

ACME CONCRETE CORPORATION

Prepared by

SCHWARTZ HESLIN GROUP, INC.

Schwartz Heslin Group, Inc.
8 Airport Park Blvd.
Latham, NY 12110
www.shggroup.com

Valuation Date: April 30, 2001

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I. Certification

To the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The analysis and opinions represent the unbiased conclusions of the appraisers who prepared this report;
- Neither Schwartz Heslin Group, Inc. (“SHG”) nor its employees have any current or prospective interest in the Company, nor is there a bias with respect to any of the parties involved;
- Neither SHG’s compensation nor that of its employees is contingent upon an action or event resulting from the analyses, opinions or conclusions of this report;
- This appraisal has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation; and
- This appraisal is valid only for the valuation date indicated on the cover of this report and is not an indication of past or future value

The undersigned had primary responsibility for the contents of this report and certifies that to the best of the undersigned’s knowledge the statements of fact contained in this report are true and correct and represent the unbiased professional analyses, opinions, and conclusions of SHG.

Steven M. Eгна
Managing Director

II. Assumptions and Limiting Conditions

The due diligence information supplied to us that has been used as the basis for this valuation analysis was provided and/or submitted by Steve Jones, CFO and Treasurer of Acme Concrete Corporation (“Acme” or the “Company”), and has not been independently verified by SHG. We assume no responsibility for its accuracy or completeness. In addition, we have assumed that no material change occurred in the financial condition of the subject company between the date of the latest financial statements used in this analysis and the date of the valuation, except as expressly noted herein. Furthermore, certain financial and other market information used in this report is from third party sources that we deem reliable. We make no representation as to the accuracy or completeness of third-party information and have accepted it without further verification.

We did not personally inspect the records or investigate the legal rights of the subject company. The conclusions and analyses in this report are based upon the assumption that management will continue to manage the subject company in a similar manner going forward unless otherwise noted.

III. Purpose

The purpose of this business valuation report is to communicate a recommendation of the fair market value of a 100% non-marketable, controlling interest in the shareholders' equity of Acme Concrete Corporation ("Acme" or the "Company") as of April 30, 2001 (the "Valuation Date"). This valuation report is intended solely for the purpose of a potential sale of the Company. We have no responsibility to update this report for events and circumstances occurring after the Valuation Date.

For purposes of this report, Fair Market Value¹ is defined as:

"...the price at which property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under compulsion to sell, assuming both parties have reasonable knowledge of relevant facts."

Furthermore, court decisions often include the additional requirement that the hypothetical buyer and the hypothetical seller are assumed to be able, as well as willing, to trade and are well informed about the property and the market for such property.

The valuation of privately-held stock requires consideration of a number of factors that may influence market value. The factors recognized by tax courts, the Internal Revenue Service, and most sophisticated buyers and market participants typically include (and we have considered the following in our determination of the value of the equity of the Company):

- ✓ the nature of the subject company's business and the history of the enterprise;
- ✓ the economic outlook in general, and the condition and outlook of the subject company's specific industry in particular;
- ✓ the book value of the subject company and the financial condition of its business;
- ✓ the earning capacity of the subject company;
- ✓ the dividend-paying capacity of the subject company;
- ✓ whether or not the subject company has goodwill or other intangible value;
- ✓ sales of the stock and the size of the block of stock being valued;
- ✓ the degree of marketability of the subject company's stock;
- ✓ the market price of stocks of corporations engaged in the same or a similar line of business which are actively traded in a free and open market, either on an exchange or over-the-counter; and
- ✓ the level of control premium, if any, or discount for lack of control, with regard to the subject block of stock.

¹ In accord with Section 20.2031-1(b) of the Estate Tax Regulations (section 81.10 of the Estate Tax Regulations 105) and section 25.2512-1 of the Gift Tax Regulations (section 86.19 of Gift Tax Regulations 108).

These considerations are noted in Revenue Ruling 59-60, 1959-1 CB 237, as modified by Revenue Ruling 65-193, 1965-2 CB 370, and Revenue Ruling 77-287, IRB 1977-33. Revenue Ruling 59-60 is specifically intended for stock valuations for estate and gift tax purposes. Nonetheless, the guidelines set forth are considered by valuation professionals, tax and other courts, the Internal Revenue Service, the Department of Labor, and most sophisticated buyers and market participants to be applicable in many valuation contexts, including those related to employee stock ownership plans, charitable gifts of stock, buy/sell agreements, mergers, acquisitions and divestitures, transactions involving minority interests in stock, the determination of exercise prices for options on privately held stock, marital dissolutions, dissenter's rights and bankruptcies.

IV. Opinion of Value

Based on relevant qualitative and quantitative analyses, subject to the assumptions and limiting conditions disclosed herein, it is our opinion that the Fair Market Value as of April 30, 2001 of a 100% non marketable, controlling interest in the shareholders' equity of Acme Concrete Corporation is as follows:

Market Value of 100% of the Equity of the Company (Non-Marketable, Controlling Interest Basis)	\$55,000,000
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It is our opinion that an independent investor could realize a reasonable rate of return on investment at this value, commensurate with the risks involved, assuming that the subject company is operated prudently and that there are no unforeseen adverse changes in the economic and market conditions affecting the business and the industry in which the subject company operates.

V. Methodology

There are three generally accepted approaches to valuing operating businesses. These are referred to as the Cost Approach, the Market Approach, and the Income Approach. The value of the capital stock of any company, regardless of its industry, size or location, is a function of the amount of cash expected to be generated by that company which will be available to internally finance growth or to distribute to shareholders. Consequently, all valuation methodologies are derivations of the present value of all cash flows expected to accrue to shareholders in the future. It is difficult to quantify expected future cash flows. In fact, many privately-held and publicly-traded companies do not prepare and disclose detailed financial forecasts. Accordingly, many of the valuation methods use as a proxy for the present value of expected future cash flows multiples of historical operating results. We have considered the following methods in our determination of the value of the shareholders' equity of the Company:

The Cost Approach

Adjusted Net Asset Value Method. This method adjusts the book value of assets and liabilities to reflect their true economic value. The Adjusted Net Asset Value Method establishes the floor price at which an adequately profitable company should be valued; however, companies which fail to generate adequate profitability may be worth even less than the economic value of their net assets. The Adjusted Net Asset Value Method assumes that a buyer of the subject company pays fair market economic value for the net assets and does not liquidate the company. This method is often appropriate for the valuation of businesses that have relatively low operating earnings relative to their assets.

The Market Approach

Guideline Public Company Method. The most common way to establish a value for a given company is to examine the prices being paid in the financial markets for other companies with similar attributes. We first select a group of companies (from over 13,000 that are publicly traded) that are most similar to the subject company in terms of the nature of their industry and products, their markets, their size and their growth prospects. We then analyze how the stock market values their securities. This method is similar in many ways to the real estate appraisal process which considers the location, size and other features of houses sold that are most similar to the one being valued to determine an approximation of value.

The market values of publicly-traded companies and their securities are expressed as multiples of revenue, earnings before interest and taxes, earnings before interest, taxes, depreciation, and amortization, book value and other financial measures. We then perform a risk analysis, comparing the subject company's operations and financial attributes to the guideline public companies in terms of size, breadth of operations, management and product lines, financial condition and performance, profitability, growth, and other factors considered to be indicators of risk, in order to choose appropriate multiples to apply to the subject company's normalized levels of revenue, earnings, cash flow, and/or book value.

Guideline Transaction Method. This methodology is similar to the prior one, except that instead of using the prices of publicly-traded securities as the benchmark, we consider the prices paid in recent sales of companies similar to the subject company. We search several databases containing information on acquisition prices for companies recently acquired and determine which transactions involved acquired companies with attributes most similar to the subject company. Although actual acquisition prices of similar private companies would appear to be more relevant for comparative valuation purposes than the prices of publicly-traded securities, the transaction data that is available is typically not as comprehensive. Often, details of privately-held company acquisitions are not disclosed publicly. Nonetheless, we search the major databases and consider the relevant transaction data that is available.

As in the Guideline Public Company Method, we perform a risk analysis comparing the subject company's operations and financial attributes to the comparable acquired companies' in order to choose appropriate multiples to apply to the subject company's normalized levels of revenue, earnings, cash flow, and/or book value.

The Income Approach

Discounted Cash Flow Method. The most theoretically valid, yet most subjective valuation methodology, requires developing an estimate of expected future cash flows that will accrue to the shareholders and then quantifying the present value of those expected future cash flows considering the risks associated with actually achieving them. The discount rate, known as the cost of capital, must reflect the returns required by lenders and shareholders to entice them to invest in the subject company or companies with similar risk profiles.

Capitalization of Earnings Method. Because it is difficult to accurately project cash flows several years into the future, many privately-held and publicly-traded companies do not prepare and disclose detailed financial forecasts. The Capitalization of Earnings Method, which can be used as a variation of the Discounted Cash Flow Method, capitalizes existing, proven cash flows. The general concept is to: 1) determine a normalized level of cash flow for the subject company (i.e. adjusting historical financial results for extraordinary or non-recurring items); 2) estimate an appropriate cost of capital and long-term compound annual growth rate for those cash flows; and 3) determine the present value of the estimated future cash flows by capitalizing them by the cost of capital less the long-term compound annual growth rate.

There are other valuation methodologies that may be appropriate on occasion. For example, recent purchases of the stock of the subject company that were negotiated between independent parties can provide a good indication of value and must be considered. Unfortunately, it is uncommon that there are arm's-length transactions involving the stock of a privately-held company.

As a final note, we do not use industry rules of thumb as a valuation method. Industry rules of thumb are typically derivatives of the above methods, thus redundant, and they do not readily allow for consideration of differences between one company and the next. Moreover, the Internal Revenue Service does not typically regard industry rules of thumb as an appropriate valuation method.

VI. Subject Company Summary

Company Name: Acme Concrete Corporation (“Acme” or the “Company”)

Description of Interest Being Valued: Non-marketable, controlling interest in Acme as of April 30, 2001. The Company has only one class of stock issued and outstanding as of the Valuation Date, and there has been no public trading in the Company’s stock.

Special Provisions Affecting Capital Stock: None

Business Description: Acme processes and supplies ready mix concrete to the residential, industrial, and commercial markets in the southeastern United States. The Company owns and operates approximately 590 ready mix delivery trucks and 30 manufacturing plants located throughout the southeastern United States.

Acme, founded in 1975 by Marvin Smith, is headquartered in Greensboro, North Carolina. Acme’s CEO, John Gooch, and Senior Operations Executive, Marvin Taylor, have been employed by the Company for at least 20 years and have over 40 years of industry experience. Mr. Gooch and Mr. Taylor also have extensive involvement with regional and national trade associations. However, both of these senior executives plan to retire in about five years. The CFO, Steve Jones, and Senior Marketing Executive, Ryan Klein, have been with the Company for 10 and 12 years, respectively, and do not plan on leaving Acme in the next 10 years. There are no stock options outstanding, and the CEO and Senior Operations Executive currently own 45% of the common shares outstanding, with 55% owned by the other two senior executives. Mr. Jones and Mr. Klein have plans to succeed the CEO and Senior Operations Executive without materially impacting Acme.

Acme’s cost structure is low in comparison to the Company’s competitors. Competition in this market is increasing, with an emphasis on excellent service, strong customer relationships and timely delivery. The industry leaders have gained strength through consolidation. The industry is moderately cyclical but not seasonal. The primary barriers to enter and compete in the electrical contracting industry are access to skilled labor and sufficient capital. Currently, the Company has approximately 4 competitors in the same line of business.

Currently, the Company has approximately 150 customers including residential home builders, such as Lyland Homes and Bob Barker Communities; government entities; commercial developers; and individuals. Over the latest twelve months, Acme’s five largest customers accounted for approximately 10% of total revenue. Alternate suppliers are available, however, 80% of all purchases are currently coming from the Company’s top suppliers. Acme has 160 employees, 22 of which are salaried. The work force is not unionized; the Company has not experienced any work stoppages; employee moral is good; and turnover is below average for the industry.

The outlook for this market is favorable, with growth expected to outpace GNP by a modest margin. As a result of new customers and new services to existing customers, the Company’s revenues have grown at a compound annual rate of 26% over the last three fiscal years. Over the latest twelve

months, approximately 10% of revenue was generated from new customer business. Acme plans to continue increasing sales to new customers by focusing on opportunities in both their existing southeastern market and new geographic territories. In addition, Acme sees further opportunities in offering new products and services. The Company is expecting 20% revenue growth to occur over the current fiscal year ending December 31, 2001.

The Company's equipment is in state of the art condition. All important aspects of the business are covered by insurance, and there are no known environmental or contingent liabilities. Acme has not received any legitimate offers to buy the Company to date.

Income Statement (\$000s)

	Years Ended December 31,						Twelve Months Ended April 30,	
	1998	% Rev.	1999	% Rev.	2000	% Rev.	2001	% Rev.
Net Revenues	\$49,301	100.0%	\$61,600	100.0%	\$72,591	100.0%	\$68,277	100%
Cost of Goods Sold	28,582	58.0%	36,796	59.7%	44,607	61.4%	42,301	62.0%
Gross Profit	\$20,719	42.0%	\$24,804	40.3%	\$27,984	38.6%	\$25,976	38.0%
Selling Expenses	5,857	11.9%	7,553	12.3%	8,238	11.3%	7,122	10.4%
G&A Expenses	6,797	13.8%	7,168	11.6%	7,002	9.6%	6,905	10.1%
Operating Income	\$8,065	16.4%	\$10,083	16.4%	\$12,744	17.6%	\$11,949	17.5%
Interest Expense	0	0.0%	1,854	3.0%	2,153	3.0%	2,145	3.1%
Other Expenses/ (Income)	(68)	-0.1%	(63)	-0.1%	(106)	-0.1%	(139)	-0.2%
Profit Before Taxes	\$8,133	16.5%	\$8,292	13.5%	\$10,697	14.7%	\$9,943	14.6%
Taxes	3,253	6.6%	3,317	5.4%	4,279	5.9%	3,977	5.8%
NET INCOME	\$4,880	9.9%	\$4,975	8.1%	\$6,418	8.8%	\$5,966	8.7%
Capital Expenditures	\$1,285	2.6%	\$1,502	2.4%	\$1,325	1.8%	\$1,286	1.9%
Depreciation & Amortization	\$706	1.4%	\$1,956	3.2%	\$2,274	3.1%	\$2,172	3.2%

Balance Sheet (\$000s)

	Years Ended December 31,					
	1998	%	1999	%	2000	%
ASSETS:						
Cash and Equivalents	\$1,390	4.3%	\$1,406	3.9%	\$1,500	3.8%
Accounts Receivable	7,089	21.8%	7,877	21.6%	8,621	22.0%
Inventory	8,085	24.8%	10,525	28.9%	12,468	31.8%
Other Current Assets	246	0.8%	164	0.5%	157	0.4%
Total Current Assets	\$16,810	51.6%	\$19,972	54.9%	\$22,746	58.1%
Property, Plant, & Equip.	17,371	53.4%	16,349	44.9%	16,651	42.5%
Less: Accumulated Depreciation	1,673	5.1%	145	0.4%	458	1.2%
Net Property, Plant & Equip.	15,698	48.2%	16,204	44.5%	16,193	41.3%
Land	0	0.0%	0	0.0%	0	0.0%
Intangibles	0	0.0%	0	0.0%	0	0.0%
Other Long-term Assets	41	0.1%	234	0.6%	225	0.6%
Total Assets	\$32,549	100.0%	\$36,410	100.0%	\$39,164	100.0%
LIABILITIES:						
Accounts Payable	\$4,348	13.4%	\$7,154	19.6%	\$8,079	20.6%
Accrued Expenses	1,321	4.1%	1,685	4.6%	1,673	4.3%
Short-term Borrowings	0	0.0%	895	2.5%	884	2.3%
Other Current Liabilities	11	0.0%	6	0.0%	13	0.0%
Total Current Liabs.	\$5,680	17.5%	\$9,740	26.8%	\$10,649	27.2%
Deferred Taxes	0	0.0%	0	0.0%	0	0.0%
Long-term Borrowings	6,210	19.1%	6,401	17.6%	7,559	19.3%
Other Long-term Liabilities	0	0.0%	0	0.0%	0	0.0%
Total Liabilities	\$11,890	36.5%	\$16,141	44.3%	\$18,208	46.5%
SHAREHOLDERS' EQUITY:						
Paid-In Capital	1,699	5.2%	3,176	8.7%	3,176	8.1%
Retained Earnings	18,960	58.3%	17,093	46.9%	17,780	45.4%
Total Shareholders' Equity	20,659	63.5%	20,269	55.7%	20,956	53.5%
Total Liabilities & Shareholders' Equity	\$32,549	100.0%	\$36,410	100.0%	\$39,164	100.0%

