably with the annual average of 226,000 workers during the past ten years.

Los Angeles Basin

Economic Status

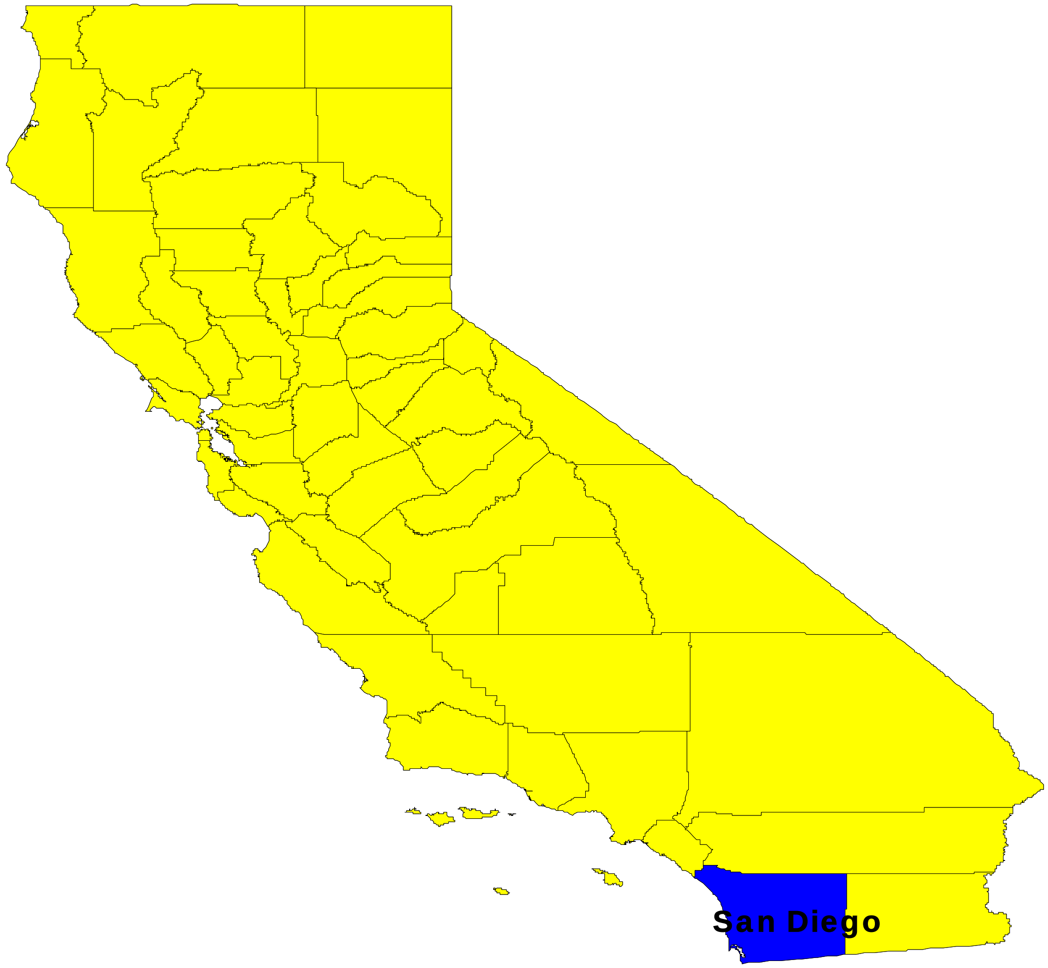
Construction Employment - 000 Persons



NATIONAL READY MIXED CONCRETE ASSOCIATION

San Diego

Economic Status



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San Diego

Economic Status

- The San Diego metropolitan region, home to 2.7 million residents and 1.2 million households, is a large consumptive market for construction materials in both state and national terms.

- The inevitable economic recovery in San Diego came about in 1995, improved during 1996 and 1997, and continued to escalate during 1998.

- As we are entering 1999, San Diego County is once again experiencing job growth faster than the national average with job levels above the pre-recession peak.

- Foreign trade and tourism experienced record years during 1996 and 1997 despite the weak Mexican economy. The maquiladora process has brought new manufacturing jobs to both sides of the border.

San Diego
Economic Status

- The telecommunications sector has been expanding rapidly, despite the dampening effects of the Asian crisis and recent layoffs at Qualcom, one of the largest local employers.

- The computer and high technology sector is also growing, led by a number of smaller entrepreneurial firms, including biotechnology businesses.

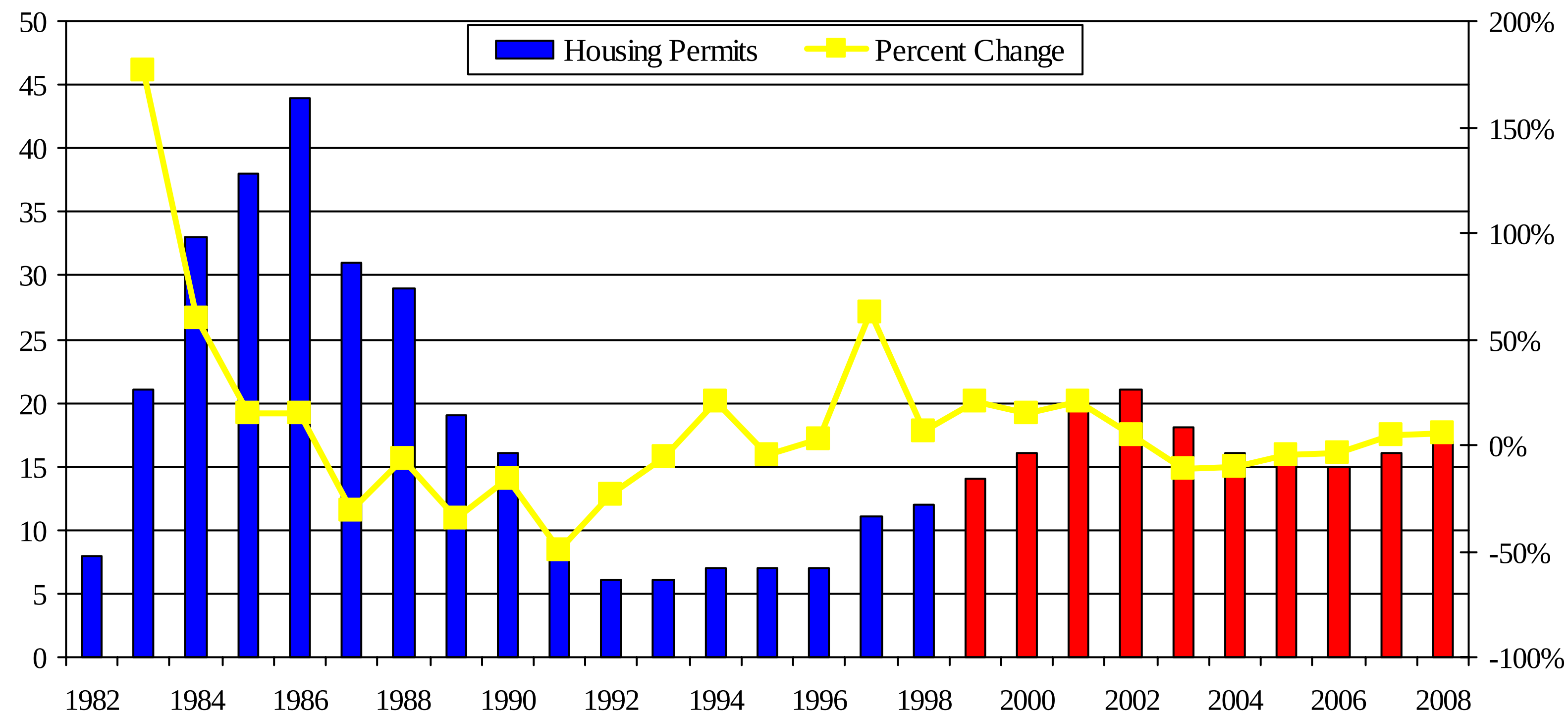
- Market conditions in the San Diego economy are conducive to doing business, and we expect this trend to have a favorable impact on the demand for construction materials, including ready mix concrete, during the next few years.

- In order to support population, job, income and spending gains during the next decade, the region will add progressively more households, above today's level of 11,900 authorized units, driving the demand for construction materials.

San Diego

Economic Status

Housing Permits - 000 Authorized Units



San Diego
Economic Status

- During 1998, construction employment increased by 15.3 percent to 61,100 as both commercial and residential development activity reflected the improving economy.

- By 2002, San Diego is projected to support nearly 79,000 construction jobs, representing an annual average increase of 7.3 percent during the next four years of the ten-year projection period.

