

CENTEX CONSTRUCTION PRODUCTS INC

Form DEF 14A

December 01, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. 4)

Filed by the Registrant  x  
 Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

CENTEX CONSTRUCTION PRODUCTS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- x No fee required.
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1) Amount Previously Paid:

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**Centex Construction Products, Inc.**

**2728 N. Harwood  
Dallas, Texas 75201**

December 1, 2003

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Centex Construction Products, Inc., which we refer to as CXP, to be held at 9:00 a.m., local time, on January 8, 2004, at 2728 N. Harwood, 10th Floor, Dallas, Texas. At the special meeting, you will be asked to consider and vote upon nine proposals. The first of these proposals relates to a reclassification of the common stock of CXP that is necessary to permit the tax-free distribution by Centex Corporation, which we refer to as Centex, of all of the shares of CXP common stock held by Centex to its stockholders. Centex currently holds 11,962,304 shares of common stock, representing approximately 65% of our outstanding common stock. We refer to our currently existing class of common stock as our common stock prior to the reclassification and as Class A common stock after the reclassification.

Given the nature of Centex's ownership of CXP, in order for the reclassification and the distribution to be tax-free to Centex and its stockholders for U.S. federal income tax purposes, among other things, Centex must own, at the time of the distribution, capital stock of CXP having the right to elect at least 85% of the members of our board of directors, and Centex must distribute all of that stock to its stockholders in a single transaction. Accordingly, the proposal provides for the reclassification of 9,220,000 of the 11,962,304 shares of our common stock held by Centex into a new class of common stock, called the Class B common stock, having the right to elect at least 85% of the members of our board of directors. The holders of shares of our Class A common stock will have the right to elect the remaining member or members of our board of directors. In all other respects the rights of the holders of these two classes of stock will be substantially the same. Immediately after the reclassification, all of the Class B common stock and the remaining 2,742,304 shares of our Class A common stock held by Centex will be distributed to the Centex stockholders.

As a technical matter, you will be voting to adopt an amended and restated agreement and plan of merger, among CXP, Centex and ARG Merger Corporation, a newly formed wholly-owned subsidiary of Centex, as a means to effect the reclassification. The merger agreement provides for certain amendments to our certificate of incorporation that are necessary to effect the reclassification.

If the reclassification is approved and other conditions are satisfied or waived, CXP will declare and pay a special one-time cash dividend to CXP stockholders (including Centex) of \$6.00 per share, or an aggregate of approximately \$113 million, payable to stockholders of record prior to the distribution.

The reclassification, the distribution and related transactions, which are described in detail in the accompanying proxy statement, are expected to provide certain benefits to CXP and its stockholders. The reclassification will allow the public holders of our Class A common stock to elect one director, compared to their current inability to significantly influence the election of any members of our board of directors due to Centex's majority voting control. Apart from the increased influence over the election of one

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director, the reclassification itself will not result in any material benefits to our stockholders. However, the reclassification is a prerequisite to the other proposed transactions, because Centex advised us that it would only be willing to proceed with the distribution and related transactions if the distribution were tax-free to Centex and its stockholders. Accordingly, our board of directors reviewed the proposed transactions in their entirety, and considered the following benefits from the distribution and related transactions:

The proposed transactions will significantly increase the public float and liquidity of our capital stock by increasing the number of shares held by stockholders (other than Centex) from about 6.8 million shares to about 18.8 million shares, which includes shares of the Class A common stock and shares of the Class B common stock. The proposed transactions will also significantly increase the public float and liquidity of our existing class of common stock by increasing the number of shares of that class held by stockholders (other than Centex) from about 6.8 million shares to about 9.6 million shares. In addition, the transactions will result in a broader stockholder base when Centex distributes the shares of Class B common stock and Class A common stock held by it to its stockholders. We estimate that there will be at least 28,000 beneficial owners of our capital stock immediately following the distribution, which represents more than ten times our current number of beneficial owners.

We believe that a broader stockholder base, coupled with increased public float and liquidity of our capital stock may attract additional analyst coverage of us, which we believe would enhance the market's awareness of our capital stock and stimulate interest from new investors.

We expect that an expansion of our stockholder base and broader exposure in the investment community will enhance our ability to use our capital stock as an acquisition currency and as a means of raising capital.

Our stockholders will receive immediate tangible value through the special one-time cash dividend.

As a 65% owned subsidiary of Centex, we currently must compete for capital with Centex's other lines of business. The proposed transactions will permit us to manage our business and seek growth opportunities without regard to considerations or limitations related to the capital requirements of Centex's other businesses.

The proposed transactions will permit us to pursue our business interests independent of Centex, particularly with respect to acquisitions, business and asset sales and other corporate opportunities.

Subject to a two-year limitation on mergers and other extraordinary transactions and the effect of the governance proposals described below, the transactions may permit our stockholders to share in any premium associated with a future transfer of control of CXP, if such an event should occur.

These transactions also have certain actual or potential disadvantages to CXP and its stockholders, which you should carefully consider:

After the reclassification, our current public stockholders will hold shares of Class A common stock, which have voting rights that are inferior to those of the Class B common stock with respect to the election of directors. As a result, our current public stockholders will have diminished voting rights in the election of directors inasmuch as our current stockholders will only have the right to elect directors comprising 15% or less of our board of directors.

In order to fund payment of the special dividend to our stockholders, we expect to incur approximately \$113 million of debt under a new bank credit facility. Our debt service obligations with respect to this new debt will have an adverse impact on our earnings and cash flow for as long as the indebtedness is outstanding. This adverse effect on our earnings and cash flow could negatively impact our stock price.

In four of seven (or 57%) of the precedent distribution transactions reviewed by the financial advisor to the special committee of our board of directors that are similar in structure to the proposed transactions, the market price of the common stock held by the stockholders of the issuer

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declined relative to the S&P 500 Index during the longest period reviewed after the announcement of such transactions. This relative price decline may be attributable in part to the diminished voting rights of the holders of common stock in these transactions.

We expect to incur some additional administrative and other costs after the distribution as a public company that operates independently of Centex.

We have agreed with Centex that we will not engage in certain transactions, including mergers, consolidations, liquidations, asset sales and stock repurchases, for a period of two years after the distribution, unless Centex has received satisfactory assurances that these transactions will not affect the tax-free nature of the distribution. These obligations could limit our ability to engage in these types of transactions, even if such transactions would otherwise be in the best interests of our stockholders.

After the distribution, it is likely that some Centex stockholders will sell all or part of the shares of Class A common stock and Class B common stock received by them, which could depress the market price of our Class A common stock and Class B common stock.

You will also be asked to consider and vote upon certain corporate governance and authorized capital proposals which are described in detail in the attached proxy statement. You are also being asked to approve a stockholders' rights plan. We believe that these proposals will help foster our long-term growth as an independent company following the distribution and, in the case of the governance and the stockholders' rights plan proposals, will help protect our stockholders from potentially coercive or abusive takeover tactics and attempts to acquire control of us at a price or on terms that are not in the best interests of our stockholders. In addition, we have agreed to indemnify Centex for tax liabilities under certain circumstances if the distribution becomes subject to tax. The likelihood of the distribution losing its tax-free status and CXP being subject to liability under the tax indemnification provisions of the distribution agreement increase if CXP is acquired. By making a takeover of CXP without approval of our board of directors more difficult, these proposals will also protect CXP from potential liabilities resulting from the loss of the tax-free status of the distribution. The governance and authorized capital proposals would amend our certificate of incorporation to create a classified board of directors consisting of three classes, eliminate the ability of our stockholders to act by written consent, eliminate the ability of our stockholders to call a special meeting of stockholders, require a supermajority vote by our stockholders to amend certain provisions of our certificate of incorporation and increase the amount of our authorized capital stock. The governance proposals and stockholders' rights plan proposal may discourage takeover bids and other transactions that could result in the removal of our board of directors or incumbent management, even if a substantial number of stockholders believe that these actions would be in their best interests.

You will also be asked to consider and vote upon a proposal to change our name to Eagle Materials Inc.

Finally, you will be asked to vote upon a proposal to adopt a new incentive plan combining, amending and restating our two existing stock option plans without increasing the number of shares available for awards.

**The accompanying proxy statement provides information about the proposed transactions. Our board encourages you to read the entire proxy statement and the appendices carefully.**

The board of directors of CXP, upon the recommendation of its special committee consisting of independent directors, has determined that the distribution and related transactions, including the reclassification, are advisable, fair to and in the best interests of CXP and its stockholders and have unanimously approved the merger agreement and each of the governance, authorized capital increase, name change, stockholders rights plan and incentive plan proposals. **The board of directors of CXP recommends that you vote For the adoption of the merger agreement and the governance, authorized capital increase, name change, stockholders' rights plan and incentive plan proposals and urges you to sign, date and mail the enclosed proxy in the reply envelope at your earliest convenience.**

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Thank you for your continued support as we proceed to consider and implement these important transactions.

Very truly yours,

LAURENCE E. HIRSCH

*Chairman of the Board*

**Your vote is important. Whether or not you plan to attend the special meeting, please fill in, sign and promptly return your proxy in the enclosed postage-paid envelope. You may revoke your proxy at any time before it is voted. Executed but unmarked proxies will be voted for the adoption of the agreement and plan of merger and for the approval of each of the governance, authorized capital increase, name change, stockholders rights plan and incentive plan proposals. There is no need to send any CXP stock certificates to us in your proxy envelope or otherwise.**

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**Centex Construction Products, Inc.**

**2728 N. Harwood  
Dallas, Texas 75201**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held January 8, 2004**

To the Stockholders:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Centex Construction Products, Inc., a Delaware corporation ( CXP ), will be held at 2728 N. Harwood, 10th Floor, Dallas, Texas 75201 at 9:00 a.m., local time, on January 8, 2004, for the following purposes:

(1) *Reclassification Proposal.* You are being asked to approve the adoption of an amended and restated agreement and plan of merger, among CXP, Centex Corporation ( Centex ) and ARG Merger Corporation, a newly-formed, wholly-owned subsidiary of Centex. The merger agreement provides for the merger of ARG Merger Corporation with and into CXP in order to reclassify our capital stock to create a new class of common stock, to be called Class B common stock, having the right to elect at least 85% of the members of our board of directors. We refer to our existing class of common stock as common stock prior to the reclassification and as Class A common stock after the reclassification. The reclassification is being proposed to facilitate the tax-free distribution by Centex to its stockholders of its approximately 65% equity ownership interest in CXP. In the reclassification, Centex will exchange 9,220,000 shares of common stock held by it for an equal number of shares of Class B common stock. Immediately following the reclassification, Centex will distribute these shares of Class B common stock and the remaining 2,742,304 shares of Class A common stock held by Centex to its stockholders. The merger agreement provides for certain amendments to our certificate of incorporation that are necessary to create the Class B common stock.

(2) *Governance Proposals.* You are also being asked to approve a number of proposals that would, if approved, amend our certificate of incorporation at the effective time of the merger as follows:

*Staggered Board Proposal.* To amend our certificate of incorporation to divide our board of directors into three classes, with each director serving for a term of three years.

*Written Consent Proposal.* To amend our certificate of incorporation to eliminate the ability of our stockholders to act by written consent.

*Special Meeting Proposal.* To amend our certificate of incorporation to eliminate the ability of our stockholders to call special meetings of the stockholders.

*Supermajority Voting Proposal.* To amend our certificate of incorporation to require approval of 66 2/3% of the outstanding shares of our common stock entitled to vote, voting together as a

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single class, to alter, amend, rescind or repeal our bylaws by action of our stockholders or to adopt or modify the provisions of our certificate of incorporation relating to:

the division of our board of directors into three classes;

the inability of our stockholders to act by written consent;

the inability of our stockholders to call special meetings of the stockholders;

the ability of our board of directors to adopt, alter, amend and repeal the bylaws;

a special voting provision limiting the voting rights of beneficial owners of 15% or more of the outstanding shares of our Class B common stock; and

the 66 2/3% vote required in order for our stockholders to modify any of the provisions of our certificate of incorporation described above.

These proposals are collectively referred to as the governance proposals. None of the governance proposals will become effective unless the reclassification is completed.

(3) *Authorized Capital Increase Proposal.* To approve an amendment to our certificate of incorporation to increase the authorized number of shares of common stock and preferred stock that we may issue from 50,000,000 shares of common stock and 2,000,000 shares of preferred stock to 100,000,000 shares of common stock (consisting of 50,000,000 shares of Class A common stock and 50,000,000 shares of Class B common stock) and 5,000,000 shares of preferred stock. The authorized capital increase proposal will not become effective unless the reclassification is completed.

(4) *Name Change Proposal.* To approve an amendment to our certificate of incorporation to change our name from Centex Construction Products, Inc. to Eagle Materials Inc. The name change proposal will not become effective unless the reclassification is completed.

(5) *Stockholders Rights Plan Proposal.* To approve a proposal to implement a stockholders rights plan. The stockholders rights plan proposal will not become effective unless the reclassification is completed.

(6) *Incentive Plan Proposal.* To approve a proposal to adopt a new incentive plan combining, amending and restating our two existing stock option plans without increasing the number of shares available for awards. If approved by our stockholders, the incentive plan proposal will become effective whether or not the reclassification is not completed.

(7) *Other Business.* To conduct such other business as may properly come before the special meeting or any adjournment thereof.

Each of the foregoing items of business is more fully described in the proxy statement accompanying this notice. **We urge you to review the proxy statement and appendices thereto in their entirety.**

If the reclassification is approved and other conditions to the proposed transactions are satisfied or waived, CXP will declare and pay a special one-time cash dividend to CXP stockholders (including Centex) of \$6.00 per share, or an aggregate of approximately \$113 million, payable to stockholders of record prior to the distribution.

The Board of Directors of CXP has fixed the close of business on November 28, 2003 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting or any adjournment thereof. Only stockholders of record at the close of business on the record date are entitled to notice of and to vote at the special meeting. The transfer books will not be closed.

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You are cordially invited to attend the special meeting. Whether or not you expect to attend the special meeting in person, you are urged to sign, date and mail promptly the accompanying form of proxy so that your shares may be represented and voted at the special meeting. Your proxy will be returned to you if you choose to attend the special meeting and request that it be returned.

By Order of the Board of Directors

James H. Graass  
*Executive Vice President,*  
*General Counsel and Secretary*

Dallas, Texas  
December 1, 2003

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**SUMMARY TERM SHEET**

*This summary term sheet provides an overview of the material information that is presented in this proxy statement and may not contain all the information that is important to you. You should carefully read this entire proxy statement and the attached appendices for a more complete understanding of the transactions. References in this proxy statement to CXP, we, us, ours or like terms refer to Centex Construction Products, Inc. In this proxy statement we refer to our currently existing class of common stock as our common stock prior to the reclassification described below and as Class A common stock after the reclassification. Additionally, we refer to the new class of common stock created pursuant to the reclassification as Class B common stock. This proxy statement and the accompanying proxy were first sent to our stockholders on or about December 2, 2003.*

**Centex Construction Products, Inc.**

We produce and sell cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete used in residential, industrial, commercial and infrastructure applications. We are a holding company and the businesses of the consolidated group are conducted through our subsidiaries. Prior to April 19, 1994, CXP was a wholly-owned subsidiary of Centex Corporation, which we refer to as Centex. On April 19, 1994, we completed an initial public offering of 51% of our common stock. Our existing common stock, par value \$0.01 per share, began trading publicly on the New York Stock Exchange on April 19, 1994. Centex currently owns approximately 65% of our common stock. Our principal executive offices are located at 2728 N. Harwood, Dallas, Texas 75201, and our telephone number at that location is (214) 981-5000.

**Centex Corporation**

Centex, through its subsidiaries, is engaged in five principal business segments: home building, financial services, construction products, construction services and investment real estate. Centex's home building operations involve the purchase and development of land or lots and the construction and sale of single-family homes, townhomes and low-rise condominiums. Through its financial services operations, Centex is engaged in the residential mortgage banking business, as well as in other financial services that are in large part related to the residential mortgage market, and include mortgage origination, servicing and other related services. Centex's construction products operations are conducted through its ownership interest in CXP. The construction services operations involve the construction of buildings for both private and government interests, including office, commercial and industrial buildings, hospitals, hotels, correctional facilities, education institutions, museums, libraries, airport facilities and sports facilities. Centex's investment real estate operations involve the acquisition, development and sale of land, primarily for industrial, office, multi-family, retail, residential and mixed-use projects. Centex's principal executive offices are located at 2728 N. Harwood, Dallas, Texas 75201, and its telephone number at that location is (214) 981-5000.

**Summary of the Transactions**

CXP and Centex have agreed, subject to various conditions, to effect a series of transactions that will permit Centex to distribute its entire equity interest in CXP to Centex's stockholders in a transaction that is tax-free to Centex and its stockholders. In order to permit this distribution to be tax-free for U.S. federal income tax purposes, CXP proposes to make the changes to its capital structure described in this proxy statement.

*Summary of the Merger and Reclassification Proposal.*

On July 21, 2003, CXP, Centex and ARG Merger Corporation, a newly formed wholly-owned subsidiary of Centex that we refer to as Merger Sub, entered into an agreement and plan of merger. We subsequently amended and restated this agreement to make certain minor modifications. This amended and restated agreement and plan of merger, which we refer to as the merger agreement, provides for the merger of Merger Sub with CXP in order to reclassify its common stock to create a new class of our common stock called Class B common stock. The

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reclassification is being proposed to facilitate the tax-free distribution by Centex to its stockholders of its approximate 65% ownership interest in CXP.

Given the nature of Centex's ownership interest in CXP, in order for the distribution by Centex of its entire equity interest in CXP to be tax-free to Centex and its stockholders, among other things, Centex must own, at the time of the distribution, capital stock of CXP having the right to elect at least 85% of the members of CXP's board of directors, and Centex must distribute its entire equity interest in CXP to Centex's stockholders in a single transaction.

The reclassification will be implemented as follows:

Centex will first contribute to Merger Sub 9,220,000 shares of our common stock and will retain its remaining 2,742,304 shares of our common stock.

Merger Sub will then merge with and into CXP and, as a result, the shares of common stock of Merger Sub held by Centex will be converted into 9,220,000 shares of Class B common stock. The shares of our common stock held by stockholders other than Merger Sub will not be affected by the merger. We refer to these transactions in this proxy statement as the reclassification.

The holders of shares of Class B common stock will be entitled to elect at least 85% of our board of directors. The holders of shares of our Class A common stock will have the right to elect the remaining member or members of our board of directors. The minimum number of directors of our board will be set at seven so that the holders of our Class A common stock will always be entitled to elect at least one director. In all other respects, the rights of the holders of our Class A common stock and the Class B common stock will be substantially the same, including with respect to voting rights on fundamental transactions affecting CXP. See Proposal One: The Reclassification and Related Transactions Description of the Reclassification Proposal and Description of the Merger Agreement and Distribution Agreement The Merger Agreement Reclassification and Merger.

The merger agreement provides for certain amendments to our certificate of incorporation necessary to create the Class B common stock. The amendments also include a special voting provision that limits the voting rights of holders of 15% or more of the Class B common stock as described under Proposal One: The Reclassification and Related Transactions Description of the Reclassification Proposal Limitations on Voting Rights of Class B Common Stock.

We are asking our stockholders to approve the adoption of the merger agreement, which, upon the merger of Merger Sub with CXP, will effect the reclassification. We refer to this proposal in this proxy statement as the reclassification proposal.

*Cash Dividend.* If the reclassification proposal is approved and the other conditions described in the merger agreement and the distribution agreement described below between CXP and Centex are satisfied or waived, we will declare a special one-time cash dividend to our holders of common stock (including Centex) of \$6.00 per share, payable to stockholders of record as of a date prior to the record date for the distribution. Based on the number of shares of common stock that are outstanding as of the record date, the total amount of the special dividend will be approximately \$113 million, of which Centex will be entitled to receive approximately \$72 million. All or substantially all of the special dividend will be funded through borrowings by CXP under a new bank credit facility to be established in connection with these transactions. See Proposal One: The Reclassification and Related Transactions Financing; Bank Credit Facility and Description of the Merger Agreement and Distribution Agreement The Distribution Agreement.

*Distribution.* We also have entered into an amended and restated distribution agreement with Centex, which governs the terms and conditions of the distribution and the special cash dividend. This distribution agreement was subsequently amended and restated to incorporate certain minor changes and we refer to the amended and restated distribution agreement as the distribution agreement. If the reclassification proposal is approved and the other conditions described in the merger agreement and the distribution agreement are satisfied or waived, then immediately



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following the payment of the cash dividend and completion of the reclassification, Centex will distribute to its stockholders, in proportion to the number of Centex shares they hold, all of the shares of Class B common stock that Centex receives in the reclassification, together with all of the remaining shares of Class A common stock owned by Centex. Centex estimates that a holder of a share of Centex common stock will receive approximately .19 shares of CXP stock pursuant to the distribution, consisting of approximately .04 shares of Class A common stock and approximately .15 shares of Class B common stock. No fractional CXP shares will be distributed in the distribution. Fractional shares will instead be aggregated and sold in the public market by the distribution agent, and the aggregate net cash proceeds will be distributed ratably to those stockholders who would otherwise receive fractional interests. After the reclassification and distribution, the number of outstanding shares of our Class A common stock and Class B common stock will be substantially equal. See

Proposal One: The Reclassification and Related Transactions and Description of the Merger Agreement and Distribution Agreement The Distribution Agreement.

**Other Proposals**

We are asking our stockholders to approve several other proposals relating to the amendment of our certificate of incorporation and other matters in connection with the transactions described above. These proposals, other than the incentive plan proposal, will not be implemented if the reclassification proposal is not approved by the required vote of our stockholders.

*Governance Proposals.* We are asking our stockholders to approve a number of governance proposals that we believe would, if approved, foster our long-term growth as an independent company following the distribution and protect our stockholders from potentially coercive or abusive takeover tactics and attempts to acquire CXP at a price or on terms that are not in the best interests of CXP stockholders. In addition, by making a takeover or other change of control of CXP without approval of our board of directors more difficult, the proposals will protect CXP from potential liabilities under the distribution agreement resulting from the loss of the tax free status of the distribution. We are proposing to amend our certificate of incorporation as follows:

*Staggered Board Proposal.* If this proposal is approved, our certificate of incorporation will be amended to divide our board of directors into three classes, with each director serving for a term of three years.

*Written Consent Proposal.* If this proposal is approved, our certificate of incorporation will be amended to eliminate the ability of our stockholders to act by written consent.

*Special Meeting Proposal.* If this proposal is approved, our certificate of incorporation will be amended to eliminate the ability of our stockholders to call special meetings of the stockholders.

