FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SOUTHDOWN INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-6117

SOUTHDOWN, INC.
(Exact name of registrant as specified in its charter)

Louisiana	72-0296500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1200 Smith Street Suite 2400 Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 650-6200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

At April 29, 1994 there were 17.2 million common shares outstanding.

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

(unaudited)

	(in millions)	
	March 31, 1994	December 31, 1993
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8.4	$ 7.4
Accounts and notes receivable, less allowance for doubtful accounts of $8.3 and $7.0	73.5	75.7
Inventories (Note 2)	71.6	54.7
Deferred income taxes	24.0	25.5
Prepaid expenses and other	3.6	3.6
Total current assets	181.1	166.9
Property, plant and equipment, less accumulated depreciation, depletion and amortization of $281.3 and $274.8	589.3	593.2
Goodwill	73.8	74.5
Other long-term assets:		
Long-term receivables	20.6	20.6
Other	50.0	51.8
	$ 914.8	$ 907.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 0.9	$ 19.9
Accounts payable and accrued liabilities	97.1	91.9
Total current liabilities	98.0	111.8
Long-term debt	222.9	274.0
Deferred income taxes	125.9	127.6
Minority interest in consolidated joint venture	28.7	28.8
Long-term portion of postretirement benefit obligation	83.4	83.8
Other long-term liabilities and deferred credits	18.0	18.8
	576.9	644.8
Shareholders' equity:		
Preferred stock redeemable at issuer's option (Note 3)	154.1	67.9
Common stock, $1.25 par value	21.4	21.3
Capital in excess of par value	122.9	127.6
Reinvested earnings	39.5	45.4
	337.9	262.2
	$ 914.8	$ 907.0

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS

(unaudited)

	(in millions, except per share data)	
	Three Months Ended March 31,	
	1994	1993
Revenues	$119.4	$ 106.1
Costs and expenses:		
Operating	87.1	75.7
Depreciation, depletion and amortization	10.9	10.8
Selling and marketing	4.2	4.5
General and administrative	10.5	12.0
Other (income) expense, net	1.3	(0.1)
	114.0	102.9
Minority interest in earnings of consolidated joint venture	(0.1)	-
	113.9	102.9
Operating earnings	5.5	3.2
Interest	(8.7)	(10.4)
Loss before income taxes and cumulative effect of a change in accounting principle	(3.2)	(7.2)
Federal and state income tax benefit	1.0	2.8
Loss before cumulative effect of a change in accounting principle	(2.2)	(4.4)
Cumulative effect of a change in accounting principle, net of taxes	-	(48.5)
Net loss	$ (2.2)	$ (52.9)
Dividends on preferred stock (Note 3)	$ (2.1)	$ (1.3)
Loss per common share (Note 3 and Exhibit 11):		

Loss before cumulative effect of a change in accounting principle	$(0.25)	$ (0.34)
Cumulative effect of a change in accounting principle, net of taxes	-	(2.86)
	$(0.25)	$ (3.20)
Average shares outstanding (Exhibit 11)	17.1	16.9

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED CASH FLOWS
(unaudited)

	(in millions)	
	Three Months Ended March 31,	
	1994	1993
Operating activities:		
Net loss	$(2.2)	$(52.9)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Cumulative effect of a change in accounting principle	-	48.5
Depreciation, depletion and amortization	10.9	10.8
Deferred income tax benefit	(0.2)	(3.1)
Amortization of debt issuance costs	1.2	0.8
Changes in operating assets and liabilities	(12.7)	(11.5)
Other adjustments	(0.1)	0.1
Net cash used in operating activities	(3.1)	(7.3)
Investing activities:		
Additions to property, plant and equipment	(6.5)	(5.5)
Proceeds from asset sales	-	1.5
Other	(1.1)	0.7
Net cash used in investing activities	(7.6)	(3.3)
Financing activities:		
Additions to long-term debt	-	18.4
Reductions in long-term debt	(70.0)	(6.3)

Proceeds from sale of preferred stock	86.3	-
Securities issuance costs	(4.2)	-
Dividends	(0.4)	(0.4)
Net cash provided by financing activities	11.7	11.7
Net increase in cash and cash equivalents	1.0	1.1
Cash and cash equivalents at beginning of period	7.4	12.5
Cash and cash equivalents at end of period	$ 8.4	$ 13.6

Cash payments for income taxes totaled $115,000 in the first quarter of 1994. There were no cash payments for income taxes in the first quarter of 1993. Interest paid, net of amounts capitalized, was $3.2 million and $2.7 million in 1994 and 1993, respectively. The $48.5 million noncash operating charge in 1993 for the cumulative effect of a change in accounting principle also resulted in a noncash charge to deferred income taxes of $25.9 million and a noncash credit to long-term portion of postretirement benefit obligation of $74.4 million. Noncash investing activities in 1993 included the sale of a hazardous waste processing facility for $5.6 million face value of a new issue of the purchaser's preferred stock.

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED REVENUES AND OPERATING EARNINGS
BY BUSINESS SEGMENT

(unaudited)

	(in millions)	
	Three Months Ended March 31,	
	1994	1993
Contributions to revenues:		
Cement	$ 73.7	$ 66.6
Concrete products	49.6	37.7
Environmental services	7.8	9.9
Intersegment sales	(11.9)	(8.2)
Corporate and other	0.2	0.1

	$119.4	$ 106.1
Contributions to operating earnings (loss) before interest expense and income taxes:		
Cement	$ 16.9	$ 14.6
Concrete products	(0.8)	(1.2)
Environmental services	(1.4)	0.2
Corporate		
General and administrative	(6.9)	(9.0)
Depreciation, depletion and amortization	(1.2)	(1.1)
Miscellaneous expense	(1.1)	(0.3)
	$ 5.5	$ 3.2

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

STATEMENT OF SHAREHOLDERS' EQUITY

(unaudited)

(in millions)

	Preferred Stock		Common Stock		Capital in excess of par value	Reinvested earnings
	Shares	Amount	Shares	Amount		
Balance at December 31, 1993	3.0	$ 67.9	17.0	$ 21.3	$127.6	$ 45.4
Net loss	-	-	-	-	-	(2.2)
Issuance of Series D Preferred Stock (Note 3)	1.7	86.3	-	-	-	-
Issuance expenses of capital stock	-	-	-	-	(3.9)	-
Dividends on preferred stock (Note 3)	-	-	-	-	-	(2.1)
Exercise of stock options	-	-	0.2	0.1	-	(1.5)
Other	-	(0.1)	-	-	(0.8)	(0.1)
Balance at March 31, 1994	4.7	$ 154.1	17.2	$ 21.4	$122.9	$ 39.5

SOUTHDOWN, INC. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 - Unaudited Consolidated Financial Statements:

The Consolidated Balance Sheet of Southdown, Inc. and subsidiary companies (the Company) at March 31, 1994 and the Statements of Consolidated Earnings, Consolidated Cash Flows, Consolidated Revenues and Operating Earnings by Business Segment and Shareholders' Equity for the periods indicated herein have been prepared by the Company without audit. The Consolidated Balance Sheet at December 31, 1993 is derived from the December 31, 1993 audited financial statements, but does not include all disclosures required by generally accepted accounting principles. It is assumed that these financial statements will be read in conjunction with the audited financial statements and notes thereto included in the Company's 1993 Annual Report on Form 10-K, as amended by Form 10-K/A dated May 11, 1994.

In the opinion of management, the statements reflect all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows of the Company on a consolidated basis at March 31, 1994 and 1993. The interim statements for the period ended March 31, 1994 are not necessarily indicative of results to be expected for the full year.

Note 2 - Inventories:

	(unaudited, in millions)	
	March 31, 1994	December 31, 1993
Finished goods	$ 22.1	$ 15.4
Work in progress	16.5	7.0
Raw materials	5.8	6.0
Supplies	27.2	26.3
	$ 71.6	$ 54.7

Inventories stated on the LIFO method were $30.5 million at March 31, 1994 and $20.4 million at December 31, 1993 compared with current costs of $38.4 million and $28.3 million, respectively.

Note 3 - Capital Stock:

Common Stock

At March 31, 1994 17,155,000 shares of common stock were issued and outstanding.

Preferred Stock Redeemable at Issuer's Option

Series A Preferred Stock - The Company had 1,999,000 shares of Preferred Stock, $0.70 Cumulative Convertible Series A (Series A Preferred Stock) issued and outstanding at March 31, 1994, December 31, 1993 and March 31, 1993. Dividends paid on the Series A Preferred Stock were approximately $350,000 during each of the three-month periods ended March 31, 1994 and 1993.

Series B Preferred Stock - The Company had 957,000 shares of Preferred Stock, $3.75 Convertible Exchangeable Series B (Series B Preferred Stock) issued and outstanding at March 31, 1994, and 959,000 shares issued and outstanding at December 31, 1993 and March 31, 1993. Dividends accrued on the Series B Preferred Stock were approximately $900,000 during each of the three months ended March 31, 1994 and 1993.

It is the Company's present intention to issue a notice of redemption for some or all of the outstanding shares of its Series B Preferred Stock as soon as the market price of the Company's common stock stabilizes at a level that provides reasonable assurance that such preferred stock will be converted into the Company's common stock. The Series B Preferred Stock has a redemption price of $50.00 per share plus accrued and unpaid dividends to the redemption date. Each share of Series B Preferred Stock is convertible into 2.5 shares of the Company's common stock (equivalent to a conversion price of $20.00 per share of common stock).

Series D Preferred Stock - On January 27, 1994, the Company issued 1,725,000 shares of Preferred Stock, $2.875 Cumulative Convertible Series D (Series D Preferred Stock) all of which were outstanding at March 31, 1994. The net proceeds of approximately $82 million were utilized to reduce long-term debt and to fund working capital requirements. Dividends accrued on the Series D Preferred Stock were approximately $900,000 during the three month period ended March 31, 1994.

Note 4 - Contingencies:

See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Known Events, Trends and Uncertainties" for discussion of certain contingencies.

Note 5 - Review by Independent Accountants:

The unaudited financial information presented in this report has been reviewed by the Company's independent public accountants. The review was limited in scope and did not constitute an audit of the financial information in accordance with generally accepted auditing standards such as is performed in the year-end audit of financial statements. The report

of Deloitte & Touche on its limited review of the financial information as of March 31, 1994 and for the three-month periods ended March 31, 1994 and 1993 follows.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and
Board of Directors of
Southdown, Inc.
Houston, Texas

We have reviewed the accompanying consolidated balance sheet of Southdown, Inc. and subsidiary companies as of March 31, 1994, and the related statement of consolidated earnings and the statement of consolidated cash flows for the three months ended March 31, 1994 and 1993 and the statement of shareholders' equity for the three months ended March 31, 1994. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of the interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted

auditing standards, the consolidated balance sheet of Southdown, Inc. and subsidiary companies as of December 31, 1993 and the related consolidated statements of earnings, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 27, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1993 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche
Houston, Texas
May 11, 1994

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Consolidated First Quarter Earnings

Operating earnings for the first quarter of 1994 were $5.5 million compared with $3.2 million in the prior year quarter. The net loss for the three months ended March 31, 1994 was $2.2 million, $0.25 per share. The net loss for the prior year quarter was $52.9 million, $3.20 per share fully diluted, including a $48.5 million, $2.86 per share, charge related to the adoption of Statement of Financial Accounting Standards No. 106 (SFAS No. 106). This charge represented initial recognition of the liability for postretirement benefits other than pensions attributable to employee services provided prior to the mandatory adoption of the new

accounting principle.

First quarter 1994 revenues improved 13% compared with the prior year quarter primarily because of a 7% and 27% increase, respectively, in cement and ready-mixed concrete sales volumes combined with a $3.23 per ton and $1.25 per cubic yard, respectively, improvement in cement and ready-mixed concrete sales prices. These higher volumes and prices also contributed to the improved operating results reported by the Cement and Concrete Products segments. However, in the first quarter of 1994, all of the Company's hazardous waste processing facilities generated lower operating earnings compared with the prior year period and solid hazardous waste derived fuel volumes burned in the Company's Tennessee cement kiln declined 26% which together resulted in a $1.6 million decline in the operating results of the Environmental Services segment. Also included in the results of the first quarter of 1994 were charges totaling $1.7 million in conjunction with the disposition of lawsuits.

General and administrative expenses for 1994 were lower than the prior year quarter because the prior year period included a $1.8 million charge to accrue the estimated cost of postretirement healthcare benefits calculated under SFAS No. 106 in excess of claims incurred. No such charge is required for the current period.

Interest expense for the three months ended March 31, 1994 was $1.7 million lower than the comparable 1993 quarter because of lower debt levels.

Segment Operating Earnings

Cement

Operating earnings of the Cement segment for the three month period ended March 31, 1994 were $16.9 million compared with $14.6 million in the prior year quarter. Despite (i) higher per unit operating costs attributable to unplanned kiln outages, (ii) two months of abnormally severe winter weather in many markets and (iii) a $1.4 million provision for doubtful accounts in the first quarter of 1994 compared with $210,000 in the prior year quarter, operating earnings improved over the prior year period primarily because of a $3.23 per ton increase in average cement sales prices.

Sales volumes, average unit price and cost data and unit

operating profit margins relating to the Company's cement plant operations appear in the following table:

	Three Months Ended March 31,	
	1994	1993
Tons of cement sold (thousands)	1,240	1,164
Weighted average per ton data:		
Sales price (net of freight)	$ 52.00	$ 48.77
Manufacturing and other plant operating costs 1	41.84	39.49
Margin	$ 10.16	$ 9.28

(1) Includes fixed and variable manufacturing costs, selling expenses, plant general and administrative costs, other plant overhead and miscellaneous costs.

The increase in sales prices per ton for the current quarter compared with the prior year period reflects partial realization of price increases implemented at most of the Company's cement plants during the previous twelve months. The increase in operating costs per ton for the three months ended March 31, 1994 compared with the prior year period was primarily attributable to higher maintenance and repair costs of several of the manufacturing facilities because of abnormally severe weather conditions and various major repairs undertaken in the first quarter of 1994.

Concrete Products

Despite higher average cement costs, the operating loss for the Concrete Products segment decreased to $828,000 compared with a $1.2 million loss in the prior year quarter. Revenues increased 32% from the prior year quarter as sales volumes and prices from all of the product lines in the concrete products operation improved. The loss at the southern California operations declined 8% primarily because of improved sales volumes and prices from its aggregate operations. Florida operating results increased by approximately $400,000 compared with the prior year period reflecting higher sales volumes and sales prices from the ready-mixed concrete operations as well as continuing improvement from the block, resale and fly ash operations.

Sales volumes, unit price and cost data and unit operating profit (loss) margins relating to the Company's ready-mixed concrete operations appear in the following table:

	Three Months Ended March 31, 1994	
	1994	1993
Yards of ready-mixed concrete sold (thousands)	893	705
Weighted average per cubic yard data:		
Sales price	$ 45.18	$ 43.93
Operating costs 1	47.04	46.05
Margins	$ (1.86)	$ (2.12)

(1) Includes variable and fixed plant costs, delivery, selling, general and administrative and miscellaneous operating costs.

The increase in the weighted average sales price per cubic yard for the three months ended March 31, 1994 compared with the 1993 period reflects higher sales prices primarily in the Company's Florida market. The increase in weighted average operating costs per cubic yard for the three months ended March 31, 1994 compared with 1993 is primarily attributable to higher material costs in Florida.

Environmental Services

The Environmental Services segment reported an operating loss of $1.4 million for the three months ended March 31, 1994 compared with operating earnings of $238,000 in the prior year quarter. The hazardous waste processing facilities had operating earnings of $168,000 in the current quarter compared with $1.1 million in the prior year period as operating results from all facilities were lower than the previous year because of abnormally severe weather conditions and lower sales volumes. In March 1994, the Company sold its Illinois hazardous waste processing facility for $1 million. No gain or loss was recognized on the transaction. Resource recovery operations declined $972,000 to an operating

loss of $181,000 in the current period primarily as a result of a 26% decrease in solid hazardous waste derived fuel volumes burned and higher than expected professional fees including costs incurred to complete a previously commissioned research study. The decrease in solid hazardous waste derived fuel volumes was primarily the result of shortages of available volumes because of competitive market conditions and weather related operating problems.

Corporate

Corporate general and administrative expenses for the current period were substantially below the first quarter of 1993, primarily because the prior year period included a $1.8 million charge to accrue the estimated postretirement healthcare benefits calculated under SFAS No. 106 in excess of claims incurred. No such charge was required for the 1994 period.

Miscellaneous expense in the first quarter of 1994 included charges totaling $1.7 million in conjunction with the disposition of lawsuits.

Liquidity and Capital Resources

The discussion of liquidity and capital resources included on pages 37 through 47 of the Company's Annual Report on Form 10-K for the year ended December 31, 1993, as amended by Form 10-K/A dated May 11, 1994, should be read in conjunction with the discussion of liquidity and capital resources contained herein.

In late January 1994, the Company realized approximately $82 million in net proceeds from the sale of 1,725,000 shares of a new issue of preferred stock. The net proceeds were used to prepay an $18 million promissory note due in March 1994 and to reduce borrowings under the Company's Revolving Credit Facility, $47 million of which was incurred in early January 1994 to redeem $45 million principal amount of the Company's 12% Senior Subordinated Notes Due 1997 (12% Notes). Other borrowings under the Company's Revolving Credit Facility were utilized to fund working capital requirements and to invest approximately $6.5 million in plant, property and equipment. The remaining $45 million outstanding principal amount of the 12% Notes was redeemed on May 1, 1994 with additional borrowings under the Revolving Credit Facility.

It is the Company's present intention to issue a notice of redemption for some or all of the outstanding shares of its Series B Preferred Stock as soon as the market price of the Company's common stock stabilizes at a level that provides reasonable assurance that such preferred stock will be converted into the Company's common stock. The Series B Preferred Stock has a redemption price of $50.00 per share plus accrued and unpaid dividends to the redemption date. Each share of Series B Preferred Stock is convertible into 2.5 shares of the Company's common stock (equivalent to a conversion price of $20.00 per share of common stock).

In the first quarter of 1993, the Company borrowed approximately $18.4 million under its Revolving Credit Facility primarily to (i) finance the seasonal build-up of inventories, (ii) make scheduled debt principal payments of $6.3 million and (iii) make investments of approximately $5.5 million in property, plant and equipment.

The Company's Revolving Credit Facility totals $200 million and matures in November 1996. The Revolving Credit Facility includes $20 million of borrowing capacity that is restricted solely for potential funding of obligations under an agreement between the Company and the U.S. Maritime Administration related to certain shipping operations owned previously by Moore McCormack Resources, Inc. (Moore McCormack), an entity acquired by the Company in 1988. The facility also includes the issuance of standby letters of credit up to a maximum of $95 million. Substantially all of the Company's assets are pledged to secure this facility. At March 31, 1994, $14.6 million of borrowings and $70.8 million of letters of credit were outstanding under the Revolving Credit Facility, leaving $94.6 million of unused and unrestricted capacity.

Changes in Financial Condition

The change in the financial condition of the Company between December 31, 1993 and March 31, 1994 reflects the realization of approximately $82 million in net proceeds from the sale of a new issue of preferred stock which was used to pay down debt, including $18 million classified as current maturities of long-term debt, and to fund working capital requirements and capital expenditures. The increase in inventories reflects the typical seasonal build-up in cement inventories in preparation for the peak selling

months in the second and third quarters. Accrued liabilities increased because of the timing of payments on normal trade and other obligations.