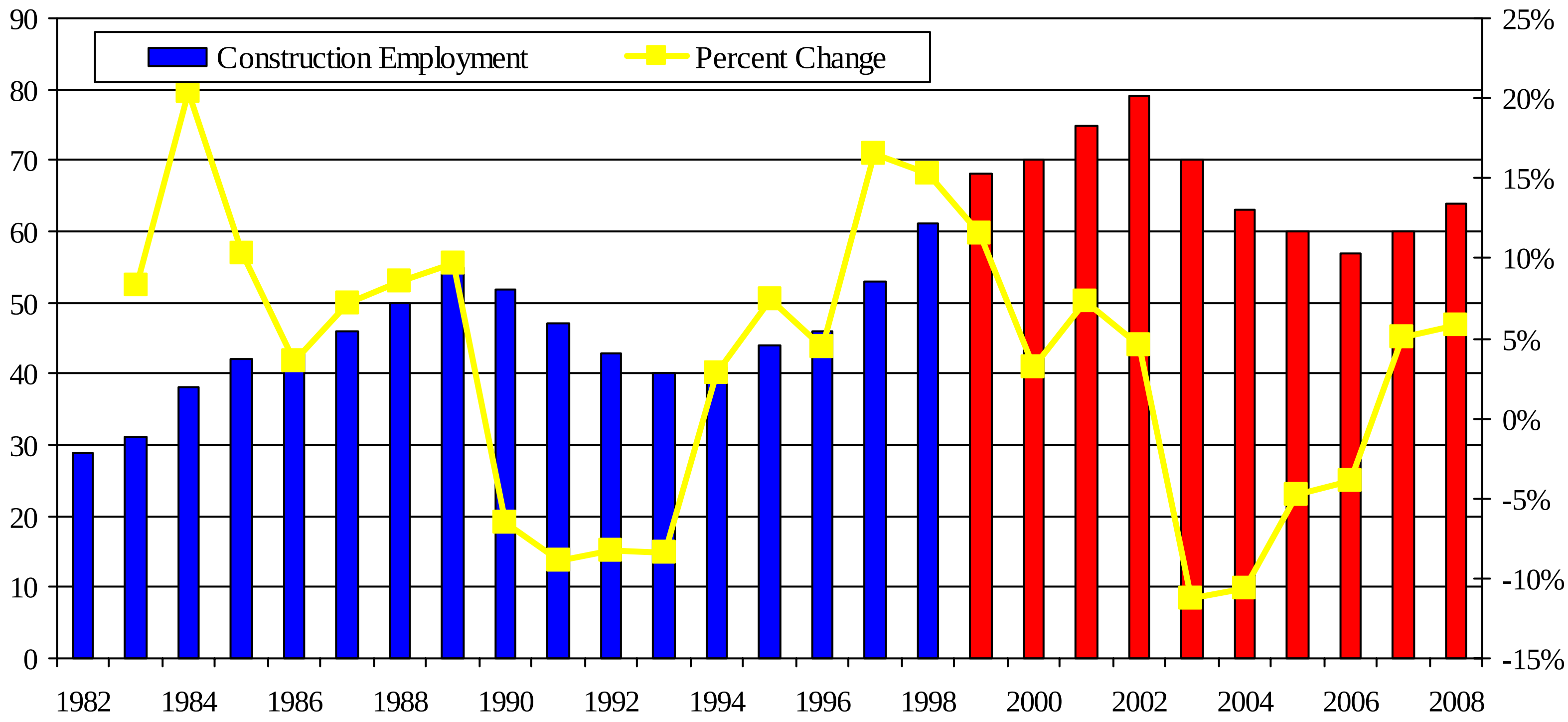
- During the second half of the ten-year projection period, construction employment is cast to moderate to 57,000 in 2006 before climbing again.

- Construction employment is cast to average 67,000 workers per year during the next decade, comparing favorably with the annual average of 48,000 workers during the past decade.

San Diego

Economic Status

Construction Employment - 000 Persons



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III. Ready Mix Concrete Consumption (1980-2008)

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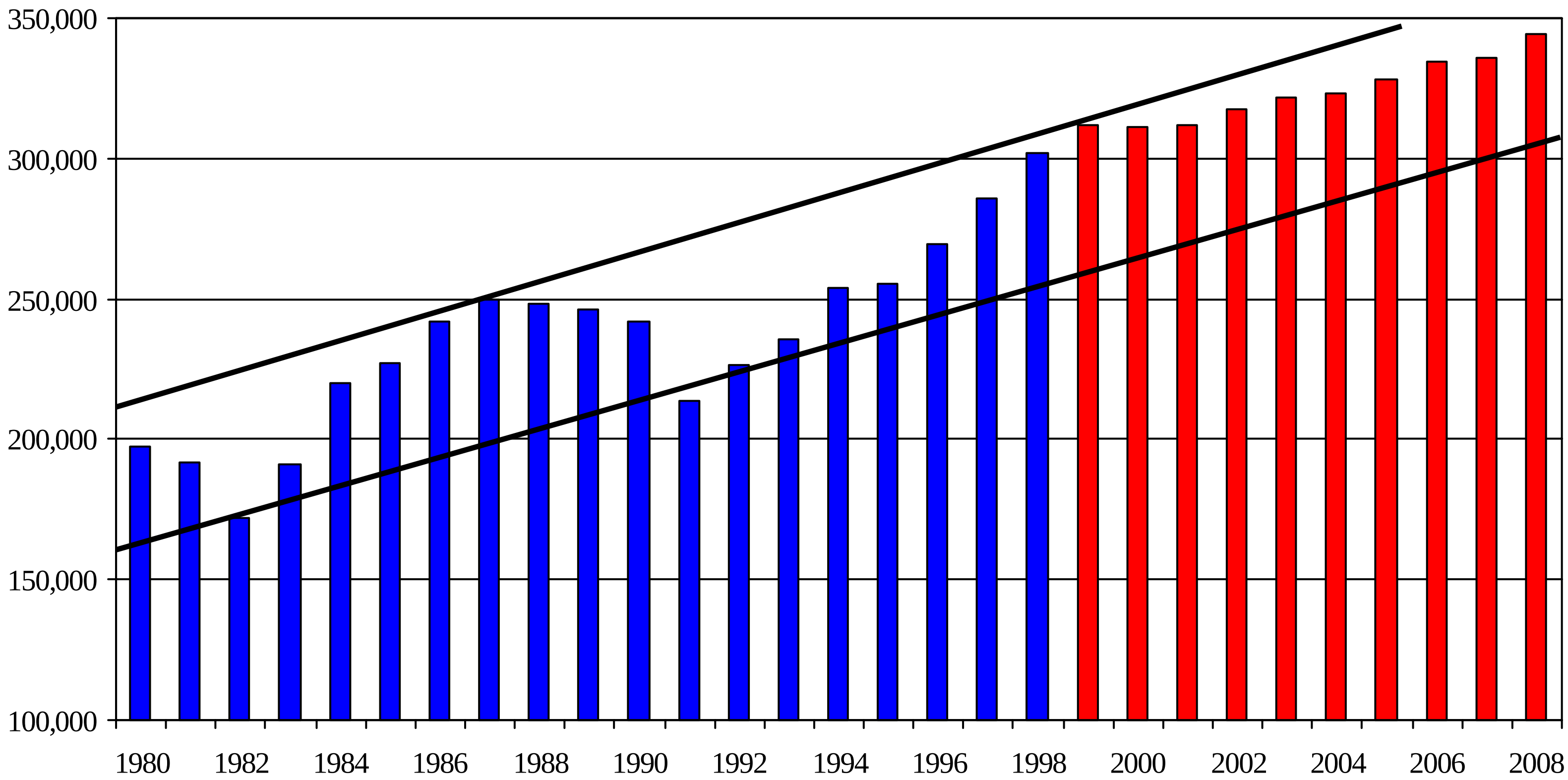
United States

Ready Mix Concrete Consumption

(000 CYD)



United States

Ready Mix Concrete Consumption

(000 CYD)