*Supermajority Voting Proposal.* If this proposal is approved, our certificate of incorporation will be amended to require the approval of 66 2/3% of the outstanding shares of our stock entitled to vote, voting together as a single class, to alter, amend, rescind or repeal our bylaws by action of our stockholders or to adopt or modify the provisions of our certificate of incorporation relating to:

the division of our board of directors into three classes;

the inability of our stockholders to act by written consent;

the inability of our stockholders to call special meetings of the stockholders;

the ability of our board of directors to adopt, alter, amend and repeal the bylaws;

the special voting limitation that limits the voting rights of beneficial owners of 15% or more of the outstanding shares of our Class B common stock; and

the 66 2/3% vote required in order for our stockholders to modify any of the provisions of the certificate of incorporation described above.

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See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal The Governance Proposals, the Authorized Capital Increase Proposal, and the Name Change Proposal and the Incentive Plan Proposal.

*Authorized Capital Increase Proposal.* We are asking our stockholders to approve a proposal that would, if approved, provide us with sufficient authorized capital stock for future issuances. If this proposal is approved, our certificate of incorporation will be amended to increase our authorized common stock from 50,000,000 to 100,000,000 shares of common stock (consisting of 50,000,000 shares of Class A common stock and 50,000,000 shares of Class B common stock). We are also proposing to increase our authorized preferred stock from 2,000,000 to 5,000,000 shares. Our board of directors believes that this increase in our authorized capital will ensure that there remains a sufficient authorized number of shares of common stock and preferred stock after the reclassification in order to provide for potential future stock splits, sales of our securities to raise additional capital, acquisitions of other companies or their businesses or assets, establishing strategic relationships with third parties, and providing options or other stock incentives to our employees, consultants or others. See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal The Governance Proposals, the Authorized Capital Increase Proposal and the Name Change Proposal.

*Name Change Proposal.* We are asking our stockholders to approve an amendment to our certificate of incorporation that would, if approved, change our name to Eagle Materials Inc. See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal The Governance Proposals, the Authorized Capital Increase Proposal and the Name Change Proposal.

*Stockholders Rights Plan Proposal.* Our board of directors has approved a stockholders rights plan to be implemented, subject to approval by our stockholders, upon consummation of the distribution. The purpose of the stockholders rights plan is to enhance the ability of our board of directors to ensure that our stockholders receive full and fair value for their shares of common stock in the event of a hostile takeover attempt. The stockholders rights plan encourages potential acquirors to negotiate with our board of directors and discourages certain coercive takeover tactics. In addition, by making a takeover or other change of control of CXP without approval of our board of directors more difficult, this proposal will also protect CXP from potential liabilities under the distribution agreement resulting from the loss of the tax-free status of the distribution. Under the terms of the stockholders rights plan, our board of directors will declare a dividend of one right for each outstanding share of any class of our common stock. Upon the occurrence of certain triggering events, as described in greater detail under Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Stockholders Rights Plan Proposal, each holder of a right (other than the acquiring person and certain related parties) will generally have the right to receive, upon exercise, capital stock having a value equal to two times the purchase price of the right. The effect of the exercise of the rights would be to dilute the ownership position of a person who has acquired 15% or more of our common stock by allowing our stockholders (other than the acquiring stockholder) to buy our capital stock at a lower price. The stockholders rights plan will include a provision requiring a committee comprised of independent directors of CXP to review and evaluate the plan no less frequently than once every three years, with the first review to take place two years after the distribution. See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Stockholders Rights Plan Proposal.

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*Incentive Plan Proposal.* We are asking our stockholders to approve an incentive plan that would combine, amend and restate our existing stock option plans. We are proposing this new plan at this time in order to, among other things, ensure that our equity compensation arrangements are governed by a uniform set of terms and provisions. The number of shares that would be available for issuance under the incentive plan has not increased and is the same as the total number of shares available for issuance under our two existing stock option plans. The purpose of the incentive plan is to further the interests of CXP and our stockholders by providing incentives in the form of awards to key employees and nonemployee directors who can contribute materially to the success and profitability of CXP and our affiliates. See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Incentive Plan Proposal.

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**Transaction and Ownership Structure**

The following chart illustrates CXP's current ownership structure, the effect of the reclassification, dividend and distribution, and the ownership of CXP immediately after the reclassification and the distribution:

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**Expected Benefits of the Transactions to CXP and its Stockholders**

The reclassification, the distribution and the related transactions described in this proxy statement are expected to result in the benefits set forth below, which are described in greater detail under Proposal One: The Reclassification and Related Transactions CXP's Reasons for the Reclassification and Related Transactions. The reclassification will allow the public holders of our Class A common stock to elect one director, compared to their current inability to significantly influence the election of any members of our board of directors due to Centex's majority voting control. Apart from the increased influence over the election of one director, the reclassification itself will not result in any material benefits to our stockholders. However, the reclassification is a prerequisite to the other proposed transactions, because Centex advised us that it would only be willing to proceed with the distribution and related transactions if the distribution were tax-free to Centex and its stockholders. Accordingly, our board of directors reviewed the proposed transactions in their entirety, and considered the following benefits from the distribution and related transactions:

The proposed transactions will significantly increase the public float and liquidity of our capital stock by increasing the number of shares held by stockholders (other than Centex) from about 6.8 million shares to about 18.8 million shares, which includes shares of the Class A common stock and shares of the Class B common stock. The proposed transactions will also significantly increase the public float and liquidity of our existing class of common stock by increasing the number of shares of that class held by stockholders (other than Centex) from about 6.8 million shares to about 9.6 million shares. In addition, the transactions will result in a broader stockholder base when Centex distributes the shares of Class B common stock and the Class A common stock held by it to its stockholders. We estimate that there will be at least 28,000 beneficial owners of our capital stock immediately following the distribution, which represents more than ten times our current number of beneficial owners.

We believe that a broader stockholder base, coupled with increased public float and liquidity of our capital stock, may attract additional analyst coverage of CXP, which we believe would enhance the market's awareness of our capital stock and stimulate interest from new investors.

We expect that an expansion of our stockholder base and broader exposure in the investment community will enhance our ability to use our capital stock as an acquisition currency and as a means of raising capital.

Our stockholders will receive immediate tangible value through the special one-time cash dividend.

As a 65% owned subsidiary, we currently must compete for capital with Centex's other businesses. The proposed transactions will permit us to manage our business and seek growth opportunities without regard to considerations or restraints related to the capital requirements of Centex's other businesses, including the need for Centex to maintain its current credit rating.

The proposed transactions will permit us to pursue our business interests independent of Centex, particularly with respect to acquisitions, business and asset sales and other corporate opportunities, and are designed to enhance the long term value of CXP.

Subject to the two-year limitation on mergers and other extraordinary transactions and the effect of the governance proposals, the transactions may permit our stockholders to share in any premium associated with a future transfer of control of CXP, if such an event should occur.

The proposed transactions are expected to enhance the attractiveness of our equity-based compensation plans due to the increased public float and liquidity of our capital stock, thereby increasing our ability to attract and retain qualified employees.

The governance proposals and stockholders' rights plan proposal will help foster our long-term growth as an independent company following the reclassification and the distribution by protecting our stockholders from potentially coercive or abusive takeover tactics and attempts to acquire control of CXP at a price or on terms that are not in the best interest of all of CXP's stockholders.

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**Disadvantages of the Transactions to CXP and its Stockholders**

The reclassification, the distribution and related transactions also have certain actual or potential disadvantages to CXP and its stockholders, which you should carefully consider:

After the reclassification, our current public stockholders will hold shares of Class A common stock, which have voting rights that are inferior to those of the Class B common stock with respect to the election of directors. As a result, our current public stockholders will have diminished voting power in the election of directors inasmuch as our current stockholders will only have the right to elect directors comprising 15% or less of our board of directors. The market value of our Class A common stock could be adversely affected by the inferior voting rights of this class.

In order to fund payment of the special dividend to our stockholders, including Centex, we expect to incur approximately \$113 million of new bank debt. Our debt service obligations with respect to this new bank debt will have an adverse impact on our earnings and cash flow for as long as the debt is outstanding. This adverse effect on our earnings and cash flow could negatively impact our stock price.

In four of seven (or 57%) of the precedent distribution transactions reviewed by the special committee's financial advisor that are similar in structure to the proposed transactions, the market price of the common stock held by the stockholders of the issuer declined relative to the Standard & Poor's 500 Index during the longest period reviewed after the announcement of such transactions. This relative price decline may be attributable in part to the diminished voting rights of the holders of common stock in these transactions.

We have agreed with Centex that we will not engage in certain transactions, including mergers, consolidations, liquidations, asset sales and stock repurchases, for a period of two years after the distribution, unless Centex has received satisfactory assurances that these transactions will not affect the tax-free nature of the distribution. These obligations could limit our ability to engage in these types of transactions, even if such transactions would otherwise be in the best interests of our stockholders.

After the distribution, some Centex stockholders will sell all or part of the shares of Class A common stock and Class B common stock received by them, which could depress the market price of our Class A common stock and Class B common stock.

Under certain circumstances, including in the event of an acquisition of CXP by a third party within two years after the distribution, we could be obligated to indemnify Centex and its stockholders against significant tax liabilities.

In the past, Centex has performed certain corporate functions for us, including legal, accounting, benefit program administration, insurance administration and internal audit services. As an independent public company, we will be required, after an interim transition period, to replace these services, the cost for which will likely exceed the fees we pay to Centex.

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### **Conditions to the Transactions and Other Proposals**

The reclassification and the distribution will occur only if all of the necessary conditions contained in the merger agreement and the distribution agreement are satisfied or waived. These conditions include, among other things, the receipt of a ruling from the Internal Revenue Service, or IRS, and the approval of the reclassification proposal by the votes of our stockholders described below under Required Vote. Centex received the required ruling from the IRS on November 7, 2003. None of the governance proposals, the authorized capital increase proposal, the name change proposal or the stockholders' rights plan proposal will be implemented unless the reclassification is completed. The incentive plan proposal will be implemented even if the reclassification is not completed. For a description of the other conditions contained in the merger agreement and the distribution agreement, see Description of the Merger Agreement and Distribution Agreement The Merger Agreement Conditions to the Merger and The Distribution Agreement Conditions to the Distribution and the Declaration of the Cash Dividend.

### **Special Meeting**

We have called a special meeting of our stockholders to be held at 9:00 a.m., local time, on January 8, 2004, at 2728 N. Harwood, 10th Floor, Dallas, Texas. At the special meeting, you will be asked to consider and vote upon the adoption of the merger agreement and upon the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders' rights plan proposal and the incentive plan proposal. See The Special Meeting.

### **Board of Directors Recommendation**

Our board of directors has unanimously approved the merger agreement and each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders' rights plan proposal and the incentive plan proposal. Our board of directors has determined, based upon the recommendation of the special committee, that the distribution and related transactions, including the reclassification, are advisable, fair to and in the best interests of CXP and its unaffiliated and affiliated stockholders. Our board of directors has also determined, based upon the recommendation of the special committee, that each of the governance proposals, the authorized capital increase proposal, the name change proposal and the stockholders' rights plan proposal are advisable and in the best interests of CXP and our stockholders. **Our board of directors recommends that you vote For the adoption of the merger agreement and each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders' rights plan proposal and the incentive plan proposal.** See Proposal One: The Reclassification and Related Transactions Recommendation of the CXP Board and Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders' Rights Plan Proposal and Incentive Plan Proposal.

### **Required Vote**

Each outstanding share of our common stock is entitled to one vote on each proposal. Under Delaware corporate law, adoption of the merger agreement and approval of each of the governance proposals, the authorized capital increase proposal and the name change proposal require the affirmative vote of the holders of a majority of our common stock entitled to vote on such proposal. The approval of the stockholders' rights plan proposal is also being submitted for the affirmative vote of the holders of a majority of our common stock entitled to vote on such proposal. The approval of the incentive plan proposal requires the affirmative vote of the holders of a majority of the shares voting on the proposal. In addition, the reclassification will occur only if the holders of a majority of the shares of our common stock present in person or by proxy at the special meeting and voting on the reclassification proposal, other than Centex, vote to adopt the merger agreement. Throughout this proxy statement, when we refer to the approval of the reclassification proposal by our stockholders, we are referring to both the adoption of the merger agreement by the vote required under Delaware corporate law and the vote described in the

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previous sentence. See Proposal One: The Reclassification and Related Transactions Required Vote and Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Required Vote.

Centex has informed us that it will vote its shares of our common stock in favor of the reclassification proposal, each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders rights plan proposal and the incentive plan proposal. Since Centex owns approximately 65% of our outstanding shares, the approval of each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders rights plan proposal and the incentive plan proposal is assured. See Proposal One: The Reclassification and Related Transactions Required Vote and Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Required Vote.

## **Interests of Our Officers and Directors**

Some of our officers and directors may have interests in the reclassification and related transactions that are different from, or in addition to, the interests of our public stockholders. For example, two of our directors, Messrs. Laurence E. Hirsch and Timothy R. Eller, are executive officers and directors of Centex and one of our directors, Mr. Quinn, is a former executive officer and current director of Centex. Centex will receive certain significant benefits in this transaction, including receipt of approximately 65% or approximately \$72 million, of the special dividend, which will be funded through the incurrence of debt by CXP. Centex will also receive the Class B common stock as a result of the reclassification, which will have superior voting rights to the Class A common stock, but Centex will not be required to pay any consideration for its increased voting rights. The members of our management and board of directors also have interests in the governance proposals and stockholders rights plan proposal that differ from the interests of our public stockholders, because these proposals may discourage takeover bids and other transactions that could result in the removal of our board of directors or incumbent management. In addition, in connection with the cash dividend, we will be making certain adjustments to outstanding stock options held by our optionees, including our officers and directors. Also, our directors and officers hold stock options granted under, and will be eligible to receive grants of stock options and restricted stock under, our incentive plan. See Certain Considerations, Proposal One: The Reclassification and Related Transactions Interests of Our Officers and Directors in the Reclassification, Stock Option Adjustment and Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Incentive Plan Proposal.

## **Appendices**

The merger agreement is attached as Appendix A to this proxy statement.

The distribution agreement is attached as Appendix B.

The proposed restated certificate of incorporation is attached as Appendix C and includes provisions that reflect the reclassification proposal, governance proposals, authorized capital increase proposal and name change proposal, which will become effective if these proposals are approved.

The proposed amended and restated bylaws are attached as Appendix D and include proposals adopted in connection with our board's approval of the reclassification proposal as well as changes to our bylaws relating solely to the governance proposals, which will become effective if the reclassification proposal and the governance proposals are approved.



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The opinion of Bear, Stearns & Co. Inc., the special committee's financial advisor, relating to the financial fairness of the reclassification, the cash dividend and the distribution, taken as a whole, to CXP's public stockholders, is attached as Appendix E.

The proposed incentive plan is attached as Appendix F.

**We encourage you to read this proxy statement, the merger agreement, the distribution agreement, the proposed certificate of incorporation and bylaws, the opinion of Bear Stearns and the incentive plan carefully and in their entirety.**

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**QUESTIONS AND ANSWERS ABOUT THE RECLASSIFICATION,  
THE GOVERNANCE PROPOSALS, THE AUTHORIZED CAPITAL INCREASE PROPOSAL,  
THE NAME CHANGE PROPOSAL, THE STOCKHOLDERS RIGHTS PLAN PROPOSAL  
AND THE INCENTIVE PLAN PROPOSAL**

**Q: What am I being asked to vote upon in the reclassification?**

A: You are being asked to adopt a merger agreement providing for the reclassification of our capital stock. If the merger is approved and completed, a new class of common stock of CXP will be created that will be called Class B common stock and will have the right to elect at least 85% of our directors. The holders of shares of our Class A common stock will have the right to elect the remaining members of our board of directors. Centex currently holds 11,962,304 shares of our common stock. Centex will exchange 9,220,000 of these shares for an equal number of shares of Class B common stock in the reclassification. Centex will then distribute all of the 9,220,000 shares of Class B common stock that it receives in the reclassification, together with the remaining 2,742,304 shares of Class A common stock held by it, to its stockholders in the distribution. After the reclassification and distribution, the number of outstanding shares of our Class A common stock and Class B common stock will be substantially equal. If the reclassification is approved and other conditions to the proposed transactions are satisfied or waived, CXP will declare and pay a special one-time cash dividend to CXP stockholders (including Centex) of \$6.00 per share, or an aggregate of approximately \$113 million, payable to stockholders of record prior to the distribution.

**Q: Other than the voting rights for the board of directors, is there any difference between a share of our Class A common stock and a share of Class B common stock?**

A: No. In general, the rights of the holders of our Class A common stock and Class B common stock will be substantially the same in all other respects. More specifically, the voting rights of our Class A common stock and Class B common stock will be the same in all matters submitted to our stockholders except the election of our directors and certain other limited matters required by Delaware law. Delaware law requires a separate class voting right if an amendment to our certificate of incorporation would alter the aggregate number of authorized shares or par value of either such class or alter the powers, preferences or special rights of either such class so as to affect these rights adversely. These class voting rights provide each class with an additional measure of protection in the case of a limited number of actions that could have an adverse effect on the holders of shares of such class. For example, if our board of directors were to propose an amendment to our certificate of incorporation that would adversely affect the rights and privileges of our Class A common stock or Class B common stock, the holders of shares of such class would be entitled to a separate class vote on such proposal, in addition to any vote that may be required under our certificate of incorporation.

**Q: What stockholder approvals are needed for the reclassification proposal?**

A: The reclassification requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock. In addition, the reclassification will occur only if approved by the affirmative vote of the holders of a majority of the shares of our common stock, other than Centex, that vote on the reclassification in person or by proxy at the special meeting.

**Q: Other than the stockholder approvals discussed above, are there other conditions to the reclassification?**

A: Yes. The reclassification will occur only if all of the conditions described under the caption Description of the Merger Agreement and Distribution Agreement The Merger Agreement Conditions to the Merger are satisfied or waived. These conditions include, among other things, the receipt by Centex of a private letter ruling from the Internal Revenue Service confirming that the reclassification and distribution will be tax-free transactions. This ruling was received by Centex on November 7, 2003.

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**Q: If the reclassification and distribution occur, will CXP's name be changed?**

A: Yes. If the reclassification and distribution occur and the name change proposal is approved, our certificate of incorporation will be amended to change our name to Eagle Materials Inc.

**Q: Will the cash dividend be paid if the reclassification proposal is not approved?**

A: No. We will declare and pay a special one-time cash dividend of \$6.00 per share to the holders of our existing class of common stock, including Centex, only if the reclassification is approved.

**Q: Why is CXP recommending the governance proposals and stockholders' rights plan proposal?**

A: We believe that, after the reclassification and distribution, we may be vulnerable to unsolicited attempts to acquire control of our company. In addition, we have agreed to indemnify Centex for tax liabilities under certain circumstances if the distribution becomes subject to tax. The likelihood of the distribution losing its tax-free status and CXP being subject to liability under the tax indemnification provisions of the distribution agreement increase if CXP is acquired. By making a takeover of CXP without approval of our board of directors more difficult, these proposals, will protect CXP from potential liabilities resulting from the loss of the tax-free status of the distribution. We also believe that the governance proposals and stockholders' rights plan proposal will help foster our long-term growth as an independent company following the reclassification and the distribution and will help protect our stockholders from potentially abusive takeover tactics and attempts to acquire control of CXP at a price or on terms that are not in the best interests of all of our stockholders.

**Q: Why is CXP recommending the authorized capital increase proposal?**

A: Our board of directors believes that an increase in our authorized capital will ensure that there remains a sufficient authorized number of shares of common stock and preferred stock after the reclassification and distribution in order to provide for potential future stock splits, sales of our securities to raise additional capital, acquisitions of other companies or their businesses or assets, establishing strategic relationships with third parties, and providing options or other stock incentives to our employees, consultants or others.

**Q: What stockholder approvals are needed for the governance proposals, authorized capital increase proposal, name change proposal, stockholders' rights plan proposal and incentive plan proposal?**

A: Each of the governance proposals, authorized capital increase proposal, name change proposal and stockholders' rights plan proposal requires the affirmative vote of the holders of a majority of our outstanding shares of common stock. The approval of the incentive plan proposal requires the affirmative vote of the holders of a majority of the shares voting on the proposal. Since Centex has informed us that it will vote its shares of our common stock in favor of each of these proposals, the approval of these proposals is assured.

**Q: Will the governance proposals, authorized capital increase proposal, name change proposal, stockholders' rights plan proposal or incentive plan proposal be implemented even if the reclassification and distribution do not occur?**

A: Other than the incentive plan proposal, we will not implement any of these proposals if the reclassification and distribution do not occur.

**Q: What if I do not vote?**

A: The failure to vote your shares will have the same effect as a vote against the reclassification, the governance proposals, authorized capital increase proposal, name change proposal and stockholders' rights plan proposal, although it will have no effect with respect to the separate required vote on the reclassification by stockholders other than Centex and with respect to the vote on the incentive plan proposal. If you respond and do not indicate how you want to vote, your proxy will be counted as a vote in favor of the reclassification, the governance proposals, authorized capital increase proposal, name change proposal, stockholders' rights plan proposal and incentive plan proposal. If you respond

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and abstain from voting, your proxy will have the same effect as a vote against the reclassification, the governance proposals, authorized capital increase proposal, name change proposal and stockholders' rights plan proposal, although your abstention will have no effect with respect to the separate required vote on the reclassification by stockholders other than Centex and with respect to the vote on the incentive plan proposal.

**Q: Can I change my vote after I have delivered my proxy?**

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can revoke your proxy. Second, you can submit a new proxy. If you choose either of these two methods, you must submit your notice of revocation or your new proxy to the secretary of CXP before the special meeting. If your shares are held in an account at a brokerage firm or bank, you should contact your brokerage firm or bank to change your vote. Third, if you are a holder of record, you can attend the special meeting and vote in person.

**Q: Should I send in my stock certificates now?**

A: No. Other than Centex, our stockholders will not be exchanging share certificates. Please do not send in your stock certificates with your proxy or otherwise.

**Q: Will the shares of our common stock continue to be listed on the New York Stock Exchange?**

A: Following the reclassification and distribution, and if the name change proposal is approved, shares of our Class A common stock will be listed on the New York Stock Exchange under the symbol EXP. The Class B common stock has been approved for listing on the New York Stock Exchange under the symbol EXP.B, subject to the approval of the proposed transactions by our stockholders at the special meeting and subject to the NYSE's official notice of issuance. Our Class A common stock and Class B common stock will trade independently of each other and the trading prices of the shares of such classes of common stock may be different.

**Q: When do you expect the reclassification and distribution to be completed?**

A: We expect the reclassification and the distribution to be completed promptly following receipt of stockholder approval of the reclassification proposal and the satisfaction or waiver of the applicable conditions to completion of the distribution.