Current Year Financial Data (\$000s)

BALANCE SHEET INFORMATION:

<u>As of:</u>	<u>4/30/2001</u>
Cash	\$2,350
Other Current Assets	22,123
Net Property, Plant & Equip.	15,897
Other Assets	225
Total Assets	<u>\$40,595</u>
Current Liabilities (excluding short term borrowings)	\$9,912
Borrowings (both short term & long term)	8,492
Other Liabilities	0
Shareholders' Equity	22,191
Total Liabilities & Shareholders' Equity	<u>\$40,595</u>

PROJECTED INCOME STATEMENT:

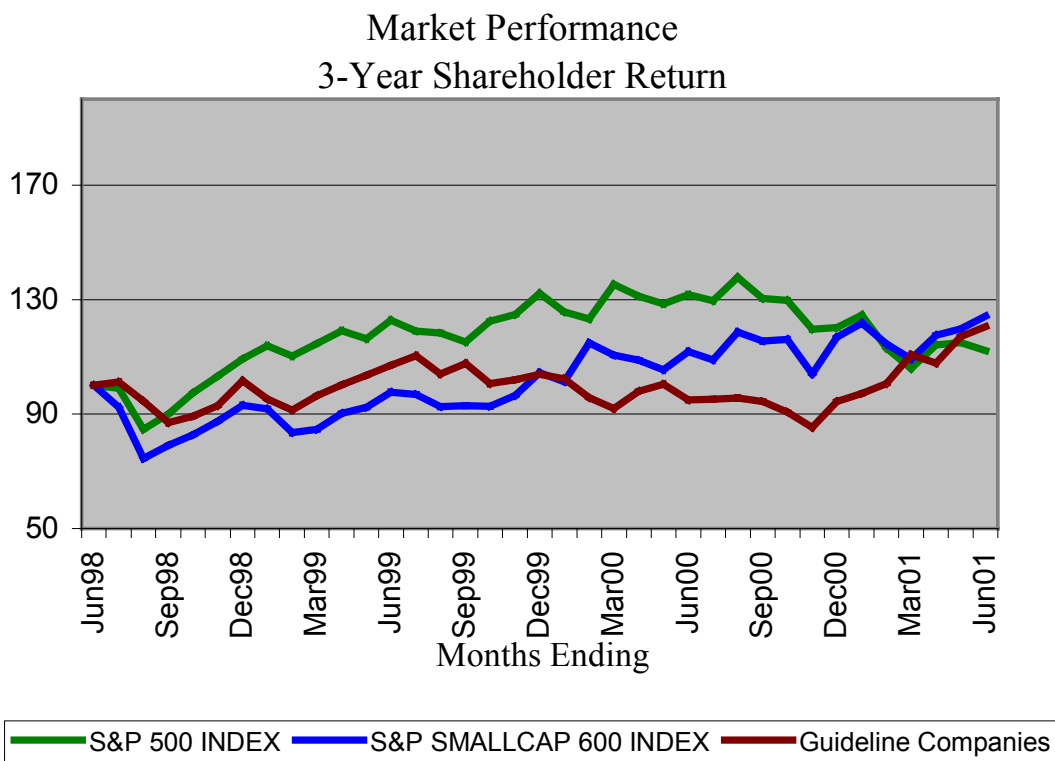
<u>Twelve Months Ending:</u>	<u>12/31/2001</u>
Net Revenues	\$72,335
Gross Profit	28,833
Operating Income	\$12,731
Interest Expense	2,170
Extraordinary Expenses/(Income)	(101)
Pre-Tax Income	\$10,662
Depreciation	2,198
Capital Expenditures	1,218
Change in Working Capital	1,425

VII. Economic Overview

Prior to examining the appropriate valuation methodologies, it is necessary to evaluate the overall economic environment in which the subject company operates as of the Valuation Date, paying particular attention to variables that are most likely to influence the value of the subject company and the industry in which it operates. We considered the economic trends, statistics, outlook, and analyses as presented in Appendix I in performing our valuation analysis of the subject company. Moreover, the Income and Market Approaches yield indications of value based on current prices of publicly-traded stocks, current acquisition prices of companies similar to the subject, and the required returns (cost of capital) of other companies similar to the subject, all of which reflect the latest economic data available to the financial markets.

Below is a graph which illustrates the performance of the Standard & Poor's ("S&P") 500 Index, the S&P Small Capitalization Company Index and an index comprised of the public companies that we have selected as comparative guideline companies for purposes of this valuation analysis. These comparative guideline public companies are described in detail in the next section of the report. The relative performance of the Guideline Companies Index may offer an idea of how the value of the subject company might have fluctuated over the past several years in both absolute and relative terms.

Over the three-year period analyzed, the comparative guideline public companies have generally kept pace with the S&P 500 Index and S&P Small Capitalization Company Index.



VIII. Adjusted Net Asset Value Method

Following is a summary of the results of the Adjusted Net Asset Value Method analysis, whereby the Company's most recent book values of assets and liabilities are adjusted to reflect their true economic values. This method is often appropriate for the valuation of businesses that have substantial capital investments, but is not as relevant for a rapidly growing, profitable business such as Acme.

Net Asset Adjustments (\$000s)

Reported Book Value of Equity	\$22,191
<i>Adjustments:</i>	
Insufficient Allowance for Bad Debts	0
Market Value of Inventory Below Book Value	0
Market Value of Real Estate Below Book Value	0
Market Value of Equipment Below Book Value	0
Market Value of Investments in Excess of Book Value	0
Underfunding of Retirement Plan	0
Intangible Assets	0
Contingent Liabilities	0
Net Asset Value	<u><u>\$22,191</u></u>

IX. Comparative Guideline Public Company Descriptions

The most appropriate public companies to select as comparative guideline companies are those with attributes most similar to the subject company. Unfortunately, no public company is identical to the subject business. The comparative guideline public companies may operate in different industries, offer different products or services, differ substantially in terms of size, product and/or geographic diversification, and management, or may perform better or worse than the subject company. The ways in which the comparative guideline public companies differ from the subject company are factored into the selection of the multiples, capitalization rates and discounts that are deemed appropriate for the subject company. The following public companies have been chosen as comparative guideline companies for purposes of this valuation analysis:

Centex Construction Products, Inc.- (CXP) Traded on the NYSE, the company, with revenues of \$381.5 million for the 12 months ended December 31, 2000, produces and sells cement, aggregates, ready mix concrete and gypsum wallboard for use in the construction of homes, commercial and industrial buildings and infrastructure. CXP operates four quarrying and manufacturing facilities and a network of 11 terminals for the production and distribution of portland and masonry cement.

Continental Materials Corp.- (CUO) The company's common stock is traded on the ASE. For the 12 months ended December 31, 2000, CUO generated revenues of \$110.3 million. The company operates primarily in two industry segments, the Heating and Air Conditioning segment and the Construction Materials segment. The Construction Materials segment is involved in the production and sale of ready mix concrete, construction aggregates and other building materials. This segment markets its products primarily through its own direct sales representatives and confines its sales to the Front Range area in southern Colorado. Sales are made to general and sub-contractors, government entities and individuals.

Florida Rock Industries, Inc.- (FRK) Traded on the NYSE, FRK, with revenues of \$655.3 million for the 12 months ended December 31, 2000, mines, processes and sells construction aggregates; produces and sells ready mix concrete, concrete block, prestressed concrete and calcium; and sells other building materials. As of September 30, 1998, FRK had 90 sites for its ready mix concrete, concrete block and prestressed concrete plants in Florida, Georgia, North Carolina, Virginia and Maryland.

Monarch Cement Co.- (MCEM) The company, traded on the NASDAQ, generated \$117.1 million in revenues for the 12 months ended December 31, 2000. MCEM makes and sells several types of portland cement and ready mix concrete, concrete products and sundry building materials.

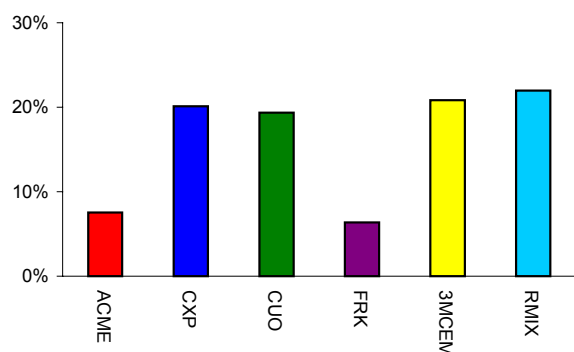
U.S. Concrete Inc.- (RMIX) Traded on the NASDAQ, RMIX, with revenues of \$394.7 million for the 12 months ended December 31, 2000, provides ready mix concrete and related products and services to the construction industry in major markets in the United States. The company operates 26 concrete plants in the San Francisco Bay area, the Sacramento metropolitan area, Washington, D.C. and northern New Jersey.

X. Financial Performance and Ratio Analysis

Before selecting the appropriate multiples that will be utilized to derive a value for the subject company under the Guideline Public Company Method, it is important to evaluate how the subject company differs in terms of perceived risk and expected growth relative to the comparative guideline public companies. We compare the subject company to the comparative guideline public companies utilizing a number of measurements that consider relative size, breadth of operations, management and product lines, financial condition and performance, growth, profitability, activity levels, liquidity and leverage, as summarized below:

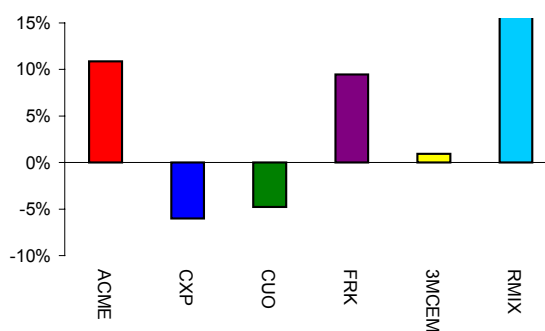
Revenue Growth

Percentage change in total revenues during the twelve months that correspond to the most recently completed fiscal year.



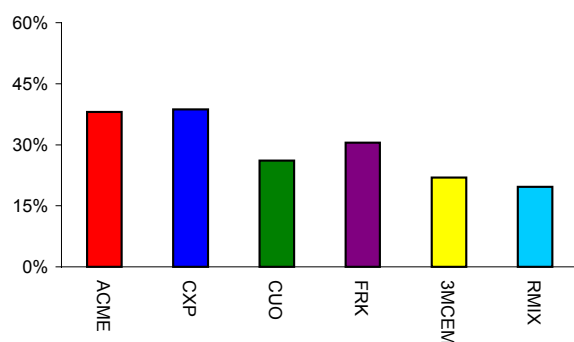
Asset Growth

Percentage change in total assets during the twelve months that correspond to the most recently completed fiscal year.



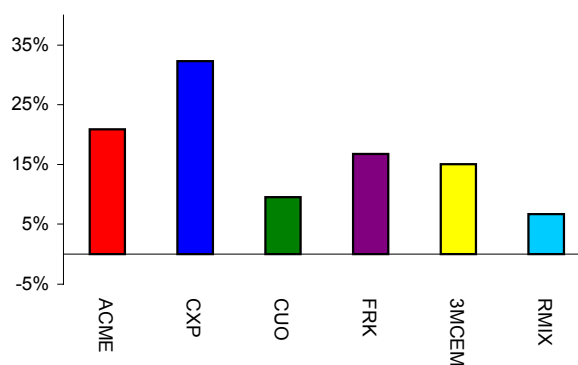
Gross Margin

Net sales minus cost of goods sold as a percentage of net sales.



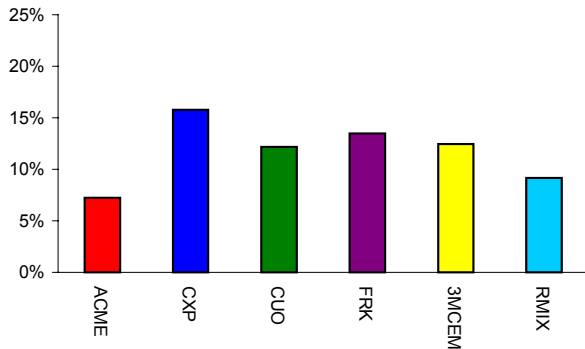
EBITDA Margin

EBITDA as a percentage of net sales. EBITDA is income before interest, taxes, extraordinary items, depreciation and amortization.



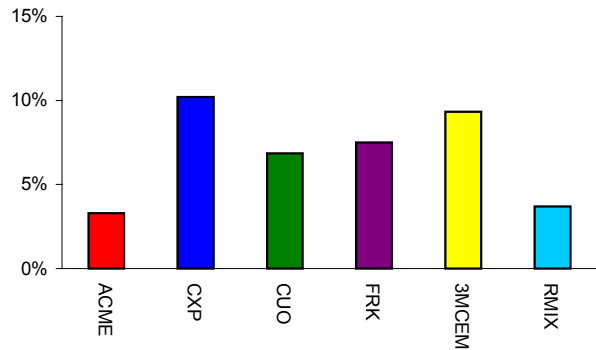
Return on Equity

Net income before extraordinary items divided by the average common equity during the twelve months that correspond to the most recently completed fiscal year.



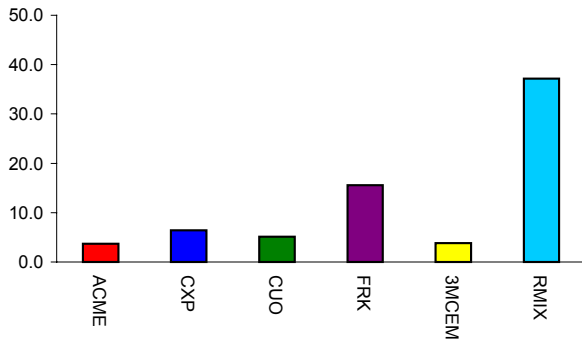
Return on Assets

Net income before extraordinary items divided by the average total assets during the twelve months that correspond to the most recently completed fiscal year.



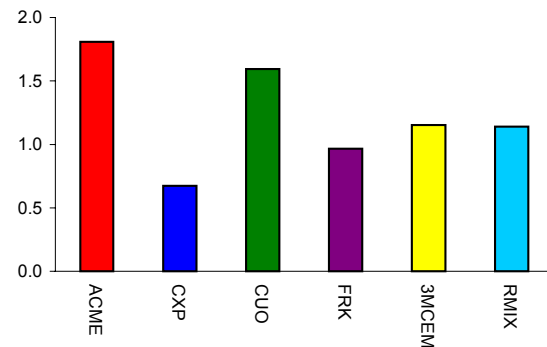
Inventory Turnover

Cost of goods sold for the twelve months that correspond to the most recently completed fiscal year divided by the average of that year's inventories at year end and the prior year's inventories at year end.