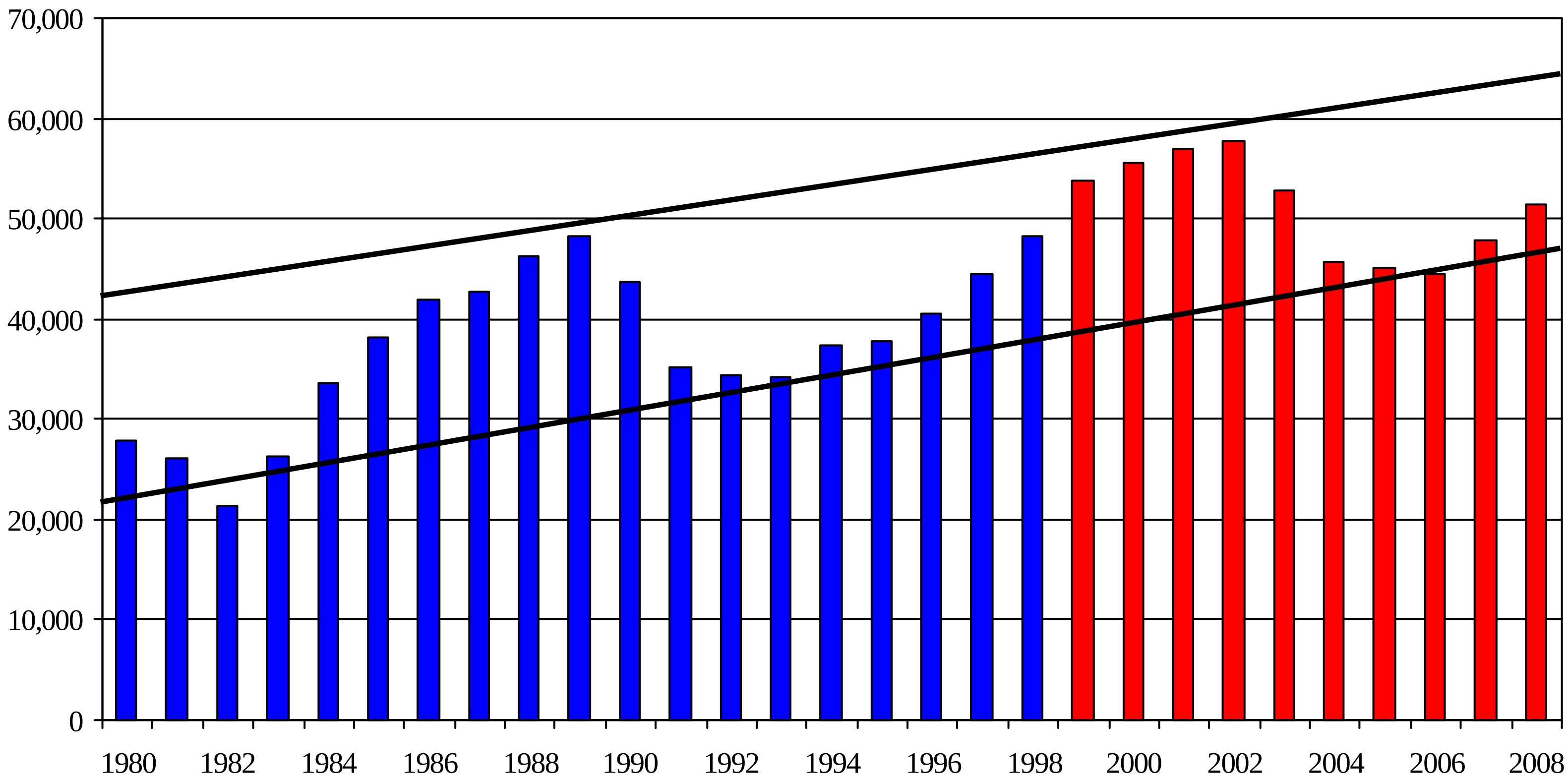
	1989-1998	1999-2008	Avg. Annual % Change
High	301,812	344,294	1.4%
Low	214,017	311,425	4.6%
Average	253,129	324,070	2.8%

Pacific Southwest Region

California, Nevada, Arizona

Ready Mix Concrete Consumption

(000 CYD)



Pacific Southwest Region

California, Nevada, Arizona

Ready Mix Concrete Consumption

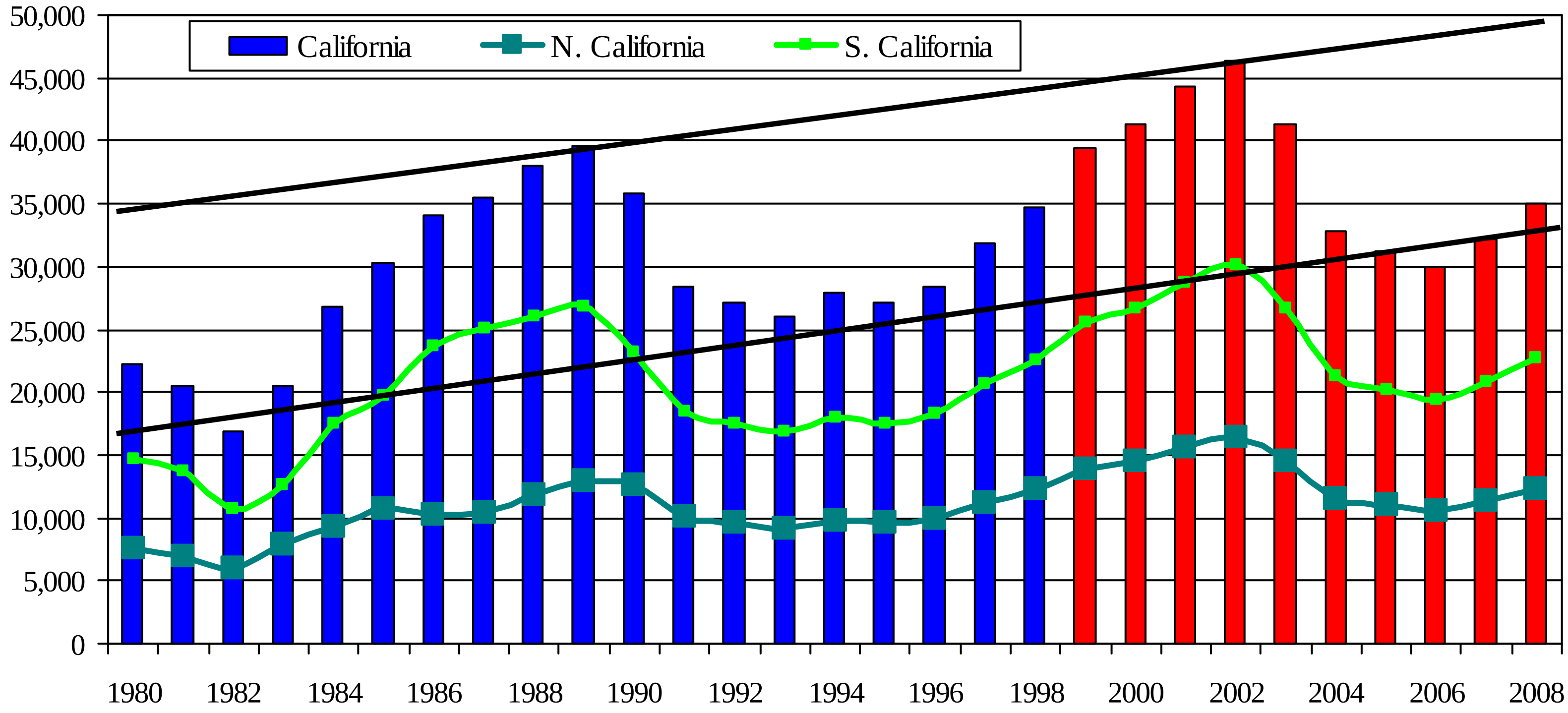
(000 CYD)

	1989-1998	1999-2008	Avg. Annual % Change
High	48,217	57,772	2.0%
Low	34,186	44,519	3.0%
Average	40,206	50,830	2.6%

California

Ready Mix Concrete Consumption

(000 CYD)



California

Ready Mix Concrete Consumption

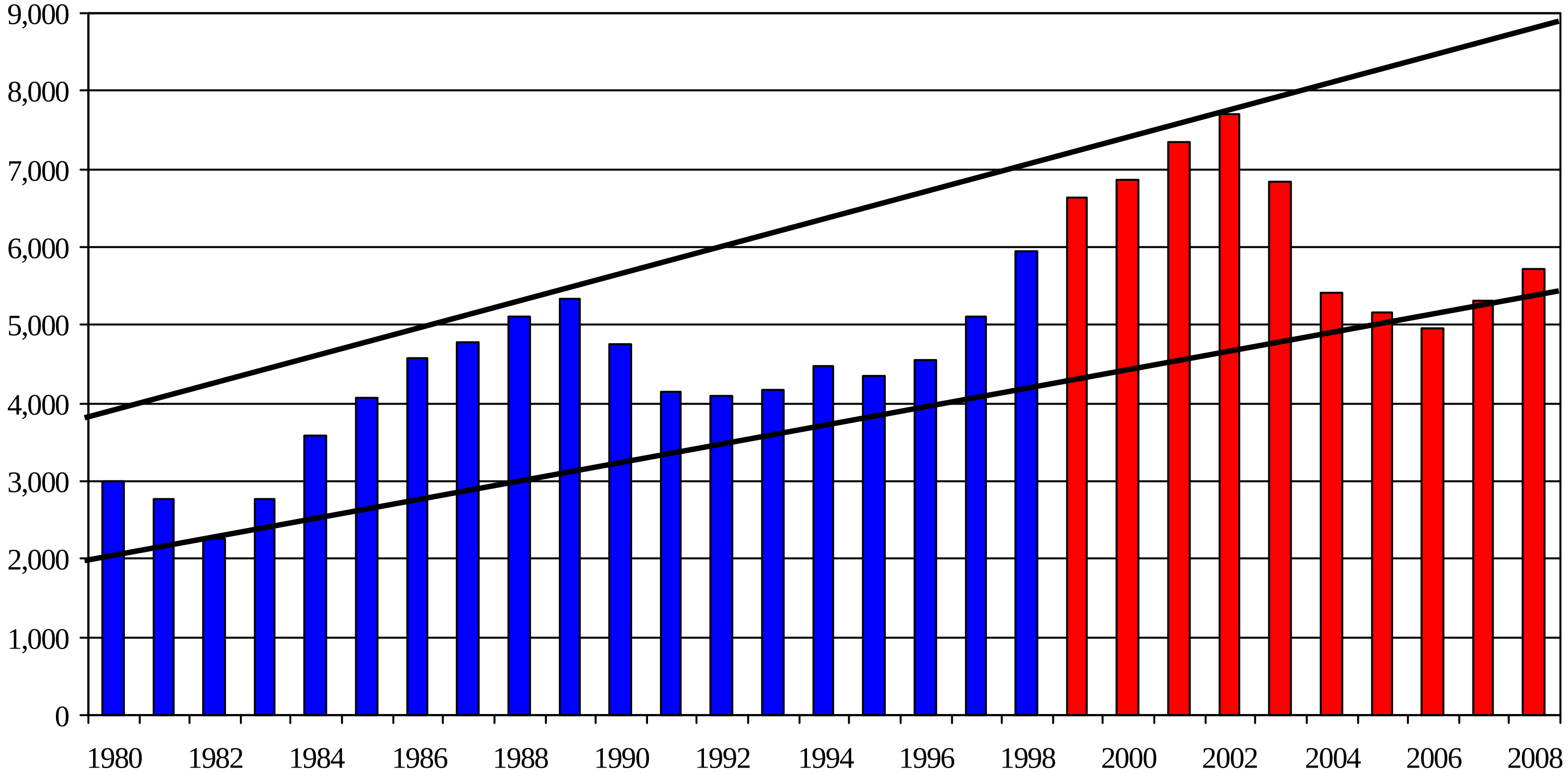
(000 CYD)