**Q: Who can help answer my questions?**

A: If you have any questions about the reclassification or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, you should contact:

Georgeson Shareholder Communications Inc.  
17 State Street, 28th Floor  
New York, New York 10004  
(888) 274-5119

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**THE SPECIAL MEETING**

This proxy statement is being furnished to our stockholders on or about December 2, 2003 in connection with the solicitation of proxies by our board of directors for use at a special meeting of stockholders at which our stockholders are being asked to vote on the adoption of the merger agreement and on the governance proposals, authorized capital increase proposal, name change proposal, stockholders' rights plan proposal and incentive plan proposal. When we refer to the special meeting in this proxy statement, we are also referring to any adjournments or postponements of the special meeting.

**Date, Time and Place of the Special Meeting of Stockholders**

The special meeting of stockholders will be held at 9:00 a.m., local time, on January 8, 2004, at 2728 N. Harwood, 10th Floor, Dallas, Texas 75201.

**Recommendation of the CXP Board**

*Reclassification Proposal.* Our board of directors, upon the recommendation of the special committee, has unanimously determined that the distribution and related transactions, including the reclassification, are advisable, fair to and in the best interests of CXP and our unaffiliated and affiliated stockholders. These transactions will give voting control of CXP to public stockholders and are expected to result in certain benefits that are described under Proposal One: Reclassification and Related Transactions CXP's Reasons for the Reclassification and Related Transactions. In addition to the long-term benefits of independence for CXP, the proposed transactions will deliver immediate value to our stockholders by virtue of the cash dividend. **Our board of directors recommends that you vote For the adoption of the merger agreement.**

*Governance Proposals.* Our board of directors, upon recommendation of the special committee, has unanimously determined that each of the staggered board proposal, the written consent proposal, the special meeting proposal and the supermajority voting proposal is advisable and in the best interests of CXP and our stockholders. Because Centex will no longer own a majority of our capital stock after the distribution, our board of directors believes that the distribution will make it easier for a third party to attempt to acquire CXP. Our board of directors also believes that companies can be and are acquired, and that changes in control of companies can and do occur, at prices below realistically achievable levels when boards do not have measures in place to require an acquiror to negotiate the terms of any acquisition directly with the board. Many companies have put in place provisions that effectively require such negotiations. The governance proposals are intended to make it more difficult for a potential acquiror to seek to acquire control of CXP by means of a proxy contest, merger or tender offer which is not negotiated with our board of directors. In addition, by making a takeover or other change of control of CXP without approval of our board of directors more difficult, these proposals will also protect CXP from potential liabilities under the distribution agreement resulting from the loss of the tax-free status of the distribution. **Our board of directors recommends that you vote For approval of each of the governance proposals.**

*Authorized Capital Increase Proposal.* Our board of directors has unanimously determined that the authorized capital increase proposal is advisable and in the best interests of CXP and our stockholders. Our board of directors believes that the increase in capital stock will ensure that there remains a sufficient authorized number of shares of common stock and preferred stock after the reclassification for potential future stock splits, sales of our securities to raise additional capital, acquisitions of other companies or their businesses or assets, establishing strategic relationships with third parties, or providing options or other stock incentives to our employees, consultants or others. **Our board of directors recommends that you vote For approval of the authorized capital increase proposal.**

*Name Change Proposal.* Our board of directors has unanimously determined that our name should be changed to Eagle Materials Inc. to eliminate the reference to Centex because we will no longer be a majority-owned subsidiary of Centex and in order to establish an independent market presence in the

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construction products industry. **Our board of directors recommends that you vote For approval of the name change proposal.**

*Stockholders Rights Plan Proposal.* Our board of directors has unanimously determined that the stockholders rights plan proposal is advisable and in the best interests of CXP and its stockholders. Our board of directors believes that implementation of the stockholders rights plan will enhance the ability of our board of directors to ensure that our stockholders receive full, fair value for their shares of common stock in the event of a hostile takeover. The stockholders rights plan encourages potential acquirors to negotiate with our board of directors and discourages certain coercive takeover tactics. In addition, by making a takeover or other change of control of CXP without approval of our board of directors more difficult, this proposal will also protect CXP from potential liabilities under the distribution agreement resulting from the loss of the tax free status of the distribution. **Our board of directors recommends that you vote For approval of the stockholders rights plan proposal.**

*Incentive Plan Proposal.* Our board of directors, upon the recommendation of the compensation and stock option committee, which we refer to as our compensation committee, approved the incentive plan and its submission to our stockholders. We are asking our stockholders to approve an incentive plan that would combine, amend and restate our existing stock option plans. We are proposing this new equity incentive compensation plan at this time in order, among other things, to ensure that our equity compensation arrangements are governed by a uniform set of terms and provisions. The number of shares available for issuance under the incentive plan has not increased and is the same as the total number of shares available for issuance under our two existing stock option plans. The purpose of the incentive plan is to further the interests of CXP and our stockholders by providing incentives in the form of awards to key employees and nonemployee directors who can contribute materially to the success and profitability of CXP and our affiliates. See Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Incentive Plan Proposal. **Our board of directors recommends that you vote For approval of the incentive plan proposal.**

## **Record Date and Shares Entitled to Vote**

Only holders of record of our common stock as of the close of business on the record date, which is November 28, 2003, will be entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of the special meeting. A list of the stockholders of record will be available for inspection at the special meeting and at our headquarters located at 2728 N. Harwood, Dallas, Texas 75201, during ordinary business hours during the ten-day period prior to the special meeting. As of the close of business on the record date, there were 18,768,354 shares of our common stock outstanding and entitled to vote at the special meeting. A majority of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business.

## **Voting of Proxies**

The proxy accompanying this proxy statement is solicited on behalf of our board of directors for use at the special meeting. Stockholders are requested to complete, date and sign the accompanying proxy card and promptly return it in the enclosed envelope. So long as they are not revoked, all properly executed proxies received prior to the vote at the special meeting will be voted at the special meeting in accordance with the instructions indicated on the proxies or, if no direction is indicated, to approve the adoption of the merger agreement and each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders rights plan proposal and the incentive plan proposal. You may revoke your proxy at any time before its use by delivering to our secretary at the above address, written notice of revocation or a duly executed proxy bearing a later date, or by attending the special meeting and voting in person.

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### **Required Vote**

Each outstanding share of our common stock is entitled to one vote on each of the proposals described above and any other matter which properly comes before the special meeting.

*Reclassification Proposal.* Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock. In addition, the reclassification will be implemented only if the holders of a majority of the shares of our common stock voting on the reclassification proposal, in person or by proxy, at the special meeting, other than Centex, vote to adopt the merger agreement.

*Staggered Board Proposal.* The staggered board proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Written Consent Proposal.* The written consent proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Special Meeting Proposal.* The special meeting proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Supermajority Voting Proposal.* The supermajority voting proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Authorized Capital Increase Proposal.* The authorized capital increase proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Name Change Proposal.* The name change proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Stockholders' Rights Plan Proposal.* The stockholders' rights plan proposal requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock.

*Incentive Plan Proposal.* The incentive plan proposal requires the affirmative vote of the holders of a majority of the outstanding shares of common stock voting with respect to such proposal; provided that the total vote cast represents at least 50% of all shares of common stock entitled to vote on the proposal.

As of the record date, current executive officers and directors of CXP owned 39,839 shares of our common stock, representing approximately 0.2% of the shares outstanding. CXP has been advised by its executive officers and directors that all of such persons intend to vote in favor of each of the proposals described above at the special meeting.

As of the record date, Centex owned 11,962,304 shares of our common stock, representing approximately 65% of the shares outstanding at that date. Centex has informed us that it intends to vote all of the shares of our common stock owned by it in favor of the adoption of the merger agreement and each of the governance proposals, the authorized capital increase proposal, the name change proposal, the stockholders' rights plan proposal and the incentive plan proposal. Accordingly, approval of the governance proposals, the authorized capital increase proposal, name change proposal, the stockholders' rights plan proposal and the incentive plan proposal is assured.

### **Quorum, Abstentions and Broker Non-Votes**

The required quorum for the transaction of business at the special meeting is the presence in person or by proxy of a majority of the shares of common stock issued and outstanding and entitled to vote at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If an executed proxy card is returned by a broker or bank holding shares which indicates that the broker or bank does not have discretionary authority to vote for approval of the reclassification proposal, the governance

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proposals, the authorized capital increase proposal, the name change proposal, the stockholders rights plan proposal and/or the incentive plan proposal, this will be considered to be a broker non-vote. Abstentions and broker non-votes each will be included in determining



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the number of shares present at the special meeting for the purpose of determining the presence of a quorum. Because the adoption of the merger agreement and approval of each of the governance proposals, the authorized capital increase proposal, the name change proposal and the stockholders' rights plan proposal require the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote thereon, abstentions and broker non-votes will have the same effect as votes against each of the proposals. Centex has agreed that the approval of the reclassification proposal will also require the approval of the holders of a majority of the shares of our common stock that are present, in person or by proxy, at the special meeting and vote upon the proposal, other than Centex. Abstentions and broker non-votes will not have any effect on the special approval condition for the reclassification proposal or on the approval of the incentive plan proposal.

The actions proposed in this proxy statement are not matters that can be voted on by brokers holding shares for beneficial owners without the owners' specific instructions. Accordingly, all beneficial owners of common stock are urged to instruct their brokers how to vote.

## **Other Matters**

Only one proxy statement is being delivered to multiple security holders who share an address unless we have received contrary instructions from one or more of the security holders. We will deliver promptly, upon written or oral request, a separate copy of this proxy statement to a security holder of a shared address to which a single copy was delivered. Also, security holders sharing an address may request a single copy of proxy statements if they are currently receiving multiple copies. Such requests can be made by contacting the Secretary at our principal executive offices.

The board of directors is not currently aware of any business to be acted upon at the special meeting, other than as described herein. If, however, other matters are properly brought before the special meeting, the persons appointed as proxies will have discretion to vote or act on these matters according to their best judgment, to the extent permitted by applicable law and unless otherwise indicated on any particular proxy. Notwithstanding the foregoing, shares represented by proxies voting against any proposal described in this proxy statement will not be voted in favor of a proposal to adjourn the special meeting for the purposes of soliciting additional proxies with respect to such proposal.

Representatives of Ernst & Young LLP, our independent auditors for the current fiscal year and the prior fiscal year, are expected to be present at the special meeting and will have the opportunity to make a statement if they desire to do so. Ernst & Young LLP will also be available at the special meeting to respond to appropriate questions from our stockholders.

## **Solicitation of Proxies and Expenses**

We have engaged Georgeson Shareholder Communications Inc. to assist us in soliciting proxies from banks, brokers and nominees in connection with certain proposals. Georgeson will be paid fees of approximately \$8,500 for its services, and will be reimbursed for out-of-pocket expenses. In addition, the directors, officers and employees of CXP may solicit proxies from stockholders by telephone, facsimile or in person. Following the original mailing of this proxy statement, CXP will request banks, brokers, custodians, nominees and other record holders to forward copies of this proxy statement to people on whose behalf they hold shares of common stock and to request authority for the exercise of proxies by the record holders on behalf of those people. In those cases, CXP, upon the request of the record holders, will reimburse those holders for their reasonable expenses incurred in connection with requesting authority to vote.

**The matters to be considered at the special meeting are of great importance to the stockholders of CXP. Accordingly, you are urged to read and carefully consider the information presented in this proxy statement and the appendices, and to complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-paid envelope. No physical substitution of stock certificates will be required as a result of the reclassification, and your existing certificates will continue to represent your shares of Class A common stock after the reclassification.**

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**Who can help answer your questions**

If you have questions about the proposals in this proxy statement, you should contact:

Georgeson Shareholder Communications Inc.  
17 State Street, 28th Floor  
New York, New York 10004  
(888) 274-5119

**STOCKHOLDERS SHOULD NOT SEND  
ANY STOCK CERTIFICATES WITH THEIR  
PROXY CARDS OR OTHERWISE**

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**CERTAIN CONSIDERATIONS**

*You should carefully consider the factors described below before voting on the proposals set forth in this proxy statement.*

**The reclassification will increase the voting rights of the shares of common stock held by Centex without the payment of any consideration by Centex.**

As a result of the reclassification, 9,220,000 of the 11,962,304 shares of our common stock held by Centex will be converted into shares of Class B common stock having the right to elect at least 85% of the members of our board of directors. As a result, Centex will receive shares having superior voting rights with respect to the election of directors without being required to pay any consideration for its increased voting power. The increase in the voting power of a portion of the shares currently held by Centex is necessary to permit Centex to effect the distribution in a transaction that is tax-free to Centex and its stockholders.

**The proposed transactions will reduce our earnings per share.**

In order to fund payment of the special dividend to our stockholders, we expect to incur approximately \$113 million of debt under a new bank credit facility. Our debt service obligations with respect to this new debt will have an adverse impact on our earnings and cash flow for as long as the indebtedness is outstanding. In addition, we expect to incur some additional administrative and other costs after the distribution as a public company that operates independently of Centex. We estimate that our debt service obligations in respect of borrowings to fund the special dividend, together with additional costs of operating as a public company independent of Centex, could reduce our earnings per share by approximately 4% during our fiscal year ending March 31, 2005. This adverse effect on our earnings could negatively impact our stock price.

**Certain of the reviews and analyses undertaken by Bear Stearns in connection with its fairness opinion indicate that the proposed transactions could have a negative effect on our stock price.**

Certain of the reviews and analyses undertaken by Bear Stearns in connection with its fairness opinion indicate that the proposed transactions could have a negative effect on our stock price. For example, as described above, our debt service obligations on borrowings to be made to fund the special dividend, as well as the additional administrative and other costs we are likely to incur when operating as a public company independent of Centex, will reduce our earnings per share, which could have a negative impact on our stock price. Similarly, Bear Stearns' review of a broad group of 26 completed spin-offs of public companies announced since 1998 indicated that, on average, the stock price performance of these spin-offs underperformed the S&P 500 Index. Additionally, an analysis of seven spin-offs completed since 1995 that Bear Stearns considered more directly comparable to the proposed transactions, because they involved a reclassification of capital stock of the subsidiary into high vote stock (with superior voting rights relating solely to the election of directors) and low vote stock in order to permit the parent company to distribute the subsidiary stock to its stockholders on a tax-free basis (which we refer to as "step-up spin-offs"), provided indications of negative price effects. For example, a majority of the step-up spin-offs underperformed the S&P 500 Index over certain of the time periods reviewed. Moreover, the performance of these transactions, on average over certain of the time periods, was heavily affected by the positive stock price performance of one technology company that was spun off in mid-2000, when valuations of technology companies were significantly higher than they are today. See "Proposal One: The Reclassification and Related Transactions" Opinion of the Special Committee's Financial Advisor Summary of Bear Stearns' Reviews and Analyses.

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**The right of the holders of Class A common stock to elect one director will be subject to our existing stockholder nomination procedures, and Class A directors will act as fiduciaries for all of our stockholders, which factors may diminish the value and effectiveness of the Class A voting rights.**

As a result of the reclassification, the holders of Class A common stock will have the right to elect one member of our board of directors, whom we refer to as a Class A director. The initial Class A director will be Robert L. Clarke, who has served as chairman of the special committee. Mr. Clarke has been designated to serve as the initial Class A director by a majority of the members of our board of directors for a term that will commence upon the effectiveness of the reclassification and end on the first annual meeting of our stockholders after the special meeting. In the future, nominations of persons who are to stand for election as Class A directors will be made by the board of directors upon the recommendation of the nominating committee of our board of directors or, in accordance with the applicable provisions of our amended bylaws, by a stockholder entitled to vote for the election of such director. Our amended bylaws impose significant limitations on the ability of our stockholders to nominate directors, including a 90-day advance notice requirement for nominations for election at an annual meeting. In addition, under Delaware law, a Class A director owes fiduciary duties to our company and all of our stockholders, and accordingly does not act as an exclusive representative of the holders of our Class A common stock. These factors may tend to diminish the value and effectiveness of the class voting rights of the holders of our Class A common stock.

**The tax-free distribution by Centex results in potential limitations on our ability to effect certain transactions and could potentially result in significant liabilities.**

In the distribution agreement, we have agreed that, if the reclassification and distribution are completed, for a period of two years after the distribution, we will not:

merge or consolidate with or into any other corporation;

liquidate or partially liquidate;

sell or transfer all or substantially all of our assets in a single transaction or series of transactions;

except as permitted under the IRS procedures applicable to spin-offs, redeem or otherwise repurchase any of our capital stock; or

subject to certain exceptions, take any other actions that would cause or permit one or more persons to acquire stock representing a 50% or greater interest in CXP;

unless, before taking any of these actions, either Centex has obtained a ruling from the IRS (at the expense of CXP) or we have received an opinion of counsel reasonably satisfactory to Centex, that the contemplated actions will not result in the distribution failing to qualify as a tax-free transaction. We have also agreed, in the distribution agreement, to indemnify Centex under certain circumstances for taxes that may become payable by Centex, each member of the consolidated group of companies of which Centex is the common parent corporation and each direct and indirect subsidiary of Centex or its stockholders, whom we refer to collectively as the Centex group, if our actions give rise to the imposition of those taxes. As a result, we may be reluctant to pursue or undertake certain mergers, asset sales and other transactions during the two-year period following the reclassification and distribution. These restrictions and potential liabilities may make CXP less attractive to a potential acquiror and reduce the possibility that an acquiror will propose or seek to effect certain transactions with CXP during this two-year period. See Proposal One: The Reclassification and Related Transactions CXP's Reasons for the Reclassification and Related Transactions and Tax Matters Reclassification and Distribution.

**Our borrowings to pay the cash dividend could limit our future operational flexibility and make us more sensitive to interest rate increases and cyclical downturns in our industry.**

We expect to incur debt under our new bank credit facility in order to pay all or substantially all of the special one-time cash dividend to our stockholders in the aggregate amount of approximately

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\$113 million. Based on, among other things, our current stockholders' equity and our expected debt repayments during the next few months, we expect that our debt-to-capitalization ratio immediately after the distribution and the payment of the cash dividend will be approximately 22%. Our ability to make principal and interest payments on debt incurred to finance payment of the cash dividend will depend on our future operating performance, which will depend on a number of factors, many of which are outside our control. These factors include prevailing economic conditions, fluctuations in prices for our products, prices for natural gas and other energy costs and competitive and other factors affecting our business and operations. Although we believe that our cash flow from operations, together with our other sources of liquidity, will be adequate to make required payments on our indebtedness, finance anticipated capital expenditures and fund working capital requirements, we cannot assure you that this will be the case.

In addition, the amount of indebtedness to be incurred to fund the special dividend and the related financial and other covenants to which we will be subject will limit the amount of cash or borrowings available to us in the future, and could adversely affect our operations in various ways, including the following:

the amount of our indebtedness incurred to fund the special dividend will make our results of operations more sensitive to possible future increases in interest rates;

in the event of a cyclical downturn affecting all or part of the construction products industry, our revenues could be reduced, which could impair our ability to meet our debt service obligations;

our ability to respond to adverse economic and industry conditions could be limited;

we expect to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, which will reduce the available cash to pay for future business activities, including acquisitions, significant investments or significant capital expenditures; and

we will have reduced ability to obtain additional financing to fund our future business activities.

See Proposal One: The Reclassification and Related Transactions Financing; Bank Credit Facility .

### **The Class B common stock will control the election of at least 85% of our board of directors, which may make it easier for a third party to acquire a majority of the voting power of our shares.**

Following the reclassification, holders of Class B common stock will be entitled to elect at least 85% of the members of our board of directors. Accordingly, if any person or group of persons is able to exercise a majority of the voting power of our outstanding shares of Class B common stock, that person or group will be able to eventually obtain control of CXP by electing a majority of our board of directors. Consequently, the creation and issuance of Class B common stock could render us more susceptible to unsolicited takeover bids from third parties. This risk is partially mitigated by the governance proposals and the stockholders' rights plan proposal and by an additional provision to be included in our certificate of incorporation to the effect that any person who beneficially owns 15% or more of the outstanding shares of Class B common stock may only vote in any election of directors that percentage of the shares of Class B common stock which is equal to the lesser of its percentage ownership of Class B common stock or its percentage ownership of Class A common stock. This provision is intended to protect our public stockholders by ensuring that anyone seeking to accumulate shares of our common stock must acquire a substantial ownership interest in each class of our common stock in order to exercise control over CXP.

### **Stock sales following the distribution may affect our stock price.**

All of the shares of our Class A common stock and Class B common stock distributed by Centex in the distribution, other than shares distributed to our affiliates, will be eligible for immediate resale in the public market. It is likely that some Centex stockholders will sell shares of our Class A common stock and Class B common stock received in the distribution for various reasons, including the fact that our business profile or market capitalization does not fit their investment objectives. Moreover, a substantial number of

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shares of Centex common stock are held by index funds tied to the S&P 500 Index or other indices. These index funds may be required to sell the shares of our capital stock that they receive in the distribution, as our stock may not be included in the underlying indices. Any sales of substantial amounts of our Class A common stock or Class B common stock in the public market, or the perception that such sales might occur, could depress the market price of our Class A common stock or Class B common stock. We are unable to predict whether substantial amounts of our Class A common stock or Class B common stock will be sold in the open market following the distribution.

### **We are currently dependent on Centex for the performance of certain corporate functions.**

In the past, Centex has performed certain significant corporate functions for us, including legal functions, accounting, benefit program administration, insurance administration and internal audit services. Centex will continue to provide some of these services to us during an interim period after the distribution in exchange for a fee payable by us pursuant to an administrative services agreement. For a description of the terms of this agreement, see Proposal One: The Reclassification and Related Transactions Relationship Between Centex and CXP after the Distribution. Once the distribution is completed, we intend to take steps to create our own, or to engage third parties to provide, corporate business functions that will replace many of those currently provided by Centex. As an independent public company, we will be required to bear the costs of replacing these services, which costs will likely exceed the fees we pay to Centex. There can be no assurance that we will be able to perform, or engage third parties to provide, these functions with the same level of expertise and on the same or as favorable terms as they have been provided by Centex.

### **The governance proposals and stockholders rights plan proposal could limit another party s ability to acquire us and could deprive you of an opportunity to obtain a takeover premium for your shares of our common stock.**

The governance proposals and stockholders rights plan proposal, together with the Delaware business combination statute, as described under Proposals Two, Three, Four, Five, Six, Seven, Eight and Nine: Governance Proposals, Authorized Capital Increase Proposal, Name Change Proposal, Stockholders Rights Plan Proposal and Incentive Plan Proposal Purpose and Effects of the Governance Proposals and Stockholders Rights Plan Proposal, may discourage unsolicited takeover bids from third parties or efforts to remove incumbent management or our board of directors, or make these actions more difficult to accomplish, even if a substantial number of stockholders believe that these actions would be in their best interests. In addition, upon completion of the reclassification and distribution, our certificate of incorporation will contain a special voting provision that may limit the voting rights of holders of 15% or more of the Class B common stock, as described under Proposal One: The Reclassification and Related Transactions Description of the Reclassification Proposal Limitation on Voting Rights of Class B Common Stock , which may have the effect of delaying, deterring or preventing a change in control of CXP.