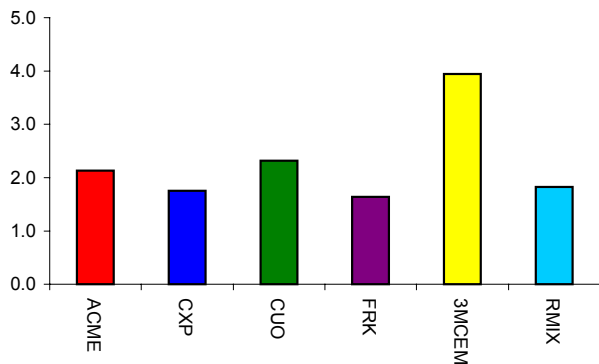
Asset Turnover

Net sales for the twelve months that correspond to the most recently completed fiscal year divided by the average of that year's total assets at year end and the prior year's total assets at year end.



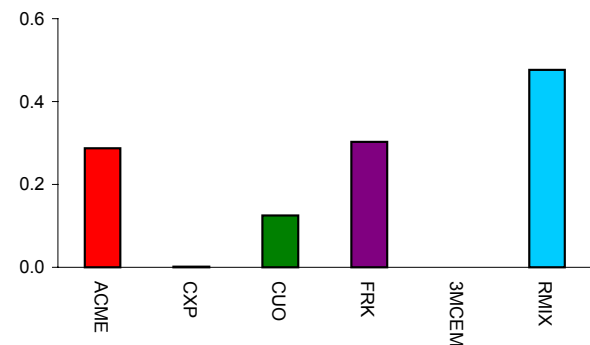
Current Ratio

Year-end current assets divided by year-end current liabilities.



Debt to Capital

Year-end total debt divided by year-end common equity plus preferred equity plus total debt.



XI. Guideline Public Company Method

Next, we examine how the public markets value the stock of the comparative guideline public companies as a multiple of various performance measures.

Comparative Guideline Public Company Valuation Multiples

	TIC to Sales	TIC to EBIT	TIC to EBITDA	EV to Book Value
CENTEX CONSTRN PRODS INC	2.36	7.75	6.62	1.61
CONTINENTAL MATERIALS CORP	0.54	7.51	4.52	0.99
FLORIDA ROCK INDS	1.57	12.45	7.42	2.24
MONARCH CEMENT CO	0.88	11.12	6.27	1.19
U S CONCRETE INC	0.95	10.29	7.83	1.43
High	2.36	12.45	7.83	2.24
Mean	1.26	9.82	6.53	1.49
Median	0.95	10.29	6.62	1.43
Low	0.54	7.51	4.52	0.99

Notes:

TIC equals the "total invested capital" of the company, which includes the aggregate market value of stock outstanding on a controlling interest basis plus the value of any preferred stock and debt outstanding. EV equals the aggregate market value of stock outstanding on a minority interest basis. EBIT is earnings before interest and taxes; EBITDA is EBIT plus depreciation and amortization.

Rather than simply relying on the mean or median multiples of the comparative guideline public companies, we must analyze the various multiples and factor in how the subject company differs from the guideline companies, individually and as a whole, in terms perceived risk and expected growth. We compare the subject company to the guideline public companies in terms of relative size, breadth of operations, financial condition and performance, growth, profitability, activity levels, liquidity, leverage, and other factors considered to be indicators of risk.

We then choose multiples that are appropriate and apply them, respectively, to the subject company's normalized levels of revenue, cash flow, and/or book value. If the stock of the subject company is not publicly traded, the value determined below will be reduced for lack of marketability, as discussed in the "Premiums & Discounts" section and Appendix IV of this report.

Valuation Indications Utilizing The Guideline Public Company Method (\$000s)

	Acme (1)	Selected Multiple	Total Value	Less Debt (2)	Equity Value
Sales	\$68,277	1.00	\$68,277	(\$8,492)	\$59,785
Adjusted EBIT	\$11,804	10.30	\$121,581	(\$8,492)	\$113,089
Adjusted EBITDA	\$13,976	6.60	\$92,242	(\$8,492)	\$83,750
Book Value	\$22,191	n/a	n/a	n/a	n/a
Mean					\$85,541
Median					\$83,750
Concluded Enterprise Equity Value					<u>\$83,700</u>

Notes:

(1) Trailing twelve months results through April 30, 2001

(2) Most recently reported debt as of April 30, 2001

XII. Guideline Transaction Method

This methodology is similar to the Guideline Public Company Method, except that instead of using the prices of publicly-traded securities as the benchmark, we examine the prices paid in recent sales of companies similar to the subject. We have searched several databases to find recent transactions involving acquired companies with attributes similar to the subject company. Similarly, rather than simply relying on the mean or median transaction multiples, we factor in how the subject company differs from the acquired companies in terms of perceived risk and expected growth. If the stock of the subject company is not publicly traded, the value determined below will be reduced for lack of marketability, as discussed below in the “Premiums & Discounts” section and Appendix IV of this report. The value determined below is on a 100 percent controlling interest basis because the multiples of the acquired companies are on a 100 percent controlling interest basis.

Comparative Guideline Transaction Valuation Multiples

Date Closed	Deal Size (millions)	Target Sales (millions)	Target	Buyer	TIC to Sales	TIC to EBIT	TIC to EBITDA	TIC to BV
21-Jul-00	\$294.97	\$418.13	Joe Gibbs & Company	U.S. Concrete	0.66	4.61	4.17	3.36
10-Mar-00	\$209.69	\$292.31	Central Concrete Supply	Monarch Cement	0.69	7.23	6.54	3.22
16-Dec-99	\$33.44	\$56.00	Brown Concrete	U.S. Concrete	0.49	4.68	4.13	1.90
12-Nov-99	\$144.92	\$246.77	William A. Scott Brothers	U.S. Concrete	0.49	9.41	8.67	4.68
20-Oct-99	\$58.00	\$98.30	Walker Concrete	Opportunity Concrete	0.59	8.00	5.63	1.60
31-Jul-98	\$128.23	\$110.80	Lone Star Industries	U.S. Concrete	1.04	5.08	5.67	5.71
			High		1.04	9.41	8.67	5.71
			Mean		0.66	6.50	5.80	3.41
			Median		0.63	6.16	5.65	3.29
			Low		0.49	4.61	4.13	1.60

Notes:

TIC equals the “total invested capital” of the company, which includes the aggregate market value of stock outstanding on a controlling interest basis plus the value of any preferred stock and debt outstanding.

EBIT is earnings before interest and taxes; EBITDA is EBIT plus depreciation and amortization.

Valuation Indications Utilizing The Guideline Transaction Method (\$000s)

	Acme (1)	Selected Multiple	Total Value	Less Debt (2)	Equity Value
Sales	\$68,277	0.6	\$40,966	(\$8,492)	\$32,474
Adjusted EBIT	\$11,804	6.2	\$73,185	(\$8,492)	\$64,693
Adjusted EBITDA	\$13,976	5.7	\$78,964	(\$8,492)	\$70,472
Book Value	\$22,191	n/a	n/a	n/a	n/a
Mean					\$55,880
Median					\$64,693
Concluded Enterprise Equity Value					<u>\$64,700</u>

Notes:

(1) Trailing twelve months results through April 30, 2001

(2) Most recently reported debt as of April 30, 2001

XIII. Capitalization of Earnings Method

The general concept in the Capitalization of Earnings Method is to: 1) determine a normalized level of cash flow for the subject company (i.e. adjusting historical financial results for extraordinary or non-recurring items); 2) estimate an appropriate cost of capital and long-term compound annual growth rate for those cash flows; and 3) determine the present value of the estimated future cash flows by capitalizing them by the cost of capital less the long-term compound annual growth rate. The appropriate cost of capital must reflect the returns required by lenders and shareholders to entice them to invest in the subject company or companies with similar risk profiles.

The first step is to determine a normalized level of cash flow that the subject company has evidenced it can consistently achieve based on historical performance. We add to or subtract from earnings before interest and taxes any non-operating and/or non-recurring income or expense items, and then make the normal adjustments to determine free cash flow (depreciation/amortization, capital expenditures, and changes in working capital).

	Twelve Months Ended 4/30/2001	Projected Year	Normalized
Earnings Before Interest & Taxes	\$11,949	\$12,731	\$12,000
<i>Adjustments For:</i>			
Non-Employee Income	26	28	28
Excess Compensation to Board Member	9	10	10
Additional Inventory Reserves	(180)	-	-
Adjusted Earnings Before Interest & Taxes	11,804	12,769	12,038
<i>Additional Adjustments For:</i>			
Depreciation/Amortization	\$2,172	\$2,198	\$1,500
Capital Expenditures	(1,286)	(1,218)	(1,500)
Change in Operating Working Capital	(1,854)	(1,425)	(362)
Free Cash Flow	\$10,836	\$12,324	\$11,676

We then subtract the amount of taxes that would be due assuming the subject company had no interest expense deduction. (We factor in the value of the deductibility of interest expense when we compute the cost of debt capital by using the after-tax cost of debt). The resulting amount is the cash flow available to investors. There are two parties that have a claim to a company's cash flow: 1) lenders of capital and 2) shareholders.

In order to calculate what the sum of all future cash flows available to investors is worth today, we must quantify several variables including:

- ✓ The long-term compound annual growth rate in cash flow;
- ✓ The return (rate of interest) that lenders would require in order to invest long-term in the subject company or companies with similar risk profiles;
- ✓ The return that shareholders, not biased by personal considerations, would require in order to invest in the subject company given the level of risk involved and the returns available on alternative investments with similar risk profiles.

The formula and assumptions used to compute the subject company’s weighted average cost of capital (“WACC”) are summarized in Appendix III.

The final step in establishing the value of the equity is to determine the present value of the estimated future cash flows by capitalizing the determined level of cash flow available to investors by the subject company’s WACC (less growth) and then subtracting the amount of outstanding debt as shown below:

Valuation Indication Utilizing The Capitalization of Earnings Method (\$000s)

Normalized Free Cash Flow	\$11,676
Minus: Debt-Free Taxes on Adjusted EBIT ⁽¹⁾	4,776
Equals: Cash Flow to Investors	<u>\$6,900</u>
Cash Flow to Investors	\$6,900
Divided by: Capitalization Rate ⁽²⁾	10.6%
Equals: Net Present Value to Investors	<u>\$65,195</u>
Minus: Outstanding Debt	<u>(8,492)</u>
Equals: Enterprise Equity Value	<u><u>\$56,703</u></u>

Notes:

⁽¹⁾ Includes both federal and state taxes.

⁽²⁾ See Appendix III

XIV. Premiums & Discounts

The same share of stock may have a different value depending on the elements of control and marketability inherent in the interest being valued. The valuation methodologies we have considered yield value indications at different levels of value. A controlling interest in a company, which typically implies in excess of 50 percent voting control, possesses the ability to implement changes in corporate structure and policies. Conversely, a non-controlling (minority) interest does not possess such ability. The Adjusted Net Asset Value Method, the Capitalization of Earnings Method, and the Guideline Transaction Method each yield a controlling interest level of value. On the other hand, the Guideline Public Company Method can yield value indications at a minority interest level of value. We must apply premiums and discounts, as appropriate, so that all our value conclusions are at the same level of value as the subject company stock being valued.

The most common premiums and discounts are as follows (for a more detailed discussion, please see Appendix IV):

Control Premiums- A controlling interest is worth more because it provides the holder of the controlling interest with the ability to determine how the subject business is governed, when it might be sold, the level and frequency of dividends, and other matters that influence value and liquidity. A control premium must be applied when determining certain comparative guideline public company stock value multiples under the Guideline Public Company Method.

Minority Interest Discounts- The mathematical inverse of a control premium is a minority interest discount. Consequently, the selection of an appropriate control premium effectively determines the minority interest discount and vice-versa. The holder of a minority, non-controlling interest is unable to unilaterally influence corporate governance and corporate structure and policies, many of which directly impact value, making the minority interest worth less than a controlling interest on a per share basis. A minority interest discount must be applied when the interest being valued represents a minority interest.

Lack-of-Marketability Discounts- If the shares of the comparative guideline public companies can be readily sold in an active market, they are worth more than illiquid shares. Typically, the stock of a privately-held company is illiquid, i.e., it is not easy to accomplish a sale of stock in the subject company. The magnitude of the appropriate lack-of-marketability discount varies depending on the number of shares outstanding, the number of shareholders, the size of the subject block of stock, governance provisions that affect the inherent elements of control, the performance of the company, the volatility of the subject stock value, dividend policy, and other factors. A lack-of-marketability discount must be applied when the subject company is privately held.

Lack of Voting Rights Discounts- In addition to the discounts applied for a minority interest and/or lack-of-marketability, it is appropriate to apply a discount for lack of voting rights when valuing non-voting stock. In order to quantify an appropriate discount for lack of voting rights, we analyze the price differential between the voting common stock and the non-voting common stock of publicly-traded companies.

The appropriate premium or aggregate discount that is applied is a function of factoring in all of the above considerations and others. For example, research indicates that the stock of smaller companies is generally worth less on a relative basis than the stock of larger companies. There may be several reasons for this including the fact that larger companies generally achieve greater economies of scale, greater product and/or geographic diversification, greater depth of management, greater access to efficient capital markets in the short run, and enjoy greater barriers to entry against competitors. In short, larger companies are perceived as having lower overall risk than smaller companies.

A “Key-Person” discount can be applied when the future of a company is dependent on a single individual because there is an increased risk that the loss of that individual will hurt future performance. It should also be noted that discounts are cumulative. For example, a minority interest discount of 25% and a lack of lack-of-marketability discount of 30% results in a total discount of 47.5%.

The subject stock of the Company represents a 100% non-marketable, controlling interest in a privately- held company. For purposes of this valuation analysis, we have applied a control premium of 20%, and a discount for lack of marketability of 20%. A small-company risk premium of 3% and a company-specific risk premium of 2% have been factored into the capitalization rate used in the Capitalization of Earnings Method. See Appendix III and IV for a more detailed explanation of risk premiums, discounts and control premiums.

Appendix I

Standard & Poor's Economic Overview

Trends & Projections

David M. Blitzer

Managing Director & Chief Investment Strategist

May 17, 2001

Bridging the gap

Since the start of this year, we have seen stronger-than-expected consumer spending combined with a widely anticipated slowdown in business technology investment that has left the economy sliding toward the edge of recession. When the April employment report revealed a plunge in employment of more than 200,000 jobs and an uptick in the unemployment rate to 4.5%, we seemed to be teetering on that edge.

The question facing the economy and economic forecasters is whether growth in consumer spending can hang on long enough to bridge the recessionary abyss until capital spending growth resumes. We are still betting it can, though there will be some nervous moments in the next few quarters.

We begin this issue of *Trends* with a review of some of the things that seem to be worrying people about consumer spending. In particular, we will look at the sorry state of savings, the damage done by the stock market, and the level of consumer debt. Looking at consumers, we conclude that the financial damage is focused where it can most easily be absorbed — among the rich. Given this, surviving the short term is a reasonable bet.

We then turn to the long term and look at business capital investment. With interest rates dropping and the stock market demonstrating some resiliency, the main barrier to increased capital spending is a willingness to invest. A little over a year ago, risk capital flowed freely, and people were investing in what are now viewed — with the benefit of 20-20 hindsight — as some outrageous ideas. Keynes called this “animal spirits;” more recently, others have called it believing in the new economy. Today, however, funds

are scarce and no one will consider even a small risk. Maybe not all, but much of the new economy was — and is — real. Recognizing this is likely to be the key to a resumption of growth in capital spending.

Consumers: the spending spree continues

Consumers spent in the first quarter. In real terms, overall spending rose at a 3.1% annual rate and more than accounted for all of the total 2% gain in real GDP. While this was weaker than the rate for last year, it was faster than in the fourth quarter of 2000. Furthermore, it was not driven by overpriced necessities or rising gasoline prices.