	1989-1998	1999-2008	Avg. Annual % Change
High	39,656	46,441	1.7%
Low	26,047	30,040	1.5%
Average	30,714	37,404	2.2%

San Francisco Bay Area

Ready Mix Concrete Consumption

(000 CYD)



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San Francisco Bay area

Ready Mix Concrete Consumption

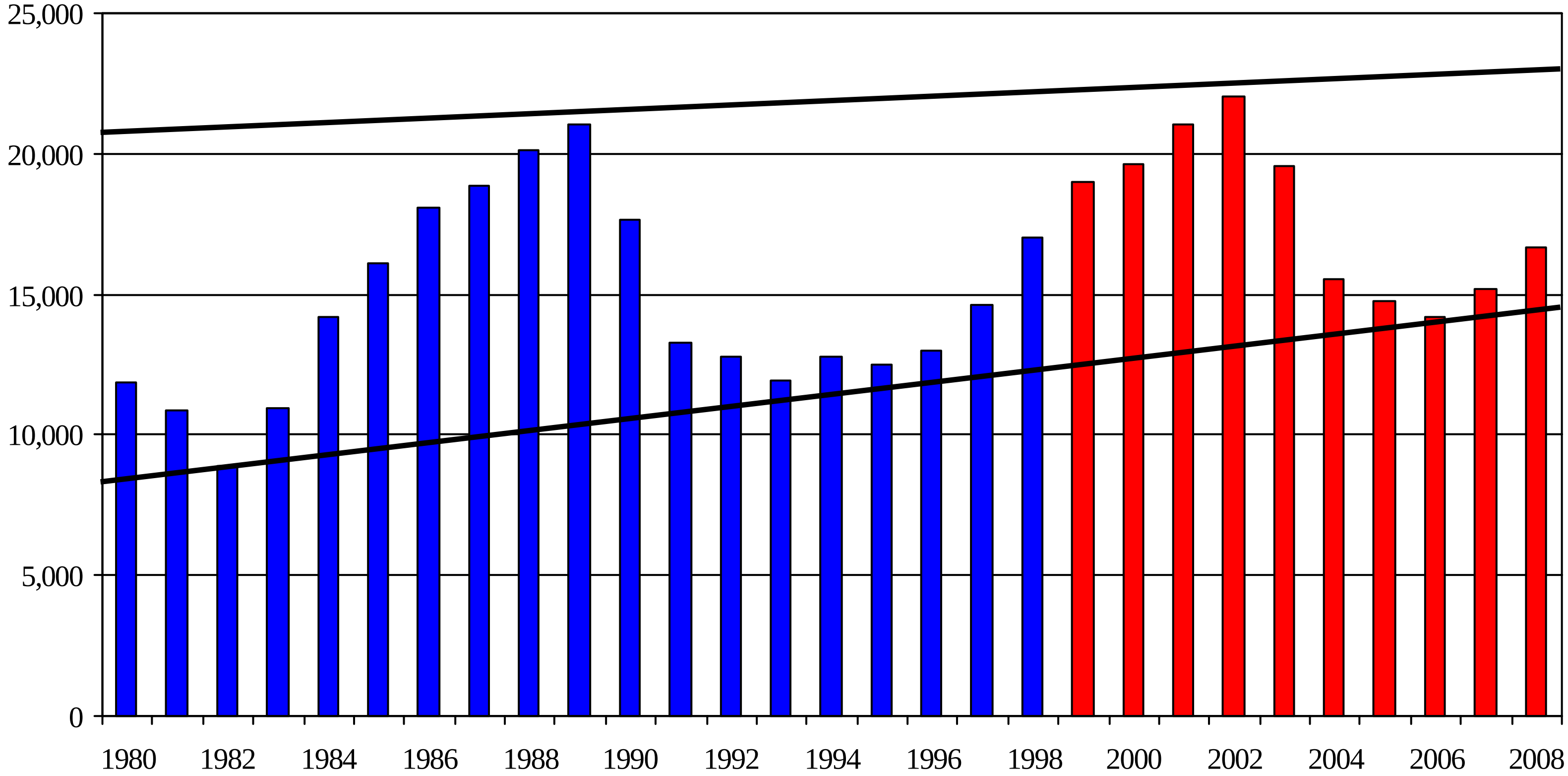
(000 CYD)

	1989-1998	1999-2008	Avg. Annual % Change
High	5,942	7,695	2.9%
Low	4,101	4,961	2.1%
Average	4,694	6,247	3.3%

Los Angeles Basin

Ready Mix Concrete Consumption

(000 CYD)



NATIONAL READY MIXED CONCRETE ASSOCIATION

Los Angeles Basin

Ready Mix Concrete Consumption

(000 CYD)

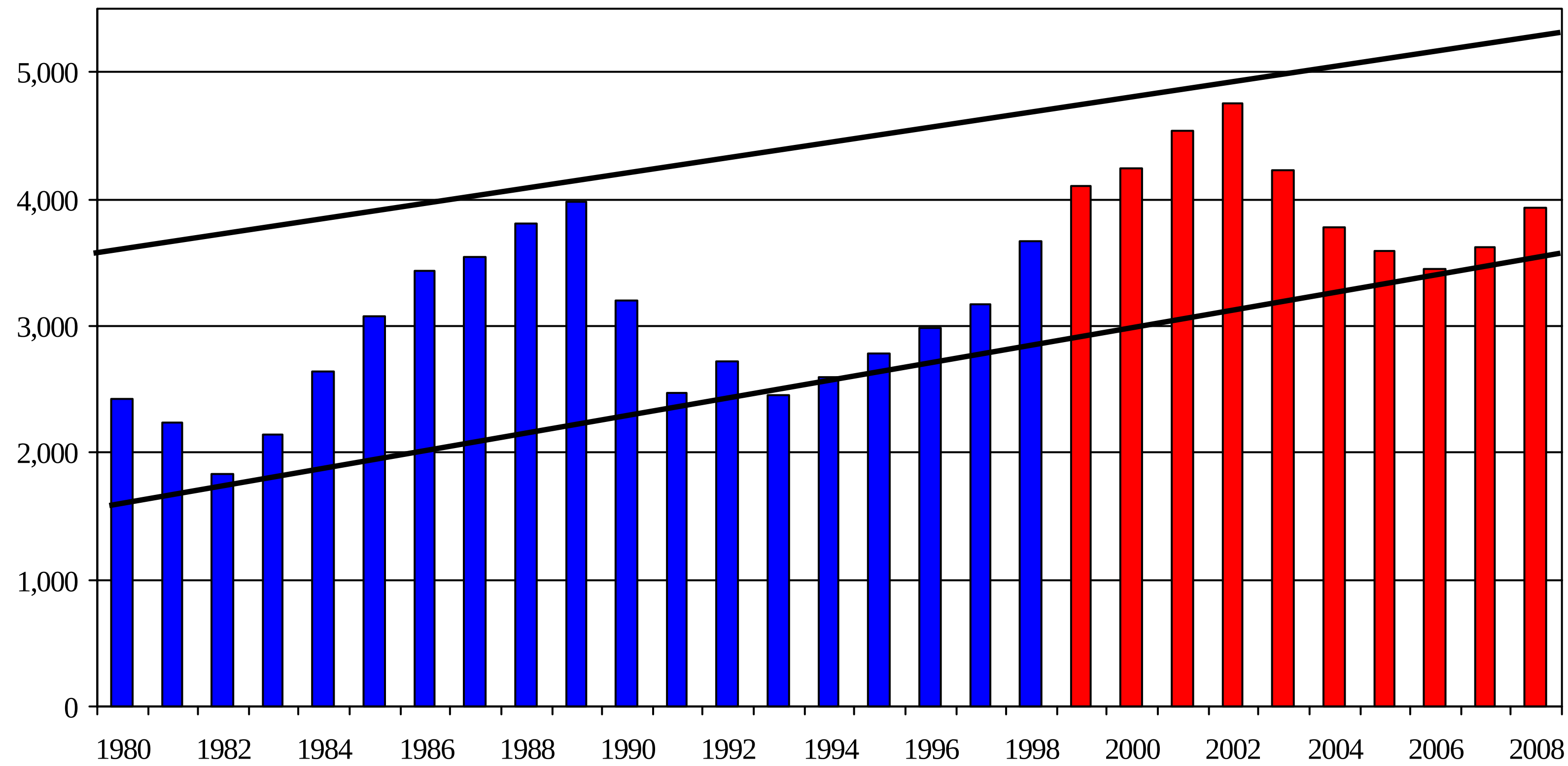
	1989-1998	1999-2008	Avg. Annual % Change
High	21,040	22,012	0.5%
Low	11,962	14,190	1.9%
Average	14,663	17,869	2.2%