### **If the authorized capital increase proposal is approved, we will have a significant number of authorized but unissued shares which, if issued, could dilute the equity interests of our existing stockholders and adversely affect earnings per share.**

If a significant number of additional shares of our Class A common stock are issued following the distribution, the equity interests of our existing stockholders would be diluted and our earnings per share could be adversely affected. If the authorized capital increase proposal is approved, immediately following the distribution (and based on the number of outstanding shares as of the record date), we will be authorized to issue up to 40,451,646 additional shares of our Class A common stock, 40,780,000 shares of Class B common stock and 5,000,000 shares of preferred stock. Our board of directors has full discretion to issue additional shares at any time in the future without stockholder approval, subject to applicable legal, stock exchange and other regulatory requirements. At the present time, our board of directors has full discretion to issue up to 31,231,646 additional shares of our common stock.

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**Forward-looking statements may prove inaccurate.**

This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when we are discussing our beliefs, estimates or expectations. These statements are not guarantees of future performance and involve a number of risks and uncertainties that may cause our actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to:

- levels of construction spending in major markets;
- price fluctuations and supply and demand for cement, wallboard and our other products;
- significant changes in the cost of natural gas, other energy costs and cost of other raw materials;
- availability of raw materials;
- the cyclical nature of our businesses;
- national and regional economic conditions;
- interest rates;
- seasonality of our operations;
- unfavorable weather conditions during peak construction periods;
- changes in and implementation of environmental and other governmental regulations;
- the ability to successfully identify, complete and efficiently integrate acquisitions;
- the ability to successfully penetrate new markets;
- international events that may disrupt the world economy;
- unexpected operating difficulties; and
- competition from new or existing competitors.

In general, we are subject to the risks and uncertainties of the construction industry and of doing business in the U.S. The forward-looking statements are made as of the date of this proxy statement, and we undertake no obligation to update them, whether as a result of new information, future events or otherwise.

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**PROPOSAL ONE:**

**THE RECLASSIFICATION AND RELATED TRANSACTIONS**

**Background of the Reclassification and the Related Transactions**

Centex, through its subsidiaries, is a multi-industry company with five principal business segments: home building, financial services, construction products, construction services and investment real estate. Prior to April 19, 1994, we were a wholly-owned subsidiary of Centex. On April 19, 1994, we completed an initial public offering of 51% of our common stock. As a result of the initial public offering, Centex's percentage ownership interest in CXP was reduced to 49%.

Principally as a result of certain repurchases by CXP of its common stock from the public since fiscal year 1997, Centex's ownership interest in CXP has increased in recent years, and Centex owns approximately 65% of the outstanding shares of our common stock as of the date of this proxy statement.

During April and May 2003, Centex's senior management informally advised certain members of our board of directors and management that, because of the continued strong performance of Centex's core home building and financial services businesses and the likelihood that Centex's capital would continue to be allocated to its homebuilding business, they were considering whether it was still desirable for Centex to maintain its current ownership interest in CXP. In that regard, Centex further indicated that, although it had made no determination to do so, Centex was evaluating the possibility of distributing to its stockholders on a tax-free basis all or a portion of its equity interest in CXP.

In early June 2003, Centex summarized for our board of directors the preliminary terms under which Centex would be willing to discuss a possible distribution by Centex of its interest in CXP to its stockholders. Centex indicated that one of the principal purposes of the distribution would be to eliminate the competition for capital between CXP and Centex's other businesses and permit a sharper focus by Centex's management on its core businesses. Centex also emphasized that it would only consider a distribution of its interest in CXP if the transaction could be accomplished on a tax-free basis. In order for the transaction to be tax-free, Centex indicated that it believed that, among other things, it would be necessary for CXP to reclassify the shares of our common stock held by Centex into a new class of common stock with voting rights that would allow the holders of the new class of stock to elect at least 85% of our directors. The shares of the new class of common stock would then be distributed to Centex's stockholders. Centex also indicated that it believed it would be appropriate to discuss the payment by us to our stockholders of a special cash dividend in the range of \$100 million to \$150 million.

To facilitate a full and fair evaluation of any transactions to be discussed with Centex, in June 2003, our board of directors formed a special committee of its independent directors consisting of Robert L. Clarke (Chairman), Michael R. Nicolais, Harold K. Work and F. William Barnett. Our board of directors discussed and confirmed that each committee member is independent from Centex and its management, and satisfied itself that the committee members could independently evaluate the proposed transactions free of influence from Centex or its management. The special committee was charged with, among other things, reviewing, considering and negotiating the terms, conditions and merits of a possible distribution by Centex of its interest in CXP and any related transactions and determining whether these transactions are advisable, fair to, and in the best interests of, our current stockholders (other than Centex). Due to the amount of time that it was expected members of the special committee would need to devote to the evaluation and consideration of the distribution and related transactions, the board of directors determined that the chairman of the special committee should be paid a one-time fee of \$17,500, each other director should be paid a one-time fee of \$10,000, and each committee member should be paid a fee of \$2,000 for each meeting of the special committee he attended in person or by telephone, plus expenses.

To assist it in evaluating the proposed transactions, the special committee, after interviewing several firms, selected the law firm of Haynes and Boone, LLP to serve as its legal advisors, and the investment banking firm of Bear, Stearns & Co. Inc. to serve as its financial advisors. Haynes and Boone and Bear Stearns provided to the special committee certain advice and assistance with respect to the structuring and



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planning of the distribution and related transactions and advised the special committee with respect to the negotiation of the principal terms and conditions of these transactions and various transaction documents.

Each of Haynes and Boone and Bear Stearns will receive customary fees as the legal advisors and financial advisors, respectively, for the performance of their services to the special committee in connection with the proposed transactions.

On July 1, 2003, Centex provided to counsel for the special committee preliminary drafts of transaction documents that reflected certain of the principal terms it would be willing to discuss with the special committee. On July 2, 2003, at a meeting of the special committee, at which its legal counsel was present, the special committee considered the basic terms of the distribution and related transactions as reflected in such preliminary drafts, including the possible reclassification and cash dividend. The special committee also discussed the proposed terms of the engagement letter to be entered into with Bear Stearns. The special committee discussed possible alternative transactions that it believed Centex might have an interest in pursuing in the event that the special committee was not willing to pursue the distribution and related transactions. Bear Stearns also attended a portion of this meeting to answer questions from the special committee about the distribution and related transactions and alternatives, and to discuss the analysis expected to be performed by Bear Stearns in determining the financial fairness of the transactions to our stockholders (other than Centex). At this meeting, the special committee met with four senior members of our management team on an individual basis to seek their respective input on these transactions, their effect on us, and ideas concerning our possible strategies as a fully independent company.

From July 1, 2003 until July 17, 2003, the special committee and the financial and legal advisors to the special committee evaluated the terms and conditions of the possible distribution and related transactions, considered the nature and scope of the amendments to our certificate of incorporation and bylaws that would be needed in connection with these transactions, considered governance issues that would arise if we became a fully independent company and began formulating proposed changes to each of the draft transaction documents and the charter and bylaw amendments.

On July 17, 2003, the special committee, along with its legal advisors and financial advisors, met to continue the evaluation of the proposed transactions. At this meeting, Bear Stearns made a presentation on the form, structure, terms and financial aspects of the proposed transactions. In its presentation Bear Stearns:

provided a summary description of the proposed transactions and reviewed with the committee the primary terms of the proposed transactions;

provided a financial and capital markets overview of CXP, which presentation included an analysis of CXP's recent stock performance and the stock performance of several comparable publicly-traded companies;

discussed the considerations of a cash dividend as proposed by Centex versus a potential share repurchase by us, including the value received by our stockholders, the tax implications to our stockholders and the likely effect on our earnings per share;

delivered a pro forma financial analysis of the proposed transactions versus several alternatives that the special committee might consider in lieu of or in addition to the distribution and related transactions (including (1) effecting the distribution but not the cash dividend, (2) effecting the distribution, eliminating the cash dividend and then effecting a share repurchase and (3) effecting the distribution, the cash dividend and a share repurchase);

discussed the capital markets considerations of the proposed transactions;

discussed stock float, trading volume and research analyst coverage of several comparable publicly-traded companies;

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discussed in detail an analysis of comparable precedent spin-off transactions including certain stock price performance data; and

discussed in detail an analysis of publicly-traded companies with dual-class stock structures including certain stock price performance data.

Based upon their review and analysis of the terms and financial aspects of the distribution and related transactions being discussed by the parties, Bear Stearns recommended that the special committee consider certain adjustments to the structure of these transactions that they believed would provide greater value to CXP and its minority public stockholders. Bear Stearns also suggested that the special dividend be at the lower end of the range initially discussed by Centex and CXP. Bear Stearns advised that the reclassification and distribution on the terms initially discussed with Centex (under which Centex would convert all of the shares of our common stock held by it into Class B common stock, followed by a distribution of all of the Class B common stock to holders of Centex's common stock) would not enhance the public float and liquidity of our common stock. For that reason, Bear Stearns recommended that the reclassification be structured in such a way that Centex would convert less than all of its shares of our common stock into Class B common stock, and then distribute to its stockholders both its Class B common stock and the remaining shares of our common stock held by it. Specifically, Bear Stearns suggested that the transaction should provide for the conversion of a number of shares equal to approximately one-half of the outstanding shares of our common stock into Class B common stock so that after the reclassification there would be approximately equal numbers of outstanding shares of Class B common stock and Class A common stock. This approach would increase the float and liquidity of our common stock, which Bear Stearns believed would be more advantageous for the minority public stockholders and would have no material adverse consequences to Centex and its stockholders. After extensive discussion and analysis of the approach suggested by Bear Stearns, the special committee determined to request the changes to the reclassification and distribution recommended by Bear Stearns as well as to request that the special one-time cash dividend be at the lower end of the range.

At the July 17, 2003 meeting, the special committee also considered a general overview of the nature and substance of the transaction documents previously provided by Centex and discussed each of the material terms in the transaction documents in greater detail. The special committee also considered potential corporate governance measures that we might consider placing in our certificate of incorporation and bylaws in order to deter hostile takeovers. The special committee also considered the legal issues and financial implications of declaring the cash dividend.

On the morning of July 18, 2003, the special committee, along with its legal advisors and financial advisors met with Mr. Laurence E. Hirsch, Chairman and Chief Executive Officer of Centex, and with Centex's financial advisors, Merrill Lynch, Pierce, Fenner & Smith Incorporated, to discuss their rationale for the distribution and related transactions and the alternatives to these transactions that had been considered by Centex. Mr. Hirsch explained that Centex was considering the distribution because, among other things, it would eliminate the competition for capital between CXP and Centex's other businesses and permit a sharper focus by Centex's management on its core businesses. Mr. Hirsch also explained that Centex had considered alternatives to the distribution, including a possible sale of CXP (or its stake in CXP), maintaining the status quo with CXP continuing as a majority-owned subsidiary of Centex or purchasing the minority interest in CXP, but had determined that these alternatives had significant disadvantages from Centex's viewpoint. Merrill Lynch discussed with the special committee some of the key terms of the distribution and related transactions. The special committee and its advisors questioned Mr. Hirsch and the Merrill Lynch representatives regarding various transaction terms and raised certain key concerns of the special committee. One of the principal concerns expressed by the special committee was that the reclassification as proposed did not directly enhance the float and liquidity of our common stock. In addition, the special committee indicated that while it was comfortable with a special dividend, it preferred to see the aggregate dividend at the lower end of the range initially discussed with Centex.

On the afternoon of July 18, 2003, the special committee met again to continue discussions regarding the terms and provisions contained in the transaction documents and the proposed amendments to our

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certificate of incorporation and bylaws and to further analyze the proposed transactions in light of the special committee's meetings earlier that morning with representatives of Centex and Merrill Lynch. During this meeting, the special committee extensively discussed and evaluated the merits of the proposed transactions and ultimately concluded that they were prepared to commence negotiations with Centex of the terms of the proposed transactions. The special committee met again with Mr. Hirsch to discuss further the special committee's concerns, including their concerns regarding the difference in the float and liquidity that would exist between our common stock and the Class B common stock. In response to the committee's concerns, Mr. Hirsch indicated that, in order to enhance the public float and liquidity of our common stock, Centex would be willing to reclassify only a portion of its shares of our common stock into shares of Class B common stock and distribute the shares of Class B common stock and the balance of its shares of our common stock to Centex stockholders. Further, the parties discussed the amount of the special cash dividend, and agreed on a dividend in the amount of \$6.00 per share. The special committee also expressed concern that if Centex were to abandon the proposed transactions, we would bear significant transaction costs. In response, Mr. Hirsch agreed that Centex would pay all of our expenses if the transaction did not close for certain reasons.

Between July 18, 2003 and July 21, 2003, Centex and its advisors and the special committee and its advisors engaged in negotiations regarding the terms of the definitive agreements to be entered into in connection with the distribution and related transactions, including the merger agreement, the distribution agreement and the necessary amendments to our certificate of incorporation and bylaws. In the course of these negotiations, Centex agreed to various accommodations requested by the special committee and its counsel with respect to the terms of the transaction documents. In particular, Centex agreed to the following changes proposed by the special committee:

to pay our expenses with respect to the proposed transactions in the event that the proposed transactions are not consummated for any reason;

to revise the distribution agreement provisions to limit the circumstances in which we would be obligated to provide indemnification against certain tax liabilities;

to ensure that the conditions to our obligations to pay the cash dividend and to effect the reclassification were substantially equivalent to the obligations of Centex to effect the distribution;

to require that the administrative services and office space currently being provided by Centex to CXP will continue to be so provided upon substantially the same terms for a limited time following completion of the distribution;

to include additional amendments to our certificate of incorporation relating to voting limitations of Class B common stock, the calling of a stockholders' meeting, institution of a super-majority voting provision for amendments to the charter and the increase in our authorized capital stock; and

to cause our board of directors to consider the adoption of a stockholders' rights plan.

During this period, the special committee expressed concern regarding the fact that CXP would be subject to covenants limiting its ability to engage in various types of transactions during the two-year period following the distribution and regarding certain related tax indemnities given by CXP to the Centex group. The special committee indicated that it believed that it was important for the governance proposals and stockholders' rights plan proposal to be submitted to and considered by our stockholders in order, among other things, to reduce the likelihood of liability under these tax indemnification provisions. The special committee was also concerned that CXP could be more susceptible to unsolicited takeover bids from third parties, including offers that our board of directors may regard as being below our intrinsic value or as not being in the best interests of our stockholders. Centex indicated to the special committee that it intended to vote in favor of such proposals.

Also, during this period, the special committee considered certain alternatives to the transaction structure in respect of the special cash dividend. Specifically, consideration was given to (1) effecting the distribution alone without the payment of any special cash dividend, (2) effecting the distribution with a

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special cash dividend and a stock repurchase, or (3) effecting the distribution followed by a stock repurchase without a cash dividend. The special committee discussed the expected repayment of all or substantially all of CXP's current outstanding indebtedness by the time the distribution was effected, CXP's ability to incur additional indebtedness in light of CXP's projected capitalization, and CXP's anticipated cash flow, and its ability to repay any new indebtedness. The special committee concluded that payment of a large special cash dividend in conjunction with the distribution was an action that was beneficial to all of our current stockholders. A stock repurchase prior to completion of the distribution was not possible as this would adversely impact Centex's ability to effect the distribution on a tax-free basis, which was not acceptable to Centex. Bear Stearns also pointed out to the special committee that a share repurchase might be viewed negatively by Centex, since Centex has a low basis in the shares of our common stock owned by it. Effecting a stock repurchase after completion of the distribution might be advantageous to stockholders (including Centex stockholders receiving shares of capital stock in the distribution). For example, a share repurchase would provide immediate value to the holders of shares of our common stock to be repurchased. In the case of shares that are not to be repurchased, a share repurchase would reduce the total number of outstanding shares of our common stock, and would therefore result in an increase in our earnings per share. Furthermore, certain of Bear Stearns' analyses indicated that the theoretical attendant value per share of Class A common stock of a stock repurchase might be slightly higher than the theoretical attendant value per share of Class A common stock of a cash dividend assuming a constant price to earnings ratio and a constant stock repurchase price. However, the special committee did not consider a stock repurchase to be as advantageous to CXP's current stockholders as a cash dividend because a direct cash payment represents an immediate and tangible benefit to the stockholders and the benefits of a share repurchase would not be realized in the same manner by all stockholders, some of whom would have their shares repurchased and some of whom would benefit from an increase in the value of their shares, which would not be realized until the shares are sold. Furthermore, the special committee had specifically negotiated for and obtained a change in the terms of the proposed transactions whereby the float of the Class A common stock would be increased. A repurchase of Class A common stock would reduce float and liquidity, detracting materially from one of the expected benefits of the distribution. Consequently, the special committee concluded that payment of a large special cash dividend to all our pre-distribution stockholders appeared to be the most practical and beneficial alternative under the circumstances, particularly in light of the changes to the Internal Revenue Code regarding the taxation of dividends recently enacted by Congress. For these reasons, the special committee determined not to initiate negotiations with Centex to seek to effect a share repurchase instead of a special dividend.

On the evening of July 20, 2003, the special committee met with its legal advisors to review and discuss the revised transaction documents. On July 21, 2003, the special committee reconvened and continued its review of the transaction documents. Bear Stearns delivered and discussed with the special committee a written report and its opinion that the reclassification, the cash dividend and the distribution, taken as a whole, were fair from a financial point of view to CXP's stockholders, other than Centex. After a careful evaluation of the proposed transactions and their anticipated effects on CXP and its stockholders (other than Centex), on July 21, 2003, the special committee approved and recommended that our board of directors approve the proposed transactions and the merger agreement, the distribution agreement, the proposed amendments to the certificate of incorporation and the proposed amendments to the bylaws.

Subsequently, that evening our board of directors convened a meeting at which the special committee reported to our board of directors the results of their consideration of the proposed transactions and their recommendations. The special committee advised that the proposed transactions were advisable, fair to and in the best interests of CXP and its stockholders (other than Centex) and recommended to our board of directors that it should approve the proposed transactions and each of the merger agreement, the distribution agreement, the certificate of incorporation and the bylaws and that our board of directors should submit such proposals to our stockholders. Bear Stearns also attended this meeting and summarized its report and opinion for the full board. Based upon the recommendation of the special committee, our board of directors determined that the proposed transactions were advisable, fair to and in the best interests of CXP and its stockholders and it approved the proposed transactions and each of the merger

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agreement, the distribution agreement, and the amendments to the certificate of incorporation and the bylaws. Our board of directors also resolved to submit the proposed transactions to our stockholders for their approval.

By reason of the retirement policy of our board of directors, Mr. Harold K. Work formally retired from our board of directors effective as of our annual stockholders meeting held in the morning of July 21, 2003. However, due to Mr. Work's extensive business experience and long-standing involvement with CXP, the special committee requested that Mr. Work continue to participate in certain portions of the committee's deliberations on July 21. While not a formal member of the special committee at the time of its vote to approve the transactions, Mr. Work did state that he supported the special committee's conclusions and final decision.

In the evening of July 21, 2003, Centex and CXP entered into the merger agreement and distribution agreement, and each of them issued a public announcement regarding the distribution and related transactions.

In August and September 2003, CXP determined that it would be desirable to amend the merger agreement and the distribution agreement in order to reflect certain minor changes in the nature of the proposals to be submitted to the stockholders of CXP. For example, CXP determined to submit the proposed change in the name of our company to Eagle Materials Inc. as a separate proposal to be voted on by the stockholders of CXP. Additionally, CXP determined that it would prefer to have more or less equal amounts of authorized shares of Class A and Class B common stock available for issuance from time to time in the future, in case of a stock split or similar transaction. These changes were incorporated into amendments to the merger agreement and distribution agreement, which were approved by our board of directors on October 30, 2003 and were executed by CXP and Centex on November 4, 2003.

At the meeting of the board of directors held October 30, 2003, Bear Stearns provided a revised analysis of the stock price performance of the step-up spin-offs that corrected certain minor typographical and other errors and showed that four of the seven individual step-up spin-offs underperformed the S&P 500 Index over the longest period reviewed. Bear Stearns' original analysis provided to the special committee on July 21, 2003 indicated that five of the seven individual step-up spin-offs underperformed the S&P 500 Index over the same period. Bear Stearns advised the special committee that it believed that the changes to its original analyses were immaterial and confirmed that in their judgment these changes have no effect on the conclusion reached in their fairness opinion. The information presented in this proxy statement relating to the reviews and analyses conducted by Bear Stearns reflects the revised data provided to the special committee.

On November 10, 2003, the compensation committee of our board of directors approved the incentive plan, and recommended that it be approved by our board of directors and submitted to our stockholders for approval. By written consent dated November 12, 2003, the board of directors, upon the recommendation of the compensation committee, approved the incentive plan and directed that it be submitted to our stockholders for approval.

## **CXP's Reasons for the Reclassification and Related Transactions**

Our board of directors, upon the recommendation of the special committee, has unanimously determined that the distribution and related transactions, including the reclassification, are advisable, fair to and in the best interests of CXP and our stockholders. The special committee considered a wide range of positive and negative factors associated with the proposed transactions as more fully discussed below. The special committee ultimately concluded that after weighing all of these factors, from a business and stockholder perspective, the interests of our stockholders (other than Centex) would be enhanced by CXP becoming fully independent from Centex in the manner contemplated by the proposed transactions. In reaching its recommendation, the special committee considered and relied on the market judgment, reviews and analyses and conclusions reached by Bear Stearns in rendering its opinion as to the fairness from a financial point of view of the reclassification, cash dividend and distribution, taken as a whole, to CXP's existing public stockholders.

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In reaching its conclusion, our board of directors and the special committee considered a number of factors including the following:

*Expected Benefits of the Transactions to CXP and its Stockholders.* The special committee and our board of directors considered the expected benefits of the proposed transactions.

The reclassification will allow the public holders of our Class A common stock to elect one director, compared to their current inability to significantly influence the election of any members of our board of directors due to Centex's majority voting control. Apart from the increased influence over the election of one director, the reclassification itself will not result in any material benefits to our stockholders. However, the reclassification is a prerequisite to the other proposed transactions, because Centex advised us that it would only be willing to proceed with the distribution and related transactions if the distribution were tax-free to Centex and its stockholders. Accordingly, our board of directors reviewed the proposed transactions in their entirety, and considered the following benefits from the distribution and related transactions:

The proposed transactions will significantly increase the public float and liquidity of our capital stock by increasing the number of shares held by stockholders (other than Centex) from about 6.8 million shares to about 18.8 million shares, which includes shares of the Class A common stock and shares of the Class B common stock. The proposed transactions will also significantly increase the public float and liquidity of our existing class of common stock by increasing the number of shares of that class held by stockholders (other than Centex) from about 6.8 million shares to about 9.6 million shares. In addition, the transactions will result in a broader stockholder base when Centex distributes the shares of Class B common stock and Class A common stock held by it to its stockholders. We estimate that there will be at least 28,000 beneficial owners of our capital stock immediately following the distribution, which represents more than ten times our current number of beneficial owners.