Known Events, Trends and Uncertainties

Environmental Matters

The Company is subject to extensive Federal, state and local air, water and other environmental laws and regulations. These constantly changing laws regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of certain substances at the Company's various operating facilities.

The Federal Water Pollution Control Act, commonly known as the Clean Water Act, provides comprehensive federal regulation of various

sources of water pollution. The Clean Air Act Amendments of 1990 provided comprehensive federal regulation of various sources of air pollution, and established a new federal operating permit program for virtually all manufacturing operations. The Clean Air Act Amendments will likely result in increased capital and operational expenses for the Company in the future, the amounts of which are not presently determinable. By 1995, the Company's U.S. operations will have to submit detailed permit applications and pay recurring permit fees. In addition, the U.S. Environmental Protection Agency (U.S. EPA) is developing air toxics regulations for a broad spectrum of industrial sectors, including portland cement manufacturing. U.S. EPA has indicated that the new maximum available control technology standards could require significant reduction of air pollutants below existing levels prevalent in the industry. Management has no reason to believe, however, that these new standards would place the Company at a competitive disadvantage. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA), as well as analogous laws in certain states, create joint and several liability for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. Among those who may be held jointly and severally liable are those who generated the waste, those who arranged for disposal, those who owned the disposal site or facility at the time of disposal and current owners.

Hazardous waste processing facilities and the cement plants that burn hazardous waste derived fuel (HWDF), by definition, involve materials that have been designated as hazardous wastes. The Company's utilization of HWDF in some of its cement kilns has necessitated the familiarization of its work force with the more exacting requirements of applicable environmental laws and regulations with respect to human health and the environment. The failure to observe the exacting requirements of these laws and regulations could jeopardize the Company's hazardous waste management permits and, under certain circumstances, expose the Company to significant liabilities and costs of cleaning up releases of hazardous wastes into the environment or claims by employees or others alleging exposure to toxic or hazardous substances. Management believes that the Company's current procedures and practices for handling and management of materials are consistent with industry standards and legal requirements and that appropriate precautions are taken to protect employees and others from harmful exposure to hazardous materials. However, because of the complexity of operations and legal requirements, there can be no assurance that past or future operations will not result in operational errors, violations, remediation liabilities or claims by employees or others alleging exposure to toxic or hazardous materials. Owners and operators of industrial facilities and those who handle, store or dispose of hazardous substances may be subject to fines or other actions imposed by the U.S. EPA and corresponding state regulatory agencies for violations of laws or regulations relating to those substances. The Company has incurred fines imposed by various environmental regulatory agencies in the past.

On March 23, 1994, the Ohio Hazardous Waste Facility Board denied the Company's application for a Resource Conservation and Recovery Act (RCRA) Part B permit for the Ohio cement plant's hazardous waste derived fuels storage facility. The Company intends to file a motion for reconsideration of the Board's decision and believes that a RCRA Part B permit ultimately will be issued.

In June 1992, the Company's Knoxville, Tennessee cement plant submitted to the U.S. EPA a Boiler and Industrial Furnace Certificate of Compliance, a lengthy filing made to allow the plant to continue to burn hazardous waste derived fuels. In a Notice of Violation (NOV) dated April 12, 1994, the U.S. EPA Region IV asserted that certain additional information should have been included in the Certificate of Compliance and, consequently, that the Company is in violation of certain requirements of RCRA. The Company has filed a request for an extension of time to respond and has received verbal assurances that the extension will be granted. Although U.S. EPA did not propose any fines or penalties in the NOV, the NOV noted that RCRA authorizes U.S. EPA to assess penalties of up to $25,000 per day for each violation of RCRA regulations. Based on information developed to date, the Company believes that this matter should be resolved without any material fines or penalties.

Cement kiln dust - Industrial operations have been conducted at some of the Company's cement manufacturing facilities for almost 100 years. Many of the raw materials, products and by-products associated with the operation of any industrial facility, including those for the production of cement or concrete products, may contain chemical elements or compounds that are designated as hazardous substances. Some examples of such materials are the trace metals present in cement kiln dust (CKD), chromium present in refractory brick formerly widely used to line cement kilns and general purpose solvents. Under the Bevill amendment, CKD is currently exempt from management as a hazardous waste, except CKD which is produced by kilns burning HWDF and which fails to meet certain criteria. In December 1993, as required by the Bevill amendment, the U.S. EPA issued a Report to Congress on CKD and hearings were held on February 15, 1994. A change in the status of CKD would require the cement industry to develop new methods for handling this high volume, low toxicity waste. Also, CKD that is infused with water may produce a leachate with an alkalinity high enough to be classified as hazardous and may also leach certain hazardous trace metals present therein. Leaching has led to the classification of at least three CKD disposal sites of other companies as federal Superfund sites. Several of the Company's inactive CKD disposal sites around the country have been under investigation by the Company, as well as in some cases by federal and state environmental agencies, to determine if remedial action is required at any of the sites and, if so, the extent of any such remedial action. The Company has recorded charges totaling $9.7 million through the end of 1993 as the estimated remediation cost for one of these sites.

On a voluntary basis, without administrative or legal action being taken, the Company is also investigating two other inactive Ohio CKD disposal sites. The two additional sites in question were part of a cement manufacturing facility that was owned and operated by a now dissolved cement company from 1924 to 1945 and by a division of USX Corporation (USX) from 1945 to 1975. On September 24, 1993, the Company filed a complaint against USX, alleging that USX is a potentially responsible party under CERCLA and under applicable Ohio law, and therefore jointly and severally liable for costs associated with cleanup of the larger of the two sites (USX Site). Based on the limited information available as of December 31, 1993, the Company has received two preliminary engineering estimates of the potential magnitude of the remediation costs for the USX Site, $8 million and $32 million, depending on the assumptions used.

The Company intends to vigorously pursue its right to contribution from USX for cleanup costs under CERCLA and Ohio law. The Company believes that USX is a responsible party because it owned and operated the USX Site at the time of disposal of the hazardous substances, arranged for the disposal of the hazardous substances and transported the hazardous substances to the USX Site. Therefore, the Company believes there is a reasonable basis for the apportionment of cleanup costs relating to the USX Site between the Company and USX with USX shouldering substantially all of the cleanup costs because, based on the facts known at this time, the Company itself disposed of no CKD at the USX Site and is potentially liable under CERCLA because of its current ownership of the USX Site. These determinations, however, are preliminary, and are based only upon facts available to the Company prior to completing discovery.

Under CERCLA and applicable Ohio law, a court generally applies equitable principles in determining the amount of contribution which a potentially responsible party must provide with respect to a cleanup of hazardous substances and such determination is within the sole discretion of the court. In addition, no regulatory agency has directly asserted a claim against the Company as the owner of the USX Site requiring it to remediate the property, and no cleanup of the USX Site has yet been initiated.

No substantial investigative work has been undertaken at other CKD sites. Although data necessary to enable the Company to estimate total remediation costs is not available, the Company acknowledges that the ultimate cost to remediate the CKD disposal problem in Ohio could be significantly more than the amounts reserved.

While the Company's facilities at several locations are presently the subject of various local, state and federal environmental proceedings and inquiries, including being named a potentially responsible party with regard to Superfund sites, primarily at several locations to which they are alleged to have shipped materials for disposal, most of these matters are in their preliminary stages and final results may not be determined for years. Management of the Company believes, however, based solely upon the information the Company has developed to date, that known matters can be successfully resolved in cooperation with local, state and federal agencies without having a material adverse effect, either individually or in the aggregate, upon the consolidated financial statements of the Company. However, because the Company's results of operations vary considerably with construction activity and other factors, it is possible that future charges for environmental contingencies could, depending on their timing and magnitude, have a material adverse impact on the Company's results of operations in a particular period. Until all environmental studies, investigations, remediation work and negotiations with potential sources of recovery have been completed, however, it is impossible to determine the

ultimate cost of resolving these environmental matters.

Other Contingencies

Discontinued Moore McCormack Operations - In conjunction with the acquisition of Moore McCormack in 1988, the Company assumed certain liabilities for operations that Moore McCormack had previously discontinued. These liabilities, some of which are contingent, represent guarantees and undertakings related primarily to Moore McCormack's divestiture of certain businesses in 1986 and 1987. Payments relating to liabilities from these discontinued operations were $300,000 in the first quarter of 1994, $2.4 million in fiscal 1993 and $2.5 million in fiscal 1992. The Company is either a guarantor or directly liable under certain charter hire debt agreements totaling approximately $11 million at March 31, 1994, declining by approximately $4 million per year thereafter through February 1997. Although the estimated liability under these guaranties has been included in the liability for discontinued Moore

McCormack operations, enforcement of the guaranty, while not resulting in a charge to earnings, would result in a substantial cash outlay by the Company. However, the Company believes it currently has sufficient borrowing capacity under its Revolving Credit Facility to fund these guaranties, if required, as well as meet its other borrowing needs for the foreseeable future.

Restructured Accounts Receivable - For many years, the Company has from time-to-time offered extended credit terms to certain of its customers, including converting trade receivables into longer term notes receivable. This practice became more prevalent during 1992 and continued during 1993, particularly in the southern California market area where many of the Company's customers have been adversely affected by the prolonged recession in the construction industry in that region. A group of five such customers were indebted to the Company at March 31, 1994 in the amount of $20.6 million. All of the notes and a portion of the accounts receivable, approximately 77% of the $20.6 million, are collateralized.

During 1993, two of these customers defaulted on the payment terms of their notes. The Company restructured its agreement with one of the defaulting customers late in the second quarter of 1993 and that customer was in compliance with the terms of the restructured agreement as of March 31, 1994. The Company has stopped selling cement on credit to the other customer in default and is presently evaluating its options for collection of outstanding balances.

A third customer in the California group, while not in default on its note, had difficulty in maintaining prompt payment for its cement purchases and restructuring discussions were commenced in late 1993. In March 1994, the Company withdrew a preliminary purchase proposal to acquire certain ready-mixed concrete and aggregate assets of this customer but

restructuring discussions are continuing. The Company is contractually committed to supply up to 90% of the cement requirements of another of the three non-defaulting customers on extended credit terms, provided this customer remains current with respect to both current purchases and payments on its note.

In the opinion of management, the Company is adequately reserved for credit risks related to its potentially uncollectible receivables. However, the Company continues to assess its allowance for doubtful accounts and may increase or decrease its periodic provision for doubtful accounts as additional information regarding the collectibility of these and other accounts become available.

Labor Matters - The drivers at the Company's Transit Mixed Concrete Company (Transmix) ready-mixed concrete operations in southern California are represented by Local Union No. 420 of the International Brotherhood of Teamsters (the Teamsters). Transmix's collective bargaining agreement with the Teamsters expired in April 1994, and on May 1, 1994, a tentative agreement between the negotiators was rejected by a vote of the union members. As of May 5, 1994, Transmix and several other unionized employers in its negotiating group had agreed with the union to extend negotiations for up to two weeks and had selected a federal mediator to assist in resolving this matter. The Teamsters, however, have reserved the right to strike at any time and have, in fact, struck certain other ready-mixed concrete operations in the Los Angeles area. Transmix is prepared for a strike, including the possible hiring of replacement workers for those employees who do strike. Management of the Company believes that a strike should not have a material adverse effect on its consolidated financial statements. However, because a strike would have a negative impact on the revenues from the Company's southern California concrete business and could result in a short-term increase in certain costs, it is possible that if the Teamsters do strike, depending on the duration of the strike and the nature of any steps Transmix may take to continue operations, a strike could have a material adverse impact on the Company's results of

operations in a particular period. However, Transmix believes that replacement workers could be hired at significant cost savings from what it pays at present and thus enhance its competitiveness with certain ready-mixed concrete producers in southern California who have significantly lower labor costs. In the event of a strike, Transmix will take all actions it deems appropriate to protect its interests.

The hourly workers at the Company's Fairborn, Ohio cement plant are represented by the International Brotherhood of Boilermakers, Cement, Lime, Gypsum and Allied Workers Division Local Lodge No. D-357 (the Boilermakers). On March 1, 1994 the Fairborn plant's collective bargaining agreement with the Boilermakers expired. The Boilermakers are continuing to work under the expired agreement while negotiations on a new contract are underway.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

(a) The information appearing under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Known Events, Trends and Uncertainties - Environmental Matters" is incorporated hereunder by reference, pursuant to Rule 12b-23.

(b) In early March 1994, the Company and a number of other cement producers and industry associations received requests for information from the Antitrust Division of the U.S. Department of Justice as part of an investigation into possible price-fixing and market allocation by cement producers. The Civil Investigative Demand received by the Company relates to the period from 1991 to the present and requires the Company to produce certain documents and respond to certain interrogatories. The commencement of such an investigation does not necessarily indicate that an enforcement action will be commenced against any cement producer. Because of the early stage of the investigation, it is not possible to predict the outcome of this matter.

(c) In connection with the acquisition of a hazardous waste processor in 1990, subsidiaries of Southdown Environmental Services, Inc. (SES) entered into an Oil Purchase Agreement with the seller and a Consulting Agreement with the sole stockholder of the seller. Based upon the seller's failure to pay invoices for fuel oil delivered under the Oil Purchase Agreement, the SES subsidiaries terminated the agreement in the Fall of 1991 and filed suit in Texas state court against the seller for collection of amounts due under the Oil Purchase Agreement and the Stock Purchase Agreement pursuant to which the Company acquired the processor and for various other matters. (Century Resources, Inc. and Southdown Environmental Treatment Systems, Inc. v. Torco Oil Company and Anthony M. Tortoriello; 333rd Judicial District Court of Harris County, Texas - Cause No. 91-54262). The defendants filed counterclaims and lawsuits against the Company seeking monetary damages in the amount of approximately $30 million for alleged breach of the Consulting Agreement and the Oil Purchase Agreement and approximately $10 million in punitive damages. (Anthony M. Tortoriello v. Southdown Environmental Treatment Systems, Inc., a Delaware corporation, and Century Resources, Inc., an Illinois corporation; Circuit Court of Cook County, Illinois, Chancery Division - Case No. 92-CH-09365); and (Torco Oil Company, an Illinois corporation v. Southdown Environmental Treatment Systems, Inc., a Delaware corporation, and Century Resources, Inc., an Illinois corporation; Circuit Court of Cook County, Illinois, Chancery Division - Case No. 92-CH-9874). In the first quarter of 1994, a settlement was reached between the parties whereby, among other things, the seller and the sole

stockholder of the seller reaffirmed the seller's indemnification obligations for certain environmental and other matters and all parties agreed to a dismissal with prejudice of all claims and counterclaims.

(d) Litigation was initiated in 1992 by former shareholders of a Browning-Ferris Industries, Inc. (BFI) subsidiary acquired from BFI by the Company and included claims asserting, among other things, that an installment of a conditional deferred payment obligation which the Company believed to be in the amount of $9.0 million was actually in the amount of $10.0 million, that adjustments to the purchase price and certain additional amounts aggregating approximately $500,000 were payable to such shareholders, that an accounting must be provided to such shareholders, and that the defendants acted intentionally and maliciously and therefore that the shareholders were entitled to punitive damages. (Benita H. O'Meara, an individual; Ernest O. Roehl, an individual, v. Southdown Environmental Systems, Inc., a Delaware corporation, aka BFI Environmental Treatment Systems, Inc., a Delaware corporation, aka Southdown Environmental Treatment Systems, Inc., a corporation; Does 1 through 50, inclusive) (Superior Court of the State of California for the County of Los Angeles -Case No. BC 056904) The Company notified BFI of its claim for indemnity under the stock purchase agreement but BFI denied the Company's claim. The Company responded timely to the suit and filed a cross-complaint and a new lawsuit against BFI seeking judicial clarification as to BFI's liability under the indemnity agreement, damages and other relief. (Southdown, Inc., a Louisiana corporation, v. Browning-Ferris Industries, Inc., a Delaware corporation; CECOS International, Inc., a New York corporation; and Does 1 through 50, inclusive) (Superior Court of the State of California for the County of Los Angeles - Case No. BC 063261) On January 3, 1994 the parties orally agreed to an out-of-court settlement pursuant to which all claims of the former shareholders have been resolved. The Company believes that BFI agreed to be liable for 70% of the up to $1 million additional amount potentially owed to the former shareholders, but BFI now contends that under certain circumstances it may have no liability for such amounts. The Company and BFI have attempted to negotiate settlement documentation to determine the apportionment of the responsibility for the payment of any such additional amount to the former shareholders. The Company and BFI met on May 3, 1994, but were unable to resolve this matter. The terms of the settlement are now set to be resolved by the judge following a court hearing in Los Angeles on May 27, 1994.

(e) The Company owns two inactive CKD disposal sites in Ohio that were formerly owned by a division of USX. In September 1993, the Company filed a complaint against USX alleging that with respect to the larger of these two sites (the USX Site), USX is a potentially responsible party and therefore jointly and severally liable for costs associated with cleanup of the USX Site. (Southdown, Inc. v. USX Corporation, Case No. C-3-93-354, U.S. District Court, Southern District of Ohio Western Division) USX answered the complaint in November 1993 by filing a motion to dismiss the lawsuit. On March 11, 1994 the Magistrate Judge issued a report recommending denial of USX's motion to dismiss. On March 29, 1994, USX filed objections to the Magistrate Judge's report, and on April 8, 1994, the Company responded to USX's objections. On April 11, 1994, the Court recommitted the Magistrate Judge's report to the Magistrate Judge for reconsideration of all matters raised by USX's objections and the Company's response thereto. Based on advice of counsel, the Company believes there is a reasonable basis for the apportionment of cleanup costs relating to the USX Site between the Company and USX, with USX shouldering substantially all of the cleanup costs because, based on the facts known at this time, the

Company itself disposed of no CKD at the USX Site and is potentially liable

under CERCLA because of its current ownership of the USX Site. These determinations, however, are preliminary, and are based only upon facts available to the Company prior to completing discovery.

(f) In late July 1993, a citizens environmental group brought suit in U.S. District Court for the Southern District of Ohio, Western Division (Greene Environmental Coalition, Inc. (GEC), an Ohio not-for-profit corporation v. Southdown, Inc., a Louisiana corporation - Case No. C-3-93-270) alleging the Company is in violation of the Clean Water Act by virtue of the discharge of pollutants in connection with the runoff of stormwater and groundwater from an inactive cement kiln dust disposal site (the USX Site) and is seeking injunctive relief, unspecified civil penalties and attorneys' fees, including expert witness fees. In August 1993, the Company moved to dismiss the complaint. Pursuant to a preliminary pretrial conference order issued by the court, the environmental group provided the Company with a written settlement demand in early October 1993. On November 12, 1993, the Company rejected the environmental group's settlement demand without offering a counterproposal. On March 30, 1994, the court denied the Company's motion to dismiss. Subsequently, the Company filed an answer to the GEC complaint and also filed a third-party complaint against USX alleging that: (i) the Company is entitled to be indemnified by USX for all costs and civil penalties the Company may incur; and (ii) the Company is entitled to contribution from USX for USX's proportionate share of the costs and civil penalties the Company may incur.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

11 Statement of Computation of Per Share Earnings.

99.1 Bylaws of the Company amended as of March 17, 1994.

99.2 Amendment Number One to Second Amended and Restated Credit Agreement as of February 18, 1994 among the Company; Wells Fargo Bank, N.A. (is its individual capacity and as agent); Societe Generale, Southwest Agency; Credit Suisse; Caisse National De Credit Agricole; Banque Paribas, CIBC, Inc.; The Bank of Nova Scotia and the First National Bank of Boston.

