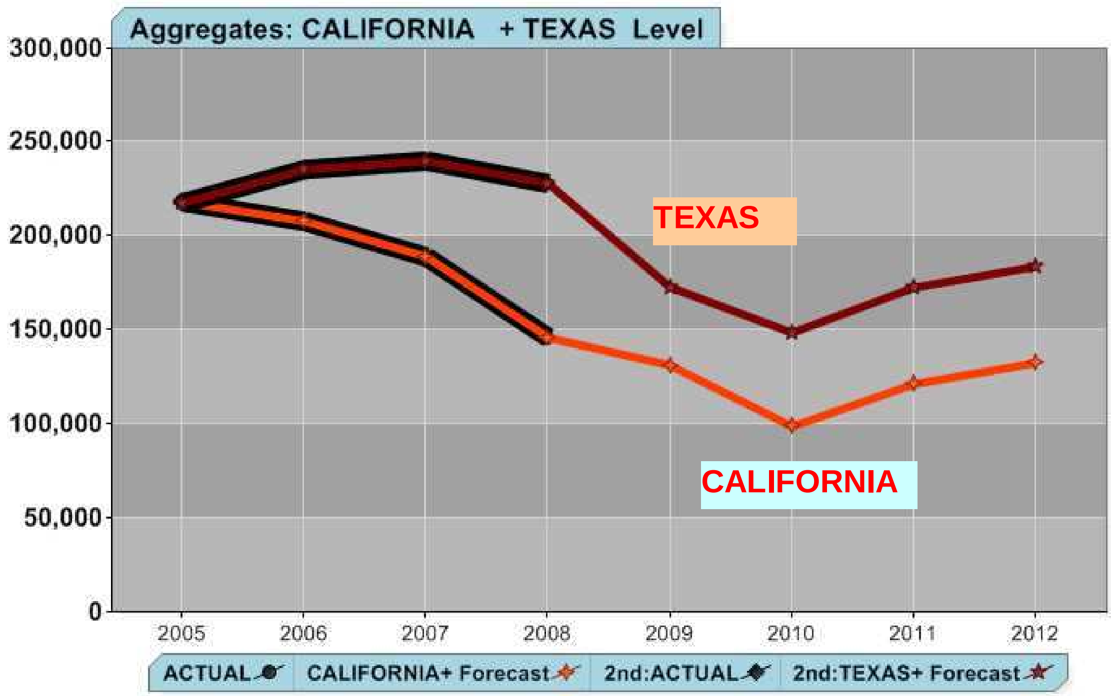
# DCG, Inc. Aggregates Forecast




The chart compares volume changes for Texas and California from 2005 to 2012 from our county based aggregates forecasting system. While the two states started with almost the same consumption level in 2005 they have taken very different paths during the past five years. The decline from 2005 to the trough in 2010 will be -55% for California and -32% for Texas. The problems for California are well documented (a housing collapse and a dysfunctional state government). But even Texas with its strong energy industry has not been immune from the recession. This shows the incredible breath of the damage from the mortgage industry meltdown.

As the chart shows, both states begin to recover by 2011. Most of the growth is due to higher public works and a modest rebound in housing. With home prices down and mortgage rates low, even California will build more homes in 2011-12. However, the strength of the recovery is far below average for California, growing only 34% between 2010 and 2012, leaving the 2012 consumption level still 39% below the 2005 volume. Texas also grows at a rate far below prior recoveries, increasing by only 24% by 2012 (but still 16% below the 2005 level). Unless California reforms its business and budgeting problems, aggregates consumption will trail Texas for the next decade, making California look more like a slow growing Northeast state while other more business friendly states such as Texas continue to attract resources and investment.

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