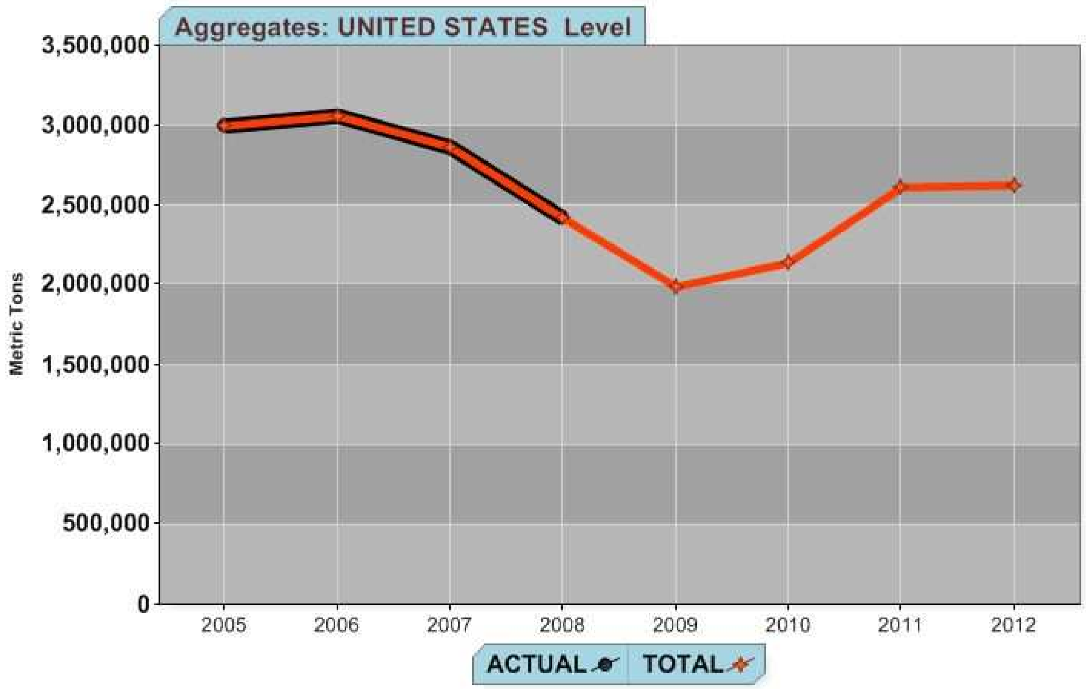
DCG, Inc. Aggregates Forecast



	2008	2009	2010	2011
Total	**2.42**	**2.00**	**2.14**	**2.61**

Billions of Metric Tons. Source: David Chereb Group, Inc.

The latest results from our county based aggregates model reveal that the sharp decline in aggregates consumption is almost over. The plunge in residential building is at or near a bottom with home sales now beginning to increase from very low values. Before 2010 begins new signs of recovery will emerge in both homebuilding and public works, driven in part by low interest rates and Federal stimulus spending. Nonresidential consumption will remain a drag on consumption well into 2010 as vacancy rates and unemployment are too high to justify higher volumes.

The lag between monetary stimulus from the Federal Reserve and new loans can be long and uncertain, but the new money will eventually find its way into the economy. Since there has been an extraordinary amount of new liquidity pumped into the financial system it means that sometime in 2010 new spending will emerge from both the consumer and businesses. With both monetary and fiscal stimulus pulling in the same direction for over a year construction demand will accelerate in 2010. The biggest percentage gain in aggregates demand will come from residential which will increase by more than 50% in 2010. Aggregates demand from public works will gain less than 10% in 2010 as states will continue to struggle with balancing their budgets. Nonresidential aggregates demand will decline by close to 10% due to high vacancy rates. In 2011 aggregates demand will grow by over 20% as all three segments of construction, residential, nonresidential and nonbuilding, increase.

Regionally the biggest gains in 2010 will come from the Mountain West and Plains states. New demand for these areas is driven by moderate living costs, growing populations and alternative energy investments. By 2011 even the former boom states of California, Nevada, Arizona and Florida will be experiencing double digit gains as they recover from their extreme 2009 lows. Beyond 2010 the looming problem of a rapidly growing Federal debt to Gross Domestic Product ratio will put upward pressure on interest rates and begin to dampen construction growth.

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