99.3 Agreement dated as of December 15, 1993 between Kosmos Cement Company and International Brotherhood of Boilermakers, Cement, Lime, Gypsum & Allied Workers Division Lodge D-532.

99.4 Agreement dated as of December 15, 1993 between Kosmos Cement Company and International Brotherhood of Boilermakers, Cement, Lime, Gypsum & Allied Workers Division Lodge D-592.

(b) Reports on Form 8-K

On January 4, 1994, a current report on Form 8-K was filed relating to (i) two inactive cement kiln dust disposal sites owned by the Company and (ii) a claim for indemnification by Energy Development Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHDOWN, INC.
(Registrant)

Date: May 12, 1994

By: JAMES L. PERSKY

James L. Persky
Senior Vice President-Finance
(Principal Financial Officer)

Date: May 12, 1994

By: ALLAN KORSAKOV

Allan Korsakov
Corporate Controller
(Principal Accounting Officer)

EXHIBIT 11

SOUTHDOWN, INC. AND SUBSIDIARIES

STATEMENT OF COMPUTATION OF PER SHARE EARNINGS

(In millions, except per share amounts - Unaudited)

<TABLE>
<CAPTION>

	Quarter Ended March 31,	
	1994	1993
<S>	<C>	<C>
Loss for primary earnings per share:		
Loss before cumulative effect of a change in accounting principle and preferred stock dividends	$ (2.2)	$ (4.4)
Preferred stock dividends	(2.1)	(1.3)
Loss for primary earnings per share before cumulative effect of a change in accounting principle	(4.3)	(5.7)
Cumulative effect of a change in accounting principle	-	(48.5)
Net loss for primary earnings per share	$ (4.3)	$ (54.2)
Loss for fully diluted earnings per share:		
Loss before cumulative effect of a change in accounting principle and preferred stock dividends	$ (2.2)	$ (4.4)
Antidilutive preferred stock dividends	(2.1)	(1.3)
Loss for fully diluted earnings per share before cumulative effect of a change in accounting principle	(4.3)	(5.7)
Cumulative effect of a change in accounting principle	-	(48.5)

Net loss for fully diluted earnings per share	$ (4.3)	$ (54.2)
Average shares outstanding:		
Common stock	17.1	16.9
Common stock equivalents from assumed exercise of stock options and warrants (treasury stock method)	0.9	-
Total for primary earnings per share	18.0	16.9
Other potentially dilutive securities:		
- assumed conversion of Series A convertible preferred stock at one-half share of common stock	1.0	1.0
- assumed conversion of Series B convertible preferred stock at 2.5 shares of common stock	2.4	2.4
- assumed conversion of the Series D convertible preferred stock at 1.51 shares of common stock	1.8	-
Total for fully diluted earnings per share	23.2	20.3
Less: Antidilutive securities		
Stock options and warrants	(0.9)	-
Series A preferred stock	(1.0)	(1.0)
Series B preferred stock	(2.4)	(2.4)
Series D preferred stock	(1.8)	-
	17.1	16.9
Loss per share primary and fully diluted:		
Loss before cumulative effect of a change in accounting principle	$ (0.25)	$ (0.34)
Cumulative effect of a change in accounting principle, net	-	(2.86)
	$ (0.25)	$ (3.20)

</TABLE>

- As Amended March 17, 1994 -

BYLAWS

OF

SOUTHDOWN, INC.

ARTICLE I

Shareholders

Section 1 - Place of Holding Meetings

All meetings of the shareholders shall be held at the principal business office of the corporation in New Orleans, Louisiana, or at such other place as may be specified in the notice of the meeting.

Section 2 - Annual Election of Directors

An annual meeting of shareholders for the election of directors shall be held in each calendar year on such date as the board of directors may determine but not later than 18 months after the date of the annual meeting held the preceding year, at such time as may be specified in the notice of the meeting.

Section 3 - Voting

(a) On demand of any shareholder, the vote for directors, or on any questions before a meeting, shall be by ballot. All elections shall be had by plurality, and all questions decided by majority, of the votes cast, except as otherwise provided by the articles or by law.

(b) At each meeting of shareholders, a list of the shareholders entitled to vote, arranged alphabetically and certified by the transfer agent, showing the number and class of shares held by each such shareholder on the record date for the meeting, shall be produced on the request of any shareholder.

(c) The date and time of the opening and the closing of the polls for each matter on which the shareholders will vote at any meeting of the shareholders shall be announced at the meeting by the chairman of the meeting. The Board of

Directors of the corporation (or any committee designated by it for that purpose) may, to the extent not prohibited by law, adopt by resolution such rules, regulations and procedures for the conduct of any meeting of shareholders as it may deem appropriate or convenient. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board of Directors or any such committee, the chairman of any meeting has the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of the chairman, are appropriate or convenient for the conduct of any meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or any such committee or prescribed by the chairman of any meeting, may, to the extent not prohibited by law, include, without limitation, establishment of the following: (1) an agenda or order of business for the meeting; (2) rules, regulations and procedures for maintaining order at the meeting and the safety of those present; (3) limitations on attendance at or participation in the meeting to shareholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (4) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (5) limitations on the time allotted to questions or comments by participants at the meeting. Unless, and to the extent, determined by the Board of Directors, by a duly appointed committee or by the chairman of the meeting, meetings of shareholders are not required to be held in accordance with the rules of parliamentary procedure.

Section 4 - Quorum

Except as provided herein, any number of shareholders, together holding at least a majority of the outstanding shares entitled to vote thereat, who are present in person or represented by proxy at the meeting, constitute a quorum for the transaction of business despite the subsequent withdrawal or refusal to vote of any shareholder. If notice of any meeting is mailed to the shareholders entitled to vote at the meeting, stating the purpose or purposes of the meeting and that the previous meeting failed for lack of a quorum, then any number shareholders, present in person or represented by proxy and together holding at least one-fourth of the outstanding shares entitled to vote thereat, constitute a quorum at such meeting.

Section 5 - Adjournment of Meeting

If less than a quorum is in attendance at any time for which a meeting is called, the meeting may be adjourned by a majority in interest of the shareholders present or represented and entitled

to vote thereat.

Section 6 - Special Meeting: How Called

Special Meetings of the shareholders for any purpose or purposes may be called in the manner set forth in the Restated Articles of Incorporation.

Section 7 - Notice of Shareholders' Meetings

Written or printed notice, stating the place and time of any meeting, and, if a special meeting, the general nature of the business to be considered, shall be given to each shareholder entitled to vote thereat, at his last known address, at least ten days before the meeting.

Section 8 - Form of Proxies

Without limiting the manner in which a shareholder may authorize another person or persons to act for him as proxy, the following shall constitute a valid means by which a shareholder may grant such authority:

(a) A shareholder may execute a writing authorizing another person or persons to act for him or her as proxy. Execution may be accomplished by the shareholder or his or her authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(b) Any copy, facsimile telecommunication or other reliable reproduction of the writing created under subsection (a) of this section 8 may be substituted or used in place of the original writing for any and all purposes for which the original writing could be used, including filing with the secretary of the corporation at or before the meeting, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing.

ARTICLE II

Directors

Section 1 - Number of Directors

The number of directors is twelve (12); provided, that the number of directors shall be increased automaticially (i) by two directors for such period as the holders of Preferred Stock, $.70

Cumulation Convertible Series A shall be entitled to elect two (2) directors of the corporation and (ii) by two (2) directors for such period as the holders of Preferred Stock, $3.75 Convertible Exchangeable Series B shall be entitled to elect two (2) directors of the corporation, in each case as set forth in Article III of the Restated Articles of Incorporation, as amended.

Section 2 - Place of Holding Meetings

Meetings of the directors, regular or special, may be held at any place, within or outside Louisiana, as the board may determine.

Section 3 - Meeting After Annual Meeting

A meeting of the Board of Directors shall be held immediately following the annual meeting of shareholders, and no notice of such meeting shall be necessary to the directors, whether or not newly elected, in order legally to constitute the meeting, provided a quorum is present; or they may meet at such time and place as fixed by the consent in writing of all of the directors, or by notice given by the majority of the remaining directors. At such meeting, or at any subsequent meeting called for the purpose, the directors shall elect the officers of the corporation.

Section 4 - Regular Directors' Meeting

Any regular meeting of the directors may be held without notice, if a calendar of regular meeting dates including the date of such meeting has been established by the directors at least two weeks prior to such meeting, at the principal business office of the corporation or at any other location specified in such calendar of regular meeting dates. Any regular meeting of the directors may be held in the absence of establishment of such calendar of regular meeting dates, or at a location other than the principal business office of the corporation or location specified in such calendar, by the given notice as required for special directors' meetings. Any proposed agenda for such regular meetings shall not be exclusive of other matters properly brought before the meeting.

Section 5 - Special Directors' Meeting: How Called

Special meetings of the directors may be called at any time by the board of directors or by the executive committee, if one be constituted, by the chairman of the board of directors, or by the president, or in writing, with or without a meeting, by a majority of the directors or of the members of the executive committee. Special meetings may be held at such place or places within or outside Louisiana as may be designated by the person or

persons calling the meeting.

Section 6 - Notice of Special Directors' Meetings

Notice of the place and time of every special meeting of the board of directors (and of the first meeting of the newly-elected board, if held on notice) (i) if given by telephone or telegraph shall be delivered to each director at his residence or usual place of business at least 3 days before the date of the meeting, and (ii) if given by a means other than telephone or telegraph shall be sent to each director at his residence or usual place of business at least 5 days before the date of the meeting. Any proposed agenda or statement of purpose or purposes for a special meeting of directors shall not be exclusive of other matters properly brought before the meeting.

Section 7 - Quorum

At all meetings of the board, a majority of the directors in office constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the concurrence of a greater proportion is required for such action by law, the articles of the bylaws. If a quorum is not present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. If a quorum be present, the directors present may continue to act by vote of a majority of a quorum until adjournment, notwithstanding the subsequent withdrawal of enough directors to leave less than a quorum or the refusal of any directors present to vote.

Section 8 - Remuneration to Directors

Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, expenses of attendance, if any, and except as to salaried officers or employees of the corporation or an affiliated company, a fixed fee for the performance of their duties as directors, as may be determined from time to time by resolution of the Board, may be allowed to directors, but this Section does not preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 9 - Powers of Directors

The board of directors has the management of the business of the corporation, and subject to any restrictions imposed by law, the articles or these bylaws, may exercise all the powers of the corporation. Without prejudice to such general powers, the

directors have the following specific powers:

(a) From time to time, to devolve the powers and duties of any officer upon any other person for the time being.

(b) To confer upon any officer the power to appoint, remove and suspend, and fix and change the compensation of, subordinated officers, agents and factors.

(c) To determine who shall be entitled to vote, or to assign and transfer any shares of stock, bonds, debentures or other securities of other corporations held by this corporation.

(d) To delegate any of the powers of the board to any standing or special committee or to any officer or agent (with power to sub-delegate) upon such terms as they deem fit.

Section 10 - Resignations

The resignation of a director shall take effect on receipt thereof by the president or secretary, or on any later, date, not more than thirty days after such receipt, specified therein.

Section 11 - Term of Office

Each director of the corporation shall hold office for the full term of office to whom he shall have been elected and until his successor shall have been elected and shall qualify, or until his death, resignation or removal.

Section 12 - Participation in Meetings

Directors may participate in and be present at any meeting of the board by means of conference telephone or similar communications equipment if all persons participating in such meeting can hear and communicate with each other.

Section 13 - Chairman of the Board

The board of directors shall elect one of its members to be chairman of the board, to serve in such capacity at the pleasure of the board. In his capacity as chairman of the board, he shall not be an officer of the corporation. The chairman of the board shall preside at meetings of the board of directors and shareholders and perform such other duties as from time to time may be assigned to him by the board.

Section 14 - Vice Chairman of the Board

The board of directors may elect one of its members to be vice chairman of the board to serve in such capacity at the pleasure

of the board. In his capacity as vice chairman of the board, he shall not be an officer of the corporation. In the absence of the chairman of the board, the vice chairman of the board shall preside at meetings of the board of directors and shareholders and perform such other duties as from time to time may be assigned to him by the board.

ARTICLE III

Committees

Section 1 - Executive Committee

The board may appoint an executive committee, which, when the board is not in session, to the full extent of the powers of the board shall have and may exercise the powers of the board in the management of the business and affairs of the corporation and may have power to authorize the seal of the corporation to be affixed to documents, provided that the executive committee shall not have the power to make or alter bylaws, fill vacancies on the board or the executive committee, or change the membership of the executive committee.

Section 2 - Minutes of Meeting of Committees

Any committees designated by the board shall keep regular minutes of their proceedings, and shall report the same to the board when required, but no approval by the board of any action properly taken by a committee shall be required.

Section 3 - Procedure

If the Board fails to designate the chairman of a committee, the Chairman of the Board, if a member, shall be Chairman. Each committee shall meet at such times as it shall determine, and at any time on call of the chairman. A majority of a committee constitutes a quorum, and the committee may take action by vote of a majority of the members present at any meeting at which there is a quorum. The Board has power to change the members of any committee at any time, to fill vacancies, and to discharge any committee at any time.

Section 4 - Participation in Meetings

Members of a committee may participate in and be present at any meeting of the committee by means of conference telephone or similar communications equipment if all person participating in such meeting can hear and communicate with each other.

ARTICLE IV

Officers

Section 1 - Titles

The officers of the corporation shall be a president, one or more vice-presidents, a treasurer, a secretary and such other officers, including a chief executive officer and chief operating officer, as may, from time to time, be elected or appointed by the board or appointed by the president. Any two offices may be combined in the same person, provided that no person holding more than one office may sign, in more than one capacity, any certificate or other instrument required by law to be signed by two officers. No officer need be a director.

Section 2 - President

The president shall be the chief executive officer of the corporation. Subject to the direction of the board of directors, he shall have the responsibility for the management and control of the business and affairs of the corporation; he shall see that all orders and resolutions of the board are carried into effect and direct the other officers in the performance of their duties; and he shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are assigned to him by the board of directors. In the absence of the chairman of the board and the vice chairman of the board, he shall preside at shareholders' meetings and at directors' meetings.

Section 3 - Vice Presidents

Each vice president shall have such powers, and shall perform such duties, as shall be assigned to him by the directors, by the chairman of the board, or by the president, and, in the order determined by the board, shall, in the absence or disability of the chairman and president, perform their duties and exercise their powers.

Section 4 - Treasurer

The treasurer has custody of all funds, securities, evidences of indebtedness and other valuable documents of the corporation. He shall receive and give, or cause to be given, receipts and acquittances of moneys paid in on account of the corporation, and shall pay out of the funds on hand all just debts of the corporation of whatever nature, when due. He shall enter, or cause to be entered, in books of the corporation to be kept for that purpose, full and accurate accounts of all moneys received and paid out on account of the corporation, and, whenever

required by the president or the directors, he shall render a statement of his accounts. He shall keep or cause to be kept such books as will show a true record of the expenses, gains, losses, assets and liabilities of the corporation; and he shall perform all of the other duties incident to the office of treasurer. If required by the board, he shall give the corporation a bond for the faithful discharge of his duties and for restoration to the corporation, upon termination of his tenure, of all property of the corporation under his control.

Section 5 - Secretary

The secretary shall give, or cause to be given, notice of all meetings of shareholders, directors and committees, and all other notices required by law or by these bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by the shareholders or directors upon whose request the meeting is called as provided in these bylaws. He shall record all of the proceedings of the meetings of the shareholders, of the directors, and of committees in a book to be kept for that purpose. Except as otherwise determined by the directors, he has charge of the original stock books, transfer books and stock ledgers, and shall act as transfer agent in respect of the stock and other securities issued by the corporation. He has custody of the seal of the corporation, and shall affix it to all instruments requiring it; and he shall perform such other duties as may be assigned to him by the directors, the chairman of the board of directors, or the president.

Section 6 - Assistants

Assistant secretaries or treasurers shall have such duties as may be assigned to them by the directors, by the chairman of the board, or by the president, and as may be delegated to them by the secretary and treasurer respectively.

ARTICLE V

Capital Stock

Section 1 - Certificates of Stock

Certificates of Stock, numbered and with the seal of the corporation affixed or imprinted, signed by the Chairman of the Board of Directors, or the President or Vice President, and the Treasurer or Secretary, shall be issued to each shareholder, certifying the number of shares owned by him in the corporation. Where such certificate is countersigned (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, any other signature

on the certificate may be a facsimile.

Section 2 - Lost Certificates

A new certificate of stock may be issued in place of any certificate theretofore issued by the corporation, alleged to have been lost, stolen, mutilated or destroyed or mailed and not received, and the directors may in their discretion require the owner of the replaced certificate to give the corporation a bond, unlimited as to stated amount, to indemnify the corporation against any claim which may be made against it on account of the replacement of the certificate or any payment made or other action taken in respect thereof.

Section 3 - Transfer of Shares

Shares of stock of the corporation are transferrable only on its books, by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer, the old certificate shall be surrendered to the person in charge of the stock transfer records, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer, and whenever a transfer is made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer. The board may make regulations concerning the transfer of shares, and may in their discretion authorize the transfer of shares from the names of deceased persons whose estates are not administered, upon receipt of such indemnity as they may require.

Section 4 - Record Dates

The board may fix a record date for determining shareholders of record for any purpose, such date to be not more than sixty days and, if fixed for the purpose of determining shareholders entitled to notice of and to vote at a meeting, not less than ten days, prior to the date of the action for which the date is fixed.

Section 5 - Transfer Agents, Registrars

The board may appoint and remove one or more transfer agents and registrars for any stock. If such appointments are made, the transfer agents shall effect original issuances of stock certificate and transfers of shares, record and advise the corporation and one another of such issuances and transfers, countersign and deliver stock certificates, and keep the stock, transfer and other pertinent records; and the registrars shall prevent over-issues by registering and countersigning all stock certificates issued. A transfer agent and registrar may be identical.

ARTICLE VI

Miscellaneous Provisions

Section 1 - Corporation Seal

The Corporate seal is circular in form, and contains the name of the corporation and the words "SEAL, LOUISIANA". The seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or otherwise reproduced.

Section 2 - Checks, Drafts, Notes

All checks, drafts, other orders for the payment of money, and notes or other evidences of indebtedness, issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall, from time to time, be determined by the board.

Section 3 - Fiscal Year

The fiscal year of the corporation begins on January 1.

Section 4 - Notice

Whenever any notice is required by these bylaws to be given, personal notice is not meant unless expressly so stated; any notice is sufficient if given by depositing the same in a mail receptacle in a sealed post-paid envelope addressed to the person entitled thereto at his last known address as it appears on the records of the corporation; and such notice is deemed to have been given on the day of such mailing.

Section 5 - Waiver of Notice

Whenever any notice of the time, place or purpose of any meeting of shareholders, directors or committee is required by law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting before or after the holding thereof, or actual attendance at the meeting of shareholders in person or by proxy or at the meeting of directors or committee in person, is equivalent to the giving of such notice except as otherwise provided by law.