We expect that a broader stockholder base, coupled with increased public float and liquidity of our capital stock, may attract additional analyst coverage of CXP, which we believe would enhance the market's awareness of our capital stock and stimulate interest from new investors.

We believe that an expansion of our stockholder base and broader exposure in the investment community will enhance our ability to use our capital stock as an acquisition currency and as a means of raising capital.

Our stockholders will receive immediate tangible value through the special one-time cash dividend.

As a 65% owned subsidiary, we currently must compete for capital with Centex's other businesses. The proposed transactions will permit us to manage our business and growth opportunities without regard to considerations or limitations related to Centex's other businesses, including capital structure limitations required for Centex to maintain its current credit rating.

The proposed transactions will permit us to pursue our business interests independent of Centex, particularly with respect to acquisitions, business and asset sales, and other corporate opportunities, and are designed to enhance the long-term value of CXP.

The transactions may permit our stockholders to share in any premium associated with a transfer of control of CXP, if such an event should occur. However, in the distribution agreement we have agreed that if the reclassification and distribution are completed, for a period of two years after the distribution we will not engage in certain transactions, including mergers, consolidations, liquidations, asset sales and stock repurchases, unless, before taking any such action, either Centex has obtained a ruling from the IRS (at the expense of CXP) or we have received an opinion of counsel reasonably satisfactory to Centex that the contemplated actions will not result in the distribution failing to qualify as a tax-free transaction. For a discussion of these prohibitions, please see [Tax Matters](#) [Reclassification and Distribution](#).

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The proposed transactions are expected to enhance the attractiveness of our equity-based compensation plans due to the increased public float and liquidity of our capital stock, thereby increasing our ability to attract and retain quality employees.

*Economic and Financial Factors.* The special committee and our board of directors considered the economic and financial factors associated with the proposed transactions, including the effect of the reclassification, the cash dividend and the distribution on the Class A common stock following the distribution, and the impact on our financial position following the distribution. In this regard the special committee and our board of directors considered the following factors:

The reclassification and the distribution are structured to be tax-free to Centex and its stockholders.

The advice of Bear Stearns that the trading characteristics of our Class A common stock, including trading volume and liquidity, institutional stockholdings and research analyst coverage, are likely to improve over time.

Based on the ability of our businesses to generate significant cash flow, we do not expect that the payment of the cash dividend will materially adversely affect our ability to fund all of our operational needs. We believe that all or substantially all of our current funded indebtedness will be substantially repaid by December 31, 2003. Accordingly, we expect to have considerable borrowing capacity at the time of the payment of the special cash dividend. Based on, among other things, our current stockholders' equity and our expected debt repayments during the next few months, we expect that our debt-to-capitalization ratio immediately after the distribution and the payment of the cash dividend will be approximately 22%. Moreover, we do not believe these borrowings will materially impair our ability to raise additional capital as necessary to fund any growth plans.

*Governance Matters.* The special committee and our board of directors considered that, as a result of the elimination of Centex's approximate 65% ownership stake through the reclassification and the distribution, we might be more vulnerable to attempts by third parties to acquire control of CXP in a manner not in the best interests of CXP and its stockholders. In that regard they considered the following factors:

The distribution agreement limits our ability to undertake a merger, asset sale or similar transaction for two years following the distribution unless it can be established that such transaction will not impair the tax-free status of the distribution to Centex and its stockholders.

The governance proposals and stockholders' rights plan proposal, if approved, would give us additional means to ensure that we do not engage in any transactions that could cause the distribution to be taxable, thereby triggering our obligation to indemnify Centex under certain circumstances. The circumstances under which this indemnity obligation would apply are described under Tax Matters, Reclassification and Distribution and Description of the Merger Agreement and Distribution Agreement, The Distribution Agreement, Other Agreements, Indemnification Against Tax and Other Liabilities.

If the governance proposals and the stockholders' rights plan proposal are approved, we would be able to invoke these provisions in response to potentially coercive or abusive takeover tactics and efforts to acquire control of us at a price or on terms that are not in the best interests of all CXP stockholders.

The risk that the dual class common stock structure could lead to a person or group gaining control of our board of directors by acquiring a majority of the Class B common stock, and the fact that this risk would be reduced if the governance proposals are approved.

The fact that the ability of the holders of Class B common stock to elect at least 85% of our board of directors will not provide those holders with materially different rights than Centex currently possesses because, as the holder of approximately 65% of our common stock, Centex currently has the ability to control the election of our entire board of directors.

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*Negative Factors.* In addition, the special committee and our board of directors considered and balanced against the potential benefits of the reclassification and related transactions a number of potentially negative factors, including the following:

After the reclassification, our current public stockholders will hold shares of Class A common stock, which have voting rights that are inferior to those of the Class B common stock with respect to the election of directors. As a result, our current public stockholders will have diminished voting power in the election of directors inasmuch as our current public stockholders will only have the right to elect directors comprising 15% or less of our board of directors. The market value of our Class A common stock could be adversely affected by the inferior voting rights of this class, as suggested by some, but not all, of the dual-class trading analyses conducted by Bear Stearns, including a review of the historical trading prices of 54 companies that have high vote and low vote classes of stock. See *Opinion of the Special Committee's Financial Advisor - Summary of Bear Stearns Reviews and Analyses*.

In order to fund payment of the special dividend to our stockholders, including Centex, we expect to incur approximately \$113 million of debt under a new bank credit facility. Our debt service obligations with respect to this new debt will have an adverse impact on our earnings for as long as the indebtedness is outstanding. In addition, we expect to incur some additional costs after the distribution as a public company that operates independently of Centex. The pro forma financial analysis performed by Bear Stearns of the additional interest costs from the increased debt as a result of the special cash dividend combined with the anticipated higher administrative costs expected to be incurred by us following completion of the transaction suggested that the effect of these costs on CXP's earnings per share for fiscal 2004 and fiscal 2005 would be a reduction of 4.2% (or \$0.14 per share) and 4.0% (or \$0.17 per share), respectively. To the extent that our stock price trades based upon a multiple of our earnings, the adverse affect on our earnings from the incurrence of debt to fund the special one-time cash dividend and the additional administrative costs of being an independent public company could negatively impact our stock price.

Certain of the reviews and analyses undertaken by Bear Stearns in connection with its fairness opinion indicate that the proposed transactions could have a negative effect on our stock price. For example, as described above, our debt service obligations on borrowings to be made to fund the special dividend, as well as the additional administrative and other costs we are likely to incur when operating as a public company independent of Centex, will reduce our earnings per share, which could have a negative impact on our stock price. Similarly, Bear Stearns' review of a broad group of 26 completed spin-offs of public companies announced since 1998 indicated that, on average, the stock price performance of these spin-offs underperformed the S&P 500 Index. Additionally, an analysis of the seven step-up spin-offs provided indications of negative price effects. For example, four of the step-up spin-offs underperformed the S&P 500 Index over the longest time period reviewed. Moreover, the performance of these transactions, on average over certain of the time periods, was heavily affected by the positive stock price performance of one technology company that was spun off in mid-2000, when valuations of technology companies were significantly higher than they are today. If this price performance data were the only factor bearing upon the fairness of the distribution and related transactions, it would not provide a sufficient basis on which to reach an opinion that the transactions are fair from a financial point of view.

We have agreed with Centex that we will not engage in certain transactions, including mergers, consolidations, liquidations, asset sales and stock repurchases, for a period of two years after the distribution, unless Centex has received satisfactory assurances that these transactions will not affect the tax-free nature of the distribution. These obligations could limit our ability to engage in these types of transactions even if such transactions would otherwise be in the best interests of our stockholders. See *Tax Matters - Reclassification and Distribution*.

After the distribution, it is likely that some Centex stockholders will sell all or part of the shares of Class A common stock and Class B common stock received by them, which could depress the



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market price of our Class A common stock and Class B common stock. See Certain Considerations.

Under certain circumstances, including in the event of an acquisition of CXP by a third party within two years after the distribution, we could be obligated to indemnify Centex and its stockholders against significant tax liabilities. See Tax Matters Reclassification and Distribution.

In the past, Centex has performed certain corporate functions for us, including legal, accounting, benefit program administration, insurance administration and internal audit services. As an independent public company, we will be required, after an interim transition period, to replace these services, which costs will likely exceed the fees we pay to Centex.

By becoming independent from Centex, CXP would lose any positive perceptions from which it may benefit as a result of being associated with a company of Centex's stature and industry recognition.

*Procedural Factors.* The special committee and our board of directors also considered the procedural protections that were implemented to ensure a fair and impartial evaluation and negotiation of the proposed transactions and to provide for consideration and approval of any transactions by our minority stockholders, including the following:

Our board of directors formed a special committee composed solely of its outside, independent directors which evaluated, negotiated and ultimately made a recommendation to the board of directors with respect to the proposed transactions.

The special committee hired its own independent financial advisor and legal counsel to assist and advise the special committee.

It is a condition to approval of the merger agreement that holders of a majority of the shares of our common stock, other than Centex, must vote in favor of adopting the merger agreement.

The factors described above were considered by the special committee and by our board of directors in their assessment of the proposed transactions. Neither the special committee nor our board of directors quantified or attached any particular weight to the various factors that it considered in reaching its determination that the proposed transactions are advisable and fair to and in the best interests of CXP and its stockholders. Different members of our board may have assigned different weights to different factors. In reaching its determination, the special committee and our board of directors took the various factors into account collectively and did not perform a factor-by-factor analysis.

### **Opinion of the Special Committee's Financial Advisor**

#### ***Overview of Bear Stearns' Fairness Opinion***

The special committee of our board of directors engaged Bear Stearns to act as its exclusive financial advisor in connection with the proposed reclassification, cash dividend and distribution, which are collectively referred to in this section as the Transaction, and to assist the special committee in evaluating and negotiating the Transaction. On July 21, 2003, Bear Stearns rendered its written opinion to the special committee that, as of such date, and based upon qualifications, assumptions, limitations and other matters set forth in the written opinion, the Transaction, taken as a whole, is fair from a financial point of view to the holders of shares of our common stock, other than Centex.

The full text of Bear Stearns' written opinion dated July 21, 2003, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Bear Stearns, is attached as Appendix E to this proxy statement. **You are urged to read the Bear Stearns opinion in its**

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**entirety.** In reading the description of the Bear Stearns fairness opinion set forth below, you should be aware that such fairness opinion:

Was provided to the board of directors and the special committee for their benefit and use in connection with their consideration of the Transaction;

Did not constitute a recommendation to the board of directors or the special committee in connection with the Transaction;

Does not constitute a recommendation to any holders of our common stock as to how to vote in connection with the reclassification proposal;

Did not address CXP's underlying business decision to pursue the Transaction, the relative merits of the Transaction as compared to alternative business strategies that might exist for CXP, the financing of the Transaction or the effects of any other transaction in which CXP might engage; and

Did not express an opinion as to the price or range of prices at which the shares of our common stock would trade subsequent to the announcement of the Transaction or as to the price or range of prices at which the shares of our Class A common stock or Class B common stock may trade subsequent to the consummation of the Transaction.

Although Bear Stearns evaluated the financial fairness of the Transaction, the terms and conditions of the Transaction were determined by arm's-length negotiations between the special committee and Centex. Bear Stearns provided advice to the special committee during the course of such negotiations as requested by the special committee. None of Centex, CXP, our board of directors or the special committee provided specific instructions to, imposed any limitations on the scope of investigation by, or put in place any procedures to be followed or factors to be considered by, Bear Stearns in performing its analyses or providing its fairness opinion.

In connection with rendering its fairness opinion, Bear Stearns, among other things:

Reviewed the final drafts of the merger agreement and the distribution agreement;

Reviewed the final drafts of the restated certificate of incorporation, including the terms of the Class B common stock and Class A common stock as described therein, and the amended and restated bylaws;

Reviewed CXP's Annual Reports to Stockholders and Annual Reports on Form 10-K for the fiscal years ended March 31, 2001 through 2003, its preliminary results for the quarter ended June 30, 2003 and its Current Reports on Form 8-K for the three years ended the date thereof;

Reviewed certain operating and financial information relating to CXP's business and prospects, including projections for the five years ended March 31, 2008, all as prepared and provided by CXP's management;

Met with certain members of CXP's senior management to discuss CXP's business, operations, historical and projected financial results and future prospects both on a status quo basis and giving effect to the Transaction;

Met with certain members of Centex's senior management and with the financial advisors of Centex to discuss Centex's strategic and financial rationale for the Transaction;

Met with the special committee to discuss the Transaction rationale, the Transaction structure and its impact on the public holders of our common stock and alternatives for enhancing the stock float of our common stock;

Reviewed the historical prices, trading multiples, trading volumes and stock float of our common stock;

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Reviewed publicly available financial data, stock market performance data, trading multiples and stock float of companies which Bear Stearns deemed generally comparable to CXP;

Reviewed the terms, stock price performance and stock float characteristics of selected spin-off transactions and step-up spin-off transactions which Bear Stearns deemed generally comparable to the Transaction;

Reviewed the trading performance of companies with dual-class stock structures that Bear Stearns deemed generally comparable to the dual-class stock structure that CXP will maintain after consummation of the Transaction;

Reviewed the pro forma financial results, financial condition and capitalization of CXP giving effect to the Transaction; and

Conducted such other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

In preparing its opinion, Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided by CXP, including, without limitation, the projections. With respect to CXP's projected financial results, Bear Stearns relied on representations that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior management of CXP as to the expected future performance of CXP. Bear Stearns did not, and does not, assume any responsibility for the independent verification of any such information or of the projections provided to it, and Bear Stearns further relied upon the assurances of the senior management of CXP that they were unaware of any facts that would make the information and projections provided to Bear Stearns incomplete or misleading.

In arriving at its opinion, Bear Stearns did not perform or obtain any independent appraisal of the assets or liabilities (contingent or otherwise) of CXP, nor was Bear Stearns furnished with any such appraisals. Bear Stearns assumed, with the consent of the special committee, that:

The reclassification and the merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

The distribution will qualify as a tax-free transaction within the meaning of Section 355 of the Internal Revenue Code;

The cash dividend will be a taxable dividend to CXP's stockholders;

The administrative services agreement, the intellectual property agreement and the sublease agreement, when executed, will provide that the transactions and services contemplated by such agreements will be effected on terms substantially equivalent to the current arrangements between Centex and CXP with respect thereto; and

The Transaction will be consummated in a timely manner and in accordance with the terms of the merger agreement and distribution agreement without any limitations, restrictions, conditions, amendments, waivers or modifications, regulatory or otherwise, that collectively would have a material effect on CXP or the stockholders of CXP (other than Centex).

***Summary of Bear Stearns' Reviews and Analyses***

The following is a summary of the principal reviews and financial and valuation analyses presented by Bear Stearns to the special committee at its meeting held on July 21, 2003. In order to understand fully the reviews and financial and valuation analyses used by Bear Stearns, any information presented in tabular format must be read together with the accompanying text. The tables alone do not represent a complete description of any such reviews or financial and valuation analyses. This summary does not purport to be a complete description of the analyses underlying the Bear Stearns fairness opinion. All such reviews and financial and valuation analyses were based on information available to Bear Stearns on July 21, 2003, and Bear Stearns has assumed no responsibility for updating or revising its opinion based on circumstances or

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events occurring after such date, except as may be requested by the special committee in accordance with the terms of its engagement letter with Bear Stearns.

The principal reviews and financial and valuation analyses, upon which the fairness opinion rendered by Bear Stearns was based, included the following:

An equity market analysis, which included a review of (i) the stock price performance and trading characteristics of publicly traded subsidiaries that were the subject of recent spin-offs, including seven spin-offs in which the publicly traded subsidiary effected a recapitalization of its capital stock into high vote (with superior voting rights relating solely to the election of directors) and low vote stock in order to permit the parent company to distribute the subsidiary stock to its stockholders on a tax-free basis (which we refer to as "step-up spin-offs") and (ii) the historical trading prices of high vote and low vote stock of certain public companies with dual classes of common stock, including six of the publicly traded subsidiaries that were the subject of the step-up spin-offs.

An analysis of the financial effects of the Transaction on certain historical and projected credit statistics and earnings estimates for CXP.

A stock market performance analysis involving a review and evaluation of the historical stock price performance, trading multiples and stock float of the shares of CXP common stock as compared to similar data for other publicly traded companies that Bear Stearns regarded as comparable.

In connection with its equity market analysis, Bear Stearns noted the following:

It could not predict how shares of CXP's common stock would perform after the Transaction or what trading differences, if any, would likely arise between the Class B common stock and the Class A common stock or whether any such differences would be material.

Certain of its analyses suggested that the Transaction could have a negative effect on the price of CXP's existing class of common stock. Specifically, Bear Stearns noted that the stock price performance of four of the seven step-up spin-offs underperformed the S&P 500 Index over the longest period reviewed after the announcement of the transactions and, on average, the stock price performance of a broader group of 26 completed spin-offs of public companies announced since 1998 underperformed the S&P 500 Index.

The Transaction would directly and significantly increase the total public stock float of CXP's capital stock, comprised of the Class A common stock and the Class B common stock.

More specifically, the Transaction would materially increase the float of CXP's existing common stock creating substantially the same number of shares of both the Class A common stock and the Class B common stock. In particular, based on the capitalization of CXP in July 2003, the public float of CXP's existing class of common stock would increase by 44% from approximately 6.5 million shares to approximately 9.2 million shares as a result of the Transaction. The increase in public float, in Bear Stearns' market judgment, would tend to have a positive effect on the valuation and liquidity of CXP's existing class of common stock, all other factors being equal, and would also tend to have a positive effect on institutional investor interest and equity research coverage.

In the case of the dual-class stock structures of the step-up spin-offs that it reviewed, where the only difference between the classes of stock related to voting rights for the election of directors, higher relative average daily trading volume tended to be a positive factor mitigating any trading differences that may be attributable to the difference in voting rights between the classes.

In connection with the CXP analysis of the financial effects of the Transaction, Bear Stearns noted that the holders of CXP's existing class of common stock would receive a substantial one-time cash dividend of \$6.00 per share. Bear Stearns further noted that the effect on CXP of the dividend would be the incurrence of additional debt and a reduction in future expected earnings per share. Bear Stearns reviewed projections provided by CXP for the fiscal years ending March 31, 2004 and 2005 and noted that these projections indicated that CXP expects to generate substantial cash flows that would be available to

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service the additional debt. Bear Stearns' analysis showed that CXP's pro forma ratio of debt to EBITDA for the twelve months ended June 30, 2003 would be below the median ratio of its peer group.

In connection with its stock market performance analysis, Bear Stearns noted that, although CXP's common stock has performed reasonably well as compared to its peer group and the S&P 500 Index, it has tended to trade at a lower price/earnings ratio than CXP's peer group. Bear Stearns also indicated that one factor that likely affected the price/earnings ratio of CXP's stock was the fact that it has a much lower public float than its peer group. In this regard, Bear Stearns again noted that CXP's public float would improve as a result of the Transaction.

Based on Bear Stearns' market judgments, the reviews and analyses performed taken as a whole, and the specific industry, business and stock market dynamics surrounding CXP as well as the unique structural features of the proposed Transaction, it was Bear Stearns' opinion that the Transaction, taken as a whole, is fair from a financial point of view to the holders of shares of CXP's common stock, other than Centex.

*Equity Market Analysis.* In its equity market analysis, Bear Stearns reviewed and evaluated (i) the stock price performance and trading characteristics of publicly traded subsidiaries that were the subject of recent spin-offs, including seven step-up spin-offs, and (ii) the historical trading prices of high vote and low vote stock of certain public companies with dual classes of common stock, including six public companies that were the subject of the step-up spin-offs.

Selected Precedent Spin-Off Analysis. Bear Stearns reviewed and analyzed 26 completed spin-offs of publicly traded subsidiaries that were announced since 1998 and also reviewed and analyzed seven step-up spin-offs completed since 1995.

The following table identifies the seven step-up spin-offs reviewed by Bear Stearns:

**Precedent Step-Up Spin-Offs**

<b>Announce Date</b>	<b>Effective Date</b>	<b>Parent Co.</b>	<b>Spin Co.</b>	<b>Spin Co. Low Vote Ticker</b>
11/06/00	11/29/01	Unitrin	Curtiss-Wright	CW
05/17/00	06/20/00	Silicon Graphics	MIPS Technologies	MIPS
10/27/99	10/10/00	St. Joe Paper	Florida East Coast Industries	FLA
05/17/99	10/22/99	Harcourt General	Neiman-Marcus	NMG
11/12/98	07/27/99	IMS Health	Gartner	IT
03/31/95	10/02/95	Peter Kiewit Sons	MFS Communications	MFST
05/03/94	07/28/95	Freeport McMoRan	Freeport McMoRan Copper & Gold	FCXA

Each of these step-up spin-offs involved a publicly traded subsidiary that underwent a recapitalization prior to the spin-off in which all or a part of the parent company's shares were exchanged for, or converted into, high vote stock in order to permit the parent company to effect a tax-free distribution of the subsidiary shares to the parent company's stockholders. In each of these step-up spin-offs, the only difference between the high vote and low vote stock was that the high vote class was afforded superior voting rights in the election of directors. Bear Stearns noted that the step-up spin-offs were more comparable to the Transaction than the broader group of 26 spin-offs that it also reviewed and analyzed.

In connection with its analysis, Bear Stearns evaluated the stock price performance of the seven step-up spin-offs as compared to the S&P 500 Index over specified time periods. Bear Stearns observed that the stock price performance of these step-up spin-offs varied materially from transaction to transaction and depending on the time period over which performance was measured. Additionally, Bear Stearns noted that the negative or positive stock price performance of each step-up spin-off was potentially affected by a number of factors specific to each company and transaction, such as the industry, business and stock market dynamics at the time the transaction was announced and consummated and the unique structural and other terms and provisions of each transaction. The following table summarizes the stock price

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performance, adjusted for dividends paid, of the seven step-up spin-offs relative to the S&P 500 Index, both on an individual basis and using the statistical mean and median, over the specified time periods.