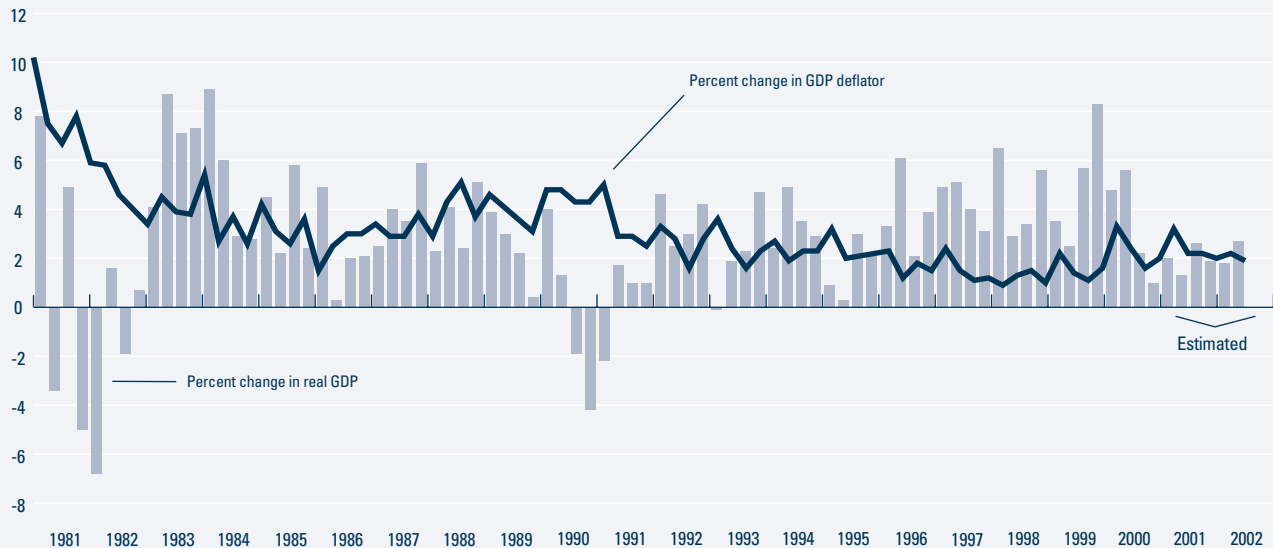
The fastest growing sector was autos, where spending surged at a real annual rate of almost 20%. Overall durable goods — a category that includes autos, home furnishings and appliances, and such things as computers — rose at an 11.9% real annual rate in the first quarter. Despite reports of plunging confidence, people continued to spend. At the same time, personal income rose at a 5.9% annual rate. (The income figure is not adjusted for inflation; the corresponding unadjusted personal consumption figure is 6.5% growth in the first quarter).

As these income and spending figures suggest, savings fell in the first quarter of

**Can consumer
spending hang on
until capital
spending growth
resumes?**

Trends & Projections

Real Growth & Inflation (Quarterly % Changes at Annual Rates)



2001. The savings rate — savings as a percentage of disposable income — was negative. At first glance, it would seem as though we're dipping into that vanishing nest egg to keep spending like crazy, even as a recession looms ahead. In addition, debt levels are reportedly rising. And, if that weren't enough, there's the bear market that threatens to shut down consumer spending. While these horror stories may have a small element of truth, they are overdone.

The collapse in the savings rate is

largely a response to the rising stock market by wealthier individuals. Furthermore, most other consumers do not have significant equity investments; the savings rate for this group did rise in recent years. A recent study by the Federal Reserve — “Disentangling the Wealth Effect: A Cohort Analysis of Household Saving in the 1990s,” by Dean M. Maki and Michael G. Palumbo (available at www.federalreserve.gov) — combines data on household savings and investments from two different Fed sources

to show how the bull market affected households at different income levels. Total savings did decline and total consumption did surge, but patterns varied significantly across the population.

The wealthiest fifth of US households owns about 75% of all mutual fund shares and over 80% of all corporate stock owned by households. For these households, the savings rate fell from 4.9% in 1992 to -4.4% in 2000. Over the same period, the overall savings rate fell from 3.4% to -0.7%. Thus, the wealthiest 20% accounted for the lion's share of the drop in savings. However, the decline was partially offset by an increase in savings by the three-fifths of households in the middle and bottom of the wealth scale. The message here is that, by and large, savings contracted among a segment of the population that has the capacity to keep spending if it chooses to do so. We're not likely to see consumer spending growth vanish because everyone is running out of money.

Consumer debt has also been widely discussed of late. While relatively high, debt levels are not out of sight. Fed data through the fourth

Trends & Projections

Editor: Eileen M. Bossong-Martines
 Copy Editor: Carol A. Wood
 Production: GraphMedia
 Statistician: Sally Kathryn Nuttall
 Assistant to Editor: Paulette Dixon

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quarter of 2000 show that mortgage debt service is at a peak, representing almost 6.5% of disposable income. However, consumer debt is 7.8% of disposable income, down from the peak of 8.7% seen in the beginning of 1990. As a result, overall debt service is 14.3%, compared with the peak of 14.4% seen in 1986. Furthermore, growth in consumer credit outstanding stabilized over the last five quarters and was down sharply in March 2001 (latest available). Of course, the amount of debt that's comfortable varies among consumers. However, although current debt levels are above their recent lows, it would be a mistake to expect that the result will be a collapse in consumer spending.

Even though debt levels and shrunken savings won't stop spending growth, we do see some cause for concern. Consumer spending growth depends not only on the *ability* to spend, but also on the *willingness* to spend. If everyone believes the economy is about to collapse into a recession or the bear market will get worse, consumers would likely rein in their spending. In this regard, recent activity in the stock market is encouraging.

While most investors remain a bit nervous after seeing stock prices plunge by almost 30% over a 12-month period, some hints that the outlook may be improving have surfaced recently. For one, stock prices rose sharply in April in the best monthly performance in over a year. Second, the market has managed to rise in the face of bad economic news. Third, and most important, the Fed's previous rate cut on April 18th reassured investors that the central bank is concerned about the economy. All this is likely to encourage some spending growth in the next few quarters.

The short-term puzzle for the economy remains focused on consumers, the recent source of

growth. Here, the prospects are generally positive, and we continue to expect the economy to avoid a recession in 2001 by a narrow margin. However, the economy's long-term prospects depend on a rebound in business investment.

Capital spending and the new economy

One of the economy's strengths in the last decade has been robust capital investment. Nonresidential fixed investment — business capital spending on just about everything — reached a high of 13.8% in the third quarter of 2000, the highest level since 1981. While the share hasn't slipped much, spending on equipment and software contracted in both the fourth quarter of 2000 and the first quarter of 2001. Had it not been for a surge in spending on oil drilling and exploration, overall nonresidential fixed investment would have been down in the first quarter. Investment in high-tech equipment gained in real terms in 2000:4, but turned down in 2001:1, as spending on computers fell at a 3% annual rate and spending on software fell at a 2% annual rate.

Computers are one area where prices fall significantly from quarter to quarter. Investment in computers and peripherals was down at a 30% annual rate (before adjustment for inflation) in the first quarter of 2001.

This figure was the reason for some of the angst in the trade press reports. The only bright spots in the investment picture are construction and oil drilling and exploration. Increased spending on electric power generating plants — nationally, as well as in California — may boost the numbers slightly, but the strength in the past and the anxiety in the present are all about high technology.

The weakness is not just in computers, but in a range of equipment including networking and telecommunications gear — largely the same equipment that rode the dot-com boom at the end of 1990s. All those fabled Internet companies, fueled by venture capital cash, invested in a slew of technology infrastructure. When the boom ended and the cash vanished, we were left with innumerable cancelled orders and a lot of unsold equipment. The first step to restoring some kind of order after any boom is production cutbacks to bring inventories back in line with slower sales. This is happening now — with a vengeance.

In one way, the damage will be greater than some now realize. The combination of ample supplies of (slightly) used equipment and continued technological progress will mean sharply lower prices for just about any kind of gear. Whatever some companies thought their inventory was worth, the real numbers are probably significantly lower. Nonetheless, we see something of a silver lining in this cloud. First, the collapse in prices will probably accelerate the process of selling the inventory. Second, someone is benefiting from buying a lot of expensive gear rather cheaply.

However long the inventory adjustment takes, the bigger question is what happens next. Will we see a long-term revival? Does the new economy still exist? A key aspect of what

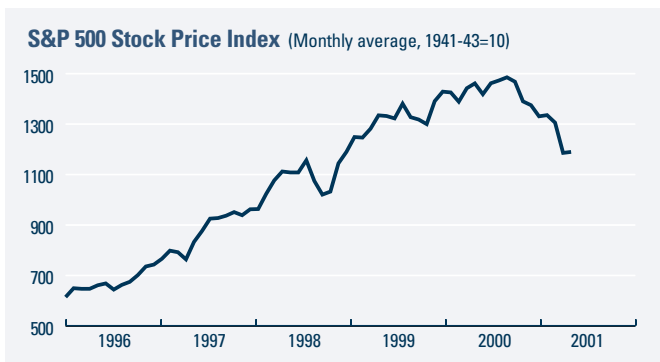
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Economic Policy

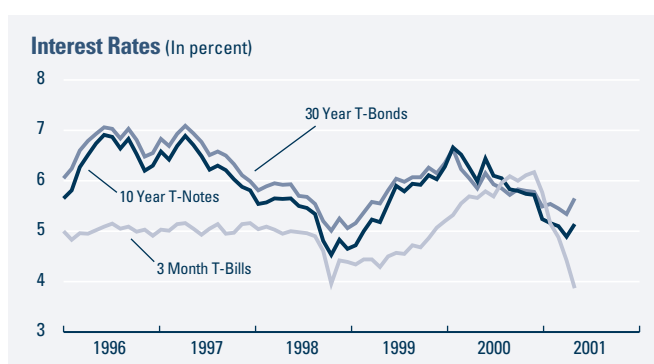
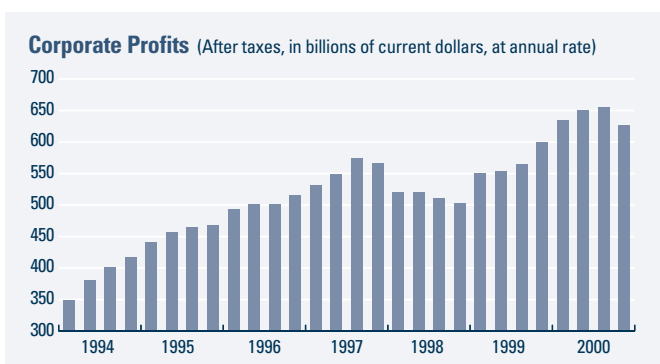
	2000	E2001	E2002
Monetary Indicators			
Discount Rate	5.7	3.8	3.1
Fed Funds Rate	6.2	4.3	3.6
M-2 Growth (%)	6.2	11.9	8.2
Fiscal Policy: Budget Surplus/(Deficit)			
Unified*	236.6	198.9	131.2
NIPA**	187.8	189.0	198.3
Surplus: GDP Ratio (%)	2.4	1.9	1.2

E-Estimated. *Fiscal year. **Based on accrual (not cash) accounting; excludes the S&L bailout funds and uses a calendar year.

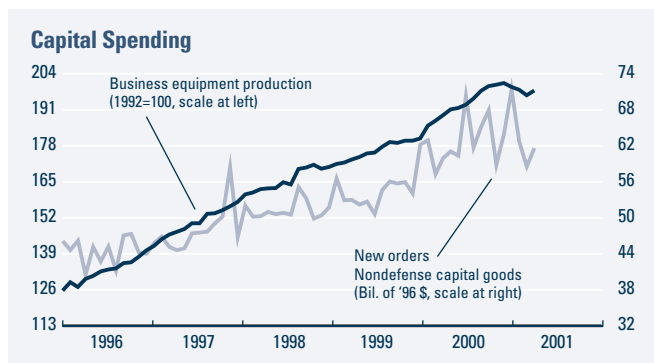
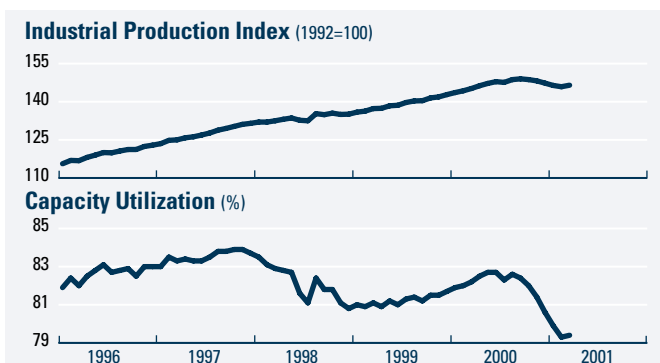
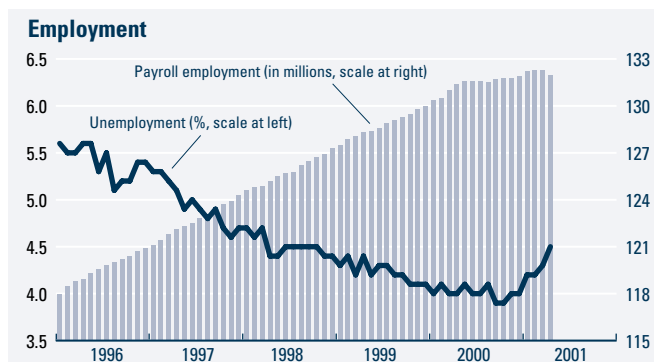
Trends & Projections

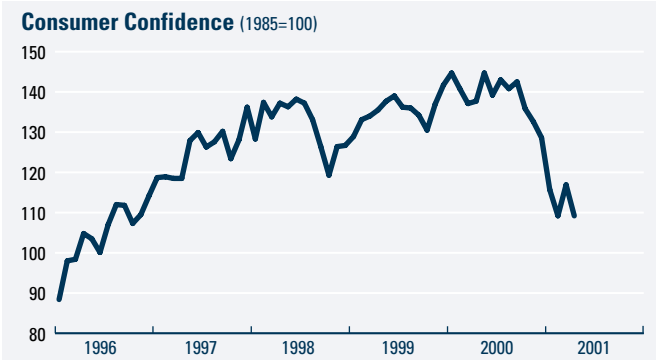


Stock prices rose sharply in April as the Fed surprised the market with a rate cut on April 18th. The Fed action strengthened a rally that had begun two weeks earlier and gave the market its best gains in more than a year.

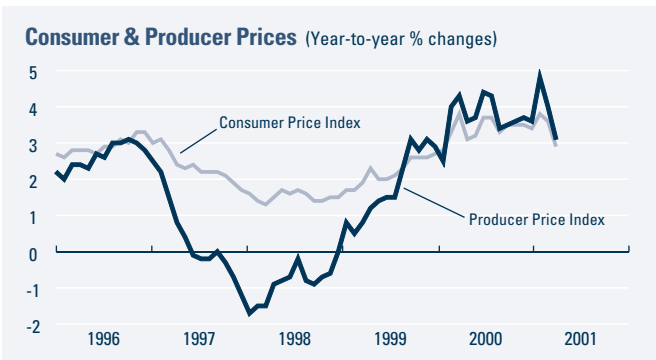
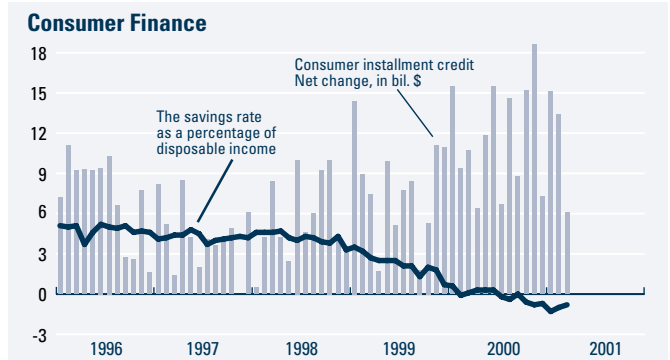
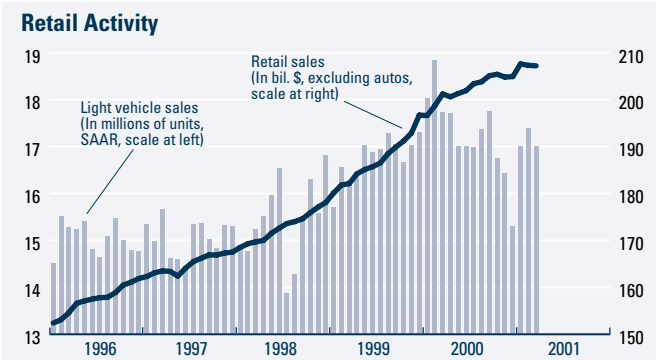


The April employment numbers were much weaker than expected. Continued difficulties in manufacturing and temporary help services resulted in a loss of about 220,000 jobs in the month. Elsewhere there were some faint signs of hope, as the NAPM index gained slightly and industrial production gained in March.