Section 6 - Indemnification of officers, directors, employees, and agents

(a) The corporation shall indemnify any person who was or is a

party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including any action by or in the right of the corporation by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another business, foreign or nonprofit corporation, partnership, joint venture or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the corporation, and with respect to any criminal action or proceeding, has no reasonable cause to believe his conduct was unlawful. However, in case of actions by or in the right of the corporation, the indemnity shall be limited to expenses, including attorneys' fees and amounts paid in settlement not exceeding, in the judgment of the board of directors, the estimated expense of litigating the action to conclusion, actually and reasonably incurred in connection with the defense or settlement of such action and no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for willful or intentional misconduct in the performance of his duty to the corporation unless and only to the extent that the court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, he is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, or itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) In any event, a director, officer, employee or agent of the corporation who has been successful on the merits or otherwise in defense of any such action, suit or proceeding, or in defense of any claim, issue or matter therein, shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(c) Any indemnification under subsection (a) of this Section,

unless ordered by the Court shall be made by the corporation only as authorized in a specific case upon a determination that the applicable standard of conduct has been met. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable and the board of directors so directs, by independent legal counsel or (3) by the shareholders.

(d) Expenses incurred in defending such an action, suit or proceeding may be paid by the corporation in advance of the final disposition thereof if authorized by the board of directors, without regard to whether participating members thereof are parties to such action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Section.

(e) The indemnification and advancement of expenses provided by or granted pursuant to the other subsections of this Section shall not be deemed exclusive of any other rights to which the person indemnified or obtaining advancement of expenses is entitled under any agreement, authorization of shareholders or directors, regardless of whether directors authorizing such indemnification are beneficiaries thereof, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his heirs and legal representative; however, no such other indemnification measure shall permit indemnification of any person for the results of such person's willful or intentional misconduct.

(f) The corporation shall have power to procure or maintain insurance or other similar arrangement on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another business, nonprofit or foreign corporation, partnership, joint venture or other enterprise against any liability asserted against or incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Section. Without limiting the power of the corporation to procure or maintain any other kind of insurance or similar arrangement, the corporation may create a trust fund or other form of

self-insurance arrangement for the benefit of persons indemnified by the corporation and may procure or maintain such insurance with any insurer deemed appropriate by the board of directors regardless of whether all or part of the stock or other securities thereof are owned in whole or part by the corporation. In the absence of actual fraud, the judgment of the board of directors as to the terms and conditions of such insurance or self-insurance arrangement and the identity of the insurer or other person participating in a self-insurance arrangement shall be conclusive, and such arrangements for insurance shall not be subject to voidability and shall not subject the directors approving such arrangement to liability, on any ground, regardless of whether directors participating in approving such insurance arrangements shall be beneficiaries thereof. The provisions of the Insurance Code (Title 22 of the Revised Statutes) will not apply to any wholly-owned subsidiary of this corporation if it issues contracts of insurance only as permitted by this subsection for coverage of a person who is or was a director, officer, employee, or agent of this corporation, or who is or was serving at the request of this corporation as a director, officer, employee, or agent of another business, nonprofit or foreign corporation, partnership, joint venture, or other enterprise, which contracts of insurance for such directors, officers, employees, or agents may be issued by such wholly-owned subsidiary without compliance with the provisions of the Insurance Code.

Section 7 - Redemption of Control Shares

In accordance with Section 140.1 of the Louisiana Business Corporation Law, the Company may redeem any or all control shares acquired in a control share acquisition with respect to which either:

(a) no acquiring person statement has been filed with the Company in accordance with Section 137 of the Louisiana Business Corporation Law; or

(b) the control shares are not accorded full voting rights by the shareholders of the Company as provided in Section 140 of the Louisiana Business Corporation Law.

A redemption pursuant to subparagraph (a) hereof may be made at any time during the period ending sixty (60) days after the last acquisition of control shares by an acquiring person. A redemption pursuant to subparagraph (b) hereof may be made at any time during the period ending two (2) years after the shareholder vote with respect to the voting rights of such control shares.

Any redemption pursuant to this Paragraph shall be made at the fair value of the control shares and pursuant to such procedures as may be adopted by resolution of the Board of Directors of the Company.

ARTICLE VII

Amendments

Except as otherwise provided in the Restated Articles of Incorporation, the shareholders or the directors, by affirmative vote of a majority of those present or represented, may at any meeting, amend or alter any of the bylaws; subject, however, to the right of the shareholders to change or repeal any bylaws made or amended by the directors.

AMENDMENT NUMBER ONE TO SECOND
AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NUMBER ONE TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 18, 1994, is entered into among SOUTHDOWN, INC., a Louisiana corporation ("Borrower"), the banks and financial institutions that are signatories to the Credit Agreement (collectively, "Banks", and individually, a "Bank"), and WELLS FARGO BANK, N.A., a national banking association, as agent for Banks hereunder ("Agent").

WHEREAS, Borrower has requested that the Credit Agreement be modified to permit the redemption, payment, or acquisition, in one or more transactions, of its Series A Preferred Stock on the same terms and conditions that it now permits the redemption, payment, or acquisition of its Convertible Exchangeable Preferred Stock; and

WHEREAS, subject to the terms and conditions contained herein, Banks are willing to amend such provisions of the Credit Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and provisions hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions for this Amendment. Any and all initially capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement, as amended hereby, unless specifically defined herein. For purposes of this Amendment, the following initially capitalized terms shall have the following meanings:

"Agent" shall have the meaning set forth in the introduction to this Amendment.

"Amendment" means and refers to this Amendment Number One to Second Amended and Restated Credit Agreement among Borrower, Banks parties hereto, and Agent, together with any and all exhibits and schedules hereto.

"Bank" and "Banks" shall have the respective meanings

set forth in the introduction to this Amendment.

"Borrower" shall have the meaning set forth in the introduction to this Amendment.

"Credit Agreement" means and refers to that certain Second Amended and Restated Credit Agreement, dated as of November 19, 1993, among Borrower, Banks, and Agent.

1.2 Amendment of Section 1.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended by (a) adding the defined terms "Series A Preferred Stock" and "Redeemable Preferred Stock" as follows, and (b) deleting the defined terms "Balance of the Net Issuance Proceeds," "Failed Conversion," "Permitted Junior Payments," "Permitted Preferred Stock," and "Underwritten Call" in their entirety and substituting therefor the following correlative defined terms:

"Balance of Net Issuance Proceeds" means and refers to (a) the aggregate Net Issuance Proceeds of Qualifying Offerings, minus (b) the aggregate amount paid by Borrower on or after September 30, 1993 to redeem or acquire Redeemable Preferred Stock in connection with one or more Failed Conversions (such amount to be calculated by excluding amounts paid by Borrower that were covered by an Underwritten Call where the underwriter has performed its underwriting obligations).

"Failed Conversion" means and refers to an attempted redemption or acquisition (except acquisitions from time to time if the aggregate amount paid in connection with all such excepted acquisitions does not exceed $50,000) of Redeemable Preferred Stock by Borrower where, in response to such attempt, the holders of five percent (5%) or more of the outstanding shares of such Redeemable Preferred Stock that Borrower offered to redeem or acquire do not elect to convert such stock into Borrower Common Stock.

"Permitted Junior Payments" means and refers to, so long as at each time thereof, no Event of Default or Unmatured Event of Default has occurred and is continuing and no such Event of Default or Unmatured Event of Default would result therefrom, (a) the redemption, payment, or acquisition, in one or more transactions, of up to Forty-Five Million Dollars ($45,000,000) principal amount of the Senior Subordinated Notes, (b) from and after the date of the consummation of a Qualifying Offering, and so long as, prior thereto, there has not been a Failed Conversion, the redemption, payment, or acquisition, in one or more transactions, in an aggregate amount (excluding any consideration paid in the form of Borrower Common Stock) up

to the Net Issuance Proceeds of such Qualifying Offering, of the Senior Subordinated Notes or the Redeemable Preferred Stock, (c) from and after the date of the consummation of a Qualifying Offering and if, prior thereto, there has been a Failed Conversion, the redemption, payment, or acquisition, in one or more transactions, in an aggregate amount (excluding any consideration paid in the form of Borrower Common Stock) up to the Balance of Net Issuance Proceeds, of the Senior Subordinated Notes or the Redeemable Preferred Stock, (d) the redemption or acquisition, in one or more transactions, in an aggregate amount (excluding any consideration paid in the form of Borrower Common Stock) up to the obligation of the underwriter under an Underwritten Call, of the Redeemable Preferred Stock, (e) the incurrence of the Exchange Subordinated Debt pursuant to Section 6.1(c), (f) the conversion of any Permitted Preferred Stock into, or the redemption or acquisition of any Permitted Preferred Stock for, Borrower Common Stock and payments of immaterial amounts in lieu of fractional shares in connection with any such conversion, redemption, or acquisition, and (g) the redemption, repurchase, or retirement for value of Borrower Common Stock so long as the aggregate amount of all such redemptions, repurchases, and retirements for value do not exceed $50,000.

"Permitted Preferred Stock" means and refers to (a) the Series A Preferred Stock, (b) the Convertible Exchangeable Preferred Stock, (c) the Series C Preferred Stock, and (d) Preferred Stock issued by Borrower (and not by one or more of its Subsidiaries) that is not Prohibited Preferred Stock.

"Redeemable Preferred Stock" means the Series A Preferred Stock and the Convertible Exchangeable Preferred Stock.

"Series A Preferred Stock" means and refers to Borrower's Preferred Stock, $.70 Cumulative Convertible Series A.

"Underwritten Call" means and refers to an underwriting agreement whereby an underwriter, with a rating of A or A2, or better, from S&P or Moody's agrees, in connection with a proposed redemption or acquisition of Redeemable Preferred Stock, to purchase from Borrower shares of Borrower Common Stock at a price at least equal to the conversion price then applicable to such Redeemable Preferred Stock. The number of such shares that such underwriter shall so agree to purchase shall be a number such that, after giving effect to such purchase and any conversion of such Redeemable Preferred Stock to Borrower Common Stock in accordance with the terms and conditions governing such Redeemable Preferred

Stock, Borrower will have issued at least 95% of the number of shares of Borrower Common Stock as it would have issued if all such Redeemable Preferred Stock proposed to be redeemed or acquired had been so converted. Such purchase may be a direct purchase of Borrower Common Stock or may be effected indirectly, such as pursuant to an agreement by such underwriter to purchase tendered shares of Redeemable Preferred Stock and, thereupon, to convert such shares to Borrower Common Stock.

ARTICLE 2

CONDITIONS

2.1 Conditions to the Effectiveness of this Amendment. The effectiveness of this Amendment is subject to the fulfillment, to the satisfaction of Agent, of each of the following conditions:

2.1.1 the Agent shall have received a certificate from a Secretary or Assistant Secretary of Borrower attesting to the resolutions of Borrower's board of directors authorizing the execution and delivery of this Amendment and authorizing specific officers to execute and deliver same;

2.1.2 the Agent shall have received an executed counterpart of this Amendment duly executed and delivered by Borrrower and each of the Majority Banks; and

2.1.3 the Agent shall have received a certificate from a Responsible Officer certifying that:

(i) the representations and warranties of Borrower and the Specified Subsidiaries contained in the Credit Agreement and the Loan Documents, to the extent that each is a party thereto, are true and correct in all material respects at and as of the date of the effectiveness of this Amendment, as though made on and as of such date (except to the extent that such representations and warranties expressly relate solely to an earlier date);

(ii) neither an Event of Default nor an Unmatured Event of Default have occurred and is continuing on the date of the effectiveness of this Amendment;

(iii) on the date of the effectiveness of this Amendment, no Material Adverse Change has occurred, as a result of one or more acts or occurrences; and

(iv) the Credit Agreement and each of the

Loan Documents are in full force and effect.

ARTICLE 3

MISCELLANEOUS

3.1 Effectiveness. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original. All of such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of the signature pages of this Amendment by telecopier shall be equally effective as delivery of a manually executed counterpart. Any party delivering an executed counterpart of the signature pages of this Amendment by telecopier thereafter also shall deliver promptly a manually executed counterpart, but the failure to deliver such manually executed counterpart shall not affect the validity, enforceability, or binding effect of this Amendment. This Amendment shall be effective as of the date hereof, subject to the fulfillment of the conditions set forth in Section 2.1 of this Amendment. This Amendment shall have no retroactive effect whatsoever.

3.2 No Other Amendment. Except as expressly amended hereby, the Credit Agreement shall remain unchanged and in full force and effect. To the extent any terms or provisions of this Amendment conflict with those of the Credit Agreement, the terms and provisions of this Amendment shall control. This Amendment shall be deemed a part of and is hereby incorporated in the Credit Agreement.

3.3 Governing Law. This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first set forth above.

SOUTHDOWN, INC.,
a Louisiana corporation

By_____
Title:_____

WELLS FARGO BANK, N.A.,
a national banking
association, in its individual
capacity and as Agent

By_____
Title:_____

SOCIETE GENERALE, SOUTHWEST AGENCY

By_____
Title:_____

CREDIT SUISSE

By_____
Title:_____

By_____
Title:_____

CAISSE NATIONALE DE CREDIT AGRICOLE

By_____
Title:_____

BANQUE PARIBAS

By_____
Title:_____

CIBC INC.

By_____
Title:_____

THE BANK OF NOVA SCOTIA

By_____
Title:_____

THE FIRST NATIONAL BANK OF BOSTON

By_____
Title:_____

KOSMOS CEMENT COMPANY

Deckers Creek - Morgantown, West Virginia

AGREEMENT

between

KOSMOS CEMENT COMPANY

and

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS,
CEMENT, LIME, GYPSUM & ALLIED WORKERS DIVISIOIN
Lodge D-532

1993-1997

AGREEMENT

This Agreement, dated December 15, 1993 is made by and between the KOSMOS CEMENT COMPANY and the INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, CEMENT, LIME, GYPSUM, AND ALLIED WORKERS DIVISION LOCAL LODGE NO. D532, referred to respectively as the "Company" and the "Union."

ARTICLE I - RECOGNITION

1.1 The Company recognizes the Union as the sole bargaining agent for its employees as is defined in Section 2 who work at the Company's operations at Morgantown (Deckers Creek), West Virginia, for the purpose of collective bargaining with respect to rates of pay, hours, and other conditions of employment.

1.2 The term "employee" as used in this agreement shall include all permanent production and maintenance employees including lead men, but excluding all clerical employees, guards and supervisors as defined in the Act and all other employees.

1.3 Union officers and members shall refrain from any union

solicitation on company time.

1.4 All provisions of this agreement shall be applied to all employees without regard to race, color, sex, religious creed, age or national origin. The company and the union will comply with all federal and state laws concerning the rights of workers including the Americans with Disabilities Act and the Family and Medical Leave Act.

ARTICLE II - UNION AND COMPANY COOPERATION

2.1 The Union agrees that it will cooperate with the Company in all matters of industrial relations including carrying out Equal Employment Opportunity obligations and will support the Company's efforts to assure a fair day's work on the part of its members and that it will actively strive to eliminate absenteeism and other practices which restrict production. It further agrees that its members will abide by the rules of the Company in its effort to prevent accidents, to eliminate waste in production, conserve materials and supplies, improve the quality of workmanship, and strengthen goodwill between the Company and its employees.

2.2 The Union agrees that it will use its best efforts to assist the Company in enhancing the competitiveness of the Company, and augmenting or increasing revenue generation.

2.3 The parties hereto intend by this Agreement to provide a stabilized and mutually beneficial relationship between them and to insure the production of quality products on schedule and at competitive costs during the life of this Agreement. The Company and the Union will also establish an active Employee Participation Program to facilitate ideas and develop and implement programs to improve the overall operations and enhance employee involvement.

ARTICLE III - THE CORE CONCEPT

3.1 The parties agree that the basic structure of the Company's operation and the organization of its work force is based on the "Core Concept." Under the Core Concept, employees will generally perform the "core" of the work to be done at the mine and stone loading operations with the remainder to be performed by substantial but various numbers and types of outside contractors. The parties recognize that the Company is in the primary business of manufacturing cement and other products requiring similar process (utilizing alternative substitute fuels). The parties further recognize that the business is limited in scope and that the Company should avoid, to the extent possible, getting into other businesses such as special projects, special maintenance other than routine preventive maintenance, day to day labor pool

work, janitorial work, trucking and the like, where other business concerns may have more expertise, competence, economies of scale or other advantages. The Company has the right to subcontract these and other types of work where in the Company's judgement such subcontracting is in the economic best interest of the Company and its employees. It is understood and agreed that the Core Concept does not require any specific number of employees, nor does it cover any specific work or job classifications. Rather, the Core Concept is a way of doing business which is designed to increase productivity of the plant and the job security of the employees. Subcontracting will not be used to permanently replace bargaining unit employees.

ARTICLE IV - UNION ACTIVITY

4.1 The Company agrees that during all reasonable times when the mine and stone hauling are operating a duly accredited representative of the Union shall be entitled access to the mine during the regular working hours for the purpose of assisting in the adjustment of pending grievances, provided that the designated representative of the Company is properly notified in advance and the Union representative establishes proper identification. If it is necessary to go into the work area of the mine (for example, to view a particular operation relative to a pending grievance), then the appropriate Company official shall accompany the Union representative so that both parties see the same thing so as to aid in resolving the grievance.

4.2 The Union Grievance Committee representing the employees in matters other than negotiations shall consist of not more than two (2) employees. The Operations Manager or his designee will meet with the Committee within five (5) days, excluding Saturdays, Sundays and holidays, of any request by the President of the Local Union to the Operations Manager for such a meeting.

4.3 Insofar as practical, meetings will be conveniently scheduled by the company so as to complete all business within normal working hours. Such employees attending meetings will be compensated at their regular straight time rate of pay for hours normally scheduled to work.

4.4 Employees receiving formal disciplinary action may request that a union representative be present.

ARTICLE V - MANAGEMENT RIGHTS

5.1 The Union recognizes that the management of the mine and stone loading operations, the direction of the working forces, including the right to hire, discipline for just cause, the right to make and

change and enforce (after posting) rules for the maintenance of discipline and safety; the exclusive rights to determine partial or permanent discontinuance or shutdown of operations (the Company's only obligation when exercising this right is to bargain with the union over the effects of that decision); the right to promote, or transfer employees; the right to transfer and relieve employees from duty because of lack of work or other legitimate reason, and the right to establish and change the working schedules and duties of employees are vested in the Company, except as otherwise provided in the Agreement. The listing of specific rights in this Agreement is not intended to be nor shall be considered restrictive of or a waiver of any of the rights of management not listed and not specifically surrendered herein, whether or not such rights have been exercised by the Company in the past.

ARTICLE VI - WAGES

6.1 It is agreed that for the duration of this Agreement, the wage groups and the rates of pay shall be those set in Schedule "A".

6.2 For shift premium only:

(1) All regularly scheduled work beginning between 6:00 A.M. and 1:59 P.M. inclusive, shall be considered day shift work.

(2) All regularly scheduled work beginning between 2:00 P.M. and 9:59 P.M. inclusive, shall be considered middle shift work.

(3) All regularly scheduled work beginning between 10:00 P.M. and 5:59 A.M. inclusive, shall be considered night shift work.

6.3 Each employee regularly scheduled to work on the middle shift shall be paid a premium of forty cents ($.40) for all hours worked by him on that shift. Each employee regularly scheduled to work on the night shift shall be paid fifty-five cents ($.55) for all hours worked by him on that shift. These premium rates do not apply to day workers even though they may work over into a premium pay shift. If, however, the day worker is scheduled to take the place of a regular scheduled shift worker, then the premium rate applies.

6.4 All consecutive hours (exclusive of meal periods) worked by an employee who normally begins work at a time specified in the preceding paragraphs, shall be deemed to be worked by him on the shift on which he begins work.