**Precedent Step-Up Spin-Offs Low Vote Stock****Price Performance Relative to S&P 500 Index**

<b>Spin Co. Low Vote Ticker</b>	<b>One Day Prior to Announce vs. Announce + 5 Days</b>	<b>One Day Prior to Announce vs. Effective Date</b>	<b>Effective Date vs. Effective Date + 5 Days</b>	<b>Effective Date vs. Effective Date + 30 Days</b>	<b>One Day Prior to Announce vs. Effective Date + 30 Days</b>
CW	(0.1)%	5.0%	(3.3)%	7.2%	11.1%
MIPS	(30.9)	28.2	7.1	31.8	68.9
FLA	5.9	5.0	(7.7)	(10.6)	(7.1)
NMG	(1.5)	(21.9)	(0.6)	12.7	(14.5)
IT	(13.9)	(15.5)	2.7	0.9	(14.4)
MFST	(1.1)	7.4	(1.7)	(5.3)	1.0
FCXA	(5.2)	(14.3)	(5.2)	(13.1)	(28.9)
<b>Mean</b>	<b>(6.7)</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>3.4</b>	<b>2.3</b>
<b>Median</b>	<b>(1.5)</b>	<b>5.0</b>	<b>(1.7)</b>	<b>0.9</b>	<b>(7.1)</b>

The above analysis showed that a majority of the step-up spin-offs underperformed the S&P 500 Index over certain of the time periods reviewed. Moreover, the average performance of these transactions was heavily affected by the positive stock performance of one technology company, MIPS Technologies, that was spun off in mid-2000, when valuations of technology companies were significantly higher than they are today. Bear Stearns also noted that one of the seven step-up spin-offs reviewed by it, IMS Health/Gartner, involved the payment of a special one-time cash dividend to the stockholders of the subsidiary prior to the spin-off. The Gartner stock price performance in the above analysis has been adjusted by adding the dividend back to the stock price for all periods on or subsequent to the effective date.

Additionally, Bear Stearns compared the trading characteristics of the low vote stock for the 60 days prior to the announcement of each step-up spin-off to the trading characteristics for the 60 days after the effective date. Bear Stearns noted that the mean and median increase in the average daily trading volume of the low vote shares as a result of the step-up spin-off was 129.0% and 46.3%, respectively.

Bear Stearns also examined the pre- and post-spin stock float in each of the seven step-up spin-offs. Bear Stearns observed that the Peter Kiewit Sons/ MFS Communications transaction was the only step-up spin-off in which the float of the low vote stock increased significantly and directly, with the publicly-held low vote shares in that transaction increasing by approximately 2.88x. In the other six step-up spin-offs, there was no immediate increase in the stock float for the low vote class of stock. In the Transaction as contemplated, Bear Stearns noted that the float of CXP's existing class of common stock would increase by approximately 1.44x, thereby creating a significantly larger pool of shares available for public trading.

Although Bear Stearns viewed the above step-up spin-offs as being more comparable to the Transaction, Bear Stearns also reviewed a broader group of 26 spin-offs of publicly traded subsidiaries announced since 1998. Bear Stearns examined the stock price performance of these spin-offs which, on average, underperformed the S&P 500 Index by (7.9%) from the respective announcement date of each

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spin-off to its effective date plus 30 days. The following table summarizes the mean and median stock price performance of the stock of these spin-offs relative to the S&P 500 Index over specified periods:

**Precedent Spin-Offs Since 1998 Mean and Median Stock****Price Performance Relative to S&P 500 Index**

	<b>One Day Prior to Announce vs. Announce + 5 Days</b>	<b>One Day Prior to Announce vs. Effective Date</b>	<b>Effective Date vs. Effective Date + 5 Days</b>	<b>Effective Date vs. Effective Date + 30 Days</b>	<b>One Day Prior to Announce vs. Effective Date + 30 Days</b>
Mean	(3.8)%	(9.3)%	(4.1)%	0.6%	(7.9)%
Median	(2.9)	(10.8)	(4.4)	(3.0)	(8.0)

Additionally, Bear Stearns compared the trading characteristics of the stock of each of the broader group of precedent spin-offs for the 60 days prior to the spin-off announcement to the trading characteristics for the 60 days after the effective date. Bear Stearns noted that the mean and median increase in the average daily trading volume of the stocks as a result of the spin-off was 479.7% and 282.6%, respectively.

Based on the precedent spin-off analysis described above, Bear Stearns stated that it could not predict how CXP's common stock would perform after the Transaction. However, Bear Stearns noted that, in the case of the step-up spin-offs, on average, the average daily trading volume of the low vote stock increased significantly and, in the case of the broader group of spin-offs, on average, both float and the average daily trading volume of the stock that was spun off increased significantly. Furthermore, Bear Stearns noted that the Transaction would directly and significantly increase the total public float of CXP's capital stock and specifically, unlike all but one of the precedent step-up spin-offs, of CXP's existing class of common stock, which would increase by 44% from approximately 6.5 million to approximately 9.2 million shares based on the capitalization of CXP in July 2003. Bear Stearns expressed its belief that this increase in public float would tend to have a positive effect on the valuation and liquidity of CXP's existing class of common stock, all other factors being equal, and would also tend to have a positive effect on institutional investor interest and equity research coverage.

**Dual-Class Structure Trading Price Analysis.** Upon consummation of the Transaction, CXP will have a dual-class stock structure with CXP's existing public stockholders holding Class A common stock or low vote stock which will have inferior voting rights only in relation to the election of directors. In order to analyze the trading disparity between such high vote and low vote common stock structures, Bear Stearns examined the historical trading prices of 60 public companies with dual classes of common stock. Out of this broad group of companies with dual-class share structures, Bear Stearns segmented its analysis into two groups: (i) six companies where the high vote stock had superior voting rights only in relation to the election of directors (all of which participated in step-up spin-off transactions similar to the Transaction) and (ii) 54 other companies with differential voting structures (*i.e.*, vote/no-vote or high vote/low vote structures).

For each of the six step-up spin-offs (excluding the Peter Kiewit Sons/MFS Communications transaction, which was not comparable due to the fact that there was only one publicly traded class of MFS Communications common stock after the transaction), Bear Stearns analyzed the trading disparity between high vote and low vote common stock for certain periods after the effective date. During the periods reviewed immediately after the effective date, the high vote shares of the step-up spin-offs may have experienced selling pressure depressing the market price of the high vote shares. This analysis showed

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that in the case of the step-up spin-offs, the high vote common stock traded on average at a discount to the low vote common stock:

**Step-Up Spin-Offs High Vote Stock Price Premium (Discount)**

Spin Co. Low Vote Ticker	Immediately After Effective Date		
	Effective Date		
	+ 20 Trading Days	+ 60 Trading Days	+ 240 Trading Days
CW	(4.7)%	(4.1)%	(2.8)%
MIPS	(6.7)	(8.3)	(8.6)
FLA	(4.7)	(3.3)	(3.6)
NMG	(6.7)	(6.9)	(5.0)
IT	(1.7)	(0.4)	(10.7)
FCXA	0.8	0.4	1.6
<b>Mean</b>	<b>(3.9)</b>	<b>(3.8)</b>	<b>(4.9)</b>

Additionally, Bear Stearns analyzed the same six step-up spin-offs based on the average trading price disparity between high vote and low vote common stock immediately after the effective date segmented into two groups: (i) a group in which the low vote common stock was the more liquid stock class (as defined as the stock class with the higher average daily trading volume for the 120 trading days after the effective date) and (ii) a group in which the high vote common stock was the more liquid stock class (as defined in the same manner). This analysis showed that in the case of the step-up spin-offs the high vote common stock traded on average at a greater discount when it was the less liquid of the two classes of common stock:

**Step-Up Spin-Offs Mean High Vote Stock Price (Discount)****versus Liquidity Immediately After Effective Date**

Liquidity of Classes	Effective Date		
	+ 20 Trading Days	+ 60 Trading Days	+ 240 Trading Days
Low Vote More Liquid	(5.0)%	(4.9)%	(6.8)%
High Vote More Liquid	(1.9)	(1.4)	(1.1)

Bear Stearns also analyzed the average trading disparity between high vote and low vote common stock for the step-up spin-offs for certain trading periods prior to June 30, 2003. Of the six step-up spin-offs examined above, five had dual-class share structures as of June 30, 2003. Freeport McMoRan Copper & Gold was excluded since its dual-class shares were collapsed into one share class in 2002. In all five cases, the low vote class was the more liquid share class. The analysis showed that in the case of the step-up spin-offs the high vote common stock traded on average at a discount to the low vote common stock:

**Step-Up Spin-Offs High Vote Stock****Price Premium (Discount) at 6/30/03**

Spin Co. Low Vote Ticker	Trading Days Prior to 6/30/03		
	20 Trading Days	60 Trading Days	240 Trading Days
CW	(1.6)%	(2.1)%	(2.4)%
MIPS	(3.7)	(5.7)	(7.7)
FLA	(1.0)	(1.0)	(4.7)
NMG	(6.5)	(6.8)	(7.9)
IT	0.2	(0.5)	0.0



**Mean**

(2.5)

(3.2)

(4.5)

41

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Although Bear Stearns viewed the dual-class structures of the step-up spin-offs as being more comparable to the Transaction, Bear Stearns also examined the historical trading prices of 54 other public companies with dual-classes of common stock. In particular, Bear Stearns analyzed the average trading price disparity between high vote and low vote common stock for certain trading periods prior to June 30, 2003. This analysis showed that in these 54 dual-class structures, the high vote common stock traded on average at a premium to the low vote common stock:

**Other Dual-Class Structures Mean High Vote Stock****Price Premium at 6/30/03****Trading Days Prior to 6/30/03**

<b>20 Trading Days</b>	<b>60 Trading Days</b>	<b>240 Trading Days</b>
3.5%	4.7%	5.2%

For these same 54 companies, Bear Stearns analyzed the trading price disparity between low vote and high vote common stock prior to June 30, 2003 segmented into two groups: (i) the low vote common stock was the more liquid stock class (as defined as the stock class with the higher average daily trading volume for the 120 trading days prior to June 30, 2003) and (ii) the high vote common stock was the more liquid stock class (as defined in the same manner). This analysis showed that in these 54 dual-class structures, the high vote common stock traded on average at a premium when it was both the more liquid and the less liquid share class:

**Other Dual-Class Structures Mean High Vote Stock Price Premium****versus Liquidity at 6/30/03****Trading Days Prior to 6/30/03**

<b>Liquidity of Classes</b>	<b>20 Trading Days</b>	<b>60 Trading Days</b>	<b>240 Trading Days</b>
Low Vote More Liquid	4.0%	5.4%	6.1%
High Vote More Liquid	0.8	0.8	0.9

Bear Stearns noted that it did not regard the dual-class structures of these 54 companies as being as comparable to the Transaction as the dual-class structures of the step-up spin-offs, given that (i) the nature of the superior voting rights of the high vote stock issued by these companies was not necessarily the same as the Class B common stock to be created in the Transaction, which has superior voting rights only as to the election of directors and (ii) in some cases there were economic and other differences between the classes of stock issued by these companies that did not relate solely to their voting rights.

Based on the dual-class structure trading price analysis described above, Bear Stearns stated that it could not predict what trading differences, if any, would likely arise between the Class B common stock and the Class A common stock after consummation of the Transaction or whether any such differences would be material. However, Bear Stearns noted that after the Transaction (i) the float of the Class A common stock and of the Class B common stock would be substantially equal, which should tend to mitigate any typical differences in trading volume due to the difference in float between the two classes, (ii) the only difference in voting rights between the Class B common stock and the Class A common stock would be with regard to the election of directors and (iii) the stock float of the Class A common stock would be significantly and directly increased, and such increase would tend to have a positive effect on the valuation and liquidity of the shares of CXP's existing class of common stock, all other factors being equal. Bear Stearns indicated that these factors would tend to mitigate any typical trading differences between high vote and low vote shares.

*Pro Forma Financial Analysis.* Bear Stearns reviewed and analyzed certain financial effects of the Transaction on CXP. Bear Stearns noted that the Transaction would involve the payment of a substantial one-time cash dividend to the holders of CXP's common stock and that this dividend would be funded through the incurrence of additional debt. Specifically, Bear Stearns analyzed the effect of the Transaction

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(including the cash dividend and additional administrative and other costs CXP is likely to incur when operating as a public company independent of Centex) on CXP's (i) credit statistics for the last twelve months ended June 30, 2003 and for the projected fiscal year ended March 31, 2004 and (ii) estimated earnings per share for the projected fiscal years ending March 31, 2004 and March 31, 2005. Bear Stearns analysis compared actual or projected credit statistics and earnings estimates on a pro forma basis (*i.e.*, giving effect to the Transaction, including incurrence of the debt required to fund payment of the dividend) to actual or projected credit statistics and earnings estimates on a status quo basis (*i.e.*, without giving effect to the Transaction). Based on this analysis:

CXP's pro forma total debt/ EBITDA for the twelve months ended June 30, 2003 was 1.4x as compared to a status quo ratio of 0.5x, and its pro forma total debt/ EBITDA for the projected fiscal year ending March 31, 2004 would be 0.8x versus a status quo projected ratio of 0.0x. Bear Stearns noted that CXP's pro forma ratio of total debt/ EBITDA for the twelve months ended June 30, 2003 of 1.4x was below the median ratio of total debt/ EBITDA for the twelve months ended June 30, 2003 of its peers of 3.0x. Bear Stearns noted that projections provided to it by CXP indicated that CXP expects to generate substantial cash flows that would be available to service the additional debt that would be incurred to fund payment of the cash dividend. Based upon these projections, the ratio of pro forma total debt/ EBITDA is expected to decline from 1.4x for the twelve months ended June 30, 2003 to 0.8x for the twelve months ended March 31, 2004.

Additionally, after factoring in the estimated costs of CXP's operating independently from Centex and additional interest costs from increased debt as a result of the cash dividend, Bear Stearns' analysis suggested that the effect of these costs on CXP's earnings per share for the fiscal years ending March 31, 2004 and March 31, 2005 would be a reduction of (4.2%) (or \$0.14 per share) and (4.0%) (or \$0.17 per share), respectively.

*CXP Stock Market Performance.* Bear Stearns also reviewed and analyzed the historical stock price performance, trading multiples, trading volumes and stock float of the shares of our common stock and compared such data to various publicly traded companies deemed by Bear Stearns to be comparable to CXP. Among other things, Bear Stearns noted that CXP's common stock had traded up since the beginning of 2003 and closed at \$37.90 on July 18, 2003 (versus a high price during the past year of \$43.99 and a low price during the past year of \$31.25). Bear Stearns noted that the shares of CXP's common stock had performed reasonably well versus its peer group and the S&P 500 Index, but that CXP's common stock tended to trade at a lower price/ earnings ratio than its peer group. Bear Stearns also noted that, primarily by virtue of Centex's majority ownership of approximately 65% of CXP's common stock, CXP had much lower stock float than most of its peer group, and that the Transaction would result in an overall increase in CXP's stock float.

**Other Considerations**

The preparation of a fairness opinion is a complex process that involves various judgments and determinations as to the most appropriate and relevant methods of financial and valuation analysis and the application of those methods to the particular circumstances. The opinion is, therefore, not necessarily susceptible to partial analysis or summary description. Bear Stearns believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered, without considering all of the analyses and factors, would create a misleading and incomplete view of the processes underlying its opinions. Bear Stearns did not form an opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support its opinion. In arriving at its opinion, Bear Stearns did not assign any particular weight to any analysis or factor considered by it, but rather made qualitative judgments based upon its experience in providing such opinions and on then-existing economic, monetary, financial, capital markets, general business and other conditions as to the significance of each analysis and factor. In performing its analyses, Bear Stearns, at CXP's direction and with the special committee's consent, made numerous assumptions with respect to industry performance, general business conditions and other matters, many of which are beyond the control of Centex, CXP and Bear Stearns. Any assumed estimates implicitly contained in Bear Stearns' opinion or

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relied upon by Bear Stearns in rendering its opinion do not necessarily reflect actual values or predict future results or values. Any estimates relating to the value of the business or securities do not purport to be appraisals or to necessarily reflect the prices at which companies or securities may actually be sold or traded.

The special committee retained Bear Stearns based upon Bear Stearns' qualifications, experience and expertise. Bear Stearns is an internationally recognized investment banking firm which, as part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, spin-offs and split-offs, recapitalizations, restructurings, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, Bear Stearns and its affiliates may actively trade the equity and debt securities and/or bank debt of Centex and CXP for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or bank debt.

Pursuant to an engagement letter, CXP agreed to pay Bear Stearns a total fee of \$1.2 million for its services as financial advisor to the special committee. In addition, CXP agreed to reimburse Bear Stearns, upon request from Bear Stearns from time to time, for all out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, incurred by Bear Stearns in connection with its engagement. CXP has also agreed to indemnify Bear Stearns against specific liabilities in connection with its engagement, including liabilities under the federal securities laws. Except in connection with the Transaction, neither Centex nor CXP has paid Bear Stearns any fees for investment banking or other advisory services within the past five years.

**Certain Financial Projections**

We have summarized below the financial projections utilized by Bear Stearns in connection with its engagement as financial advisor for purposes of the transactions. These financial projections were used by Bear Stearns in performing its financial analyses described under Summary of Bear Stearns' Reviews and Analyses above.

The projections in the table below are not facts and should not be relied upon as representing predictions of future results. The estimates and assumptions underlying these projections are inherently uncertain, since they are based upon events that have not taken place, are subject to economic, competitive and other uncertainties and contingencies beyond our control and involve judgments based upon past performance and industry conditions and trends, which may not necessarily be indicative of future performance, conditions or trends. The projections were prepared by our management in March 2003 and revised in June and July 2003 and have not been updated to reflect changes in facts or circumstances since the time they were prepared, and we do not intend to update any of the projections in connection with the transactions. Although we believe that the assumptions upon which the projections are based were reasonable in light of the information that was available to management at the time they were prepared, there can be no assurance that the projected results can be realized, and actual results may be higher or lower than those projected. The projections were not prepared with a view towards compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections or forecasts. Our independent auditors have not examined, reviewed or compiled the projections and, consequently, do not express an opinion or any other form of assurance with respect thereto.

The projections are prepared on a status quo basis, and do not give effect to the transactions or any of their components, including the incurrence of debt required to fund payment of the special one-time cash dividend or any additional administrative and other expenses expected to be incurred when we become an independent public company as a result of the distribution. The projections should be read together with the pro forma financial information presented in this proxy statement under Unaudited Pro Forma

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Financial Information and the financial statements and other financial information included in the documents incorporated by reference into this proxy statement.

	Year Ending March 31,		
	2004	2005	2006
	(In millions)		
Revenue(1)	\$ 527.4	\$ 563.0	\$ 608.0
EBITDA(1)(2)	132.7	154.6	177.7
EBIT(1)(3)	96.1	118.4	141.4
Net Income	62.7	79.0	95.0

- (1) These projected amounts were prepared utilizing the historical basis of accounting at the time and do not reflect the current basis of accounting. Since the time period during which these projections were prepared, we have restated our financial statements for certain recent periods to account for our interest in two 50%-owned cement joint ventures on the equity method. See our Annual Report on Form 10-K for the year ended March 31, 2003 as amended and restated by our Annual Report on Form 10-K/A filed on November 26, 2003, which is incorporated by reference into this proxy statement.
- (2) EBITDA represents net income, plus interest expense (less interest income), provision for income taxes and depreciation and amortization expense. EBITDA is a non-GAAP measure that provides supplemental information regarding the operating performance of our business without regard to financing methods, capital structures or historical cost bases. EBITDA is widely used in the financial community as a benchmark for evaluating the creditworthiness of particular issuers. EBITDA should not, however, be considered as an alternative to net income, operating income, cash flow from operations or any other measure of financial performance in accordance with GAAP. Our projected EBITDA can be reconciled to our projected net income by adding to net income the following amounts in each of the applicable periods: (a) fiscal year ending March 31, 2004: interest expense, \$1.7 million; provision for income taxes, \$31.7 million; depreciation and amortization expense, \$36.6 million; (b) fiscal year ending March 31, 2005: interest income, \$0.4 million; provision for income taxes, \$39.8 million; depreciation and amortization expense, \$36.2 million; and (c) fiscal year ending March 31, 2006: interest income, \$1.3 million; provision for income taxes, \$47.7 million; depreciation and amortization expense, \$36.3.
- (3) EBIT represents net income, plus interest expense (less interest income) and provisions for income taxes. EBIT is a non-GAAP measure that provides supplemental information regarding the operating performance of our business without regard to financing methods or capital structures, and is used for purposes similar to those described in the case of EBITDA above. EBIT can be reconciled to net income by adding to net income the amounts set forth in footnote (1) above, excluding depreciation and amortization expense.

**Description of the Reclassification Proposal**

If our stockholders approve the adoption of the merger agreement, our certificate of incorporation will, upon filing the certificate of merger with the Secretary of State of the State of Delaware, be amended and restated to include the reclassification proposals described below and included in Appendix C. The reclassification proposals include the changes necessary to permit the distribution to be tax-free to Centex and its stockholders.

For the distribution to be tax-free to Centex and its stockholders, current U.S. federal income tax law requires that, among other things, given the nature of Centex's ownership interest in CXP, Centex must own, at the time of the distribution, capital stock of CXP having the right to elect at least 85% of our board of directors, and that Centex distribute all of that stock to its stockholders in a single transaction. Accordingly, the reclassification proposal creates a new Class B common stock of CXP that is entitled to elect at least 85% of our board of directors. All of the Class B common stock, together with the remaining

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shares of our Class A common stock owned by Centex, will be distributed by Centex to its stockholders promptly following the reclassification. Under our amended certificate of incorporation, the special voting rights of the holders of our Class B common stock can only be eliminated by a vote of at least two-thirds of our Class A common stock and Class B common stock, voting together as a single class. Because such a vote does not involve an amendment to our certificate of incorporation, no separate class vote of the holders of Class A common stock or Class B common stock is required under Delaware law to eliminate these special voting rights. Holders of the Class A common stock and the Class B common stock cannot eliminate the special voting rights of the Class B common stock until after the second anniversary of the distribution. Unless and until the special voting rights of the Class B common stock are eliminated, the minimum number of directors on our board will be set at seven so that the holders of our Class A common stock will always be entitled to elect at least one director.

The reclassification proposal also:

provides for the designation of Class A common stock directors and Class B common stock directors and related matters;

provides that vacancies on our board may be filled only by the directors, or if there are no directors, by the stockholders, of the class, whether Class A common stock or Class B common stock, in which the vacancy exists; and

provides that so long as any person or group of persons beneficially owns 15% or more of the outstanding shares of Class B common stock, then such person or group may only vote in any election of directors that number of shares of Class B common stock which is equal to the lesser of the percentage ownership of the number of shares of Class B common stock or shares of Class A common stock owned by it.