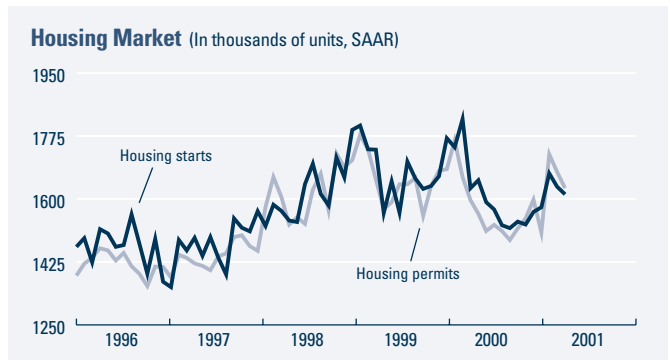
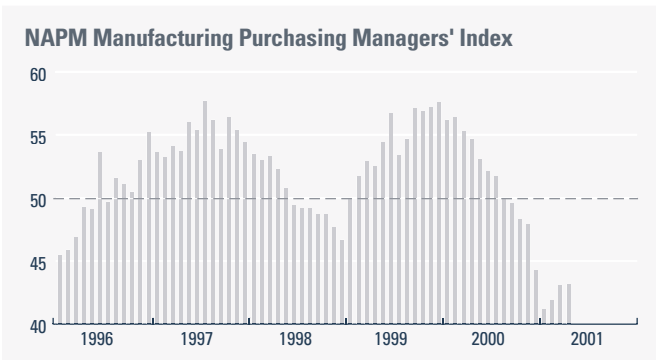




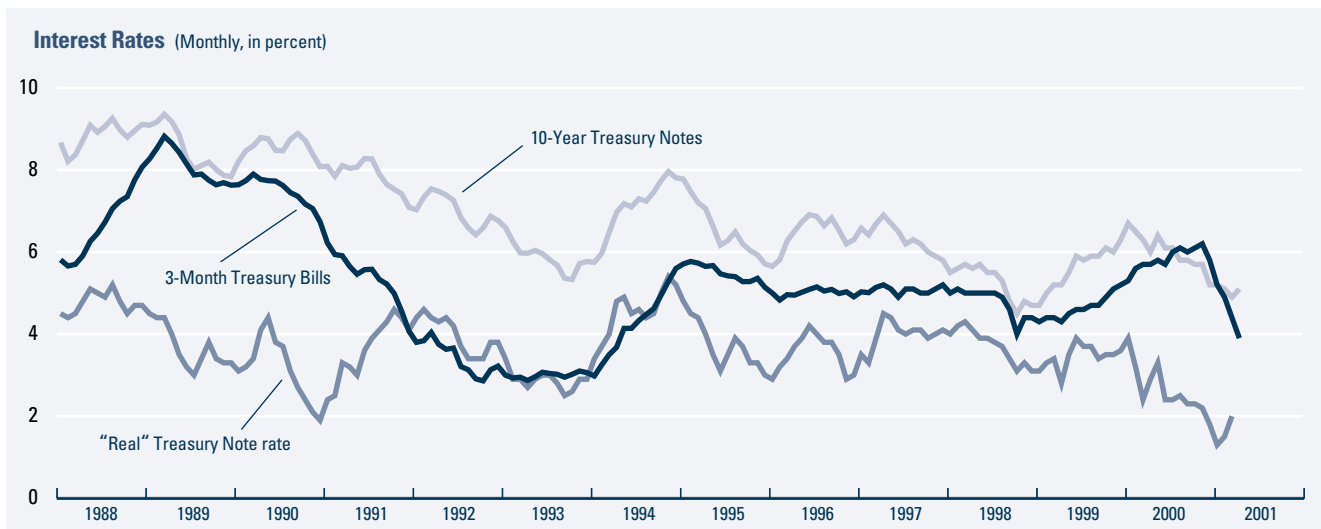
Although retail sales are seeing slowness, consumers remain in reasonably good financial shape. Debt levels are high, but not at record levels, and sentiment is stabilizing. The big threat is from rising unemployment, which could raise renewed fears and dampen spending.



Inflation remains modest, and the housing market continues to show a lot of strength. Sales of both new and existing homes were very strong in March.



Trends & Projections



At the May 15th meeting of the Federal Open Market Committee, the Fed cut the target for the Fed funds rate to 4% from 4.5% and lowered the discount rate to 3.5% from 4%. Within hours after the Fed's announcement, Fed funds were trading at close to 4%, three-month T-bills at 3.6%, 10-year T-notes at 5.5%, and 30-year T-bonds at 5.9%. On the foreign exchange markets, the dollar was quoted at 88 cents/euro and 124 yen.

The Fed's action was widely expected. We anticipate further easing from the Fed, with the target for the funds rate to be cut to 3.5% or possibly 3% in coming months. The next move is likely

to come at the June 26th–27th FOMC meeting. We expect either a 50 bp or a 25 bp reduction at that time. If the economy looks significant better by late June, a 25 bp cut, with the possibility of a final 25 bp reduction during the summer to put the bottom at 3.5% is likely. If, however, the economy continues to look soft, further reductions may be seen.

The foreign exchange markets seem to be taking a favorable view of lower interest rates in hopes that a stronger US economy means a stronger dollar. As a result, further rate cuts are not expected to dampen the dollar's continuing strength. ■

(continued from page 3)

happens next is the willingness of business to invest in anticipation of a stronger economy ahead. The Fed's rate cuts are a large step to assuring that the financing will be available in most cases. True, a few industries, such as telecommunications, may have some difficulty raising cash. However, there are no business credit problems comparable to the economy's condition a decade ago after the savings and loan industry collapsed. Thus, financing is not likely to be an insurmountable barrier.

Some may argue that the yearlong bear market has dried up venture capital and made high-risk equity investment impossible. Harder to find, yes; but impossible, no. Venture capital, initial public offerings, and high-risk investments were not invented in 1995. Rather, the period of the late 1990s was a rare

moment when money seemed to grow on trees. We are back to a more normal situation where venture capital is available, but not seemingly for free.

The key issue for future capital investment is what business expects the investment will buy and return. The key to the 1990s boom was high technology gear that offered new opportunities, lower costs, and higher productivity. One part of this was the relentless decline in the cost of anything digital that kept opening up new opportunities. If a company's costs fall by a few percentage points a year, it's pleasant, but not earth-shaking. If a competitor's costs fall by a similarly small amount, it's annoying, but not a fatal blow to the business.

However, when costs drop by half in less than two years and keep doing so year after year, it's revolutionary. Such a sharp decline is not a wish or

a myth; it's the reality in technology. Gordon Moore, a founder of Intel, predicted in the early 1970s that the density of transistors on chips would double every 18 months. The prediction, which proved true, is now enshrined as Moore's Law. Even better, it still has further to run. For the first decade or two of Moore's law, costs collapsed, but chips were too small a part of the overall economy to dominate the game. In the 1990s, however, chips and related technology achieved a critical mass: the relentless decline in costs and the widening use of computing power it made possible for technology to begin to dominate more and more of the economy.

The rise of the Internet, the surge in productivity, and the fall in information processing and communication costs all have their roots in the ever-declining cost of computing power. An economic slowdown of a

few quarters or a bear market lasting a year or so aren't likely to erase three decades of progress in physics and engineering. If anything, the economic shakeout may remove some financially weak players and open the door to other, stronger competitors.

Business will return to investing because the longer-term opportunities are still there. The question is whether the return will be fast enough to avoid a recession. Here we see a couple of reasons for optimism: the role of computer technology in the economy and continuing faith in equities.

Two facets of computer technology explain the role it has played in the productivity boom of the 1990s and in the overall economy. One, discussed earlier, is collapsing costs. The other is computer technology's general purpose and wide applicability. This is a fundamental difference from many other new technologies: some have limited application, while others affect only small portions of the economy.

Biotechnology, for example, is enjoying renewed attention currently. While its benefits to medicine are very significant, biotechnology is not likely to change the course of the economy. Likewise, substantial improvements in automobile efficiency and durability in the last decade have changed the way people travel from place to place. However important, neither represents a truly general-purpose technological change.

Like electric power, computers are general-purpose technologies that affect almost everything. Computers continue to seep into every corner of the economy, changing the way business operates and raising productivity. The opportunities to harness technology didn't vanish in the last year: they're still recognized and will still be pursued. Business will not forget about technology.

The bigger worry associated with

the bear market is that people will become afraid of taking risks. It took more than a generation after the Depression of the 1930s before most people would consider equities a reasonable investment for anything but the riskiest pursuits. After the 1973–75 bear market, it took another 10 to 15 years for large numbers of people to return to the stock market. Will the 2000–01 bear market, even if it's over already, scare people away from stocks and taking risks for another 10 or 20 years? For the moment at least, the answer seems to be no.

If anything, many investors' faith in equities seems as unreasonably strong today as it did at the beginning of 2000 when the Nasdaq was still looking forward to crossing 5,000 on the way up. Very few commentators talk of a sustained bear market. Technology investments continue to attract money. And, most telling of all, an equity-market oriented culture continues to spread.

Broadly speaking, there are two alternatives for organizing the financing and capital-raising functions within an economy. The approach that is on the rise in the US, even with the bear market, is to emphasize the financial markets for both equities and fixed-income instruments and to step back from non-market sources such as bank loans and private or direct placements of debt or equity. Furthermore, even when direct placements such as venture capital are done, efforts are made to replace the funds with capital from the public markets (IPOs) as quickly as possible.

The last two decades have seen more and more kinds of financing move to the public markets. Mortgages, consumer loans, auto loans, and, more recently, commercial bank loans are all securitized and sold in the public markets today. Even executive compensation is moving to the public markets through stock options. None of this

seems to be slowing or fading as a result of the bear market.

At the same time, the direct financing/bank route is fading in some places where it had been strongest. In both the industrial nations of continental Europe and the emerging markets around the world, equities and market-based financing are seen as the way to advance. Bank loans and direct financing are in long-term decline. The growing use of market-based methods to allocate capital strongly suggests that the difficulties of the last year have not seriously hurt the willingness to take risks in pursuit of profits.

Where we are, or the forecast

What does all this mean for the economy? A bright future and a good chance of getting there without a recession (albeit with another two sluggish quarters). We have not spent a long time on the recently reported and surprisingly strong first-quarter GDP numbers, in part because we expect them to be revised downward and in part because they don't change the concerns about near-term weakness. Looking at the forecast table on page 8, we still expect a slow and frustrating summer for the economy and a rebound late this year. We do think consumer spending will persevere enough to let the economy avoid the worst, and we also expect investment and earnings to rebound in 2002. ■

Economic Indicators

Seasonally Adjusted Annual Rates — Dollar Figures in Billions

			Annual % Change			2000		2001				E2002	
2000	E2001	E2002	2000	E2001	E2002	3Q	4Q	A1Q	E2Q	E3Q	E4Q	1Q	2Q
Gross Domestic Product													
\$9,963.1	\$10,404.8	\$10,876.9	7.1	4.4	4.5	\$10,039.4	\$10,114.4	\$10,243.6	\$10,342.1	\$10,466.7	\$10,566.8	\$10,674.5	\$10,798.4
7.1	4.4	4.5	-	-	-	3.8	3.0	5.2	3.9	4.9	3.9	4.1	4.7
5.0	2.0	2.4	-	-	-	2.2	1.0	2.0	1.3	2.6	1.9	1.8	2.7
2.1	2.3	2.0	-	-	-	1.6	2.0	3.2	2.2	2.2	2.0	2.2	1.9
* Components of Real GDP													
\$6,826.6	\$7,011.1	\$7,204.3	6.2	2.7	2.8	\$6,329.8	\$6,373.3	\$6,422.6	\$6,451.7	\$6,491.9	\$6,539.6	\$6,592.3	\$6,648.9
6.2	2.7	2.8	-	-	-	4.5	2.8	3.1	1.8	2.5	3.0	3.3	3.5
896.0	915.7	958.1	9.6	2.2	4.6	903.2	896.0	921.5	912.8	909.2	919.4	936.3	950.9
1,869.0	1,916.1	1,972.0	5.0	2.5	2.9	1,882.6	1,887.4	1,899.6	1,905.4	1,922.2	1,937.2	1,948.9	1,963.9
3,543.9	3,658.2	3,766.4	4.5	3.2	3.0	3,559.3	3,602.5	3,617.6	3,647.0	3,672.4	3,695.8	3,722.0	3,750.4
1,413.7	1,436.7	1,465.9	12.6	1.6	2.0	1,438.8	1,438.3	1,442.2	1,431.0	1,436.2	1,437.6	1,443.1	1,451.4
12.6	1.6	2.0	-	-	-	7.7	(0.1)	1.1	(3.1)	1.4	0.4	1.6	2.3
1,140.5	1,142.4	1,200.7	13.7	0.2	5.1	1,162.4	1,152.7	1,146.7	1,126.8	1,141.9	1,154.5	1,169.3	1,186.1
366.3	355.1	345.4	(0.5)	(3.1)	(2.7)	362.3	359.0	361.9	358.5	353.0	347.0	343.6	343.5
(0.5)	(3.1)	(2.7)	-	-	-	(10.6)	(3.6)	3.3	(3.7)	(6.0)	(6.7)	(3.9)	(0.1)
60.9	13.8	29.8	-	-	-	72.5	55.7	(7.1)	3.7	29.6	28.9	16.8	27.8
1,579.2	1,617.7	1,654.7	2.8	2.4	2.3	1,578.2	1,589.6	1,605.1	1,612.6	1,622.0	1,631.2	1,641.6	1,650.6
548.2	563.6	575.5	1.5	2.8	2.1	545.8	550.9	558.6	561.3	565.8	568.7	572.2	574.4
1,030.5	1,053.6	1,078.7	3.5	2.2	2.4	1,031.9	1,038.1	1,046.0	1,050.8	1,055.7	1,062.0	1,068.9	1,075.7
(412.4)	(415.8)	(466.9)	-	-	-	(427.6)	(441.7)	(404.9)	(407.5)	(421.0)	(429.9)	(441.8)	(463.8)
1,126.3	1,145.6	1,200.2	9.0	1.7	4.8	1,158.8	1,139.8	1,133.6	1,142.5	1,148.4	1,158.0	1,171.0	1,189.4
1,538.7	1,561.5	1,667.1	13.5	1.5	6.8	1,586.4	1,581.5	1,538.5	1,550.0	1,569.5	1,587.9	1,612.8	1,653.2
** Income & Profits													
\$8,281.7	\$8,664.3	\$9,040.0	6.3	4.6	4.3	\$8,349.0	\$8,429.7	\$8,550.9	\$8,622.7	\$8,707.5	\$8,776.3	\$8,883.8	\$8,981.0
6,989.8	7,358.2	7,721.8	5.3	5.3	4.9	7,040.9	7,087.0	7,179.2	7,244.2	7,524.1	7,485.3	7,582.8	7,665.9
0.8	1.5	1.7	-	-	-	1.0	1.1	1.4	1.4	1.5	1.6	1.8	1.8
925.6	879.6	926.6	12.5	(5.0)	5.3	945.1	894.1	866.0	871.9	884.1	896.6	902.4	917.8
641.4	621.1	664.4	13.1	(3.2)	7.0	654.4	626.4	601.9	617.2	627.5	637.7	644.6	657.7
50.81	45.78	46.33	5.5	(9.9)	1.2	53.70	50.81	47.88	46.83	45.04	45.78	47.28	46.66
† Prices & Interest Rates													
3.4	3.3	2.0	-	-	-	3.5	2.9	4.2	3.7	2.6	1.8	1.9	1.9
5.8	3.8	3.3	-	-	-	6.0	6.0	4.8	3.9	3.3	3.2	3.2	3.2
6.0	5.1	5.1	-	-	-	5.9	5.6	5.1	5.2	5.1	5.1	5.1	5.1
5.9	5.6	5.7	-	-	-	5.8	5.7	5.4	5.7	5.6	5.6	5.6	5.6
7.7	8.1	8.1	-	-	-	7.5	7.9	8.0	8.0	8.2	8.2	8.2	8.1
Other Key Indicators													
146.9	146.6	150.3	5.6	(0.2)	2.5	148.3	147.9	146.1	145.9	146.8	147.6	148.3	149.6
81.3	77.4	76.3	-	-	-	81.7	80.3	78.3	77.4	77.1	76.7	76.3	76.1
1,605.3	1,530.2	1,466.6	(4.2)	(4.7)	(4.2)	1,527.7	1,556.7	1,639.3	1,547.4	1,465.4	1,468.7	1,459.2	1,448.0
17.4	16.5	16.7	2.8	(5.1)	1.4	17.5	16.3	17.2	16.4	16.2	16.1	16.4	16.7
4.0	4.7	5.6	-	-	-	4.0	4.0	4.2	4.7	4.9	5.1	5.4	5.6
3.0	(2.6)	(5.5)	-	-	-	0.6	0.4	(1.6)	(1.7)	(1.5)	(1.6)	(1.5)	(1.4)

Note: Annual changes are from prior year and quarterly changes are from prior quarter. Figures may not add to totals because of rounding. A—Advance data. P—Preliminary. E—Estimated. R—Revised. *1992 Chain-weighted dollars.