ARTICLE VII - VACATIONS

7.1 Each employee meeting all the requirements of Section 2 of this Article shall be eligible for vacation in accordance with the

following schedule:

After completion of one (1) year of service with the Company since the employee's last date of hire -- two (2) weeks vacation during the year following the employee's anniversary date.

After completion of five (5) years of service with the Company since the employee's last date of hire -- three (3) weeks vacation during the year following the employee's anniversary date.

After completion of ten (10) years of service with the Company since the employee's last date of hire -- four (4) weeks of vacation during the year following the employee's anniversary date.

Continuous service only for employees on the payroll December 1, 1988, shall include continuous service recognized with Lone Star/Marquette.

7.2 An employee shall receive a vacation according to Section 1 of this Article provided that such employee has actually worked at least one thousand (1,000) hours during the year preceding his most recent anniversary date.

7.3 Vacations will not be cumulative, but so far as practical will be granted at times most desired by employees, with the final right to allotment of vacation period exclusively reserved to the Company in order to ensure the orderly operation of the mine. The Company may schedule up to two (2) weeks per calendar year for a "vacation shut-down" during which some or all employees will be required to take up to two (2) weeks of the vacation time for which the employees are eligible. However, employees eligible only for two (2) weeks vacation may schedule one (1) week of vacation at times other than the "vacation shut-down." When requested vacation periods conflict, preference shall be given to the employee having the most continuous service (including continuous service accumulated with Lone Star/Marquette). In the event a paid holiday falls during an employee's vacation period, the employee shall receive holiday pay in addition to vacation pay. Every effort will be made by the Company to insure that the week of Thanksgiving will be one of the weeks and that a maximum number of employees will be able to take vacation that week. To insure orderly operation of the stone supply, a minimum crew may be scheduled to work said shut down weeks.

7.4 No vacation may be taken prior to the employee's applicable anniversary date. An employee must take his vacation within twelve (12) months after he qualifies for it. An employee cannot accumulate vacation time beyond the twelve (12) month period

following the employee's anniversary date. An employee must have been actively employed (at work) at sometime during the calendar year to be eligible for vacation pay during that calendar year.

Employees may request additional (unpaid) vacation time and the Company will attempt to comply with such request. (Upon voluntary termination, employees will be paid for all unused vacation time and pay, provided that such employee has actually worked one thousand (1,000) hours during the year preceding his most recent anniversary date).

An employee may receive one week of vacation pay per year in lieu of time off if requested. This may be extended to an additional week with company approval.

ARTICLE VIII - PAID LEAVES

8.1 It is agreed that the Company shall make up the wage loss incurred by a regular employee (as distinguished from a probationary employee) because of jury service by payment of the difference between the amount received for such jury service on the day such employee would have been regularly scheduled to work and his regular rate of pay computed on the same basis as vacation pay. Any employee reporting for jury duty will not be required to work his regular shift that calendar day. The employee will be excused for the entire day without loss of pay. Hours spent on jury duty service and paid for hereunder shall be considered as time actually worked for all overtime purposes. Further as outlined above, the Company shall make up the wage loss incurred by an employee when subpoenaed as a witness in an action when the employee or the Union or the Company are neither the plaintiff nor the defendant.

8.2 To receive pay from the Company under this provision, the employee must provide the Company with a statement signed by an official of the court certifying as to the employee's service as a juror or court witness or appearance in court for such purposes, the date or dates of attendance, and the compensation paid him exclusive of any transportation and/or subsistence allowance.

8.3 Employees who are members of organized reserve components of the Armed Forces, including the National Guard, will be allowed leave of absence annually for the purpose of attending required military training encampments or cruises. The Company will pay any employee who goes on such leave of absence the difference between the employee's straight time pay for up to two (2) weeks (ten (10) working days) annually and the employee's military pay including longevity pay but excluding all allowances such as rent, subsistence, uniform, and travel. Payment will be made when the employee returns from reserve training on presentation of satisfactory proof of the amount of pay received.

ARTICLE IX - COPIES

9.1 The Labor Agreement, and Summary Plan Descriptions for the Pension Plan, 401K, and Insurance Plan will be printed at Company expense. The Company will provide each member with a copy of the booklet.

ARTICLE X - GRIEVANCE PROCEDURE

10.1 Should differences arise during the term of this Agreement between the Company and the Union, or an individual employed by the Company, as to the meaning and application of the provisions of this Agreement, an earnest effort shall be made by the parties to settle such differences promptly and in the following manner:

(1) STEP I. The complaint, within seven (7) days of its occurrence, or the occurrence of the matter out of which the complaint arises, may be taken up by the employee involved, with or without Union representation, with his management representative. The employee shall state the specific article(s) and paragraph(s) of the Contract that is alleged to have been violated in order for the grievance to be considered and processed.

(2) STEP II. If no satisfactory settlement is reached in Step I, the matter shall be reduced to writing and presented to the Mine Manager and/or Plant Manager within five (5) days from the date of the meeting with the management representative. The employee shall state the specific article(s) and paragraph(s) of the Contract that is alleged to have been violated in order for the grievance to be considered and processed. At the time of presentation, or within five (5) days, the Mine Manager and/or Plant Manager or his designee will meet with the employee with the assistance of a Union Representative if requested by the employee to hear and discuss the grievance. The Company shall answer the grievance in writing within five (5) days after said meeting.

(3) STEP III. If no agreement is reached in Step II, the Committee may, within five (5) days of the receipt of the above answer, refer the matter to higher officials of the Company and the Union, who may attend a meeting to be held within thirty (30) days upon request.

(4) STEP IV.

a. Any grievance not settled in Step III above may be referred to arbitration. Notice to refer a grievance to arbitration shall be given in writing within fifteen (15) days after being notified of the decision rendered in Step III or the matter will be considered closed. Only one (1) grievance may be

submitted to or under review by any one (1) Arbitrator at any one (1) time unless by prior mutual written consent of the parties.

b. In the event the parties are unable to agree upon an Arbitrator within seven (7) days after arbitration is invoked, then they shall jointly petition the Federal Mediation and Conciliation Service, which shall submit a panel of seven (7) qualified arbitrators, and the parties shall select a single arbitrator from such panel. The Arbitrator shall be appointed by mutual consent of the parties hereto. If the arbitrators included in this panel are unacceptable to either party, a second panel shall be requested from the Federal Mediation and Conciliation Service and a single arbitrator selected from this panel.

c. Any grievance referred to arbitration shall be heard as soon as possible and a decision rendered within thirty (30) days of the hearing or the date of postmark of the post hearing briefs. The Arbitrator shall have no power to add to or subtract from or change, modify or amend any of the provisions of this Agreement. The decision rendered by the Arbitrator will be final and binding upon the Union, the Company, the grievant, and all the employees covered by this Agreement. The Arbitrator selected pursuant to this Article shall interpret and apply the terms of this Agreement; he/she shall not substitute his/her discretion and judgement for that of the Company. If the Arbitrator finds that a dischargeable offense was committed by the employee, he/she shall not substitute his/her judgement for that of the Company as to whether discharge or a more lenient penalty was appropriate in a particular case.

d. It is expressly agreed that no Arbitrator shall have the authority to decide any matter involving the exercise of a right reserved to management under this Agreement.

e. Each party hereto shall pay the expense incurred in the presentation of its own case, and the expenses incident to the services of the Arbitrator, including the cost of the transcript, shall be shared equally by the Company and the Union.

10.2 The time limits referred to in the foregoing paragraphs exclude Saturdays, Sundays and holidays.

10.3 Any grievance growing out of a discharge or suspension must be submitted in writing by the aggrieved employee directly to the Union and from the Union to the Director of Human Resources or Plant Manger within forty-eight (48) hours of the discharge or suspension or it will not be recognized and action taken shall be final.

10.4 Any grievance not presented or appealed within the time limits provided, unless mutually agreed to extend the time, shall be considered settled on the basis of the decision which was not

appealed and shall be final and binding on the parties involved.

10.5 Grievances presented in any of the regular steps set forth and not answered within the time specified or as the same may be extended by mutual agreement shall be considered appealed to the next step of the grievance procedure.

ARTICLE XI - OVERTIME LUNCH

11.1 Any employee who works more than ten (10) consecutive hours, where such overtime hours are unscheduled, shall be given a lunch or lunch allowance. No lunch or lunch allowance will be provided if such overtime hours are scheduled with twelve (12) hours advance notice. Any employee working fourteen consecutive hours, in a working day, who has not already been provided an overtime lunch, will be entitled to lunch.

ARTICLE XII - NON-BARGAINING UNIT EMPLOYEES

12.1 It is understood and agreed that during the normal course of operations it may be necessary for non-bargaining unit employees to perform some bargaining unit work from time to time. Such work will be incidental to the normal duties of said non-bargaining unit employees, as long as such work does not permanently displace or replace a bargaining unit employee. Such work shall include work involving corrective action which must be performed expeditiously; instruction or training of employees; demonstration; inspection or testing of equipment; work of an emergency nature; and development work for new processes and/or procedures.

12.2 When equipment, expertise, facilities, and manpower are available, work customarily performed by bargaining unit employees will continue to be performed by these employees. Subcontracting may be used as needed to supplement the work force.

ARTICLE XIII - STRIKES AND LOCKOUTS

13.1 The Union agrees that there shall be no picketing or strikes by the Union or by its members, of any kind or degree whatsoever, or walkout, suspension of work, slowdowns, limiting of production, or any other interference or stoppage, total or partial, of the Company's operations for any reason whatsoever, such reasons including, but not limited to, unfair labor practices by the Company or any other Employer. It is further agreed that neither the Union or its members shall engage in the above prohibited conduct in support of picketing, strikes or any labor dispute actions engaged in by any other organization or person. In addition to any other recourse or remedy available to the Company for violation of the terms of this Article by the Union and/or any

Union member, the Company may discharge or otherwise discipline any employee who authorizes, causes, engages in, sanctions, recognizes, or assists in any violation of this Article. The Company will not engage in any lockouts during the term of this Agreement.

ARTICLE XIV - HOLIDAYS

14.1 The Company recognizes the following nine (9) paid holidays per year: New Year's Day, Good Friday, Memorial Day, 4th of July, Labor Day, Thanksgiving, Day after Thanksgiving, Christmas Eve, and Christmas Day.

14.2 Holiday pay will be equal to eight (8) hours pay at the employee's straight time hourly rate. Such holiday pay will not be paid if the employee is absent from work on the holiday if scheduled to work on the holiday or if the employee is absent on the scheduled day preceding or following the holiday unless such absences are excused by Management. In no event shall a holiday be paid for unless an employee has also actually worked at least one (1) day during the fifteen (15) day period immediately preceding or immediately following the holiday.

14.3 If an employee is required to work on a holiday, he will receive eight (8) hours pay for the holiday (holiday pay) plus one and one-half (1-1/2) times the employee's regular hourly rate for hours up to eight (8) hours actually worked on the holiday.

All hours worked in excess of eight (8) hours on a holiday will be paid at two (2) times the employees regular rate of pay.

14.4 Since the employee is receiving one and one-half (1-1/2) times the employee's regular hourly rate for hours actually worked on the holiday, such hours actually worked on the holiday shall not be counted toward the calculation of overtime pay received for working in excess of forty (40) hours per week.

14.5 The eight (8) hours holiday pay shall be counted toward the calculation of overtime pay paid for working in excess of forty (40) hours per week if the employee is off for the holiday, but not on his/her regularly scheduled day off.

14.6 When a holiday falls on Sunday, it will normally be observed on the following Monday. Under certain conditions the Company may elect to observe the holiday on the preceding Friday in lieu of Monday. This change may apply to some or all employees.

ARTICLE XI - SENIORITY

15.1 Seniority shall consist of an employee's length of continuous service with the Company since the employee's last day of hire at its facility located at Morgantown (Deckers Creek), West Virginia. Continuous service only for employees employed by the Company before December 1, 1988 shall include continuous service at Deckers Creek, West Virginia recognized by Lone Star/Marquette.

15.2 Each new employee shall be considered as a probationary employee for the first ninety (90) calendar days of full time employment after which the employee's seniority shall date back to his date of hire. There shall be no seniority among probationary employees. Such employees shall not have recourse to the grievance procedure of this Agreement and may be laid off or discharged as exclusively determined by the Company.

15.3 An employee's seniority shall be lost and continuous service shall be broken when an employee:

1. is discharged;

2. is terminated upon permanent shutdown of the Company's facilities;

3. is laid off for a period of three (3) years or the length of his seniority as of his last day of work, whichever period is shorter;

4. voluntarily quits which shall be deemed to include:

   a) failure to notify the Company of the employee's intention to return to work after layoff within three (3) working days, and to actually report to work within seven (7) working days (unless this latter period is extended in writing by the Company) after he has been notified by certified mail (either by delivery or attempted delivery) at his last address appearing on the Company's records to report to work;

   b) an absence from work for two (2) consecutive scheduled work days without reporting to work unless excused by Management in advance;

   c) the employee fails to return to work on the first regularly scheduled work day following the termination of any leave of absence or any other leave approved by the Company unless excused by Management.

5. retires.

15.4 When a vacancy occurs for which a laid off employee is qualified, he will be given certified mail notice of recall at his

last address as shown on Company records. The employee must notify the Company of the employee's intention to return to work after layoff within three (3) working days and must actually report to work within seven (7) working days (unless this latter period is extended in writing by the Company) after he has been notified by certified mail (either by delivery or attempted delivery).

15.5 An employee on continuous absence due to disability shall accrue seniority and retain recall rights for a period not to exceed thirty-six (36) months or the length of his seniority as of his last day worked (minimum of twelve (12) months), whichever period is shorter. An employee absent because of disability shall only be recalled for a vacancy which occurs after he is physically able to return to work. However, should such an employee be declared totally and permanently disabled prior to thirty-six (36) months, such employee's name shall be removed from the payroll and a certified mail notice to this effect will be sent to his last address as shown on Company records. This provision of this Agreement applies to recall rights only.

15.6 If an incapacitated employee is released to return to work and is not physically able to perform the job that the employee was performing before the disability occurred, the released employee shall be allowed, subject to mutual agreement between the company and the union, to displace a less senior employee in a job that the released employee is qualified and physically capable of performing. The displaced employee shall be the least senior person in the job classification. Qualification will be handled as in the normal bidding procedure. If a less senior employee is displaced form his/her job, the displaced employee, with the ability and qualification to perform another job, shall be allowed to also displace a less senior employee.

15.7 Should an employee in the bargaining unit after December 15, 1993, be promoted to a supervisory position outside the coverage of this Agreement and within ninety (90) days after promotion be demoted, his seniority will be reinstated in the amount he had when promoted.

15.8 Seniority lists agreed to by and between the Company and the Union shall be posted on the bulletin board as of May 1 and November 1 of each year. Corrections shall be made in the seniority lists when it is proved an employee is placed in the wrong position on said list, but all requests for corrections must be made within thirty (30) days from date of posting or the list shall be valid as posted.

15.9 When the Company declares that a full time shift opening exists (not including temporary openings), employees in the classification and employees entering the classification may exercise their seniority to choose established days off within the

classification. In order to balance the skills and training on various shifts, the Company may delay certain changes in days off for up to six (6) months from the time the opening is filled.

15.10 The Company recognizes that all employees shall retain the right to seniority preference in cases of layoffs and recall. The last employee hired shall be the first laid off and the last laid off the first rehired. Such preferences in the cases of layoffs and recall shall take into consideration the employee's ability to perform the available work and the efficient operations of the operation. It is recognized that, in periods where business conditions necessitate that the level of production be reduced to a point where only a minimum of employees is required, it shall be necessary, in some cases, to deviate from strict plant seniority in order that some positions be available to service and adjust the equipment when production requirements increase. If the company does not layoff in accordance with seniority, the Company will meet with the Union to explain the reasons prior to the layoff.

15.11 In the event that an employee is displaced by the installation of mechanical equipment, change in production methods, the installation of new or larger equipment, the combining of jobs, the elimination of jobs, or by a more senior person, the employee may elect to exercise his/her plant seniority to displace the least senior person in a position the employee is qualified to perform within one week of being placed on the job.

ARTICLE XVI - JOB BIDDING

16.1 When the company determines a vacancy exists, other than a minimum pay job, the Company will post a notice of such fact, such notice to remain posted for a period of at least five (5) days, not including Saturdays, Sundays, or holidays. This notice shall state rates of pay, hours, and job requirements. The union will be provided with a copy of each bid. All bids shall be considered in the manner provided herein in Section 16.3 and the successful applicant's name will be posted within seven (7) days after the bids are opened, except where testing is required. Said delay will not exceed ten (10) days, unless additional time is agreed to between the Union and the Company. The successful bidder will be placed on the job within as reasonable a time as possible from the date of posting the award. In the event of the successful applicant's failure to qualify in the opinion of the Company, then it is understood that said employee is to be restored to his former position and standing. Employees will submit their bid to the supervisor and will be given a receipt for the bid.

The successful bidder will be placed on the job as soon as possible unless an extension is agreed to by the company and the union. The Company may choose to cancel the bid at any time. If a successful bidder is not assigned to the new job within thirty

(30) working days following the awarding of the bid, the employee shall receive the applicable starting rate of the new job. The successful bidder may be disqualified by the Company within the first 120 days of assignment to the new job at the sole discretion of management. In the event of the successful applicants failure to qualify in the opinion of the company, then it is understood that said employee is to be restored to his former position and standing.

16.2 If within twenty-four (24) months following his assignment to a new job under this procedure, an employee applies for another new job of equal or lower classification, the Company may, at its discretion, disregard such application. After twenty-four (24) months employees may only bid for promotional job opportunities except by mutual agreement between the parties. This provision does not apply to employees successfully bidding into the Entry Level Mechanical, Electrical, or Instrument Training Program.

Lateral or down-bids for any position shall only be permitted one time, per employee, during the course of this agreement.

16.3 The following factors shall apply in the awarding of all jobs:

(1) Qualifications of the Applicant (which shall include: ability to perform the work, aptitude, skills, experience, training for the job, and attendance);

(2) Physical Fitness of the Applicant;

(3) Seniority.

Where (1) and (2) are equal, (3) shall apply.

If the employee selected shall fail to qualify after a fair trail period, in the exclusive judgement of the Company, he shall be returned to his former position and the next bidder shall be given consideration.

16.4 Temporary Reassignment. An employee who is temporarily assigned by his supervisor to perform work of a higher paid job classification will be paid the rate of such higher job classification for time actually worked. An employee temporarily assigned by his supervisor to perform work in an equal or lower paid classification will be paid the base hourly wage rate of his permanent classification.

16.5 In no event shall the Company be requested or required to post any job temporarily vacated by reason of vacations, illness, or injury. The Company, at its discretion, may create temporary jobs not to exceed one hundred twenty (120) work days. Successful bidders bidding down or laterally on such temporary jobs will be

placed in the labor classification upon completion of the job. Should the Company determine that any temporary job become permanent, the Company shall post the job as provided in this Article.

16.6 Knowledge, training, skill and ability gained while holding jobs under the bid system and seniority, will be given consideration in making promotions, layoffs, or reductions in work force.

16.7 If an employee bids on a higher rated job and is awarded the job, that employee will be slotted at the starting progression rate for the new job. However, if the transferring employee is leaving a position with a rate of pay greater than the starting rate of the new position, then the transferring employee will retain his/her former rate of pay until the time
in the new classification allows the employee to move up to the incremental increase in progression.