*Authorization of Class A Common Stock and Class B Common Stock.* If the authorized capital increase proposal is approved, together with the reclassification proposal, the number of shares of our authorized capital stock will be increased to 105,000,000 shares to be divided among three classes of capital stock: 5,000,000 shares of preferred stock, 50,000,000 shares of Class A common stock and 50,000,000 shares of Class B common stock. If the reclassification proposal is approved but the authorized capital increase proposal is not approved, then the current 52,000,000 shares of our authorized capital stock will be divided as follows: 2,000,000 shares of preferred stock, 40,780,000 shares of Class A common stock and 9,220,000 shares of Class B common stock. The authorized number of shares of any class of our capital stock may be increased or decreased by the vote of a majority of the outstanding shares of our capital stock. The Class A common stock and the Class B common stock will have the same rights, except for the fact that the holders of the Class B common stock will have the power to elect 85% of our board, or the next highest whole number, and the holders of Class A common stock will have the power to elect the remaining members of our board. At any time after the second anniversary of the distribution, if approved by our board of directors, the special class voting rights of Class A common stock and Class B common stock with respect to the election of directors may be terminated by at least two-thirds of the outstanding shares of the Class A common stock and the Class B common stock, voting together as a single class, at any annual or special meeting of stockholders. For so long as these special class voting rights continue in effect, the minimum number of directors on our board will be set at seven in order to ensure that the holders of Class A common stock will be entitled to elect at least one director. Except as required by law, the holders of Class A common stock and Class B common stock will vote together as one class on all other matters, including acquisitions and other fundamental transactions, with each share of Class A common stock and Class B common stock having one vote.

*Creation of Class A Common Stock and Class B Common Stock Directors.* Currently, our board has one class of directors. The reclassification proposal would amend our certificate of incorporation to provide that our board of directors following the reclassification will consist of at least seven directors which are divided into two classes based on the class of stock that is entitled to elect such directors. Messrs. Barnett, Clarke, Hirsch, Nicolais, Rowley and Quinn will each remain a director of our board following the completion of the reclassification. Mr. Timothy R. Eller will resign from our board of directors and O.G.

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Dagnan will be appointed to our board of directors immediately following the reclassification. See Board of Directors and Management of CXP. Upon completion of the reclassification, Mr. Clarke will be designated the common stock director and the remaining six directors will be designated Class B common stock directors. In future elections, the director designated the common stock director will be elected by the holders of the Class A common stock and the directors designated as Class B common stock directors will be elected by the holders of the Class B common stock.

*Filling of Board Vacancies.* The reclassification proposal would amend the certificate of incorporation to provide that any vacancy in the office of a common stock director or Class B common stock director will be filled only by the vote of the majority of the remaining directors in the class in which the vacancy exists, or the sole remaining director in the class, unless there are no remaining directors in the class, in which case the vacancy will be filled by the vote of the stockholders entitled to elect the members of the class in which the vacancy exists. All newly created directorships resulting from an increase in the authorized number of directors will be allocated such that at all times the number of Class B common stock directors is equal to 85% of the total number of members of the board of directors (or, if 85% is not a whole number, then the next higher whole number) and the remainder are Class A common stock directors. All such directorships will first be allocated to a class and then filled only by the vote of the majority of the directors in the class in which the newly created directorships exist, or the sole remaining director in the class, unless there are no directors in the class, in which case the newly created directorships will be filled by the vote of the stockholders entitled to elect members of that class. If there is only one common stock director and he or she resigns, dies or is removed for cause, it is possible that there will be no common stock director until the next annual meeting of stockholders.

*Limitations on Voting Rights of Class B Common Stock.* The reclassification proposal also includes an amendment to our certificate of incorporation which would help mitigate the potential takeover risks associated with the special voting rights of the Class B common stock in the election of directors. This provision states that so long as any person or group of persons beneficially owns 15% or more of the outstanding shares of Class B common stock, then such person or group may only vote in any election or removal of directors a percentage of shares of Class B common stock equal to the lesser of its percentage ownership of Class B common stock or its percentage ownership of Class A common stock. The purpose of this provision is to ensure that any person, entity or group cannot seek to obtain control of our board of directors solely by acquiring a majority of the outstanding shares of Class B common stock. It is intended to protect our public stockholders by ensuring that anyone seeking to accumulate a substantial number of shares of our capital stock must acquire shares of each class of our common stock in order to exercise control over CXP.

## **Description of Bylaws Amendments**

In connection with the proposed reclassification and distribution, our board of directors has also approved amendments to our bylaws necessary to conform the bylaws to our certificate of incorporation if the reclassification proposal is approved. We refer you to the full text of the amended and restated bylaws, which are attached as Appendix D. The proposed amendments were approved by our board of directors in connection with the reclassification proposal and are referred to in this proxy statement as the reclassification bylaws amendments. The bylaws amendments will become effective at the time of reclassification.

## **Recommendation of the CXP Board**

Our board of directors, upon recommendation of the special committee, has unanimously approved the reclassification proposal, including the merger agreement and the cash dividend. Our board of directors has determined that the distribution and related transactions, including the reclassification, are advisable, fair to and in the best interests of CXP and its unaffiliated and affiliated stockholders. **Our board of directors recommends that you vote For the adoption of the merger agreement and the approval of the reclassification proposal.**

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### **Required Vote**

Each outstanding share of our common stock is entitled to one vote on each matter which may properly come before the special meeting. Under Delaware corporate law, adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of our common stock, including shares held by Centex. Centex currently owns approximately 65% of our common stock and has informed us that it will vote these shares in favor of adoption of the merger agreement. In addition, the reclassification will be implemented only if the holders of a majority of the shares of our common stock, other than Centex, voting in person or by proxy at the special meeting on the adoption of the merger agreement vote to adopt the merger agreement.

### **Effects of the Reclassification on Outstanding Shares**

Our Class A common stock and Class B common stock will have substantially the same rights, except for voting rights with respect to the election of our board of directors. However, Delaware law requires a separate class voting right if an amendment to our certificate of incorporation would alter the aggregate number of authorized shares or par value of such class or alter the powers, preferences or special rights of such class so as to affect them adversely. These class voting rights provide each class with an additional measure of protection in the case of a limited number of actions that could have an adverse effect on the holders of shares of such class. For example, if our board of directors were to propose an amendment to our certificate of incorporation that would adversely affect the rights and privileges of our Class A common stock or Class B common stock, the holders of shares of such class would be entitled to a separate class vote on such proposal, in addition to any vote that may be required under our certificate of incorporation. The holders of Class B common stock will be entitled to elect 85% of the board of directors or, if 85% is not a whole number, then the nearest higher whole number of directors. The holders of Class A common stock will be entitled to elect our remaining director or directors. On all other matters requiring a stockholder vote, including acquisitions and other fundamental transactions, the holders of Class A common stock and Class B common stock will vote together as a single class on a one-share, one-vote basis.

Under the terms governing our two classes of common stock after the reclassification, CXP will not be permitted to reorganize or consolidate with, merge with or enter into a similar combination with a third party unless each holder of Class A common stock and Class B common stock is entitled to receive the same kind and amount of consideration per share receivable upon such reorganization, consolidation, merger or other combination as each other holder of Class A common stock and Class B common stock. However, the holders of Class A common stock and Class B common stock may receive as consideration different kinds of stock if our board of directors determines in good faith that these different kinds of stock differ only in the same manner as the Class A common stock differ from the Class B common stock.

### **Cash Dividend**

If the reclassification proposal is approved and other conditions are satisfied or waived, we will declare and pay a special one-time cash dividend pro-rata to all holders of our common stock, including Centex, in the amount of \$6.00 per share of our common stock, or an aggregate of approximately \$113 million, approximately \$72 million of which will be received by Centex. The record date for the cash dividend will be prior to the record date for the distribution so that Centex will receive a pro rata share of the cash dividend. The declaration of the cash dividend is contingent, however, upon the approval of the reclassification proposal by our stockholders and the satisfaction of certain other conditions. Please see Proposal One: Description of the Merger Agreement and Distribution Agreement The Distribution Agreement Conditions to the Distribution and the Declaration of the Cash Dividend.

On November 5, 2003, we announced that our board of directors had approved an increase in our annual cash dividend from \$0.20 per share to \$1.20 per share (representing an increase in the regular quarterly cash dividend from \$0.05 to \$0.30 per share) effective upon completion of the distribution



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transaction. The increased cash dividend would become effective for the first quarterly cash dividend following completion of the distribution transaction.

The board of directors considered the dividend increase in light of the special cash dividend and the debt expected to be incurred to fund the special dividend. Based upon CXP's current and expected performance, CXP believes that it will be able to fund the increased regular dividend from CXP's cash flow without detracting materially from its ability to take advantage of future growth opportunities. In addition, the recent reduction in the federal income tax rate on dividends makes the increased dividend a more attractive way of distributing earnings to its stockholders. The determination to revise our dividend policy was made by our board of directors after the completion of the analyses prepared by Bear Stearns and the special committee's analysis discussed in this proxy statement.

## **Stock Option Adjustment**

The compensation committee has approved an adjustment to the terms of the outstanding stock options previously granted to our directors, officers and other optionees in order to preserve the value of such options in light of the special one-time dividend payable to our stockholders. Holders of our stock options as of the record date for the special one-time dividend will not be entitled to receive the special one-time dividend. However, as a result of the foregoing adjustment, the exercise price of such stock options will be reduced to an amount equal to the product of (x) the original exercise price of such stock options and (y) the ratio of (1) the opening price per share on the ex-dividend date for the special one-time dividend, to (2) the closing price per share on the business day before the ex-dividend date for the special one-time dividend prior to any adjustment by The New York Stock Exchange. In addition, the number of shares subject to such stock options will be increased to an amount equal to the product of (a) the original number of shares subject to such stock options and (b) the ratio of (1) the original exercise price per share of such options and (2) the adjusted exercise price per share of such options. A corresponding adjustment will be made to the total number of shares available for future grants under the applicable plan. These adjustments are intended to ensure that the economic value of stock options held by our directors, officers and other optionees is preserved, but not increased, as a result of the special one-time dividend. We believe that this adjustment is necessary to continue to provide appropriate incentives to our directors, officers and other optionees, on the same basis as was contemplated when the applicable stock options were granted. In addition, the adjustment will not result in a charge to earnings in our financial statements.

## **Financing; Bank Credit Facility**

We have received a commitment from J.P. Morgan Chase Bank to use commercially reasonable efforts to assemble a syndicate of financial institutions to provide a three-year senior revolving credit facility in the amount of \$200 million. JPMorgan Chase Bank has committed to provide up to \$35 million of such credit facility. The proceeds of such credit facility are to be used to pay the special cash dividend of \$6.00 per share to our stockholders (not to exceed \$115 million in the aggregate) and for general corporate purposes. We will have the option to increase the aggregate amount of the credit facility to an amount up to \$250 million. A maximum amount of \$25 million of the credit facility will generally be available for issuance of one-year term letters of credit and a maximum amount of \$15 million of the credit facility will be available for same-day notice swing line loans. The completion of this credit facility is subject to the satisfaction of certain conditions, including, but not limited to, the ability of J.P. Morgan to arrange for a group of financial institutions to provide at least \$165 million of such credit facility and the execution and delivery of definitive financing documentation.

Borrowings under this credit facility will bear interest, at our option, at a rate equal to either (a) the higher of the JPMorgan Chase Bank prime rate, or the federal funds rate plus 0.5%, plus a margin equal to 0.25% to 1.0%, depending on the ratio of our consolidated debt to consolidated EBITDA, or (b) the eurodollar deposit rate in the London interbank market, plus a margin equal to 1.25% to 2.0%, depending on the ratio of our consolidated debt to consolidated EBITDA. We will pay a commitment fee equal to 0.30% to 0.40% of the unused commitment, depending on the ratio of our consolidated debt to

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consolidated EBITDA. Loans under the credit facility may be prepaid without premium or penalty (subject to breakage costs associated with early termination of an interest period).

The credit facility will contain restrictive covenants, including covenants that place limitations on our ability to encumber our assets, to incur additional debt, to sell our assets, to make business acquisitions and to pay dividends. Generally, the aggregate market value of property that we will be able to encumber (other than ordinary course encumbrances and purchase money liens) may not exceed \$10 million and the aggregate principal amount of the indebtedness secured thereby may not exceed \$10 million. Our ability to incur debt will be limited to purchase money indebtedness, receivables securitization financings in an amount up to \$75 million, subsidiary indebtedness for borrowed money in an aggregate principal amount not to exceed 10% of our consolidated tangible net worth and other CXP indebtedness for borrowed money provided we are in compliance with the financial covenants described below. In order to make business acquisitions, we will be required to maintain a leverage ratio of consolidated debt to consolidated EBITDA of no more than 2.25 to 1.00. Also, the aggregate amount of all consideration paid for any acquisition cannot exceed 30% of our consolidated tangible net worth. Generally, aggregate sales of assets outside the ordinary course of business cannot exceed 15% of our consolidated assets or be responsible for more than 15% of our consolidated net sales or consolidated EBITDA during any 12-month period. Our ability to pay dividends and make other restricted payments (other than the \$6.00 per share special cash dividend) will generally be limited, but if our leverage ratio of consolidated debt to consolidated EBITDA is not more than 2.00 to 1.00, CXP may make restricted payments during any fiscal year that do not exceed an aggregate amount equal to 100% of our consolidated net income for the immediately preceding year, and if our leverage ratio is more than 2.00 to 1.00, CXP may make restricted payments during a fiscal year that do not exceed an aggregate amount equal to the lesser of \$25 million or 50% of our consolidated net income for the immediately preceding year.

The credit facility will also contain financial covenants requiring minimum interest coverage ratio, maximum leverage ratio and minimum consolidated tangible net worth requirements. Our ratio of consolidated EBIT to consolidated interest expense may not be less than 3.00 to 1.00, on a rolling four quarter basis. Our ratio of consolidated debt to consolidated EBITDA may not exceed 2.50 to 1.00, on a rolling four quarter basis. We must maintain consolidated tangible net worth of at least 85% of our consolidated tangible net worth as of June 30, 2003 (less the one-time special cash dividend) plus 50% of positive consolidated net income after June 30, 2003 and 50% of the net cash proceeds received by us or our subsidiaries in connection with certain equity issuances after June 30, 2003.

## **Tax Matters    Reclassification and Distribution**

On November 7, 2003, Centex received a ruling from the IRS to the effect that, for U.S. federal income tax purposes, among other things:

the reclassification will be a tax-free transaction to Centex and CXP under Sections 354, 368(a) and 1032 of the Internal Revenue Code, respectively; and

the distribution will be tax-free to Centex and its stockholders under Section 355 of the Internal Revenue Code.

In order to obtain the ruling and protect the tax-free status of the distribution, we have agreed to certain undertakings, including that, for a period of two years after the date of the distribution, we will maintain our status as a company engaged in the active conduct of a trade or business, and will take no action to facilitate certain acquisitions of our stock, as more fully explained below. If we fail to comply with any such undertakings, or take any other action or fail to take any other required action, and that failure to comply, action or omission contributes to a determination that the distribution fails to qualify under Section 355(a) of the Internal Revenue Code or that the CXP shares fail to qualify as qualified property for purposes of Section 355(c)(2) of the Internal Revenue Code by reason of Section 355(e) of

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the Internal Revenue Code, we will be required to indemnify Centex and the other members of the Centex group:

for all federal, state and local taxes, including any interest, penalty or additions to tax, incurred or imposed upon Centex or any other members of the Centex group; and

for any established tax liabilities of Centex stockholders resulting from the distribution evidenced by (i) an amended tax return of the Centex stockholder reflecting the amount of the tax liability, together with proof of payment of the amount, or (ii) a deficiency notice received by the Centex stockholder from the IRS setting forth the amount of the tax liability, together with proof of payment of the amount.

Under Section 355(e) of the Internal Revenue Code, the distribution will be taxable to Centex if the distribution is part of a plan or series of related transactions pursuant to which one or more persons acquire directly or indirectly stock representing a 50% or greater interest, based on either vote or value, in Centex or CXP. Acquisitions that occur during the period beginning two years before the distribution and ending two years after the distribution are subject to a rebuttable presumption that they are part of a plan. If Centex becomes subject to tax under Section 355(e), its tax liability will be based upon the difference between the fair market value of the 9,220,000 shares of Class B common stock and the 2,742,304 shares of our common stock at the time of the distribution and its adjusted basis in the stock at that time. Although it is not possible to predict the fair market value of our Class B common stock and common stock at the time of the distribution, we estimate that the maximum potential corporate-level federal income tax liability that Centex could incur if the distribution were taxable would range from approximately \$183 million to \$205 million, excluding penalties and interest, assuming that the market price of each applicable class of our common stock is between \$45 to \$50 per share at the time of the distribution. Furthermore, for each \$1.00 per share increase in market price of the applicable classes of our common stock above this range, the maximum potential corporate-level tax liability to Centex would increase by approximately \$4 million.

Accordingly, under the distribution agreement, we have agreed that, until two years after the distribution date, we will not:

merge or consolidate with or into any other corporation, which would have the effect of causing or permitting one or more persons to acquire directly or indirectly stock representing a 50% or greater interest, within the meaning of Section 355(e) of the Internal Revenue Code, in CXP,

liquidate or partially liquidate,

sell or transfer all or substantially all of our assets in a single transaction or series of transactions,

redeem or otherwise repurchase any CXP capital stock, except as permitted under the IRS procedures applicable to spin-offs, or

take any other action or actions which, in the aggregate, would have the effect of causing or permitting one or more persons to acquire directly or indirectly stock representing a 50% or greater interest, within the meaning of Section 355(e) of the Internal Revenue Code, in CXP,

unless prior to taking any action set forth in the list above, either (1) Centex has obtained, at the expense of CXP, a supplemental ruling from the IRS or (2) CXP has obtained an opinion in form and substance reasonably satisfactory to Centex, that the action will not result in:

the distribution failing to qualify under Section 355(a) of the Internal Revenue Code, or

the CXP shares failing to qualify as qualified property for purposes of Section 355(c)(2) of the Internal Revenue Code by reason of Section 355(e) of the Code.

We have also agreed to indemnify Centex and the other members of the Centex group for:

all federal, state and local taxes, including any interest, penalty or additions to tax, incurred or imposed upon Centex or any other members of the Centex group; and

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any established tax liabilities of any stockholder of Centex evidenced by (i) an amended tax return of the Centex stockholder reflecting the amount of the tax liability, together with proof of payment of the amount or (ii) a deficiency notice received by the Centex stockholder from the IRS setting forth the amount of the tax liability, together with proof of payment of the amount, arising from either (1) any inaccuracy in, or failure by CXP to comply with, any representation or undertaking made by CXP to the IRS (or made by Centex to the IRS based upon information provided by CXP) in connection with the IRS ruling request if such inaccuracy or failure was intentional or resulted from gross negligence on the part of CXP or (2) our taking or failing to take any action that contributes to the distribution not being treated as a tax-free transaction, each subject to some exceptions.

CXP will not be obligated to indemnify Centex or any other members of the Centex group for any liability that results solely from an inaccuracy in or failure by Centex to comply with any representation or undertaking by Centex to the IRS in connection with the IRS ruling request (except to the extent such inaccuracy or failure is in respect of a representation based in whole or in part upon inaccurate information provided by CXP, if such inaccuracy was intentional or resulted from gross negligence on the part of CXP). Further, if any liability arises as a result of both:

either (i) our taking or failing to take any action that contributes to the distribution not being treated as a tax-free transaction or (ii) an inaccuracy in, or failure by us to comply with, any representation or undertaking made by us to the IRS (or made by Centex to the IRS based upon information provided by CXP) in connection with IRS ruling request if such inaccuracy or failure was intentional or resulted from gross negligence on the part of CXP, and

an inaccuracy in or failure by Centex to comply with any representation or undertaking by Centex to the IRS in connection with the IRS ruling request and each failure is an independent cause of such liability, then CXP and Centex will allocate the resulting liability among themselves in a proportion that reflects the relative fault of each party.

Centex has agreed to indemnify CXP and other members of the CXP group for all liabilities arising from any inaccuracy in, or failure by Centex to comply with, any representation or undertaking made by Centex to the IRS in connection with the IRS ruling request. Centex will not be obligated to indemnify CXP or any member of the CXP group if such liability results solely from an inaccuracy in, or failure by CXP to comply with, any representation or undertaking made by CXP to the IRS or based upon information provided by CXP to Centex and made by Centex to the IRS in connection with the IRS ruling request if such inaccuracy or failure was intentional or resulted from gross negligence on the part of CXP or a failure on the part of CXP to comply with its obligations described above.

The amount of any tax liability for which CXP could be obligated to indemnify Centex in accordance with the provisions described above depends upon the fair market value of our Class B common stock and common stock at the time of the distribution. If the distribution were taxable to Centex, we estimate that the maximum potential corporate-level federal income tax liability for which CXP would be required to provide indemnification would range from approximately \$183 million to \$205 million, excluding penalties and interest, assuming that the market price of each applicable class of our common stock ranges between \$45 to \$50 per share at the time of the distribution. Furthermore, for each \$1.00 per share increase in market price of the applicable classes of our common stock above this range, the maximum potential corporate-level tax liability to Centex would increase by approximately \$4 million. Similarly, if the distribution were taxable to the stockholders of Centex as a dividend, we estimate that the maximum potential shareholder-level federal income tax liability for which we would be obligated to indemnify the stockholders of Centex would range from \$80 million to \$90 million, again assuming that the market price of each applicable class of our common stock is between \$45 to \$50 per share at the time of the distribution. For each \$1.00 per share increase in market price of the applicable classes of our common stock above this range, the maximum potential shareholder tax liability would increase by approximately \$1.8 million.

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### **Tax Matters Cash Dividend**

The cash dividend will generally constitute a dividend taxable as ordinary income in the year of receipt to the extent that CXP has current or accumulated earnings and profits as of the end of the taxable year in which the cash dividend is made. If the cash dividend exceeds a stockholder's allocable share of our current and accumulated earnings and profits for federal income tax purposes determined as of the end of our fiscal year ending March 31, 2004, the excess will generally be treated first as a tax-free return of capital to the extent of the stockholder's basis in his or her shares of common stock, and after this basis is reduced to zero, as capital gain. Our management has advised that, based on the information currently available, our current and accumulated earnings and profits at March 31, 2004 is expected to be such that the cash dividend will not exceed any stockholder's allocable share of such earnings and profits. Thus it is expected that the cash dividend will be taxable as ordinary income.

For corporate holders of our common stock, the cash dividend (to the extent treated as ordinary income) will be eligible for a dividends-received deduction, subject to limitations and exclusions provided by the Internal Revenue Code. However, the extraordinary dividend rules would apply to the cash dividend paid to a corporate holder with respect to shares of our common stock if such shares have not been held for more than two years before the dividend announcement date and the cash dividend equals or exceeds 10% of the holder's tax basis in such shares. If the extraordinary dividend rules apply to shares held by a corporate holder, the holder would be required to reduce its tax basis in such shares by the untaxed portion of the dividend. Moreover, to the extent that the untaxed distribution exceeds the corporate holder's basis, gain will be recognized.

Under recently enacted legislation, the tax rate applicable to qualifying corporate dividends received by individuals has been reduced to a maximum rate of 15%. In order to qualify for this reduced rate, the shares on which the dividends are paid must have been held by the individual for more than 60 days during the 120 day period beginning 60 days before the ex-dividend date. If the dividend paid to an individual with respect to our shares of common stock qualifies for this reduced rate, and the amount of such dividend equals or exceeds 10% of the individual's tax basis in such shares, any subsequent loss on such shares will be treated as a long-term capital loss to the extent of the dividend.