NATIONAL READY MIXED CONCRETE ASSOCIATION

San Diego

Ready Mix Concrete Consumption

(000 CYD)



NATIONAL READY MIXED CONCRETE ASSOCIATION

San Diego

Ready Mix Concrete Consumption

(000 CYD)

	1989-1998	1999-2008	Avg. Annual % Change
High	3,980	4,757	2.0%
Low	2,461	3,452	4.0%
Average	3,005	4,033	3.4%

IV. Planning for the Next Downturn

Planning for the Next Downturn

- In the year 2003, we anticipate that Southern California will experience a decline in ready mix consumption following 8-9 consecutive years of consumptive growth.

- Other markets, including Nevada and Arizona, are expected to experience a market correction prior to California.

- Being prepared for the inevitable downturn will prove valuable to ready mix producers, as well as cement and aggregate suppliers.

Planning for the Next Downturn

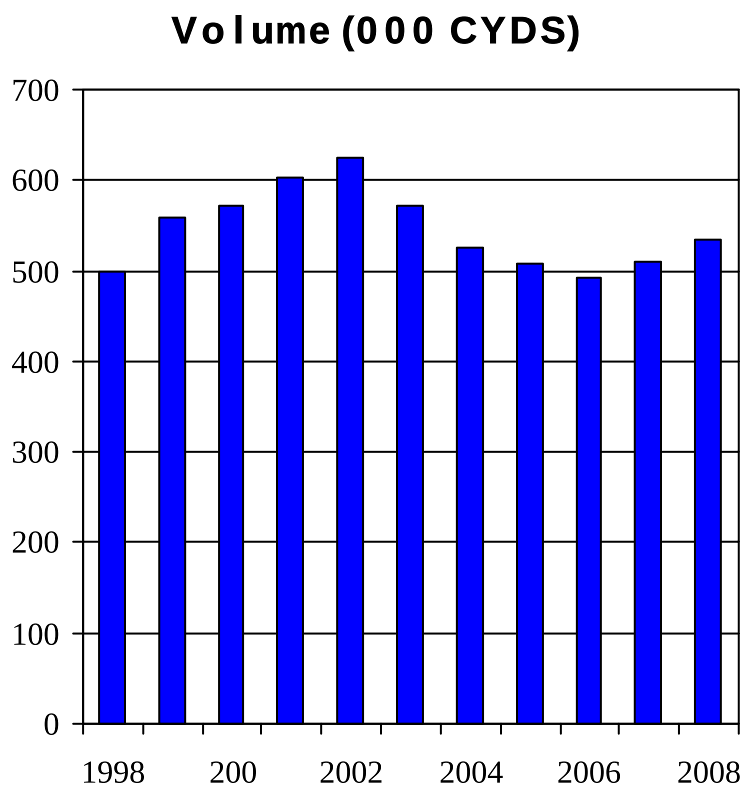
- In order to illustrate the benefits of prudent planning, we have generated three hypothetical scenarios as follows:

1. Base Case
2. "Attempt" to Maintain Volume Case
3. "Attempt" to Maintain Price Case

Baseline Assumptions

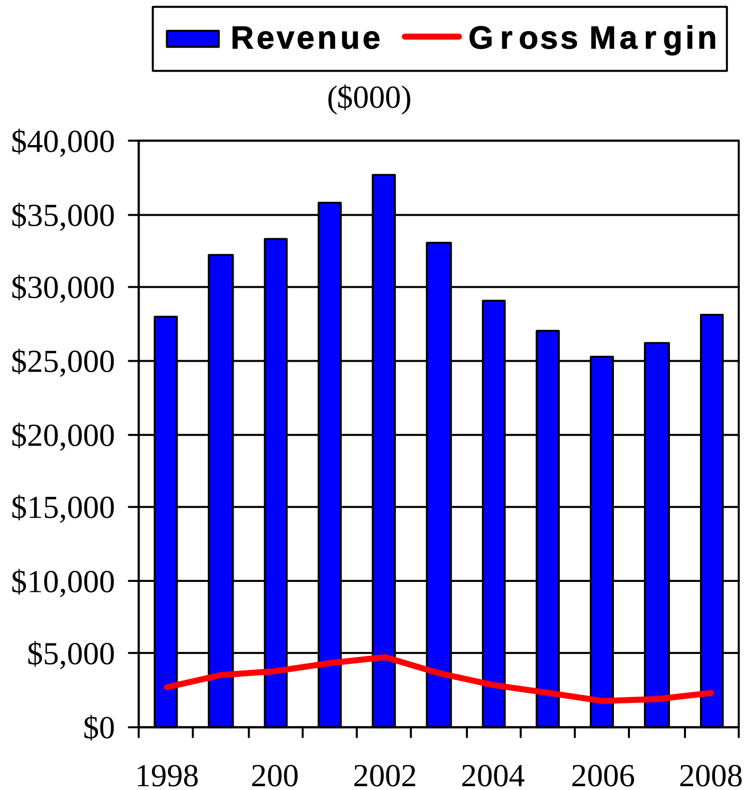
- Example company is located in Southern California.
- Example company produced 500,000 cubic yards of ready mix during 1998.
- All price and cost projections were cast in constant 1999 dollars.

So. Cal. Ready Mix Co.
Base Case



So. Cal. Ready Mix Co.