**Current dollars. †Trailing 4 quarters. ‡Average for period. §Quarterly % changes at quarterly rates. This forecast prepared by Standard & Poor's.

Appendix II

Profiles of Comparative Guideline Public Companies

CENTEX CONSTRN PRODS INC

TICKER: **CXP**

ADDRESS: **3710 Rawlins St Ste 1600**

EXCHANGE: **New York Stock Exchange**

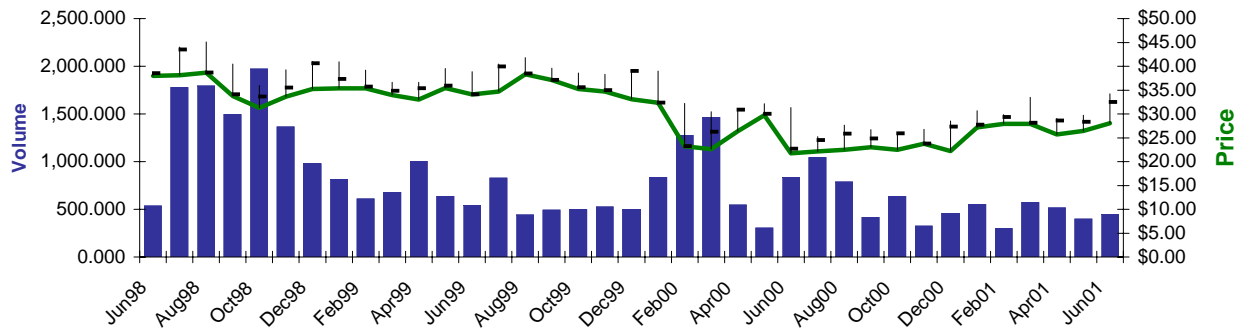
Dallas

TX

75219-4258

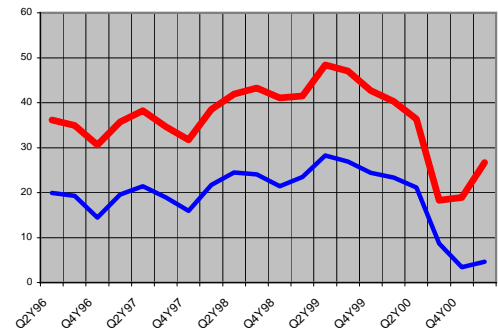
INDUSTRY: **CONCRETE,GYPSUM,PLASTER PDS**

CURRENT BETA **0.55**



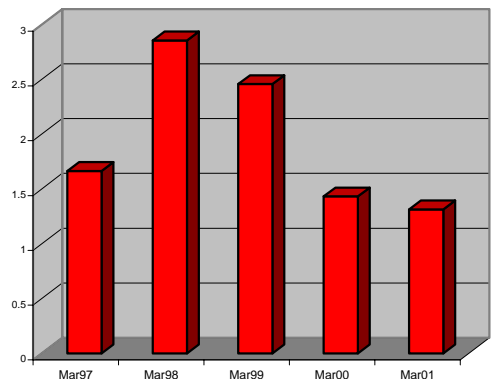
INCOME STATEMENT	12 Mo Ended Mar01	Fiscal Year End Mar01	Mar00
Sales-Net	437.454	437.454	417.464
Cost of Goods Sold	316.950	316.950	228.983
SG&A Expense	4.691	4.691	4.683
Operating Income	115.813	115.813	183.798
Depreciation & Amortization	24.871	24.871	18.589
Interest Expense	@CF	9.046	@CF
Non-Operating Income	1.321	10.367	4.968
Special Items	0.000	0.000	0.000
PreTax Income	92.263	92.263	170.177
Income Before Extra Items	59.429	59.429	108.232
Net Income	59.429	59.429	108.232
EPS excluding Extra Items (Primary)	3.23	3.23	5.66
EPS excl Extra Items (Fully Diluted)	3.22	3.22	5.63

GROSS & NET PROFIT MARGINS

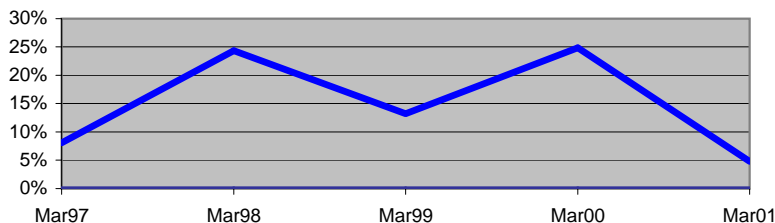


BALANCE SHEET	Mar01	Mar01	Mar00
Cash & Short Term Investments	8.747	8.747	96.170
Receivables - Total	92.619	92.619	54.459
Inventories - Total	56.008	56.008	38.582
Total Current Assets	157.374	157.374	189.211
Plant, Property, Equipment - Net	583.333	583.333	235.900
Debt in Current Liabilities	0.080	0.080	0.080
Accounts Payable	42.168	42.168	22.348
Current Liabilities-Total	90.191	90.191	72.987
LT Debt-Total	278.748	278.748	0.320
Preferred Stock	0.000	0.000	0.000
Common Stock	0.183	0.183	0.186
Capital Surplus	14.614	14.614	20.302
Retained Earnings	377.523	377.523	319.984
Treasury Stock-Total \$ Amt	0.000	0.000	0.000
Common Equity-Total	392.320	392.320	340.472
Stockholders' Equity	392.320	392.320	340.472
Assets-Total	809.960	809.960	438.139

Price/Book



5-YEAR ANNUAL SALES GROWTH



PER SHARE OVERVIEW

Qtr End	EPS	Dividends
Jun01	0.30	0.050
Mar01	0.20	0.050
Dec00	0.63	0.050
Sep00	1.14	0.050
Jun00	1.25	0.050
Mar00	1.24	0.100
Dec99	1.53	0.050
Sep99	1.72	0.000
Jun99	1.16	0.050

CONTINENTAL MATERIALS CORP

TICKER: **CUO**

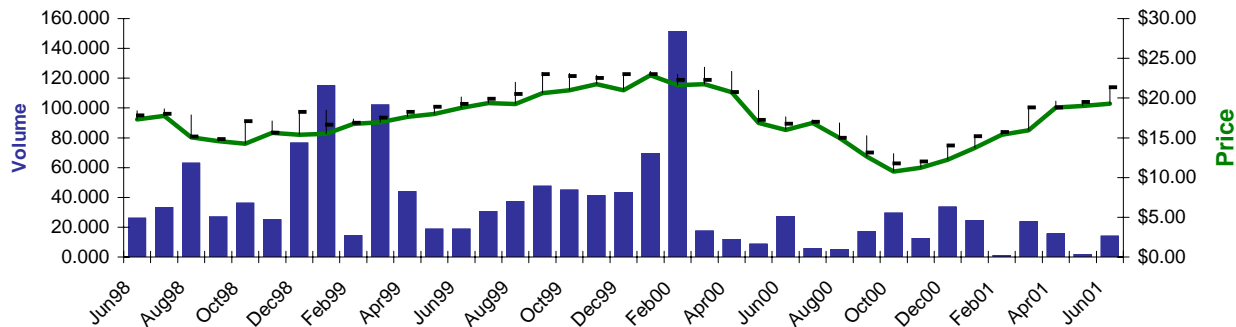
ADDRESS: 225 W Wacker Dr Ste 1800

EXCHANGE: American Stock Exchange

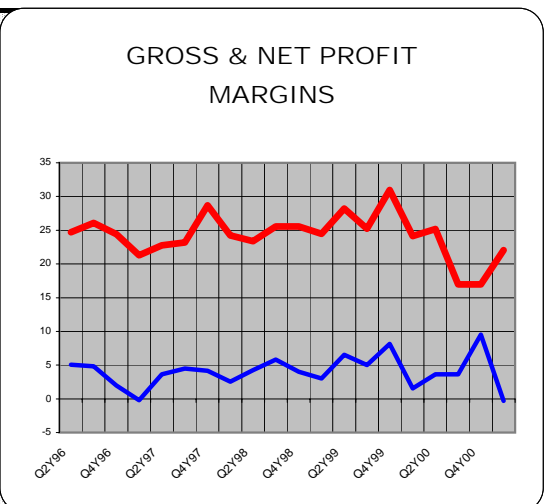
Chicago IL 60606-1274

INDUSTRY: CONCRETE,GYPSUM,PLASTER PDS

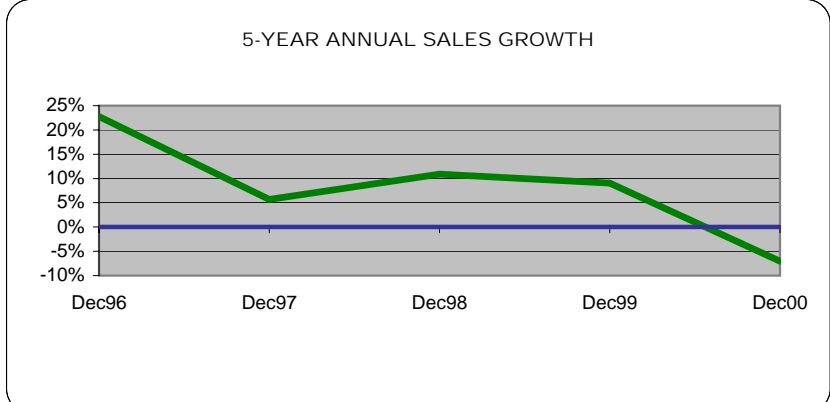
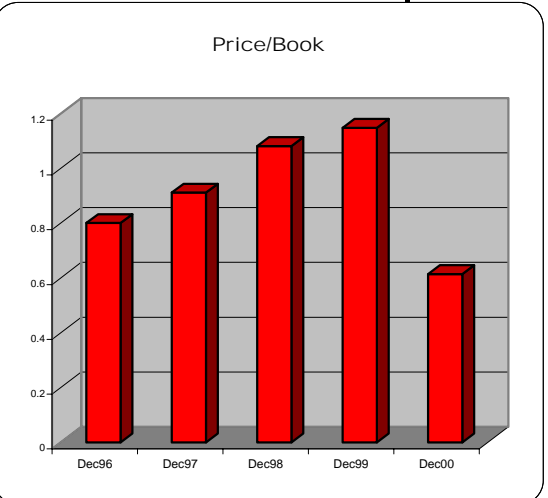
CURRENT BETA 0.16



INCOME STATEMENT	12 Mo Ended Mar01	Fiscal Year End Dec00	Dec99
Sales-Net	113.015	110.288	118.620
Cost of Goods Sold	@SF	81.521	86.181
SG&A Expense	@SF	15.158	16.146
Operating Income	@SF	13.609	16.293
Depreciation & Amortization	5.718	5.419	4.998
Interest Expense	@SF	0.571	0.469
Non-Operating Income	@SF	0.691	(0.084)
Special Items	0.000	0.000	0.000
PreTax Income	7.576	8.310	10.742
Income Before Extra Items	4.871	5.335	6.902
Net Income	4.871	5.335	6.902
EPS excluding Extra Items (Primary)	2.63	2.86	3.39
EPS excl Extra Items (Fully Diluted)	2.59	2.81	3.32



BALANCE SHEET	Mar01	Dec00	Dec99
Cash & Short Term Investments	2.824	6.216	0.347
Receivables - Total	18.282	16.723	20.161
Inventories - Total	16.733	16.014	15.966
Total Current Assets	41.308	41.525	39.066
Plant, Property, Equipment - Net	30.316	24.727	26.891
Debt in Current Liabilities	3.534	2.158	4.182
Accounts Payable	14.222	4.437	7.263
Current Liabilities-Total	17.824	17.280	23.057
LT Debt-Total	17.002	5.147	1.875
Preferred Stock	0.000	0.000	0.000
Common Stock	0.643	0.643	0.643
Capital Surplus	1.985	1.985	1.983
Retained Earnings	48.057	48.138	42.803
Treasury Stock-Total \$ Amt	9.247	8.953	6.386
Common Equity-Total	41.438	41.813	39.043
Stockholders' Equity	41.438	41.813	39.043
Assets-Total	80.398	68.250	67.751



PER SHARE OVERVIEW

Qtr End	EPS	Dividends
Mar01	-0.04	0.000
Dec00	1.61	0.000
Sep00	0.50	0.000
Jun00	0.56	0.000
Mar00	0.20	0.000
Dec99	1.27	0.000
Sep99	0.80	0.000
Jun99	0.99	0.000
Mar99	0.34	0.000