ARTICLE XVII - WORKWEEK AND OVERTIME

17.1 During the life of this Agreement it is understood that the "normal work day" is the twenty-four (24) hour period beginning with the start of the employee's shift. The "normal work day" is eight (8) consecutive hours of work in a twenty-four (24) hour period, broken by established meal periods, except as necessitated to maintain efficient plant operations.

The "normal work week" is made up of five (5) consecutive "normal work days" within a seven (7) day period beginning with the morning shift on Mondays. The "normal work week" for certain employees may begin on a day other than Monday. One and one half (1 and 1/2) times the employees regular hourly rate will be paid for all hours worked in excess of forty (40) hours per week or in excess of eight (8) hours per day. The Company will notify the Union should the need arise to deviate from the "normal work week".

17.2 Callouts.

(1) If an employee is called out after his regular shift and after leaving the plant, or on off days, he shall be paid a minimum of four (4) hours pay at one and one-half (1-1/2) times the employee's regular rate. However, such hours shall not be counted toward the calculation of overtime pay paid for working in excess of forty (40) hours per week.

(2) If such employee is notified twelve (12) hours or more in advance of his shift, the four (4) hour minimum will not apply.

17.3 Weekly manning schedule shall be posted not later than the end

of the day shift on Fridays barring unforeseen circumstances outside the Company's control.

17.4 Insofar as practical, overtime will be equalized in each department by classification. The current overtime distribution policy will be posted by the Company. The overtime equalization list will be updated weekly and posted.

ARTICLE XVIII - FUNERAL LEAVE

18.1 When an employee who has completed the probationary period is absent from work solely to arrange for and/or attend the funeral of his/her parent, stepfather, stepmother, wife or husband, son or daughter, or stepchildren, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law or mother-in-law, grandparents of spouse, son-in-law or daughter-in-law, the Company will pay up to three (3) consecutive work days, or four (4) consecutive work days if the employee is required to travel at least five hundred miles to attend funeral services, of eight (8) hours each, at the employee's regular hourly rate for each scheduled workday the employee is absent with the permission of the Company. The funeral leave must be taken within seven (7) consecutive calendar days from the date of the death or funeral services.

18.2 Funeral leave will be granted only for absences occurring on the employee's regularly scheduled workdays and will not apply to employees on vacation, layoff or other non-working status. Hours paid under this Article will be counted as hours worked for the purpose of computing overtime. To be eligible for benefit under the Article, the employee must supply upon request reasonable documentary evidence of covered death and family relationship and must attend the funeral.

ARTICLE XIX - SAFETY AND HEALTH

19.1 A joint Safety and Health Committee will be established consisting of members appointed by the Company and the Union. The "Committee" will consist of two (2) members from the union and two (2) members from the Company plus the Plant Manager or his designee. Meetings will be held regularly to address safety and health concerns and make recommendations to the plant management. The "Committee" will establish an Accident Investigation Team. Safety issues, complaints and/or disputes may be investigated by the "Committee". Any safety and health issues not resolved by the "Committee" will be addressed through the normal grievance procedure. Employees will be required to properly use and maintain all personal protective equipment supplied by the Company.

ARTICLE XX - BULLETIN BOARD

20.1 The Union agrees to post only notices concerning elections, meetings, reports and other official Union business and notices of social and recreational activities on the Company bulletin board. A copy of each notice will be supplied to the Plant Manager at the time of its posting. The Union agrees further that it will post no matter which is in the disinterest of the Company. However, notwithstanding the above, it is understood that the Company's decision concerning the use of the bulletin board shall be final.

ARTICLE XXI - FURNISHING OF TOOLS

21.1 The Company shall furnish all special tools and equipment. Maintenance employees shall furnish their own tools; in case of breakage or loss, the Company will replace or repair such tools. All breakage or loss shall be reported immediately to the Company.

ARTICLE XXII - DUES CHECK-OFF

22.1 Check-off: During the term of this Agreement, the Company will continue to check off monthly dues, and initiation fees, each as designated by the Treasurer of the Local Union, as membership dues in the Union on the basis of and for the term of individually signed check-off authorization cards, a copy of which is reproduced below, or hereafter submitted to the Company. The Company shall promptly remit any and all amounts so deducted to the Treasurer of the Local Union with a list of the employees from whom the deduction was checked off.

22.2 On or before the last Friday of each calendar month the Union shall submit to the Company a summary list of cards transmitted in each month.

22.3 Dues for a given month shall be deducted from the last payday in that month; deductions on the basis of authorization cards submitted to the Company shall commence with respect to dues for the month in which the Company receives such authorization cards.

22.4 Unless the Company is otherwise notified, the only Union membership dues to be deducted for payment to the Union from the pay of the employee who has furnished an authorization shall be the monthly Union dues. The Company will deduct initiation fees when notified, by notation on the list referred to in 22.2 above, and assessments as designated by the Treasurer of the Local Union.

22.5 The Union shall indemnify the Company and hold it harmless against any and all suits, claims, demands and liabilities that shall arise out of or by reason of any action that shall be taken or not taken by the Company for the purpose of complying with the

foregoing provisions of this Article, or in reliance on any list or certificate which shall have been furnished to the Company by the Union under any such provisions.

22.6

CHECK-OFF AUTHORIZATION
FOR INTERNATIONAL BROTHERHOOD OF
BOILERMAKERS, CEMENT DIVISION

Company

19

Plant Date

Pursuant to this authorization and assignment, please deduct from my pay each month, while I am in employment within the collective bargaining unit in the Company, monthly dues, assessments and (if owing by me) an initiation fee each as designated by the Treasurer of the Local Union, as my membership dues in said Union.

The aforesaid membership dues shall be remitted promptly by you to the Treasurer of the International Brotherhood of Boilermakers, Cement, Lime, Gypsum and Allied Workers Division, Local Lodge D532, or its successor.

This assignment and authorization shall be effective and can be cancelled any time by written notice and cannot be reinstituted for a twelve (12) month period or until the termination date of the current collective bargaining agreement between the Company and the Union, whichever occurs sooner.

Local Union No. D532
International Brotherhood of
Boilermakers, Cement Divisio Signature

Witness Date

ARTICLE XXIII - UNION SECURITY

23.1 All employees covered by this Agreement, who as of December 15, 1993, are members of the Union in good standing, and all employees who thereafter become members, shall, as a condition of continued employment, remain members of the Union in good standing

for the duration of the Agreement.

All new employees covered by the Agreement shall, as a condition of employment, become members of the Union on or immediately after the thirtieth (30th) calendar day following their employment.

ARTICLE XXIV - LEAVE OF ABSENCE

24.1 Any employee elected or appointed to a full time position with the International Brotherhood of Boilermakers, Cement, Lime, Gypsum and Allied Workers Division may be granted a leave of absence up to two (2) years provided thirty (30) days notice is given to the Company prior to the beginning of such leave. During such leave, seniority shall accumulate. Insurance benefits shall be suspended upon the commencement of such leave and will be in effect the first day of returning to work with the Company. Upon returning to work such employee shall be reinstated to his former job providing it is still in existence; if not, he should be eligible to apply for any job within the bargaining unit by means of the then-existing bidding procedure. The Company agrees to consent to the absence of no more than one (1) employee at any time under this paragraph.

ARTICLE XXV - BENEFIT PLANS

25.1 During the term of this Agreement the Company will provide employees with participation in the Southdown, Inc. Group Medical Network Benefit Plan, the Southdown, Inc. Dental Plan, the Southdown, Inc. Life Insurance and Accidental Death and Dismemberment Plan, the Southdown, Inc. Long Term Disability Plan, the Southdown, Inc. Pension Plan, the Southdown, Inc. Retirement Savings Plan, the Southdown, Inc. Post Retirement Retiree Medical Insurance Plan, and the Southdown, Inc. Voluntary Life Insurance Plan, including all amendments and modifications to said plans during the life of this Agreement, on the same basis as the benefits and eligibility requirements are provided to Southdown, Inc.'s salaried employees.

25.2 SICKNESS AND ACCIDENT BENEFITS

If an employee with at least one (1) year of service is absent from work due to disability, sickness and accident benefits are payable. The disability must prevent the employee from performing the duties of the job because of a non-occupational sickness or injury. This benefit is payable if confined to a hospital or home.

After a waiting period of one (1) week (waived if the employee is hospitalized as an in-patient), the disability benefits are payable at a rate of fifty-one dollars ($51) per day for a maximum of five days per week. A disabled employee may receive weekly sickness and accident benefits during the period of disability not to exceed

five (5) months. It is the employee's responsibility to make application for this benefit and the attending physician must document the nature of the disability and expected date of return to work.

No benefits shall be payable for the following:

1. disability which you are not under the direct care of a licensed physician.
2. sickness or injury which is purposefully self-inflicted while sane or insane.
3. disability due to an injury arising out of the course of employment.
4. disability due to disease which benefits are payable under Worker's Compensation, Occupational Disease or similar law.

This benefit terminates upon retirement or upon termination of employment.

ARTICLE XXVI - TERMS OF AGREEMENT

26.1 After ratification by the members of the Local Union, this Agreement shall become effective and remain in force and effect and be binding upon the parties hereto from December 15, 1993, to and including December 14, 1997, and it shall continue to be in full force and effect thereafter from year to year until either party on or before October 14, of any year, beginning October 14, 1997, gives written notice to the other party of its desire or intention either to alter and modify or terminate the same. If such notice is given, the parties hereto shall begin negotiations not later than November 15 in such year.

IN WITNESS WHEREOF, the Union has caused this Agreement to be executed in its name, after due authorization by a vote of a majority of its members, and the Company has caused it to be executed in its name, by its duly authorized representatives.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, CEMENT, LIME, GYPSUM AND ALLIED WORKERS, DIVISION LOCAL LODGE NO. D532

KOSMOS CEMENT COMPANY

By: James Hickenbotham

By: James Cantrell

By: Harlie Lowther

By: Bernard M. Reuland

By: David E. Tiller

By: Steven A. Wise

By: Robert Wolfe

By: William M. Clements

Signed this day of , 19

Signed this day of , 19

SCHEDULE A - PAY PROCEDURES

A1 - GAINSHARING: The employees will participate in a gainsharing program developed by the Company. An oversight committee made up of two (2) members from management and two (2) members from the union will meet as needed and review published reports. Employees will be encouraged to submit ideas to the committee.

A2 - RATE STRUCTURE: The rate structure shall consist of a starting rate, one thousand (1,000) hour worked incremental rates during the qualification period, and a qualified or "top" rate. An employee becomes eligible for an increase for every one thousand (1,000) hours worked up to the top rate.

A3 - JOB TRANSFERS: If an employee bids on a different job and is awarded the job, his pay and training credits will be established as follows. He will be evaluated by the foreman he has been working for, the foreman he will be working for, and the Mine Manager. They will review his skill, ability, education, and experience in relationship to the job and place him within the service schedule accordingly. If he has no skill, ability, education, or experience to offer, he will begin at the starting rate.

A4 - LEADPERSONS: Leadpersons will be paid $1 per hour in addition to their normal rate of pay while they are designated as leadpersons to perform certain quasi-supervisory tasks incidental to their normal hands-on work.

A5 - SERVICE SCHEDULES

	12/15/93	12/15/94	12/15/95	12/15/96
Contract wage increases	$ .50	$ .40	$ .35	$ .30

Employees who received skills premium under the 1990 labor agreement will be red circled at their 1993 rate of pay and will receive no wage increases until the scheduled increases accumulate more than the amount of the skills premium.

PRODUCTION GROUP

QUARRY PRODUCTION A

	12/15/93	12/15/94	12/15/95	12/15/96
Starting Rate	$10.00	$10.40	$ 10.75	$ 11.05
End 1,000 hours worked	$10.60	$11.00	$ 11.35	$ 11.65
End 2,000 hours worked	$11.20	$11.60	$ 11.95	$ 12.25
End 3,000 hours worked	$11.80	$12.20	$ 12.55	$ 12.85
End 4,000 hours worked	$12.40	$12.80	$ 13.15	$ 13.45
End 5,000 hours worked	$13.00	$13.40	$ 13.75	$ 14.05

Fully qualified rate for Production A will include being trained and able to do the job duties of: Blasters, driller helper, crusher operator, mine truck driver.

QUARRY PRODUCTION B

	12/15/93	12/15/94	12/15/95	12/15/96
Starting Rate	$13.00	$13.40	$ 13.75	$ 14.05
End 1,000 hours worked	$13.30	$13.70	$ 14.05	$ 14.35
End 2,000 hours worked	$13.60	$14.00	$ 14.35	$ 14.65
End 3,000 hours worked	$14.00	$14.40	$ 14.75	$ 15.05

Fully qualified rate for Production B will include being trained and able to do the job duties of Production A and: Gradall operator, barge loader, front-end loader, TT driver, driller, scaler/bolter.

QUARRY MAINTENANCE GROUP

Starting Rate	$11.25	$11.65	$ 12.00	$ 12.30
End 1,000 hours worked	$11.65	$12.05	$ 12.40	$ 12.70
End 2,000 hours worked	$12.05	$12.45	$ 12.80	$ 13.10
End 3,000 hours worked	$12.45	$12.85	$ 13.20	$ 13.50
End 4,000 hours worked	$12.85	$13.25	$ 13.60	$ 13.90
End 5,000 hours worked	$13.25	$13.65	$ 14.00	$ 14.30
End 6,000 hours worked	$13.65	$14.05	$ 14.40	$ 14.70
End 7,000 hours worked	$14.05	$14.45	$ 14.80	$ 15.10
End 8,000 hours worked	$14.45	$14.85	$ 15.20	$ 15.50

Employees working as repair helpers will progress to the 5,000 hours worked rate and shall not be required to furnish their own tools.

KOSMOS CEMENT COMPANY

Neville Island - Pittsburgh, Pennsylvania

AGREEMENT

between

KOSMOS CEMENT COMPANY

and

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS,
CEMENT, LIME, GYPSUM & ALLIED WORKERS DIVISION
Lodge D-592

1993 - 1997

AGREEMENT

This Agreement, dated December 15, 1993 is made by and between the KOSMOS CEMENT COMPANY and the INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, CEMENT, LIME, GYPSUM, AND ALLIED WORKERS DIVISION LOCAL LODGE NO. D592, referred to respectively as the "Company" and the "Union."

ARTICLE I - RECOGNITION

1.1 The Company recognizes the Union as the sole bargaining agent for its employees as is defined in Section 2 who work at the Company's plant at Neville Island, Pennsylvania, for the purpose of collective bargaining with respect to rates of pay, hours, and other conditions of employment.

1.2 The term "employee" as used in this Agreement shall include all permanent production and maintenance employees including lead men, and laboratory employees, but excluding all clerical employees, guards and supervisors as defined in the Act and all other employees.

1.3 Union officers and members shall refrain from any union solicitation on Company time.

1.4 All provisions of this Agreement shall be applied to all employees without regard to race, color, sex, religious creed, age or national origin. The company and the union will comply with all federal and state laws concerning the rights of workers including the Americans with Disabilities Act and the Family and Medical Leave Act.

ARTICLE II - UNION COOPERATION

2.1 The Union agrees that it will cooperate with the Company in all matters of industrial relations including carrying out Equal

Employment Opportunity obligations and will support the Company's efforts to assure a fair day's work on the part of its members and that it will actively strive to eliminate absenteeism and other practices which restrict production. It further agrees that its members will abide by the rules of the Company in its effort to prevent accidents, to eliminate waste in production, conserve materials and supplies, improve the quality of workmanship, and strengthen goodwill between the Company and its employees.

2.2 The Union agrees that it will use its best efforts to assist the Company in enhancing the competitiveness of the Company, and augmenting or increasing revenue generation.

2.3 The parties hereto intend by this Agreement to provide a stabilized and mutually beneficial relationship between them and to insure the production of quality products on schedule and at competitive costs during the life of this Agreement. The Company and the Union will also establish an active Employee Participation Program to facilitate ideas and develop and implement programs to improve the overall operations and enhance employee involvement.

ARTICLE III - THE CORE CONCEPT

3.1 The parties agree that the basic structure of the Company's operation and the organization of its work force is based on the "Core Concept." Under the Core Concept, employees will generally perform the "core" of the work to be done at the plant with the remainder to be performed by substantial but various numbers and types of outside contractors. The parties recognize that the Company is in the primary business of manufacturing cement and other products requiring similar process (utilizing alternative substitute fuels). The parties further recognize that the business is limited in scope and that the Company should avoid, to the extent possible, getting into other businesses such as special projects, special maintenance other than routine preventive maintenance, day to day labor pool work, janitorial work, trucking and the like, where other business concerns may have more expertise, competence, economies of scale or other advantages. The Company has the right to subcontract these and other types of work where in the Company's judgement such subcontracting is in the economic best interest of the Company and its employees. It is understood and agreed that the Core Concept does not require any specific number of employees, nor does it cover any specific work or job classifications. Rather, the Core Concept is a way of doing business which is designed to increase productivity of the plant and the job security of the employees. Subcontracting will not be used to permanently replace bargaining unit employees.

ARTICLE IV - UNION ACTIVITY

4.1 The Company agrees that during all reasonable times when the plant is operating a duly accredited representative of the Union shall be entitled access to the plant during the regular working hours for the purpose of assisting in the adjustment of pending grievances, provided that the designated representative of the Company is properly notified in advance and the Union representative establishes proper identification. If it is necessary to go into the work area of the plant (for example, to view a particular operation relative to a pending grievance), then the appropriate Company official shall accompany the Union representative so that both parties see the same thing so as to aid in resolving the grievance.

4.2 The Union Grievance Committee representing the employees in matters other than negotiations shall consist of not more than three (3) employees which will include the local president, the

grievance committee chairman and the department shop steward. The Plant Manager or his designee will meet with the Committee within five (5) days, excluding Saturdays, Sundays and holidays, of any request by the President of the Local Union to the Plant Manager for such a meeting.

4.3 Insofar as practical, meetings will be conveniently scheduled by the company so as to complete all business within normal working hours. Such employees attending meetings will be compensated at their regular straight time rate of pay for hours normally scheduled to work.

4.4 Employees receiving formal disciplinary action may request that a union representative be present.

ARTICLE V - MANAGEMENT RIGHTS

5.1 The Union recognizes that the management of the plant, the direction of the working forces, including the right to hire, discipline for just cause, the right to make and change and enforce (after posting) rules for the maintenance of discipline and safety; the exclusive rights to determine partial or permanent discontinuance or shutdown of operations (the Company's only obligation when exercising this right is to bargain with the Union over the effects of that decision); the right to promote, or transfer employees; the right to transfer and relieve employees from duty because of lack of work or other legitimate reason, and the right to establish and change the working schedules and duties of employees are vested in the Company, except as otherwise provided in the Agreement. The listing of specific rights in this Agreement is not intended to be nor shall be considered restrictive of or a waiver of any of the rights of management not listed and not specifically surrendered herein, whether or not such rights have been exercised by the Company in the past.

ARTICLE VI - WAGES

6.1 It is agreed that for the duration of this Agreement, the wage groups and the rates of pay shall be those set in Schedule "A".

6.2 For shift premium purposes only:

(1) All regularly scheduled work beginning between 6:00 A.M. and 1:59 P.M. inclusive, shall be considered day shift work.

(2) All regularly scheduled work beginning between 2:00 P.M. and 9:59 P.M. inclusive, shall be considered middle shift work.

(3) All regularly scheduled work beginning between 10:00 P.M. and 5:59 A.M. inclusive, shall be considered night shift work.