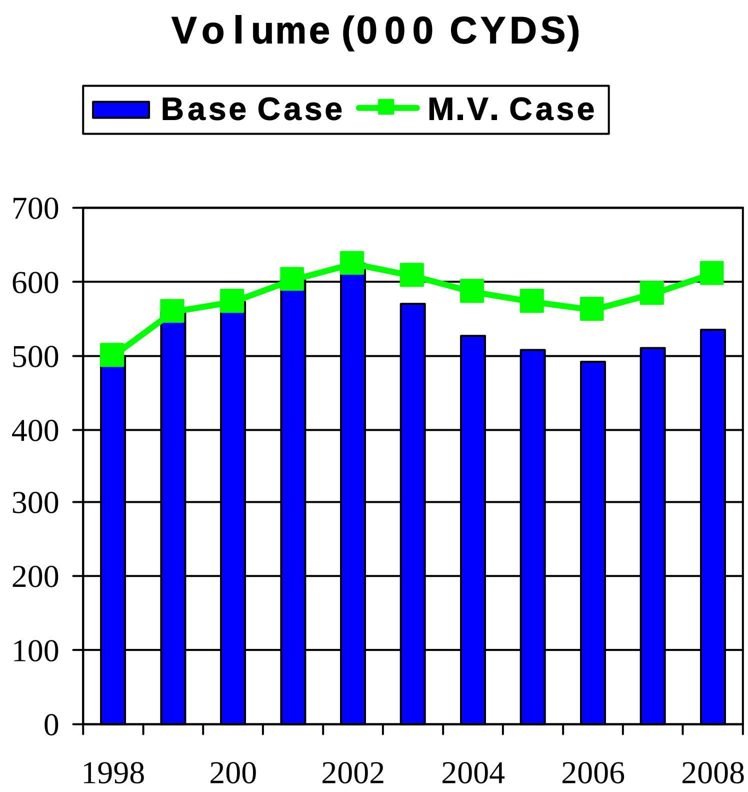
Base Case

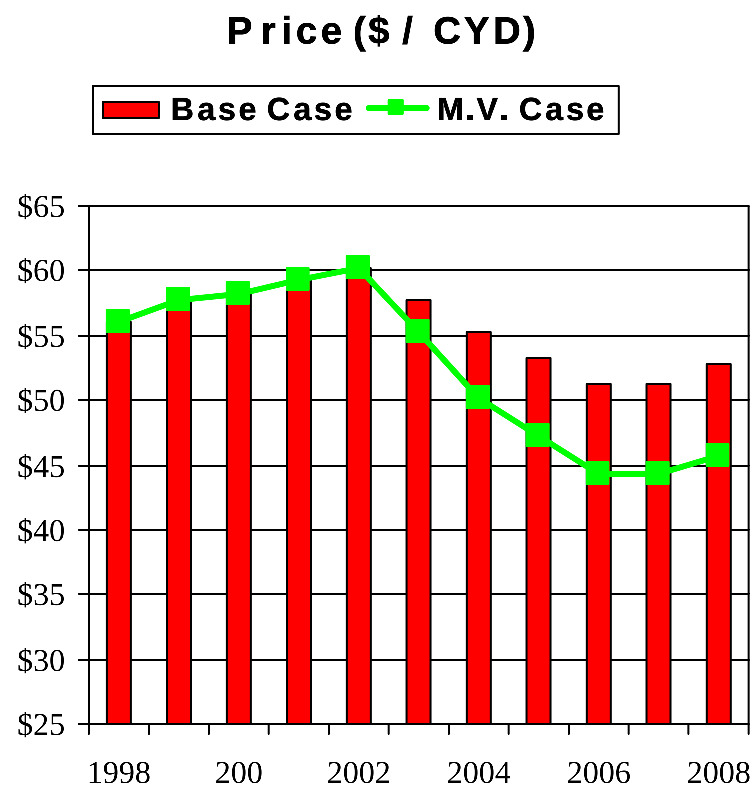


(000)	2002	2003	2004	2005	2006
Volume (CYDS)	625	571	526	507	492
Price ($/CYD)	$60.25	$57.75	$55.25	$53.25	$51.25
Revenue	$37,629	$33,002	$29,048	$26,988	$25,221
Net Realized ($/CYD)	$22.56	$21.61	$20.65	$19.88	$19.12
Gross Margin	4,746	3,697	2,804	2,274	1,797
Gross Margin ($/CYD)	$7.60	$6.47	$5.33	$4.49	$3.65
Gross Margin (%)	12.6%	11.2%	9.7%	8.4%	7.1%

So. Cal. Ready Mix Co.

"Attempt" to Maintain Volume Case

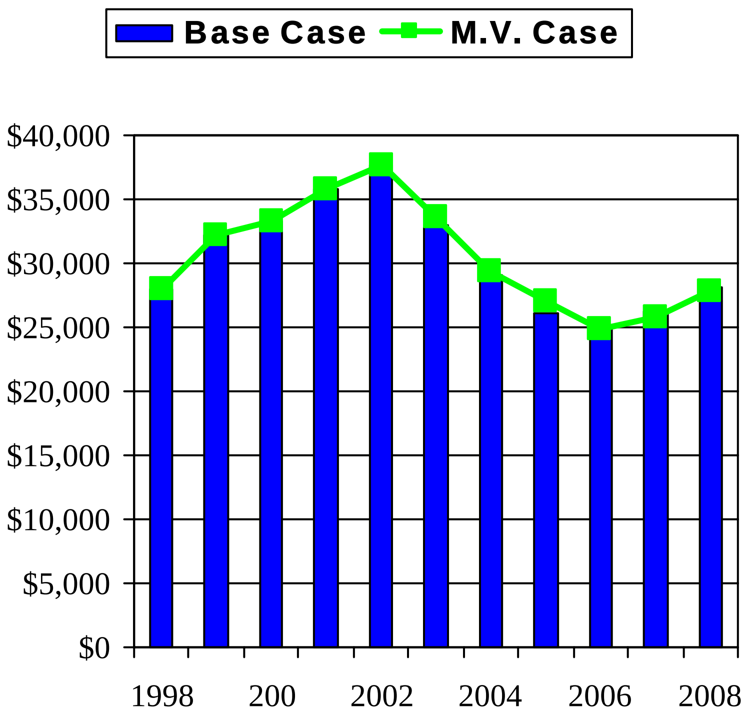




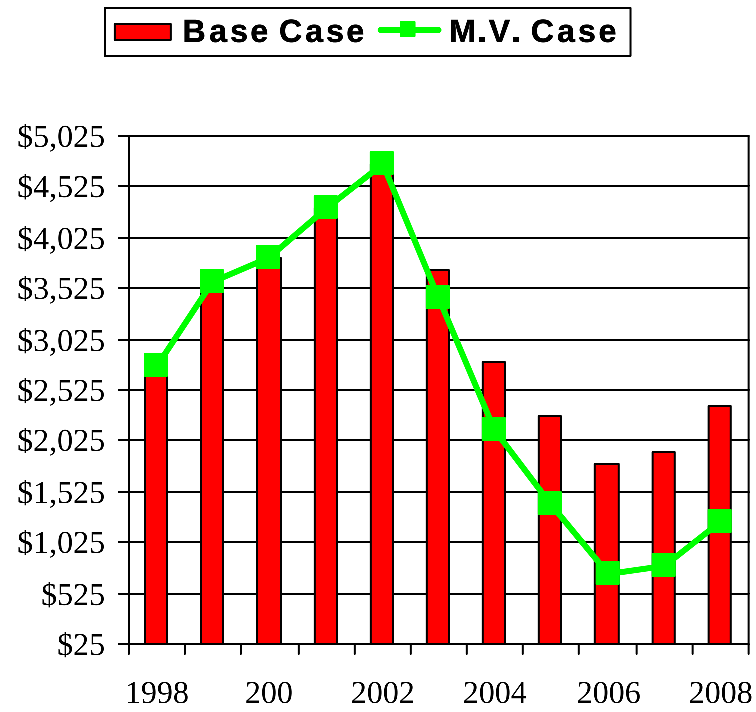
So. Cal. Ready Mix Co.

"Attempt" to Maintain Volume Case

Revenue ($000)

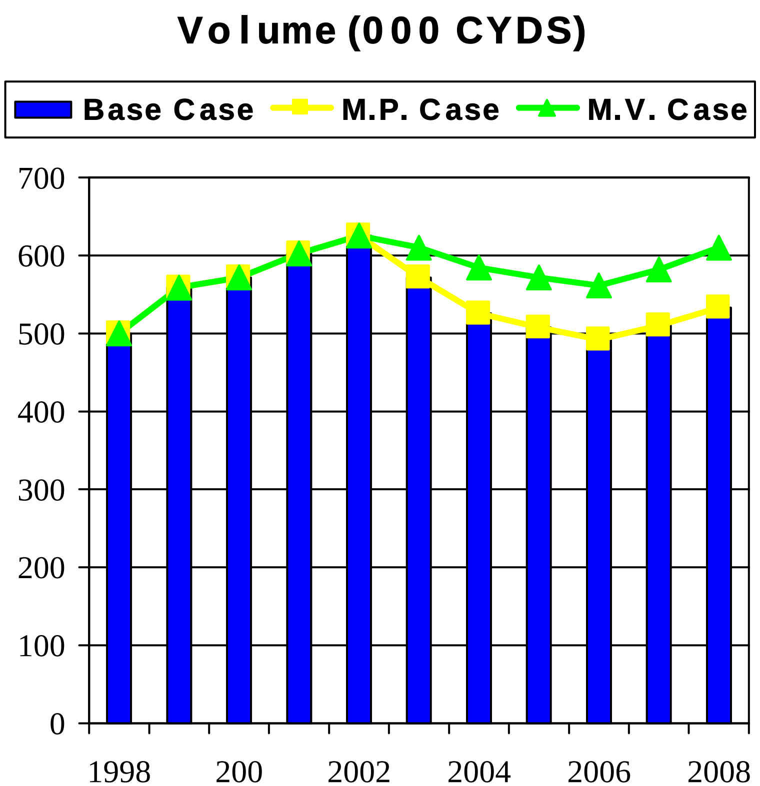


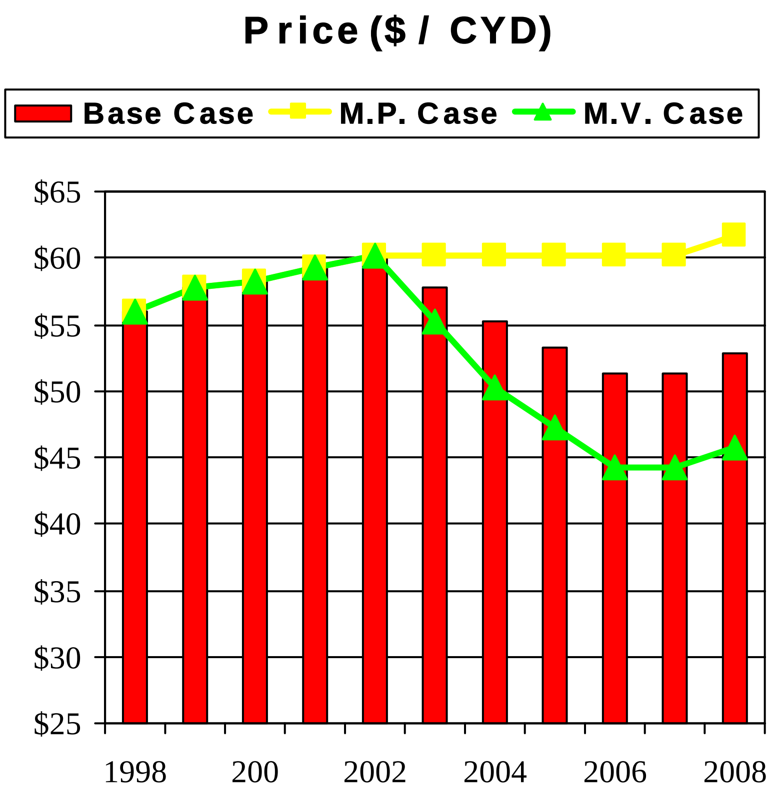
Gross Margin ($000)



So. Cal. Ready Mix Co.