FLORIDA ROCK INDS

TICKER: **FRK**

ADDRESS: 155 E 21st St

EXCHANGE: New York Stock Exchange

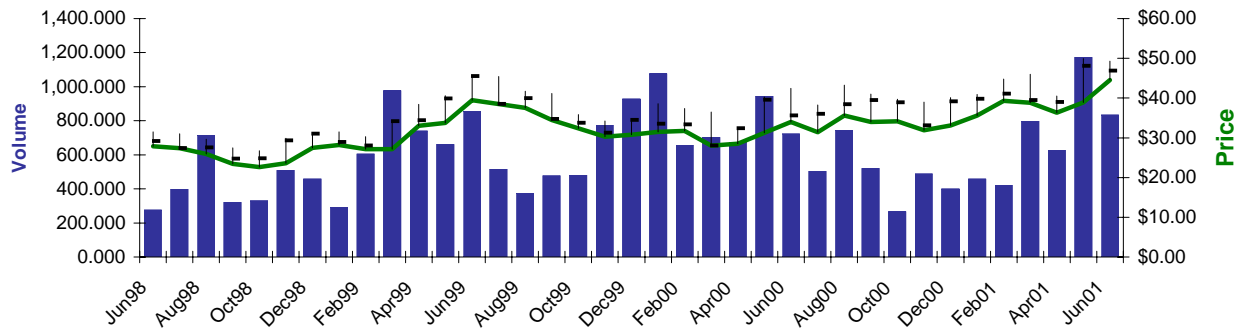
Jacksonville

FL

32206-2136

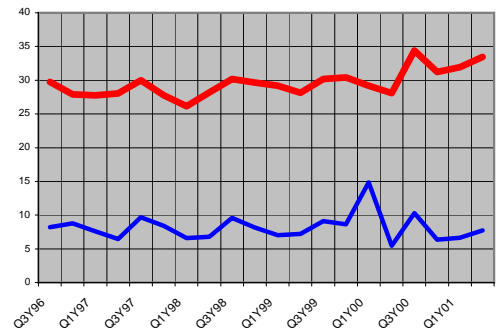
INDUSTRY: CONCRETE,GYPSUM,PLASTER PDS

CURRENT BETA 0.37



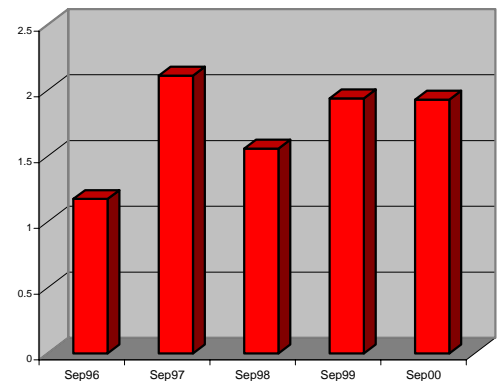
INCOME STATEMENT	12 Mo Ended Mar01	Fiscal Year End Sep00	Sep99
Sales-Net	666.546	647.753	579.302
Cost of Goods Sold	448.277	448.046	408.282
SG&A Expense	71.251	65.131	54.782
Operating Income	147.018	134.576	116.238
Depreciation & Amortization	59.187	51.960	38.497
Interest Expense	11.451	10.077	4.334
Non-Operating Income	1.578	3.358	7.160
Special Items	2.014	16.256	(8.719)
PreTax Income	79.972	92.153	71.848
Income Before Extra Items	51.817	59.714	46.557
Net Income	51.817	59.714	46.557
EPS excluding Extra Items (Primary)	2.79	3.21	2.47
EPS excl Extra Items (Fully Diluted)	2.73	3.15	2.42

GROSS & NET PROFIT MARGINS

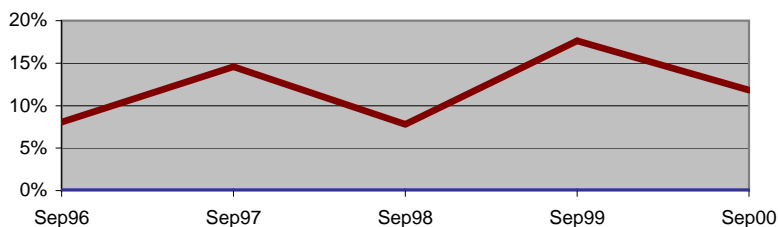


BALANCE SHEET	Mar01	Sep00	Sep99
Cash & Short Term Investments	2.560	3.372	3.726
Receivables - Total	80.777	82.468	75.386
Inventories - Total	33.435	32.831	23.634
Total Current Assets	125.859	123.348	122.465
Plant, Property, Equipment - Net	487.701	486.544	419.917
Debt in Current Liabilities	13.944	3.243	35.813
Accounts Payable	34.288	40.624	41.590
Current Liabilities-Total	76.568	80.717	107.566
LT Debt-Total	152.294	163.620	96.989
Preferred Stock	0.000	0.000	0.000
Common Stock	1.897	1.897	1.897
Capital Surplus	17.071	17.549	18.249
Retained Earnings	392.443	373.650	321.832
Treasury Stock-Total \$ Amt	11.436	13.147	3.720
Common Equity-Total	399.975	379.949	338.258
Stockholders' Equity	399.975	379.949	338.258
Assets-Total	697.191	690.045	604.168

Price/Book



5-YEAR ANNUAL SALES GROWTH



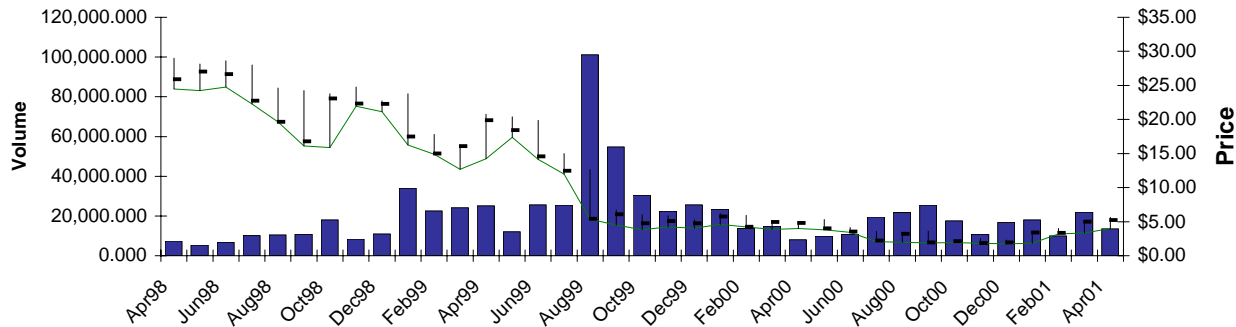
PER SHARE OVERVIEW

Qtr End	EPS	Dividends
Mar01	0.68	0.125
Dec00	0.58	0.125
Sep00	0.58	0.125
Jun00	0.95	0.100
Mar00	0.45	0.100
Dec99	1.23	0.100
Sep99	0.68	0.100
Jun99	0.74	0.125
Mar99	0.51	0.000

STEWART ENTERPRISES -CL A

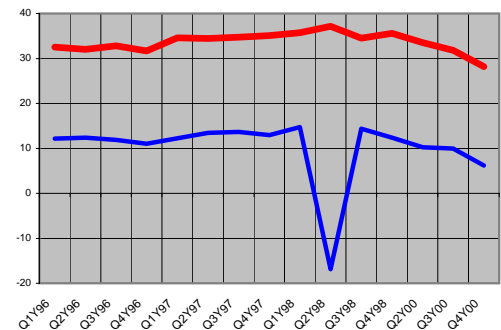
TICKER: **STEI**
 EXCHANGE: **NASDAQ**
 INDUSTRY: **PERSONAL SERVICES**
 CURRENT BETA **1.00**

ADDRESS: **110 Veterans Memorial Blvd**
Metairie LA 70005-3027
 PHONE: **504-837-5880**



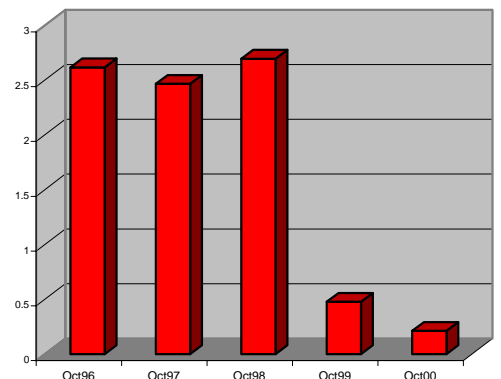
INCOME STATEMENT	12 Mo Ended Oct00	Fiscal Year End Oct00	Oct99
Sales-Net	734.801	734.801	756.108
Cost of Goods Sold	501.494	507.179	500.820
SG&A Expense	19.763	19.763	19.161
Operating Income	213.544	207.859	236.127
Depreciation & Amortization	54.267	48.582	44.887
Interest Expense	56.284	56.284	52.174
Non-Operating Income	2.194	2.194	3.485
Special Items	0.000	0.000	0.000
PreTax Income	105.187	105.187	142.551
Income Before Extra Items	66.794	66.794	90.520
Net Income	66.794	66.794	40.419
EPS excluding Extra Items (Primary)	0.63	0.63	0.84
EPS excl Extra Items (Fully Diluted)	0.63	0.63	0.84

GROSS & NET PROFIT MARGINS

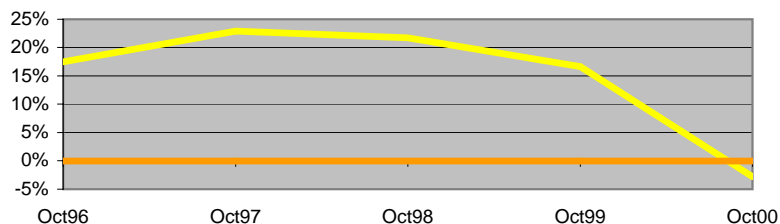


BALANCE SHEET	Oct00	Oct00	Oct99
Cash & Short Term Investments	98.868	98.868	77.426
Receivables - Total	177.474	177.474	176.215
Inventories - Total	60.649	60.649	51.431
Total Current Assets	341.054	341.054	311.069
Plant, Property, Equipment - Net	447.929	447.929	447.045
Debt in Current Liabilities	29.857	29.857	12.582
Accounts Payable	20.342	20.342	21.802
Current Liabilities-Total	134.476	134.476	133.476
LT Debt-Total	920.670	920.670	938.831
Preferred Stock	0.000	0.000	0.000
Common Stock	106.832	106.832	106.219
Capital Surplus	673.658	673.658	671.891
Retained Earnings	294.167	294.167	278.502
Treasury Stock-Total \$ Amt	0.000	0.000	0.000
Common Equity-Total	1,074.657	1,074.657	1,056.612
Stockholders' Equity	1,074.657	1,074.657	1,056.612
Assets-Total	2,337.008	2,337.008	2,283.880

Price/Book



5-YEAR ANNUAL SALES GROWTH



PER SHARE OVERVIEW

Qtr End	EPS	Dividends
Oct00	0.10	0.000
Jul00	0.17	0.020
Apr00	0.18	0.020
Jan00	0.18	0.020
Oct99	0.15	0.020
Jul99	0.21	0.020
Apr99	0.24	0.020
Jan99	0.24	0.020
Oct98	0.22	0.020

U S CONCRETE INC

TICKER: **RMIX**

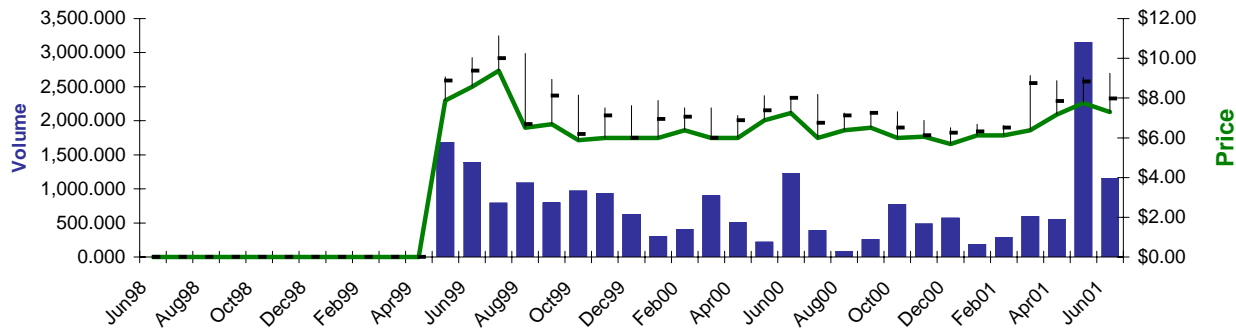
ADDRESS: **1300 Post Oak Blvd Ste 1200**

EXCHANGE: **NASDAQ**

Houston TX 77056-3018

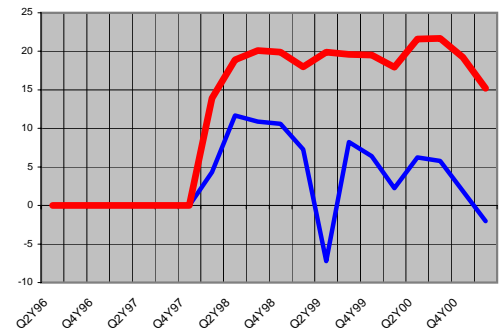
INDUSTRY: **CONCRETE,GYPSUM,PLASTER PDS**

CURRENT BETA **-1.16**



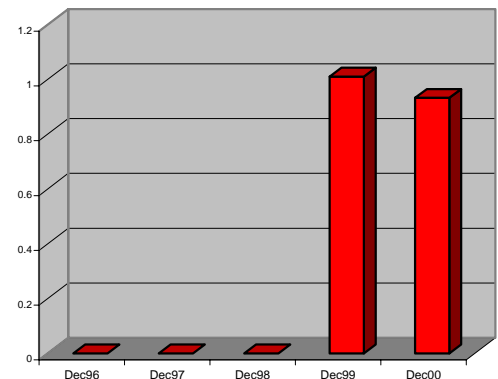
INCOME STATEMENT	12 Mo Ended Mar01	Fiscal Year End Dec00	Dec99
Sales-Net	416.581	394.636	167.912
Cost of Goods Sold	334.776	314.297	135.195
SG&A Expense	31.207	27.741	9.491
Operating Income	50.598	52.598	23.226
Depreciation & Amortization	12.099	11.212	3.453
Interest Expense	16.814	14.095	1.708
Non-Operating Income	1.291	1.319	0.663
Special Items	0.000	0.000	(2.880)
PreTax Income	22.976	28.610	15.848
Income Before Extra Items	13.516	16.860	8.190
Net Income	13.516	16.860	8.190
EPS excluding Extra Items (Primary)	0.63	0.78	0.70
EPS excl Extra Items (Fully Diluted)	0.63	0.78	0.70

GROSS & NET PROFIT MARGINS

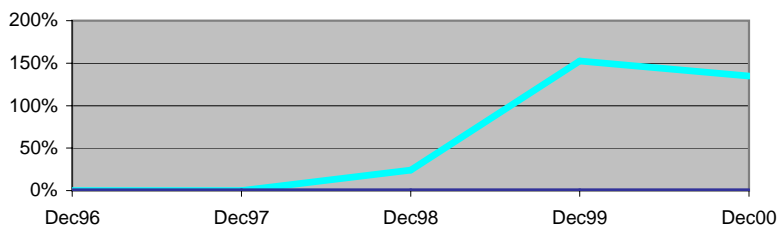


BALANCE SHEET	Mar01	Dec00	Dec99
Cash & Short Term Investments	2.673	0.711	0.627
Receivables - Total	69.589	62.641	45.581
Inventories - Total	11.947	9.494	4.351
Total Current Assets	92.757	77.952	52.317
Plant, Property, Equipment - Net	89.505	82.993	53.949
Debt in Current Liabilities	0.085	0.107	0.140
Accounts Payable	50.706	25.283	27.473
Current Liabilities-Total	50.791	36.420	37.739
LT Debt-Total	176.242	157.027	57.235
Preferred Stock	0.000	0.000	0.000
Common Stock	0.023	0.022	0.019
Capital Surplus	131.795	127.170	104.271
Retained Earnings	21.536	23.363	6.503
Treasury Stock-Total \$ Amt	0.000	0.000	0.000
Common Equity-Total	153.354	150.555	110.793
Stockholders' Equity	153.354	150.555	110.793
Assets-Total	394.374	355.837	212.734

Price/Book



5-YEAR ANNUAL SALES GROWTH



PER SHARE OVERVIEW

Qtr End	EPS	Dividends
Mar01	-0.08	0.000
Dec00	0.09	0.000
Sep00	0.31	0.000
Jun00	0.31	0.000
Mar00	0.08	0.000
Dec99	0.24	0.000
Sep99	0.30	0.000
Jun99	-0.23	@NA
Mar99	0.06	@NA

The valuation conclusions determined under the Capitalization of Earnings Method are dependent upon certain key assumptions incorporated into the analysis, such as the assumed level of risk (as embodied in the chosen capitalization rate) and the expected growth rate.