6.3 Each employee regularly scheduled to work on the middle shift shall be paid a premium of forty cents ($.40) for all hours worked by him on that shift. Each employee regularly scheduled to work on the night shift shall be paid fifty-five cents ($.55) for all hours worked by him on that shift. These premium rates do not apply to day workers even though they may work over into a premium pay shift. If, however, the day worker is scheduled to take the place of a regular scheduled shift worker, then the premium rate applies.

6.4 All consecutive hours (exclusive of meal periods) worked by an employee who normally begins work at a time specified in the preceding paragraphs, shall be deemed to be worked by him on the shift on which he begins work.

ARTICLE VII - VACATIONS

7.1 Each employee meeting all the requirements of Section 2 of this Article shall be eligible for vacation in accordance with the following schedule:

After completion of one (1) year of service with the Company since the employee's last date of hire -- two (2) weeks vacation during the year following the employee's anniversary date.

After completion of five (5) years of service with the Company since the employee's last date of hire -- three (3) weeks vacation during the year following the employee's anniversary date.

After completion of ten (10) years of service with the Company since the employee's last date of hire -- four (4) weeks of vacation during the year following the employee's anniversary date.

Continuous service only for employees on the payroll December 1, 1988, shall include continuous service recognized with Lone Star/Marquette.

7.2 An employee shall receive a vacation according to Section 1 of this Article provided that such employee has actually worked at least one thousand (1,000) hours during the year preceding his most recent anniversary date.

7.3 Vacations will not be cumulative, but so far as practical will be granted at times most desired by employees, with the final right to allotment of vacation period exclusively reserved to the Company in order to ensure the orderly operation of the plant. When requested vacation periods conflict, preference shall be given to the employee having the most continuous service (including continuous service accumulated with Lone Star/Marquette). In the event a paid holiday falls during an employee's vacation period, the employee shall receive holiday pay in addition to vacation pay.

7.4 No vacation may be taken prior to the employee's applicable anniversary date. An employee must take his vacation within twelve (12) months after he qualifies for it. An employee cannot accumulate vacation time beyond the twelve (12) month period following the employee's anniversary date. An employee must have been actively employed (at work) at sometime during the calendar year to be eligible for vacation pay during that calendar year.

Employees may request additional (unpaid) vacation time and the Company will attempt to comply with such request. (Upon voluntary termination, employees will be paid for all unused vacation time and pay, provided that such employee has actually worked one thousand (1,000) hours during the year preceding his most recent anniversary date).

An employee may receive one week of vacation pay per year in lieu of time off if requested. This may be extended to an additional week with company approval.

7.5 Vacation periods will commence on the first day following the employee's regular scheduled days off.

7.6 Scheduling of Vacations.

1. Prior to December 1 of each calendar year eligible employees shall request vacation periods. Employee's request for vacation will be put on a standard vacation form and will be posted on or before December 15 showing vacation allotments for the following year.

2. Employees with the most seniority will be given preference for two (2) weeks as a first choice except in cases of extenuating circumstances agreed to by the Company and the Union. Second choice will be granted after every employee has completed his first choice, then the employees with the most seniority will pick the remainder of their vacation allotment.

3. The departments for vacation allotments will be as follows: Production, Mechanical Maintenance, Electrical, Laboratory, Packhouse, and General. The storeroom attendant will be included in General.

ARTICLE VIII - PAID LEAVES

8.1 It is agreed that the Company shall make up the wage loss incurred by a regular employee (as distinguished from a probationary employee) because of jury service by payment of the difference between the amount received for such jury service on the day such employee would have been regularly scheduled to work and his regular rate of pay computed on the same basis as vacation pay. Any employee reporting for jury duty will not be required to work his regular shift that calendar day. The employee will be excused for the entire day without loss of pay. Hours spent on jury service and paid for hereunder shall be considered as time actually worked for all overtime purposes. Further as outlined above, the Company shall make up the wage loss incurred by an employee when subpoenaed as a witness in an action when the employee or the Union or the Company are neither the plaintiff nor the defendant.

8.2 To receive pay from the Company under this provision, the employee must provide the Company with a statement signed by an official of the court certifying as to the employee's service as a juror or court witness or appearance in court for such purposes, the date or dates of attendance, and the compensation paid him exclusive of any transportation and/or subsistence allowance.

8.3 Employees who are members of organized reserve components of the Armed Forces, including the National Guard, will be allowed leave of absence annually for the purpose of attending required military training encampments or cruises. The Company will pay any employee who goes on such leave of absence the difference between the employee's straight time pay for up to two (2) weeks (ten (10) working days) annually and the employee's military pay including longevity pay but excluding all allowances such as rent, subsistence, uniform, and travel. Payment will be made when the employee returns from reserve training on presentation of satisfactory proof of the amount of pay received.

ARTICLE IX - COPIES

9.1 The Labor Agreement, and Summary Plan Descriptions for the Pension Plan, 401K, and Insurance Plan will be printed at Company expense. The Company will provide each member with a copy of the booklet.

ARTICLE X - GRIEVANCE PROCEDURE

10.1 Should differences arise during the term of this Agreement between the Company and the Union, or an individual employed by the Company, as to the meaning and application of the provisions of this Agreement, an earnest effort shall be made by the parties to settle such differences promptly and in the following manner:

(1) STEP I. The complaint, within seven (7) days of its occurrence, or the occurrence of the matter out of which the

complaint arises, may be taken up by the employee involved, with or without Union representation, with his management representative. The employee shall state the specific article(s) and paragraph(s) of the Contract that is alleged to have been violated in order for the grievance to be considered and processed.

(2) STEP II. If no satisfactory settlement is reached in Step I, the matter shall be reduced to writing and presented to the Plant Manager and/or Director of Human Resources within five (5) days from the date of the meeting with the management representative. The employee shall state the specific article(s) and paragraph(s) of the Contract that is alleged to have been violated in order for the grievance to be considered and processed. At the time of presentation, or within five (5) days, the Plant Manager will meet with the employee with the assistance of a Union Representative if requested by the employee to hear and discuss the grievance. The Company shall answer the grievance in writing within five (5) days after said meeting.

(3) STEP III. If no agreement is reached in Step II, the Committee may, within five (5) days of the receipt of the above answer, refer the matter to higher officials of the Company and the Union, who may attend a meeting to be held within thirty (30) days upon request.

(4) STEP IV.

a. Any grievance not settled in Step III above may be referred to arbitration. Notice to refer a grievance to arbitration shall be given in writing within fifteen (15) days after being notified of the decision rendered in Step III or the matter will be considered closed. Only one (1) grievance may be submitted to or under review by any one (1) Arbitrator at any one (1) time unless by prior mutual written consent of the parties.

b. In the event the parties are unable to agree upon an Arbitrator within seven (7) days after arbitration is invoked, then they shall jointly petition the Federal Mediation and Conciliation Service, which shall submit a panel of seven (7) qualified arbitrators, and the parties shall select a single arbitrator from such panel. The Arbitrator shall be appointed by mutual consent of the parties hereto. If the arbitrators included in this panel are unacceptable to either party, a second panel shall be requested from the Federal Mediation and Conciliation Service and a single arbitrator selected from this panel.

c. Any grievance referred to arbitration shall be heard as soon as possible and a decision rendered within thirty (30) days of the hearing or the date of postmark of the post hearing briefs. The Arbitrator shall have no power to add to or subtract from or change, modify or amend any of the provisions of this Agreement. The decision rendered by the Arbitrator will be final and binding upon the Union, the Company, the grievant, and all the employees covered by this Agreement. The Arbitrator selected pursuant to this Article shall interpret and apply the terms of this Agreement; he/she shall not substitute his/her discretion and judgement for that of the Company. If the Arbitrator finds that a dischargeable offense was committed by the employee, he/she shall not substitute his/her judgement for that of the Company as to whether discharge or a more lenient penalty was appropriate in a particular case.

d. It is expressly agreed that no Arbitrator shall have the authority to decide any matter involving the exercise of a right reserved to management under this Agreement.

e. Each party hereto shall pay the expense incurred in the presentation of its own case, and the expenses incident to the services of the Arbitrator, including the cost of the transcript,

shall be shared equally by the Company and the Union.

10.2 The time limits referred to in the foregoing paragraphs exclude Saturdays, Sundays and holidays.

10.3 Any grievance growing out of a discharge or suspension must be submitted in writing by the aggrieved employee directly to the Union and from the Union to the Director of Human Resources or Plant Manger within forty-eight (48) hours of the discharge or suspension or it will not be recognized and action taken shall be final.

10.4 Any grievance not presented or appealed within the time limits provided, unless mutually agreed to extend the time, shall be considered settled on the basis of the decision which was not appealed and shall be final and binding on the parties involved.

10.5 Grievances presented in any of the regular steps set forth and not answered within the time specified or as the same may be extended by mutual agreement shall be considered appealed to the next step of the grievance procedure.

ARTICLE XI - OVERTIME LUNCH

11.1 Any employee who works more than ten (10) consecutive hours, where such overtime hours are unscheduled, shall be given a lunch or lunch allowance. No lunch or lunch allowance will be provided if such overtime hours are scheduled with twelve (12) hours advance notice. Any employee working fourteen (14) consecutive hours, in a working day, who has not already been provided an overtime lunch, will be entitled to lunch.

ARTICLE XII - NON-BARGAINING UNIT EMPLOYEES

12.1 It is understood and agreed that during the normal course of operations it may be necessary for non-bargaining unit employees to perform some bargaining unit work from time to time. Such work will be incidental to the normal duties of said non-bargaining unit employees, as long as such work does not permanently displace or replace a bargaining unit employee. Such work shall include work involving corrective action which must be performed expeditiously; instruction or training of employees; demonstration; inspection or testing of equipment; work of an emergency nature; and development work for new processes and/or procedures.

12.2 When equipment, expertise, facilities, and manpower are available, work customarily performed by bargaining unit employees will continue to be performed by these employees. Subcontracting may be used as needed to supplement the work force.

ARTICLE XIII - STRIKES AND LOCKOUTS

13.1 The Union agrees that there shall be no picketing or strikes by the Union or by its members, of any kind or degree whatsoever, or walkout, suspension of work, slowdowns, limiting of production, or any other interference or stoppage, total or partial, of the Company's operations for any reason whatsoever, such reasons including, but not limited to, unfair labor practices by the Company or any other Employer. It is further agreed that neither the Union or its members shall engage in the above prohibited conduct in support of picketing, strikes or any labor dispute actions engaged in by any other organization or person. In addition to any other recourse or remedy available to the Company for violation of the terms of this Article by the Union and/or any Union member, the Company may discharge or otherwise discipline any employee who authorizes, causes, engages in, sanctions, recognizes, or assists in any violation of this Article. The Company will not

engage in any lockouts during the term of this Agreement.

ARTICLE XIV - HOLIDAYS

14.1 The Company recognizes the following nine (9) paid holidays per year: New Year's Day, Good Friday, Memorial Day, 4th of July, Labor Day, Thanksgiving, Day after Thanksgiving, Christmas Eve, and Christmas Day.

14.2 Holiday pay will be equal to eight (8) hours pay at the employee's straight time hourly rate. Such holiday pay will not be paid if the employee is absent from work on the holiday if scheduled to work on the holiday or if the employee is absent on the scheduled day preceding or following the holiday unless such absences are excused by Management. In no event shall a holiday be paid for unless an employee has also actually worked at least one (1) day during the fifteen (15) day period immediately preceding or immediately following the holiday.

14.3 If an employee is required to work on a holiday, he will receive eight (8) hours pay for the holiday (holiday pay) plus one and one-half (1-1/2) times the employee's regular hourly rate for hours up to eight (8) hours actually worked on the holiday.

All hours worked in excess of eight (8) hours on a holiday will be paid at two (2) times the employees regular rate of pay.

14.4 Since the employee is receiving one and one-half (1-1/2) times the employee's regular hourly rate for hours actually worked on the holiday, such hours actually worked on the holiday shall not be counted toward the calculation of overtime pay received for working in excess of forty (40) hours per week.

14.5 The eight (8) hours holiday pay shall be counted toward the calculation of overtime pay paid for working in excess of forty (40) hours per week if the employee is off for the holiday, but not on his/her regularly scheduled day off.

14.6 When a holiday falls on Sunday, it will normally be observed on the following Monday. Under certain conditions the Company may elect to observe the holiday on the preceding Friday in lieu of Monday. This change may apply to some or all employees.

ARTICLE XV - SENIORITY

15.1 Seniority shall consist of an employee's length of continuous service with the Company since the employee's last day of hire at its facility located at Neville Island, Pennsylvania. Continuous service only for employees employed by the Company before December 1, 1988 shall include continuous service at Neville Island, Pennsylvania recognized by Lone Star/Marquette.

15.2 Each new employee shall be considered as a probationary employee for the first ninety (90) calendar days of full time employment after which the employee's seniority shall date back to his date of hire. There shall be no seniority among probationary employees. Such employees shall not have recourse to the grievance procedure of this Agreement and may be laid off or discharged as exclusively determined by the Company.

15.3 An employee's seniority shall be lost and continuous service shall be broken when an employee:

1. is discharged;

2. is terminated upon permanent shutdown of the Company's

facilities;

3. is laid off for a period of three (3) years or the length of his seniority as of his last day of work, whichever period is shorter;

4. voluntarily quits which shall be deemed to include:

a) failure to notify the Company of the employee's intention to return to work after layoff within three (3) working days, and to actually report to work within seven (7) working days (unless this latter period is extended in writing by the Company) after he has been notified by certified mail (either by delivery or attempted delivery) at his last address appearing on the Company's records to report to work;

b) an absence from work for two (2) consecutive scheduled work days without reporting to work unless excused by Management in advance;

c) the employee fails to return to work on the first regularly scheduled work day following the termination of any leave of absence or any other leave approved by the Company unless excused by Management.

5. retires.

15.4 When a vacancy occurs for which a laid off employee is qualified, he will be given certified mail notice of recall at his last address as shown on Company records. The employee must notify the Company of the employee's intention to return to work after layoff within three (3) working days and must actually report to work within seven (7) working days (unless this latter period is extended in writing by the Company) after he has been notified by certified mail (either by delivery or attempted delivery).

15.5 An employee on continuous absence due to disability shall accrue seniority and retain recall rights for a period not to exceed thirty-six (36) months or the length of his seniority as of his last day worked (minimum of twelve (12) months), whichever period is shorter. An employee absent because of disability shall only be recalled for a vacancy which occurs after he is physically able to return to work. However, should such an employee be declared totally and permanently disabled prior to thirty-six (36) months, such employee's name shall be removed from the payroll and a certified mail notice to this effect will be sent to his last address as shown on Company records. This provision of this Agreement applies to recall rights only.

15.6 If an incapacitated employee is released to return to work and is not physically able to perform the job that the employee was performing before the disability occurred, the released employee shall be allowed, subject to mutual agreement between the company and the union, to displace a less senior employee in a job that the released employee is qualified and physically capable of performing. The displaced employee shall be the least senior person in the job classification. Qualification will be handled as in the normal bidding procedure. If a less senior employee is displaced from his/her job, the displaced employee, with the ability and qualification to perform another job, shall be allowed to also displace a less senior employee.

15.7 Should an employee in the bargaining unit after December 15, 1993, be promoted to a supervisory position outside the coverage of this Agreement and within ninety (90) days after promotion be demoted, his seniority will be reinstated in the amount he had when promoted.

15.8 Seniority lists agreed to by and between the Company and the Union shall be posted on the bulletin board as of May 1 and November 1 of each year. Corrections shall be made in the seniority lists when it is proved an employee is placed in the wrong position on said list, but all requests for corrections must be made within thirty (30) days from date of posting or the list shall be valid as posted.

15.9 When the Company declares that a full time opening exists (not including temporary openings), employees in the classification and employees entering the classification may exercise their seniority to choose established days off within the classification. In order to balance the skills and training on various shifts, the Company may delay certain changes in days off for up to six (6) months from the time the opening is filled.

15.10 The Company recognizes that all employees shall retain the right to seniority preference in cases of layoffs and recall. The last employee hired shall be the first laid off and the last laid off the first rehired. Such preferences in the cases of layoffs and recall shall take into consideration the employee's ability to perform the available work and the efficient operations of the operation. It is recognized that, in periods where business conditions necessitate that the level of production be reduced to a point where only a minimum of employees is required, it shall be necessary, in some cases, to deviate from strict plant seniority in order that some positions be available to service and adjust the equipment when production requirements increase. If the company does not layoff in accordance with seniority, the Company will meet with the Union to explain the reasons prior to the layoff.

15.11 In the event that an employee is displaced by the installation of mechanical equipment, change in production methods, the installation of new or larger equipment, the combining of jobs, the elimination of jobs, or by a more senior person, the employee may elect to exercise his/her plant seniority to displace the least senior person in a position the employee is qualified to perform within one week of being placed on the job.

ARTICLE XVI - JOB BIDDING

16.1 When the Company determines a vacancy exists, other than a minimum pay job, the Company will post a notice of such fact, such notice to remain posted for a period of at least five (5) days, not including Saturdays, Sundays, or holidays. This notice shall state rates of pay, hours, and job requirements. The union will be provided with a copy of each bid. All bids shall be considered in the manner provided herein in Section 16.3 and the successful applicant's name will be posted within seven (7) days after the bids are opened, except where testing is required. Said delay will not exceed ten (10) days, unless additional time is agreed to between the Union and the Company. The successful bidder will be placed on the job within as reasonable a time as possible from the date of posting award. In the event of the successful applicant's failure to qualify in the opinion of the Company, then it is understood that said employee is to be restored to his former position and standing. Employees will submit their bid to the supervisor and will be given a receipt for the bid.

The successful bidder will be placed on the job as soon as possible unless an extension is agreed to by the company and the union. The Company may choose to cancel the bid at any time. If a successful bidder is not assigned to the new job within thirty (30) working days following the awarding of the bid, the employee shall receive the applicable starting rate of the new job. The successful bidder may be disqualified by the Company within the first 120 days of assignment to the new job at the sole discretion

of management. In the event of the successful applicants failure to qualify in the opinion of the company, then it is understood that said employee is to be restored to his former position and standing.

16.2 If within twenty-four (24) months following his assignment to a new job under this procedure, an employee applies for another new job of equal or lower classification, the Company may, at its discretion, disregard such application. After twenty-four (24) months employees may only bid for promotional job opportunities except by mutual agreement between the parties. This provision does not apply to employees successfully bidding into the Entry Level Mechanical, Electrical, or Instrument Training Program.

Lateral or down-bids for any position shall only be permitted one time, per employee, during the course of this agreement.

16.3 The following factors shall apply in the awarding of all jobs:

(1) Qualifications of the Applicant (which shall include: ability to perform the work, aptitude, skills, experience, training for the job, and attendance);

(2) Physical Fitness of the Applicant;

(3) Seniority.

Where (1) and (2) are equal, (3) shall apply.

If the employee selected shall fail to qualify after a fair trail period, in the exclusive judgement of the Company, he shall be returned to his former position and the next bidder shall be given consideration.

16.4 Temporary Reassignment. An employee who is temporarily assigned by his supervisor to perform work of a higher paid job classification will be paid the rate of such higher job classification for time actually worked. An employee temporarily assigned by his supervisor to perform work in an equal or lower paid classification will be paid the base hourly wage rate of his permanent classification.

16.5 In no event shall the Company be requested or required to post any job temporarily vacated by reason of vacations, illness, or injury. The Company, at its discretion, may create temporary jobs not to exceed one hundred twenty (120) work days. Successful bidders bidding down or laterally on such temporary jobs will be placed in the labor classification upon completion of the job. Should the Company determine that any temporary job becomes permanent, the Company shall post the job as provided in this Article.