"Attempt" to Maintain Price Case



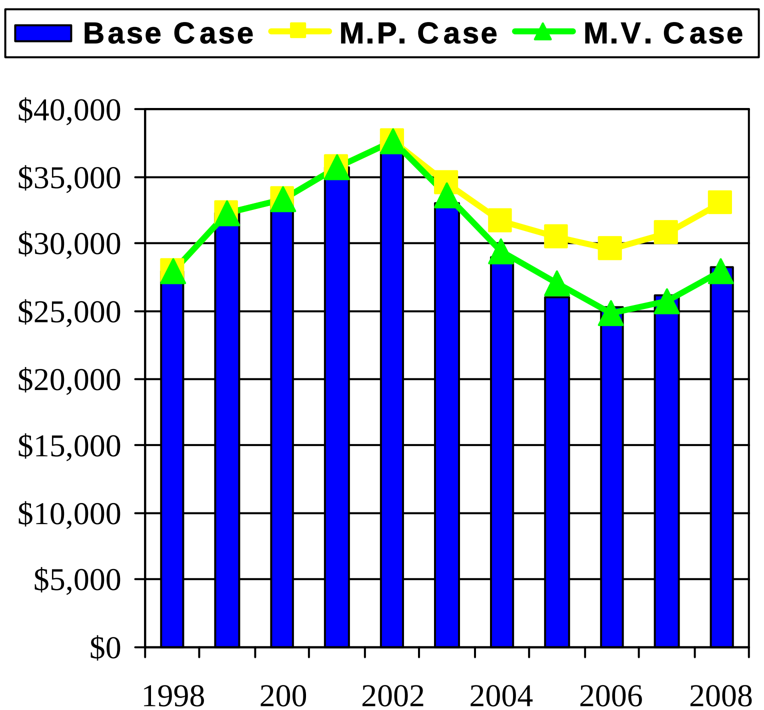


NATIONAL READY MIXED CONCRETE ASSOCIATION

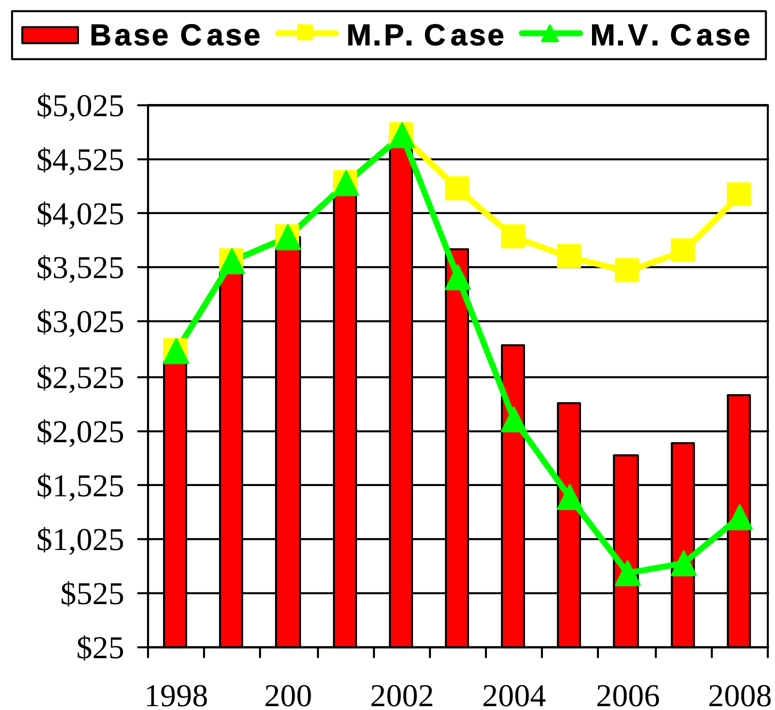
So. Cal. Ready Mix Co.

"Attempt" to Maintain Price Case

Revenue ($000)



Gross Margin ($000)



NATIONAL READY MIXED CONCRETE ASSOCIATION

So. Cal. Ready Mix Co.

Impact Summary

(to Ready Mix Co.)

Base Case vs. Maintain Volume Case							
(000)	1999 - 2002	2003	2004	2005	2006	2007	2008
Volume (CYDS)	0	37	59	66	69	72	75
Price ($/CYD)	$0.00	($2.50)	($5.00)	($6.00)	($7.00)	($7.00)	($7.00)
Revenue	0	642	328	81	(378)	(392)	(298)
Cost of Sales	0	(906)	(1,002)	(948)	(709)	(736)	(840)
Gross Margin	0	(264)	(675)	(868)	(1,087)	(1,129)	(1,137)
Cumulative G.M.	0	(264)	(939)	(1,542)	(1,955)	(2,216)	(2,266)

So. Cal. Ready Mix Co.

Impact Summary

(to Material Suppliers)

Base Case vs. Maintain Volume Case							
	1999 - 2002	2003	2004	2005	2006	2007	2008
Cement Prices ($/ton)	$0.00	($3.66)	($7.31)	($8.78)	($10.24)	($10.24)	($10.24)
Sand Prices ($/ton)	$0.00	($0.49)	($0.98)	($1.18)	($1.38)	($1.38)	($1.38)
Aggregate Prices ($/ton)	$0.00	($0.32)	($0.65)	($0.78)	($0.91)	($0.91)	($0.91)

NATIONAL READY MIXED CONCRETE ASSOCIATION

So. Cal. Ready Mix Co.

Impact Summary

(to Ready Mix Co.)

Base Case vs. Maintain Price Case							
(000)	1999 - 2002	2003	2004	2005	2006	2007	2008
Volume (CYDS)	0	0	0	0	0	0	0
Price ($/CYD)	$0.00	$2.50	$5.00	$7.00	$9.00	$9.00	$9.00
Revenue	0	1,429	2,629	3,548	4,429	4,597	4,809
Cost of Sales	0	(882)	(1,622)	(2,190)	(2,734)	(2,838)	(2,968)
Gross Margin	0	547	1,006	1,358	1,695	1,760	1,841
Cumulative G.M.	0	547	1,553	2,364	3,054	3,455	3,601

So. Cal. Ready Mix Co.

Impact Summary

(to Material Suppliers)

Base Case vs. Maintain Price Case							
	1999 - 2002	2003	2004	2005	2006	2007	2008
Cement Prices ($/ton)	$0.00	$3.66	$7.31	$10.24	$13.16	$13.16	$13.16
Sand Prices ($/ton)	$0.00	$0.49	$0.98	$1.38	$1.77	$1.77	$1.77
Aggregate Prices ($/ton)	$0.00	$0.32	$0.65	$0.91	$1.17	$1.17	$1.17

So. Cal. Ready Mix Co.

Impact Summary

(to Ready Mix Co.)

Maintain Price Case vs. Maintain Volume Case							
(000)	1999 - 2002	2003	2004	2005	2006	2007	2008
Volume (CYDS)	0	(37)	(59)	(66)	(69)	(72)	(75)
Price ($/CYD)	$0.00	$5.00	$10.00	$13.00	$16.00	$16.00	$16.00
Revenue	0	787	2,301	3,467	4,807	4,990	5,106
Cost of Sales	0	24	(620)	(1,241)	(2,024)	(2,101)	(2,128)
Gross Margin	0	811	1,681	2,226	2,783	2,889	2,978
Cumulative G.M.	0	811	2,492	3,907	5,008	5,671	5,867

So. Cal. Ready Mix Co.