The Capitalization of Earnings Method is premised upon the concept of the present value of a perpetuity, which is a cash stream that is expected to be received each year for the indefinite future. The application of this approach is widespread, and the methodology is uniformly accepted among valuation professionals and other financial practitioners.

Previously in this report we presented the assumptions underlying our determination of the normalized level of annual cash flow for the subject company. This cash flow is then divided by the company's cost of capital minus its long-term growth rate.

In determining an appropriate weighted average cost of capital ("WACC"), we must consider such things as the returns investors can achieve on alternate investments, the time-value of money as well as the risks associated with the subject company actually achieving the anticipated level of cash flow. In quantifying the expected rate of growth in cash flow we must consider such things as inflation, expectations for the guideline companies and the subject industry, and input from management of the subject company. Because we are establishing a growth rate that can be achieved into perpetuity, we generally select numbers that are lower than the anticipated growth rate in the short term.

Following are definitions of the key variables involved in the computation of the WACC for the subject company:

Pre-tax Cost of Debt (PD) is the subject company's marginal cost of borrowing long-term funds.

After-tax Cost of Debt (AD) is the subject company's marginal cost of borrowing long-term funds after factoring in the benefits of the deductibility of interest.

Risk-free Rate of Return (RF) is the return an investor would require as of the Valuation Date to invest in a long-term security with essentially no risk. The best proxy for a risk-free long-term security is the 10-year U.S. Treasury bond.

Equity Risk Premium (EP) is the premium that investors have historically required to invest in stocks over the returns that were available historically on U.S. Treasury bonds. We utilize data from relevant studies performed by Ibbotson & Associates.

Beta (B) represents the volatility of an individual stock (as a result of the risks inherent in the underlying business) relative to the volatility of the overall stock market. A beta of greater than 1.0 means the subject stock is more volatile than the overall stock market; a beta of less than 1.0 means the subject stock is less volatile than the overall stock market. We analyze the betas of the comparative guideline public companies in order to estimate an appropriate beta for the subject company.

Small-Company Premium (SCP) is the incremental return historically required by investors in small stocks over the return required by investors in the overall stock market, after considering the impact of beta. We use the results of studies by Ibbotson & Associates and PriceWaterhouseCoopers when assigning a SCP.

Company-Specific Premium (CSP) is the incremental return required by investors in early-stage companies and companies with extraordinary risk characteristics, after considering the small-company premium and the impact of beta.

Growth (G) is the estimated growth in annual cash flows that can be sustained in perpetuity. It is important to understand that this estimated growth number is typically relatively low (i.e., 1% to 5%), because of the assumption that this growth occurs forever.

Capital Structure (CS) refers to the optimal percentage of debt and equity that the company would operate with over time given its specific circumstances and the norms within its industry. This may differ from the existing capital structure of the subject company.

The WACC is the after-tax cost of debt times the percentage of debt in the subject company's optimal capital structure, plus the cost of equity (after-tax and pre-tax are the same because dividends are not tax deductible) times the percentage of equity in the subject company's optimal capital structure.

Following are the assumptions used to derive the capitalization rate for purposes of valuing the subject company:

PD	=	11.0%
AD	=	6.6%
RF	=	6.5%
EP	=	8.0%
B	=	0.40
SCP	=	3.0%
CSP	=	2.0%
G	=	2.5%
CS (% Debt)	=	20.0%
CS (% Equity)	=	80.0%
Cost of Debt	=	6.6%
Cost of Equity	=	14.7%
WACC	=	13.1%

Weighted Average Cost of Capital (WACC) = (Debt% * AD) + (Equity% * (RF + SCP + CSP + B(EP)))

And the Capitalization Rate = WACC - G

Control Premiums

A controlling interest in a company is considered to have greater value than a non-controlling (minority) interest because the holder of a controlling interest has the ability to implement changes in businesses policies, while the holder of a minority interest does not. Accordingly, when the subject interest being valued is a controlling interest, we must apply a control premium. Conversely, when the subject interest being valued is a non-controlling (minority) interest, we must apply a discount for lack of control. Control premiums can vary tremendously. Factors that affect the magnitude of a control premium include:

- The nature and magnitude of non-operating assets.
- The nature and magnitude of discretionary expenses.
- The perceived quality of existing management.
- The nature and magnitude of business opportunities which are not currently being exploited.
- The ability to integrate the acquiree into the acquiror's business or distribution channels.¹

Mergerstat's Control Premium Study defines a control premium as “the additional consideration that an investor would pay over a marketable minority equity value (i.e., current, publicly-traded stock prices) in order to own a controlling interest in the common stock of a company.”² The primary objective of control premium studies is to measure the premium over marketable minority interest transaction prices at which controlling interests in the same class of stock of the same company have been acquired. The percentage of the per share acquisition price over the pre-announcement minority public market per share trading price is commonly called the control premium. Conversely, the percentage below the per share acquisition price at which the minority stock had been trading in the public markets is commonly called the minority interest discount.

In reality, it might be more appropriate to refer to the subject premium as an acquisition premium rather than a control premium because control level transaction prices often reflect additional factors over and above the noted elements of control, such as synergistic benefits.

If a controlling interest in a company is being valued using multiples derived from trading prices of minority interests in publicly-traded stocks, such as in the Guideline Public Company Method, then a control premium must be applied when determining certain comparative guideline public company stock value multiples. However, if a controlling interest in the subject company is being valued using a method that already considers the company on a control basis such as the Adjusted Net Asset Value Method, the Capitalization of Earnings Method, as applied herein, the Discounted Cash Flow Method, or the Guideline Transaction Method, then a control premium need not be applied.

¹ Mergerstat Control Premium Study 3rd Quarter 2000 (Los Angeles: Mergerstat LP)

² Ibid.

Mergerstat Review's 2001 Control Premium Study for SIC codes in the 3754-3756 range (Concrete Products) yielded the following control premium data (30 transactions):

Range	3.4% - 59.3%
Median	19.9%
Mean	21.7%

We have elected to apply a median control premium from the above study as rounded to 20%.

Discounts for Lack of Marketability

Because the subject company is privately held, its shareholders have no access to an active, public trading market in the subject company's shares. Without market access, an investor's ability to control the timing of potential gains, to avoid losses, and to minimize the opportunity costs associated with the inability to direct funds to a more promising investment are severely impaired. Accordingly, it is appropriate to discount the value of illiquid securities to reflect this differential in marketability.

If an investor in a publicly-traded company needs cash or becomes dissatisfied with the performance of the issuing company or its management team, he/she can sell his/her interest almost immediately at its market value. An investor in a publicly-traded company also enjoys a certain level of assurance that management will operate the issuing company in the best interest of the shareholders if effective governance mechanisms are in place. As a result of regulatory reporting requirements and analyst coverage, an investor in a publicly-traded company also has access to significant information concerning a company's performance.

There are two categories of empirical data that assist appraisers and investors in quantifying appropriate discounts for lack of marketability: 1) discounts on sales of restricted shares of publicly-traded companies (restricted stock transactions); and 2) prices on earlier sales of privately-held company shares compared to subsequent per share prices in initial public offerings for the same or a similar class of shares of the same company (pre-IPO transactions). Studies of restricted stock transactions are generally considered to provide better data because they directly measure the difference between the prices of two otherwise identical securities at the same point in time.

Restricted securities are subject to the marketability restrictions of Rule 144 of the Securities Act of 1933. Rule 144 was adopted by the Securities and Exchange Commission ("SEC") in 1972. Under Rule 144, unregistered securities had to be held for a minimum of two years before they could be sold. After this two-year holding period expired, the restricted securities could be sold only in accord with certain volume limit provisions. To qualify for an exemption under Rule 144, the total number of restricted securities sold in any three-month period cannot exceed the greater of: 1) one percent of the total number of the issuing company's outstanding shares, or 2) the average weekly reported trading volume during the four weeks preceding the sale (these are referred to as "dribble out" provisions).

Rule 144 also allowed that any person or entity who is not considered an affiliate of the issuer could sell all remaining securities, without being subject to the “dribble out” provisions, after a holding period of a minimum of three years. In 1990, Rule 144 was amended. Prior to this amendment, if a purchaser of restricted securities sold such securities in a privately-negotiated transaction, the required holding period would start anew for the new buyer. The 1990 amendment allowed the new buyer of restricted securities to “tack” the holding period of the previous owner(s) of the restricted securities onto his own holding period, but only if the previous owner was not an affiliate of the issuing company. Accordingly, the 1990 amendment effectively increased the liquidity of restricted securities. In 1997, Rule 144 was amended once again. The 1997 amendment shortened the initial holding period from two years to one year and the holding period for non-affiliates from three years to two years.

Most of the studies discussed herein involve transactions taking place before the 1990 amendment and none of the studies discussed herein involve transactions taking place after the 1997 amendment. In some ways, this makes the data derived from the studies discussed herein even more relevant than data that might be derived from studies involving transactions taking place after the 1997 amendment. This is because restricted securities existing prior to the 1990 and 1997 amendments were less liquid than restricted securities existing subsequent to the 1990 and 1997 amendments and were, therefore, more similar to securities of privately-held companies, which have no trading market.

The Internal Revenue Service, through Revenue Ruling 77-287, has set forth guidelines for the determination of discounts for lack of marketability for securities subject to restriction under Rule 144. Revenue Ruling 77-287 notes two primary factors that a purchaser of restricted securities must consider:

- “The risk that the underlying value of the stock will change in a way that, absent the restrictive provisions, would have prompted a decision to sell.”
- “The risk that the contemplated means of legally disposing of the stock may not materialize.”

Revenue Ruling 77-287 sets forth that the value of a security restricted under Rule 144 is less than the value of that security’s freely-traded counterpart. Revenue Ruling 77-287 also provides the following guidelines for the determination of discounts for lack of marketability for securities subject to restriction under Rule 144:

- No automatic formulas should be used to determine the discount for lack of marketability.
- The discount for lack of marketability is a function of the earnings, net assets and sales of the subject entity.
- The discount for lack of marketability is a function of the trading market for the equivalent freely-traded stock.
- The discount for lack of marketability is a function of the resale restrictions applicable to the restricted security.

Institutional Investor Study

Revenue Ruling 77-287 is based on the Institutional Investor Study Report⁴ (“SEC Study”). The SEC Study measured discounts in transactions occurring from 1966-1969 that involved securities that were restricted under provisions similar to Rule 144. Based on more than 300 such transactions, the SEC Study found the following:

• Companies Sorted By Exchange	Discount Range
NYSE	10% - 20%
ASE	20% - 30%
OTC - Reporting	20% - 30%
OTC - Non-reporting	30% - 40%
• Companies Sorted By Sales	
\$100 mm +	10% - 20%
\$20 mm - \$100 mm	10% - 20%
\$ 5 mm - \$20 mm	10% - 20%
\$ 1 mm - \$ 5 mm	30% - 40%
\$ 0 mm - \$ 1 mm	30% - 40%
• Companies Sorted By Earnings	
\$10 mm +	10% - 20%
\$ 1 mm - \$10 mm	10% - 20%
\$ 0 mm - \$ 1 mm	20% - 30%
• Overall Mean Discount	
	24%
• Overall Median Discount	
	26%

The SEC Study includes transactions in securities with certain resale provisions, commonly referred to as registration rights. The SEC Study notes that the existence of such resale provisions “assuages, but by no means eliminates the illiquid character of restricted securities.” The SEC Study does not separate the transactions involving securities with resale provisions from those without.

The SEC Study provides useful insight to appraisers and investors for quantifying appropriate discounts for lack of marketability. More particularly, securities of a privately-held firm, such as the subject company, should be considered less liquid than the Rule 144 securities of a publicly-held company that are sold in a private placement. A publicly-held company has an established trading market for its securities and its Rule 144 securities will eventually become tradable in that market,

⁴ Institutional Investor Study Report of the Securities and Exchange Commission, H.R. Doc. No. 64, Part 5, 92nd Congress, 1st Session, 1971, pp. 2444-2456.

which generally indicates a discount for lack of marketability for private companies higher than the overall mean discount in the SEC Study.

Other Studies Involving Discounts on Sales of Restricted Shares of Publicly-Traded Companies

Several restricted stock studies other than the SEC Study have focused on discounts for lack of marketability. The restricted stock studies summarized in the table below typically indicate discounts for lack of marketability in the 25 to 45 percent range. The last two studies in the table below, the Solberg Study and the Moore Study, both of which surveyed court cases, reflect average discounts for lack of marketability of 37.4 percent and 24.0 percent, respectively. While the studies summarized in the table below provide less detail than the SEC Study, they can be used as benchmarks that indicate higher discounts than the SEC Study. The Standard Research Consultants study is somewhat anomalous and reflects a median discount for lack of marketability of 45 percent. Four of the other five studies (excluding the Solberg Study and the Moore Study) reflect median or average discounts for lack of marketability in a very tight range of approximately 31-35 percent.

Market Study	Data Date Range	Average Discount
Gelman Study	1968-1970	33.00% *
Trout Study	1968-1972	33.45%
Maher Study	1969-1973	35.43%
Standard Research Consultants	1978-1982	45.00% *
Willamette Management Associates Study	1981-1984	31.20% *
Management Planning Study	1980-1990	24.50%
Solberg Study		37.40%
Moore Study		24.00%

* Denotes median discounts

The data indicates that companies with the largest sales volumes have the smallest discounts for lack of marketability and companies with the smallest sales volumes have the largest discounts for lack of marketability. This may be partially a result of the market on which the issuing company's unrestricted securities trade. For example, in the SEC Study, discounts for lack of marketability on restricted securities were found to be the lowest for NYSE-listed companies, and increased, in order, for ASE-listed companies, OTC-reporting companies and OTC-non-reporting companies. A non-reporting OTC company is a company in which the stock is publicly-traded over the counter but is not subject to reporting requirements because its total assets are under \$1 million or it has total stockholders numbering 500 or fewer. Non-reporting OTC companies, as opposed to reporting companies traded OTC or on the ASE or NYSE, are considered to more closely resemble privately-held companies. This would indicate that discounts for lack of marketability for privately-held companies should generally be on the higher end of the relevant range of discount for lack of marketability data.

Studies Involving Transactions in Closely-Held Stocks Prior to Initial Public Offerings

Robert W. Baird & Co., under the direction of John O. Emory, has conducted six studies over time periods ranging from 1980 through April of 1995 comparing transaction prices in the stock of privately-held companies, at times when no public market existed for such stock, to the prices of the same or similar classes of stock when subsequently sold in an IPO transaction. Over the fifteen-year period of the study, the average discount for lack of marketability was 46.67%.

THE VALUE OF MARKETABILITY AS ILLUSTRATED IN INITIAL PUBLIC OFFERINGS OF COMMON STOCK *

Study	Mean Discount	Median Discount
1994-1995	45%	45%
1992-1993	45%	44%
1990-1992	42%	40%
1989-1990	45%	40%
1987-1989	45%	45%
1985-1986	43%	43%
1980-1981	60%	66%

*Source: Emory, John D., *The Value of Marketability as illustrated in Initial Public Offerings of Common Stock*, Business Valuation Review, March 1994.

Summary of Discount for Lack of Marketability Considerations

All of the studies noted above regarding discounts for lack of marketability include transactions involving less than all of the issuing company's outstanding shares. For most, if not all, of the transactions analyzed in the studies noted above, the subject blocks of stock constituted a minority interest in the issuing company. When we value a controlling interest, we must consider the extent to which the elements of control associated with the subject interest enhance marketability.

Aside from the studies noted above, other factors that may effect the marketability of stock include associated puts and/or calls, transfer restrictions imposed by shareholder or other agreements, the history of and prospects for the continued payment of dividends, the prospects of a sale of some or all of the stock or assets of an issuing company, the prospects of a public offering of the subject stock, and an investor's expected holding period and return, including the expected growth in value of the subject stock.

After taking into consideration the above factors and empirical studies, it is our opinion that an appropriate discount for lack of marketability for the subject company is 20%.