16.6 Knowledge, training, skill and ability gained while holding jobs under the bid system and seniority, will be given consideration in making promotions, layoffs, or reductions in work force.

16.7 If an employee bids on a higher rated job and is awarded the job, that employee will be slotted at the starting progression rate for the new job. However, if the transferring employee is leaving a position with a rate of pay greater than the starting rate of the new position, then the transferring employee will retain his/her former rate of pay until the time in the new classification allows the employee to move up to the incremental increase in progression.

ARTICLE XVII - WORKWEEK AND OVERTIME

17.1 During the life of this Agreement it is understood that the

"normal work day" is the twenty-four (24) hour period beginning with the start of the employee's shift. The "normal work day" is eight (8) consecutive hours of work in a twenty-four (24) hour period, broken by established meal periods, except as necessitated to maintain efficient plant operations.

The "normal work week" is made up of five (5) consecutive "normal work days" within a seven (7) day period beginning with the morning shift on Mondays. The "normal work week" for certain employees may begin on a day other than Monday. One and one half (1 and 1/2) times the employees regular hourly rate will be paid for all hours worked in excess of forty (40) hours per week or in excess of eight (8) hours per day. The Company will notify the Union should the need arise to deviate from the "normal work week".

17.2 Callouts.

(1) If an employee is called out after his regular shift and after leaving the plant, or on off days, he shall be paid a minimum of four (4) hours pay at one and one-half (1-1/2) times the employee's regular rate. However, such hours shall not be counted toward the calculation of overtime pay paid for working in excess of forty (40) hours per week.

(2) If such employee is notified twelve (12) hours or more in advance of his shift, the four (4) hour minimum will not apply.

17.3 Weekly manning schedule shall be posted not later than the end of the day shift on Fridays barring unforeseen circumstances outside the Company's control.

17.4 Insofar as practical, overtime will be equalized in each department by classification. The current overtime distribution policy will be posted by the Company. The overtime equalization list will be updated weekly and posted.

ARTICLE XVIII - FUNERAL LEAVE

18.1 When an employee who has completed the probationary period is absent from work solely to arrange for and/or attend the funeral of his/her parent, stepfather, stepmother, wife or husband, son or daughter, or stepchildren, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law or mother-in-law, grandparents of spouse, son-in-law or daughter-in-law, the Company will pay up to three (3) consecutive work days, or four (4) consecutive work days if the employee is required to travel at least five hundred miles to attend funeral services, of eight (8) hours each, at the employee's regular hourly rate for each scheduled workday the employee is absent with the permission of the Company. The funeral leave must be taken within seven (7) consecutive calendar days from the date of the death or funeral services.

18.2 Funeral leave will be granted only for absences occurring on the employee's regularly scheduled workdays and will not apply to employees on vacation, layoff or other non-working status. Hours paid under this Article will be counted as hours worked for the purpose of computing overtime. To be eligible for benefit under the Article, the employee must supply upon request reasonable documentary evidence of covered death and family relationship and must attend the funeral.

ARTICLE XIX - SAFETY AND HEALTH

19.1 A joint Safety and Health Committee will be established consisting of members appointed by the Company and the Union. The "Committee" will consist of two (2) members from the union and two

(2) members from the Company plus the Plant Manager or his designee. Meetings will be held regularly to address safety and health concerns and make recommendations to the plant management. The "Committee" will establish an Accident Investigation Team. Safety issues, complaints and/or disputes may be investigated by the "Committee". Any safety and health issues not resolved by the "Committee" will be addressed through the normal grievance procedure. Employees will be required to properly use and maintain all personal protective equipment supplied by the Company.

ARTICLE XX - BULLETIN BOARD

20.1 The Union agrees to post only notices concerning elections, meetings, reports and other official Union business and notices of social and recreational activities on the Company bulletin board. A copy of each notice will be supplied to the Plant Manager at the time of its posting. The Union agrees further that it will post no matter which is in the disinterest of the Company. However, notwithstanding the above, it is understood that the Company's decision concerning the use of the bulletin board shall be final.

ARTICLE XXI - FURNISHING OF TOOLS

21.1 The Company shall furnish all tools and equipment for its employees, except to maintenance employees, in which case these employees shall furnish their own hand tools. In case of breakage or loss, the Company will replace or repair such tools; such breakage or loss shall be reported immediately to the Company. "Hand Tools" as used herein shall not include socket sets, wrenches more than twelve (12) inches long, and all other specialized tools incident to the work of the mechanical, maintenance, and skilled trades.

ARTICLE XXII - DUES CHECK-OFF

22.1 Check-off: During the term of this Agreement, the Company will continue to check off monthly dues, and initiation fees, each as designated by the Treasurer of the Local Union, as membership dues in the Union on the basis of and for the term of individually signed check-off authorization cards, a copy of which is reproduced below, or hereafter submitted to the Company. The Company shall promptly remit any and all amounts so deducted to the Treasurer of the Local Union with a list of the employees from whom the deduction was checked off.

22.2 On or before the last Friday of each calendar month the Union shall submit to the Company a summary list of cards transmitted in each month.

22.3 Dues for a given month shall be deducted from the last payday in that month; deductions on the basis of authorization cards submitted to the Company shall commence with respect to dues for the month in which the Company receives such authorization cards.

22.4 Unless the Company is otherwise notified, the only Union membership dues to be deducted for payment to the Union from the pay of the employee who has furnished an authorization shall be the monthly Union dues. The Company will deduct initiation fees when notified, by notation on the list referred to in 22.2 above, and assessments as designated by the Treasurer of the Local Union.

22.5 The Union shall indemnify the Company and hold it harmless against any and all suits, claims, demands and liabilities that shall arise out of or by reason of any action that shall be taken

or not taken by the Company for the purpose of complying with the foregoing provisions of this Article, or in reliance on any list or certificate which shall have been furnished to the Company by the Union under any such provisions.

22.6

CHECK-OFF AUTHORIZATION
FOR INTERNATIONAL BROTHERHOOD OF
BOILERMAKERS, CEMENT DIVISION

_____
Company

_____ _____19____
Plant Date

Pursuant to this authorization and assignment, please deduct from my pay each month, while I am in employment within the collective bargaining unit in the Company, monthly dues, assessments and (if owing by me) an initiation fee each as designated by the Treasurer of the Local Union, as my membership dues in said Union.

The aforesaid membership dues shall be remitted promptly by you to the Treasurer of the International Brotherhood of Boilermakers, Cement, Lime, Gypsum and Allied Workers Division, Local Lodge D592, or its successor.

This assignment and authorization shall be effective and can be canceled any time by written notice and cannot be reinstituted for a twelve (12) month period or until the termination date of the current collective bargaining agreement between the Company and the Union, whichever occurs sooner.

Local Union No. D592
International Brotherhood of _____
Boilermakers, Cement Division Signature

_____ _____
Witness Date

ARTICLE XXIII - UNION SECURITY

23.1 All employees covered by this Agreement, who as of December 15, 1993, are members of the Union in good standing, and all employees who thereafter become members, shall, as a condition of continued employment, remain members of the Union in good standing for the duration of the Agreement.

All new employees covered by the Agreement shall, as a condition of employment, become members of the Union on or immediately after the thirtieth (30th) calendar day following their employment.

ARTICLE XXIV - LEAVE OF ABSENCE

24.1 Any employee elected or appointed to a full time position with the International Brotherhood of Boilermakers, Cement, Lime, Gypsum and Allied Workers Division may be granted a leave of absence up to two (2) years provided thirty (30) days notice is given to the Company prior to the beginning of such leave. During such leave,

seniority shall accumulate. Insurance benefits shall be suspended upon the commencement of such leave and will be in effect the first day of returning to work with the Company. Upon returning to work, such employee shall be reinstated to his former job providing it is still in existence; if not, he should be eligible to apply for any job within the bargaining unit by means of the then-existing bidding procedure. The Company agrees to consent to the absence of no more than one (1) employee at any time under this paragraph.

ARTICLE XXV - BENEFIT PLANS

25.1 During the term of this Agreement the Company will provide employees with participation in the Southdown, Inc. Group Medical Network Benefit Plan, the Southdown, Inc. Dental Plan, the Southdown, Inc. Life Insurance and Accidental Death and Dismemberment Plan, the Southdown, Inc. Long Term Disability Plan, the Southdown, Inc. Pension Plan, the Southdown, Inc. Retirement Savings Plan, the Southdown, Inc. Post Retirement Retiree Medical Insurance Plan, and the Southdown, Inc. Voluntary Life Insurance Plan, including all amendments and modifications to said plans during the life of this Agreement, on the same basis as the benefits and eligibility requirements are provided to Southdown, Inc.'s salaried employees.

25.2 SICKNESS AND ACCIDENT BENEFITS

If an employee with at least one (1) year of service is absent from work due to disability, sickness and accident benefits are payable. The disability must prevent the employee from performing the duties of the job because of a non-occupational sickness or injury. This benefit is payable if confined to a hospital or home.

After a waiting period of one (1) week (waived if the employee is hospitalized as an in-patient), the disability benefits are payable at a rate of fifty-one dollars ($51) per day for a maximum of five days per week. A disabled employee may receive weekly sickness and accident benefits during the period of disability not to exceed five (5) months. It is the employee's responsibility to make application for this benefit and the attending physician must document the nature of the disability and expected date of return to work.

No benefits shall be payable for the following:

1. disability which you are not under the direct care of a licensed physician.
2. sickness or injury which is purposefully self-inflicted while sane or insane.
3. disability due to an injury arising out of the course of employment.
4. disability due to disease which benefits are payable under Worker's Compensation, Occupational Disease or similar law.

This benefit terminates upon retirement or upon termination of employment.

ARTICLE XXVI - TERMS OF AGREEMENT

26.1 After ratification by the members of the Local Union, this Agreement shall become effective and remain in force and effect and be binding upon the parties hereto from December 15, 1993, to and including December 14, 1997, and it shall continue to be in full force and effect thereafter from year to year until either party on or before October 14, of any year, beginning October 14, 1997, gives written notice to the other party of its desire or intention

either to alter and modify or terminate the same. If such notice is given, the parties hereto shall begin negotiations not later than November 15 in such year.

IN WITNESS WHEREOF, the Union has caused this Agreement to be executed in its name, after due authorization by a vote of a majority of its members, and the Company has caused it to be executed in its name, by its duly authorized representatives.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS, CEMENT, LIME, GYPSUM AND ALLIED WORKERS, DIVISION LOCAL LODGE NO. D592

By: _____
James Hickenbotham

By: _____
James Cantrell

By: _____
Mark Kelly

By: _____
Wayne G. Summers

By: _____
Beverly J. Rice

By: _____
James R. Reinstadtler

Signed this 15th day of December, 1993

KOSMOS CEMENT COMPANY

By: _____
Bernard M. Reuland

By: _____
David E. Tiller

By: _____
Steven A. Wise

Signed this 15th day of December, 1993

SCHEDULE A - PAY PROCEDURES

A1 - GAINSHARING: The employees will participate in a gainsharing program developed by the Company. An oversight committee made up of two (2) members from management and two (2) members from the union will meet monthly and publish a report. Employees will be encouraged to submit ideas to the committee.

A2 - RATE STRUCTURE: The rate structure shall consist of a starting rate, one thousand (1,000) hour worked incremental rates during the qualification period, and a qualified or "top" rate. An employee becomes eligible for one thousand (1,000) hour worked incremental rates by being evaluated as showing satisfactory progress.

A3 - LEADPERSONS: Leadpersons will be paid $1 per hour in addition to their normal rate of pay while they are designated as leadpersons to perform certain quasi-supervisory tasks incidental to their normal hands-on work.

A4 - SERVICE SCHEDULES

	12/15/93	12/15/94	12/15/95	12/15/96
Contract wage increases	$ .50	$ .40	$ .35	$ .30

Employees who received skills premium under the 1990 labor agreement will be red circled at their 1993 rate of pay and will receive no wage increases until the scheduled increases accumulate more than the amount of the skills premium.

GENERAL GROUP

	12/15/93	12/15/94	12/15/95	12/15/96
LABORER				
Starting Rate	$ 8.00	$ 8.40	$ 8.75	$ 9.05
End of 1,000 hours worked	$ 9.30	$ 9.70	$ 10.05	$ 10.35
PACKHOUSE OPERATORS				
UTILITY (Packhouse personnel, including the pumpman*)				
Starting Rate	$ 9.50	$ 9.90	$ 10.25	$ 10.55
End of 1,000 hours worked	$ 11.60	$ 12.00	$ 12.35	$ 12.65
BULKLOADER				
Starting Rate	$ 9.75	$ 10.15	$ 10.50	$ 10.80
End of 1,000 hours worked	$ 11.85	$ 12.25	$ 12.60	$ 12.90

	12/15/93	12/15/94	12/15/95	12/15/96
LAB GROUP				
LAB TECHNICIANS				
Starting Rate	$ 11.40	$ 11.80	$ 12.15	$ 12.45
End of 1,000 hours worked	$ 11.98	$ 12.38	$ 12.73	$ 13.03
End of 2,000 hours worked	$ 12.56	$ 12.96	$ 13.31	$ 13.61
End of 3,000 hours worked	$ 13.14	$ 13.54	$ 13.89	$ 14.19
End of 4,000 hours worked	$ 14.90	$ 15.30	$ 15.65	$ 15.95
MAINTENANCE GROUP				
STOREROOM ATTENDANT				
Starting Rate	$ 11.40	$ 11.80	$ 12.15	$ 12.45
End of 1,000 hours worked	$ 11.85	$ 12.25	$ 12.60	$ 12.90
End of 2,000 hours worked	$ 12.30	$ 12.70	$ 13.05	$ 13.35
LUBEPERSON**				
Starting Rate	$ 11.40	$ 11.80	$ 12.15	$ 12.45
End of 1,000 hours worked	$ 11.85	$ 12.25	$ 12.60	$ 12.90
End of 2,000 hours worked	$ 12.30	$ 12.70	$ 13.05	$ 13.35
End of 3,000 hours worked	$ 12.75	$ 13.15	$ 13.50	$ 13.80
MECHANICAL REPAIRMAN				
Starting Rate	$ 11.40	$ 11.80	$ 12.15	$ 12.45
End of 1,000 hours worked	$ 11.85	$ 12.25	$ 12.60	$ 12.90
End of 2,000 hours worked	$ 12.30	$ 12.70	$ 13.05	$ 13.35
End of 3,000 hours worked	$ 12.75	$ 13.15	$ 13.50	$ 13.80
End of 4,000 hours worked	$ 13.20	$ 13.60	$ 13.95	$ 14.25
End of 5,000 hours worked	$ 13.65	$ 14.05	$ 14.40	$ 14.70
End of 6,000 hours worked	$ 14.10	$ 14.50	$ 14.85	$ 15.15
End of 7,000 hours worked	$ 14.55	$ 14.95	$ 15.30	$ 15.60
End of 8,000 hours worked	$ 15.00	$ 15.40	$ 15.75	$ 16.05

	12/15/93	12/15/94	12/15/95	12/15/96
ELECTRICAL REPAIRMAN				
Starting Rate	$ 11.40	$ 11.80	$ 12.15	$ 12.45
End of 1,000 hours worked	$ 11.85	$ 12.25	$ 12.60	$ 12.90
End of 2,000 hours worked	$ 12.30	$ 12.70	$ 13.05	$ 13.35
End of 3,000 hours worked	$ 12.75	$ 13.15	$ 13.50	$ 13.80
End of 4,000 hours worked	$ 13.20	$ 13.60	$ 13.95	$ 14.25
End of 5,000 hours worked	$ 13.65	$ 14.05	$ 14.40	$ 14.70
End of 6,000 hours worked	$ 14.10	$ 14.50	$ 14.85	$ 15.15
End of 7,000 hours worked	$ 14.55	$ 14.95	$ 15.30	$ 15.60
End of 8,000 hours worked	$ 15.00	$ 15.40	$ 15.75	$ 16.05
INSTRUMENT TECHNICIAN				
(Requires Electrical Repairman Training)				
Starting Rate	$ 15.00	$ 15.40	$ 15.75	$ 16.05

End of 1,000 hours worked	$ 15.17	$ 15.57	$ 15.92	$ 16.22
End of 2,000 hours worked	$ 15.34	$ 15.74	$ 16.09	$ 16.39
End of 3,000 hours worked	$ 15.51	$ 15.91	$ 16.26	$ 16.56
End of 4,000 hours worked	$ 15.70	$ 16.10	$ 16.45	$ 16.75

PRODUCTION GROUP

PRODUCTION OPERATORS (Crane Operator, Material Handler, Endloader)				
Starting Rate	$ 11.60	$ 12.00	$ 12.35	$ 12.65
End of 1,000 hours worked	$ 12.08	$ 12.48	$ 12.83	$ 13.13
End of 2,000 hours worked	$ 12.56	$ 12.96	$ 13.31	$ 13.61
End of 3,000 hours worked	$ 13.04	$ 13.44	$ 13.79	$ 14.09
End of 4,000 hours worked	$ 13.52	$ 13.92	$ 14.27	$ 14.57

PROCESS ATTENDANT				
Starting Rate	$ 11.60	$ 12.00	$ 12.35	$ 12.65
End of 1,000 hours worked	$ 12.08	$ 12.48	$ 12.83	$ 13.13
End of 2,000 hours worked	$ 12.56	$ 12.96	$ 13.31	$ 13.61
End of 3,000 hours worked	$ 13.04	$ 13.44	$ 13.79	$ 14.09
End of 4,000 hours worked	$ 14.50	$ 14.90	$ 15.25	$ 15.55

CONTROL ROOM OPERATOR (Requires Process Attendant or Lab Technician Training)				
Starting Rate	$ 14.50	$ 14.90	$ 15.25	$ 15.55
End of 1,000 hours worked	$ 14.80	$ 15.20	$ 15.55	$ 15.85
End of 2,000 hours worked	$ 15.10	$ 15.50	$ 15.85	$ 16.15
End of 3,000 hours worked	$ 15.40	$ 15.80	$ 16.15	$ 16.45
End of 4,000 hours worked	$ 15.70	$ 16.10	$ 16.45	$ 16.75

	12/15/93	12/15/94	12/15/95	12/15/96
CONTROL ROOM OPERATOR (Without Process Attendant or Lab Technician Training)				
Starting Rate	$ 13.55	$ 13.95	$ 14.30	$ 14.60
End of 1,000 hours worked	$ 13.90	$ 14.30	$ 14.65	$ 14.95
End of 2,000 hours worked	$ 14.25	$ 14.65	$ 15.00	$ 15.30
End of 3,000 hours worked	$ 14.60	$ 15.00	$ 15.35	$ 15.65
End of 4,000 hours worked	$ 14.95	$ 15.35	$ 15.70	$ 16.00
End of 5,000 hours worked	$ 15.30	$ 15.70	$ 16.05	$ 16.35
End of 6,000 hours worked	$ 15.70	$ 16.10	$ 16.45	$ 16.75

* The packhouse pumpman will receive an additional $1 dollar per hour on a temporary upgrade while performing repair work provided the pumpman is qualified to perform the repair work.

** The lubeperson shall receive the Mechanical Repairman 4000 hours level rate on a temporary upgrade while performing repair work.

A5 - INCENTIVE FOR PACKHOUSE EMPLOYEES

The Company will continue the current practice of providing an incentive to the two (2) packers, one (1) pumpman and one (1) lift truck driver of $3/1000 bags of product packed per day.