Impact Summary

(to Material Suppliers)

Maintain Price Case vs. Maintain Volume Case							
	1999 - 2002	2003	2004	2005	2006	2007	2008
Cement Prices ($/ton)	$0.00	$7.31	$14.63	$19.01	$23.40	$23.40	$23.40
Sand Prices ($/ton)	$0.00	$0.98	$1.96	$2.55	$3.14	$3.14	$3.14
Aggregate Prices ($/ton)	$0.00	$0.65	$1.29	$1.68	$2.07	$2.07	$2.07

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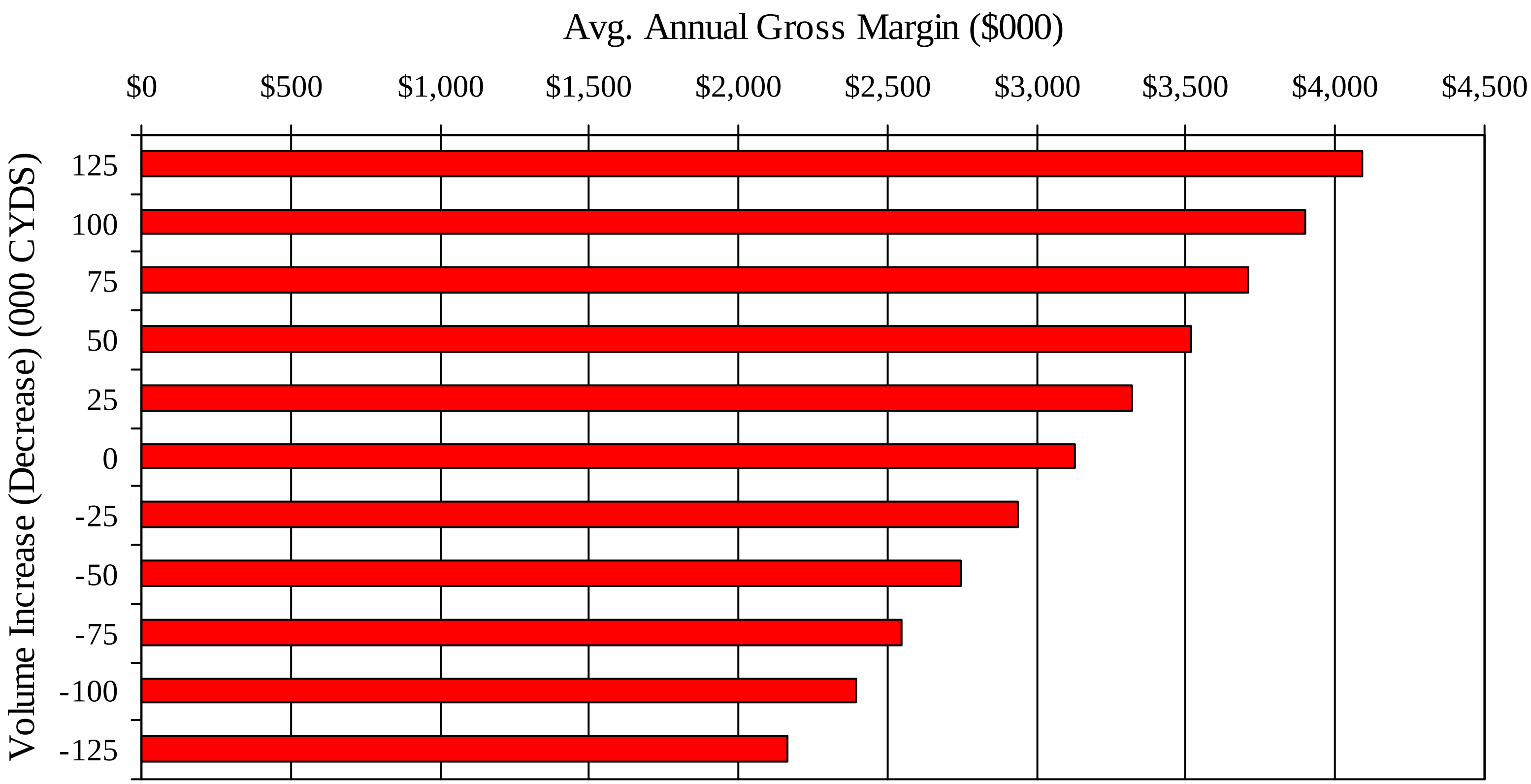
V. Conclusion

NATIONAL READY MIXED CONCRETE ASSOCIATION

So. Cal Ready Mix Co.

Volume Sensitivity



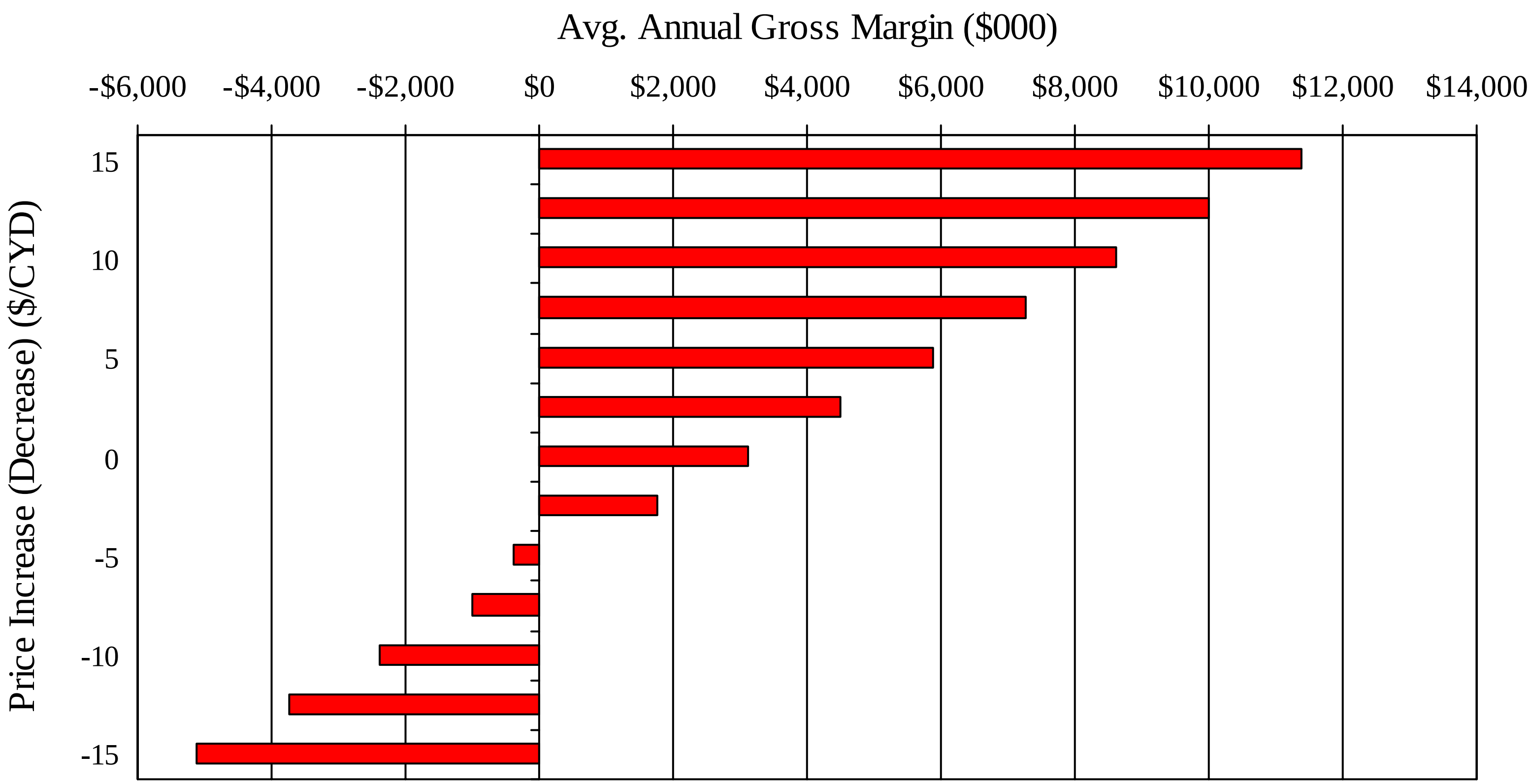
NATIONAL READY MIXED CONCRETE ASSOCIATION

So. Cal. Ready Mix Co.
Volume Sensitivity

- In our So. Cal. Ready Mix Co. example, for every 5% movement in ready mix volume, gross margin fluctuates $213,000 or 5.9%.

- The cumulative impact over a ten-year period suggests that for every 5% movement in volume, gross margin will be impacted by approximately $1.9 million.

So. Cal Ready Mix Co.
Price Sensitivity



The Greystone Group LLC

Investment Banking

So. Cal Ready Mix Co.
Price Sensitivity

- In our So. Cal. Ready Mix Co. example, for every 5% movement in ready mix prices, gross margin fluctuates by approximately $1.4 million or 39%.

- The cumulative impact over a ten-year period suggest that for every 5% movement in price, gross margin will be impacted by approximately $13.7 million.

Conclusion

- Ready mix tends to be more sensitive to price fluctuations than volume fluctuations.
- Be prepared for the next downturn so that your company can be “pro-active” rather than “re-active.”