Although this discussion does not generally address tax consequences of the cash dividend to foreign holders of our common stock, such holders should note that the cash dividend (to the extent of such foreign holder's allocable share of our current and accumulated earnings and profits) will generally be subject to U.S. withholding tax at the rate of 30%. This rate may be reduced by income tax treaties to which the United States is a party.

Finally, to the extent that the cash dividend constitutes ordinary income, it will generally be subject to back-up withholding with respect to our stockholders who, before the cash dividend, have not provided their correct taxpayer identification numbers to us on an IRS Form W-9 or a substitute for such form.

### **Interests of Our Officers and Directors in the Reclassification**

In considering the recommendation of our board of directors, you should be aware that some of our officers and directors may have interests in the reclassification that are or may be different from, or in addition to, the interests of our public stockholders. As of October 7, 2003, our directors and executive officers beneficially owned an aggregate of 284,989 shares of our common stock, including shares that may be acquired upon the exercise of outstanding stock options exercisable within 60 days of October 7, 2003. In addition, two of our directors, Messrs. Hirsch and Eller, are executive officers and directors of Centex and one of our directors, Mr. Quinn, is a former executive officer and current director of Centex. As of October 7, 2003, five of our directors and executive officers beneficially owned 3,300,894 shares of common stock of Centex. Centex will receive certain significant benefits in this transaction, including receipt of approximately 65%, or \$72 million, of the special dividend, which will be funded through the incurrence of debt by CXP. Centex will also receive the Class B common stock as a result of the reclassification, which will have superior voting rights to the Class A common stock, but Centex will not be required to pay any consideration for its increased voting rights. The members of our management and

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board of directors also have interests in the governance proposals and stockholders' rights plan proposal that differ from the interests of our public stockholders, because these proposals may discourage takeover bids and other transactions that could result in the removal of our board of directors or incumbent management. See "Certain Considerations."

In addition, in connection with the cash dividend, we will be making certain adjustments to outstanding stock options held by our optionees, including our officers and directors. See "Stock Option Adjustment."

The merger agreement provides that our board of directors following the reclassification will consist of seven members. Messrs. Barnett, Clarke, Hirsch, Nicolais, Rowley and Quinn will each remain as directors following the completion of the reclassification. Mr. Eller will resign from our board of directors and Mr. Dagnan will be appointed to our board of directors immediately following the reclassification. Mr. Clarke will become the common stock director upon completion of the reclassification, and our remaining directors will become Class B directors upon completion of the reclassification. The composition of our board otherwise will not be affected by the reclassification or the distribution. See "Board of Directors and Management of CXP."

## **Relationship Between Centex and CXP after the Distribution**

*Administrative Services Agreement.* At or prior to the completion of the distribution, we and Centex Service Company, a subsidiary of Centex, will enter into an amended and restated administrative services agreement, which will amend and restate a similar agreement that we entered into with Centex in 1994. Under the terms of the administrative services agreement, Centex Service Company will provide us with employee benefit administration, public/investor relations and certain other services. The administrative services agreement will have a term of two years, but will provide that the services to be provided by Centex Service Company will be phased out over the two-year term. Upon the expiration of the term of the administrative services agreement, we will be required to provide such services on our own or obtain such services from third parties. We will pay to Centex Service Company a fee of \$21,125 per month, subject to annual adjustment, for such services. In addition, we will reimburse Centex Service Company for its out-of-pocket expenses incurred in connection with the performance of such services. For an estimate of the amount of the increased administrative and other expenses to be incurred by CXP after the distribution, which assumes that the administrative services agreement was not in effect and that all required services were to be obtained from unaffiliated third parties on an arm's-length basis, see "Unaudited Pro Forma Financial Information."

*Intellectual Property Agreement.* At or prior to the completion of the distribution, we and Centex will enter into an intellectual property agreement. Under the terms of the intellectual property agreement, Centex will grant to us and our wholly-owned subsidiaries an exclusive, perpetual and royalty-free license to use all trademarks held by Centex which relate primarily or exclusively to our business. In addition, Centex will consent to our use of the tradename "Centex" for a period of six months in connection with our business. In addition, Centex will consent to our use of the tradename "Centex" by our subsidiary Centex Materials LLC within the state of Texas. Other than any such use by Centex Materials LLC within the State of Texas, as soon as practicable, and in any event within six months after the date of the distribution, we must remove any and all exterior and interior signs and identifiers which refer or pertain to Centex at our expense. After such six-month period, we cannot use or display the name "Centex" or any variations thereof, or other trademarks, tradenames, logos or identifiers using the name "Centex" or otherwise owned by or licensed to Centex which have not been assigned or licensed to us without the prior written consent of Centex (other than any signs or identifiers used by Centex Materials LLC in connection with its business in Texas).

## **New York Stock Exchange Approvals**

Our common stock is currently listed on the New York Stock Exchange under the symbol "CXP." Our Class B common stock has been approved for listing on the New York Stock Exchange, subject to the approval of the proposed transactions by our stockholders at the special meeting and subject to the

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NYSE's official notice of issuance. Following the reclassification and distribution, and if the name change proposal is approved, our Class A common stock will be listed on the New York Stock Exchange under the symbol EXP and our Class B common stock will be listed on the New York Stock Exchange under the symbol EXP.B.

**Federal Securities Law Consequences**

All shares of Class A and Class B common stock received by holders of Centex common stock following the reclassification and distribution will be freely transferable, except that shares of our Class A common stock and Class B common stock received by persons who are deemed to be affiliates of CXP may be resold by them only in transactions permitted by the resale provision of Rule 144 promulgated under the Securities Act of 1933, or otherwise in compliance with, or pursuant to an exemption from, the registration requirements of the Securities Act of 1933.

**No Appraisal Rights**

Holders of our common stock are not entitled to appraisal rights under Section 262 of the General Corporation Law of the State of Delaware in connection with the reclassification or any of the other transactions discussed in this proxy statement.

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**DESCRIPTION OF THE MERGER AGREEMENT  
AND DISTRIBUTION AGREEMENT**

CXP and Centex have entered into a merger agreement and a distribution agreement which will govern the terms of the reclassification, the cash dividend and the distribution.

**The Merger Agreement**

The following is a summary of the material terms of the merger agreement, a copy of which is attached as Appendix A. This summary does not contain all of the terms of the merger agreement. All stockholders are urged to read carefully the merger agreement in its entirety.

***Reclassification and Merger***

The reclassification will be implemented by a merger of Merger Sub into CXP. The merger agreement provides for the amendment of our certificate of incorporation to provide for the Class B common stock, as well as other proposals to implement the governance proposals, the authorized capital increase proposal and the name change proposal, if approved.

If the merger agreement is adopted by a majority of the outstanding shares of our common stock, and by a majority of those stockholders present in person or by proxy and voting on the reclassification proposal, other than Centex, our certificate of incorporation will be amended to create the Class B common stock. None of the governance proposals, authorized capital increase proposal, name change proposal or stockholders' rights plan proposal will be implemented unless the reclassification and distribution are completed.

Centex has informed us that it will vote the shares of our common stock owned by it in favor of the adoption of the merger agreement, each of the governance proposals, the authorized capital increase proposal, name change proposal, the stockholders' rights plan proposal and the incentive plan proposal.

***Merger and Exchange of Shares***

The merger agreement provides that before the reclassification, Centex will contribute 9,220,000 shares of our common stock held by it to Merger Sub and retain the remaining 2,742,304 shares of our common stock owned by it. At the effective time of the merger, Merger Sub will be merged into CXP and the separate corporate existence of Merger Sub will cease and CXP will be the surviving corporation. All of the shares of Merger Sub common stock outstanding immediately before the effective time of the merger will be converted into 9,220,000 shares of our Class B common stock, each of the shares of our common stock held by Merger Sub will automatically be canceled and retired, and each other share of our common stock will remain issued and outstanding. As a result of and following the reclassification, Centex will own 9,220,000 shares of Class B common stock and 2,742,304 shares of our common stock. Each other stockholder of CXP will own the same number of shares of our common stock as it owned before the reclassification.

***Conditions to the Merger***

***Conditions to Both Parties' Obligations.*** None of CXP, Centex nor Merger Sub are obligated to complete the reclassification unless the following conditions are satisfied or waived, except that none of the parties may waive the required stockholder approvals with respect to the merger agreement:

the merger agreement shall have been approved by the holders of (i) a majority of the shares of our common stock outstanding and entitled to vote thereon and (ii) a majority of the shares of our common stock, other than shares held directly or indirectly by Centex or Merger Sub, that are present in person or by proxy at the special meeting and voting on the reclassification proposal;



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all actions or filings with any governmental entity required to permit the completion of the reclassification shall be completed, except those that would not reasonably be expected to have a material adverse effect on any party's ability to complete the transactions; and

the distribution agreement shall be in full force and effect.

These conditions are for the benefit of us or Centex, as applicable, and do not give rise to or create any duty on the part of us or Centex, as applicable, to waive or not waive any of these conditions.

*Conditions to Our Obligations.* In addition, we are not obligated to complete the reclassification unless the following additional conditions are satisfied or waived by us:

the board of directors of Centex shall have declared the distribution subject to the prior completion of the reclassification; and

all conditions to our obligation to pay the cash dividend shall be satisfied or waived by us.

These conditions are for the sole benefit of us and do not give rise to or create any duty on our part to waive or not to waive any of these conditions.

*Conditions to Centex's Obligations.* In addition, Centex and Merger Sub are not obligated to consummate the reclassification unless the following additional conditions are satisfied or waived by them:

all the conditions to the declaration of the distribution and the distribution shall be satisfied, other than the prior completion of the reclassification; and

we shall have declared and paid the cash dividend to our stockholders (including Centex) in the amount of \$6.00 per share.

These conditions are for the sole benefit of Centex and Merger Sub and do not give rise to or create any duty on the part of Centex or Merger Sub to waive or not waive any of these conditions.

We have no present intention, and Centex has informed us that it has no present intention, of waiving any of the conditions to the merger.

***Termination***

The merger agreement may be terminated and the reclassification may be abandoned at any time before the effective time of the merger, notwithstanding any approval of the merger agreement by the stockholders of CXP:

by mutual written consent of CXP and Centex;

by either CXP or Centex, if the completion of the merger or the distribution is illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining CXP or Merger Sub from completing the merger or Centex from completing the distribution is entered and becomes final and nonappealable;

by either CXP or Centex, if the required CXP stockholder approval for the reclassification proposal is not obtained; or

by either CXP or Centex, if the merger is not completed by January 30, 2004. If the merger agreement has been adopted by the vote set forth under Proposal One: The Reclassification and Related Transactions Required Vote by January 30, 2004, but the merger has not been completed by such date, then the date will be extended for a period that ends 30 days (or longer if agreed by Centex and CXP) after the stockholders meeting at which the merger agreement was adopted by the requisite vote.

The merger agreement will terminate automatically in the event the distribution agreement is terminated according to its terms.

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### ***Other Agreements***

Under the merger agreement, each of CXP and Centex has agreed to exercise its reasonable best efforts to promptly obtain any necessary consents and approvals and to take actions as may be necessary or desirable to obtain these consents and approvals.

### **The Distribution Agreement**

We have entered into the distribution agreement with Centex. The following is a summary of the material terms of the distribution agreement, a copy of which is attached as Appendix B. This summary does not contain all of the terms of the distribution agreement. All stockholders are urged to read carefully the distribution agreement in its entirety.

### ***The Distribution***

Centex will appoint a distribution agent to distribute to the holders of record of Centex common stock in proportion to the number of Centex shares they hold on the record date for the distribution, all shares of our Class A common stock and Class B common stock held by Centex on the date of the distribution. The distribution agent will aggregate all fractional shares of our Class A common stock and Class B common stock that would otherwise be distributed and sell them in an orderly manner after the date of the distribution in the open market and, after completion of the sales, distribute the pro-rata portion of the net proceeds from these sales to each stockholder of Centex who would otherwise have received a fractional share.

### ***Conditions to the Distribution and the Declaration of the Cash Dividend***

*Conditions to the Distribution.* The obligations of Centex to declare the distribution and to cause the distribution to occur are subject to the satisfaction or waiver, as determined by Centex in its sole discretion, of the conditions set forth below:

a private letter ruling from the IRS shall be obtained which provides that the reclassification and distribution will be a tax-free transaction, which ruling is satisfactory to Centex in its sole discretion, and that Centex and CXP shall have complied with all provisions in the ruling applicable prior to the declaration of the distribution and the distribution;

any material governmental approvals and consents required in connection with the completion of the transactions shall have been received and shall be in full force;

no order, injunction or decree or other prohibition preventing the distribution or the completion of the other transactions contemplated by the merger agreement and the distribution agreement shall be in effect and no other event outside the control of Centex that prevents the legal completion of the distribution or the other transactions shall have occurred;

the transactions contemplated by the merger agreement and the distribution agreement shall be in compliance with applicable federal and state securities and other applicable laws;

all consents required in connection with the completion of the transactions shall have been obtained;

in the case of the declaration of the distribution, all conditions to the payment of the cash dividend shall be satisfied or waived by us, the cash dividend shall have been declared and no circumstances shall exist that would reasonably be expected to prevent the payment of the cash dividend prior to the distribution and, in the case of making the distribution, the cash dividend shall have been paid to our stockholders (including Centex);

in the case of the declaration of the distribution, all conditions to Centex's obligation to complete the reclassification, other than the satisfaction of the obligations to complete the distribution and the prior payment of the cash dividend, shall be satisfied or waived by Centex, and no

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circumstances shall exist that would reasonably be expected to prevent the completion of the reclassification immediately prior to the distribution and, in the case of making the distribution, the reclassification shall be completed;

a registration statement on Form 8-A registering the Class B common stock under the Securities Exchange Act of 1934 shall be filed with the Securities and Exchange Commission;

the Class B common stock shall be approved for listing on the New York Stock Exchange, subject to official notice of issuance;

our representations and warranties set forth in the distribution agreement and the merger agreement shall be true and correct as of the date of the distribution; and

we shall have performed or complied in all material respects with all agreements and covenants required to be performed by us under the distribution agreement and the merger agreement at or prior to the date of the distribution.

These conditions are for the sole benefit of Centex and do not give rise to or create any duty on the part of Centex to waive or not waive any of these conditions.

*Conditions to the Cash Dividend.* Our obligations to declare the cash dividend and to cause the cash dividend to be paid are subject to the satisfaction or waiver, as determined by us in our sole discretion, of the conditions set forth below:

any material governmental approvals and consents needed to complete the transactions shall have been received and shall be in full force;

no order, injunction or decree or other prohibition preventing the declaration or payment of the cash dividend or the completion of the other transactions contemplated by the merger agreement and the distribution agreement shall be in effect and no other event outside of our control that prevents the declaration or lawful payment of the cash dividend or completion of the other transaction shall have occurred;

the transactions contemplated by the merger agreement and the distribution agreement shall be in compliance with applicable federal and state securities and other applicable laws;

all consents required in connection with the completion of the transactions shall have been obtained;

in the case of the declaration of the cash dividend, all conditions to the distribution (other than the declaration and payment of the cash dividend) shall have been satisfied or waived by Centex, and, in the case of the declaration and the payment of the cash dividend, the distribution shall have been declared by the board of directors of Centex substantially simultaneously with the declaration of the cash dividend and no circumstances shall exist that would reasonably be expected to prevent the prompt completion of the distribution following payment of the cash dividend;

in the case of the declaration of the cash dividend, all conditions to our obligation to complete the reclassification shall be satisfied or waived by us and, in the case of the payment of the cash dividend, no circumstances shall exist that would reasonably be expected to prevent the prompt completion of the reclassification following payment of the cash dividend;

a registration statement on Form 8-A registering the Class B common stock under the Securities Exchange Act of 1934 shall be filed with the Securities and Exchange Commission;

the Class B common stock shall be approved for listing on the New York Stock Exchange, subject to official notice of issuance;

Centex's representations and warranties set forth in the distribution agreement and the merger agreement shall be true and correct as of the date of the declaration of the cash dividend and the date of payment of the cash dividend;

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Centex shall have performed or complied, in all material respects, with all agreements and covenants required to be performed by it under the distribution agreement and the merger agreement at or prior to the date of the distribution;

we shall have entered into loan agreements for financing which will permit the payment of the cash dividend and would reasonably allow us sufficient cash to meet our business needs; and

the payment of the cash dividend shall be permitted by the applicable provisions of Delaware law and our board of directors shall have obtained any reasonable and customary assurances that it requires to authorize the cash dividend.

These conditions are for the sole benefit of us and do not give rise to or create any duty on the part of us to waive or not waive any of these conditions. See Proposal One: the Reclassification and Related Transactions Financing; Bank Credit Facility for a description of the credit facility which will be used to fund the payment of the cash dividend.

*Other.* Each of CXP and Centex has agreed that the distribution and the declaration of the cash dividend and the distribution will occur as soon as reasonably practicable following the satisfaction or waiver of the conditions to the distribution. The parties have agreed to cause their respective boards of directors (or, in the case of Centex, a duly authorized committee thereof) to meet on the date of the declaration of the distribution and the cash dividend to take any corporate action at the meeting required to effect the transactions contemplated by the distribution agreement and the merger agreement. Following these meetings, CXP and Centex will complete the reclassification in accordance with the terms of the merger agreement, including the filing of the certificate of merger relating to the reclassification with the Secretary of State of the State of Delaware.

### ***Other Agreements***

*Indemnification Against Tax and Other Liabilities.* The distribution agreement provides that Centex and CXP will comply with and not take any action during the relevant time period that is inconsistent with the representations made to the IRS in connection with the request for the IRS ruling described under Proposal One: The Reclassification and Related Transactions Tax Matters Reclassification and Distribution. To this end, until the second anniversary of the distribution, we have agreed to maintain our status as a company engaged in the active conduct of a trade or business, as defined in Section 355(b) of the Internal Revenue Code, and not to facilitate certain acquisitions of our stock or assets.

In addition, under Section 355(e) of the Internal Revenue Code, the distribution will be taxable to Centex if the distribution is part of a plan or series of related transactions pursuant to which one or more persons acquire directly or indirectly stock representing a 50% or greater interest, based on either vote or value, in Centex or CXP. Acquisitions that occur during the period beginning two years before the distribution and ending two years after the distribution are subject to a rebuttable presumption that they are part of such a plan. If Centex becomes subject to tax under Section 355(e), its tax liability will be based upon the difference between the fair market value of the shares of Class B common stock and the shares of retained common stock at the time of the distribution and its adjusted basis in such stock at that time and this tax liability will be a significant amount.

If we take any action or fail to take any required action, and that failure to comply, action or omission contributes to a determination that the distribution fails to qualify under Section 355(a) of the Internal Revenue Code or that the CXP shares fail to qualify as qualified property for purposes of Section 355(c)(2) of the Internal Revenue Code by reason of Section 355(e) of the Internal Revenue Code, we have agreed to indemnify Centex and the other members of the Centex group for:

all federal, state and local taxes, including any interest, penalties or additions to tax; and

any established liability of any Centex stockholders resulting from the distribution evidenced by (i) an amended tax return of the Centex stockholder reflecting the amount of the tax liability, together with proof of payment of the amount or (ii) a deficiency notice received by the Centex

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stockholder from the IRS setting forth the amount of the tax liability, together with proof of payment of the amount.

In addition, we have agreed to indemnify Centex and the other members of the Centex group for:

all actual tax liability of Centex or any other members of the Centex group; and

for any established tax liabilities of any stockholder of Centex evidenced by (i) an amended tax return of the Centex stockholder reflecting the amount of the tax liability, together with proof of payment of the amount or (ii) a deficiency notice received by the Centex stockholder from the IRS setting forth the amount of the tax liability, together with proof of payment of the amount, arising from either (1) any inaccuracy in, or failure by us to comply with, any representation or undertaking made by us to the IRS (or made by Centex to the IRS based upon information provided by us) in connection with the IRS ruling request if such inaccuracy or failure was intentional or resulted from our gross negligence or (2) our taking or failure to take any action that contributes to the distribution not being treated as a tax-free transaction, subject to certain exceptions.

We will not be obligated to indemnify Centex or any other members of the Centex group for any tax liability that results solely from an inaccuracy in or failure by Centex to comply with any representation or undertaking by Centex to the IRS in connection with the IRS ruling request (except to the extent such inaccuracy or failure is in respect of a representation based in whole or in part upon inaccurate information provided by us, if such inaccuracy was intentional or resulted from our gross negligence). Furthermore, if any tax liability arises as a result of both:

either (1) our taking or failing to take any action that contributes to the distribution not being treated as a tax-free transaction or (2) an inaccuracy in or failure by us to comply with any representation or undertaking made by us to the IRS (or made by Centex to the IRS based upon information provided by us) in connection with the IRS ruling request if such inaccuracy or failure was intentional or resulted from our gross negligence; and

an inaccuracy in or failure by Centex to comply with any representation or undertaking by Centex to the IRS in connection with the IRS ruling request, and each failure is an independent cause of the liability, then we and Centex will allocate the tax liability among ourselves in a proportion that reflects the relative fault of each party.

Centex has agreed to indemnify CXP and other members of the CXP group for all liabilities arising from any inaccuracy in, or failure by Centex to comply with, any representation or undertaking made by Centex to the IRS in connection with the IRS ruling request. Centex will not be obligated to indemnify CXP or any member of the CXP group if such liability results solely from an inaccuracy in, or failure by CXP to comply with, any representation or undertaking made by CXP to the IRS or based upon information provided by CXP to Centex and made by Centex to the IRS in connection with the IRS ruling request if such inaccuracy or failure was intentional or resulted from gross negligence on the part of CXP, or a failure on the part of CXP to comply with its obligations described above.

Any indemnity payment made by us pursuant to the provisions described above will be made on an after-tax basis, calculated according to the actual tax position of the person receiving the payment.

As a result of the representations in the IRS ruling request and the covenants in the distribution agreement, the acquisition of control of CXP prior to the second anniversary of the distribution date may be more difficult or less likely to occur because of the potential indemnification liability associated with a breach of these representations or covenants. In addition, our ability to undertake acquisitions and other transactions may be substantially restricted for the two-year period following the distribution.

The distribution agreement also provides for assumptions of liabilities and cross-indemnities designed to allocate financial responsibility for former, current, or future liabilities arising out of or in connection with the businesses of each respective party.

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*No Solicitation.* CXP and Centex have agreed not to solicit or negotiate in connection with any proposal for the acquisition by any third party of any shares of capital stock of CXP or the acquisition of, or business combination with, CXP during the pendency of the proposed transactions. Centex will be relieved of this obligation if:

our board of directors approves an alternative transaction during the pendency of the transactions, does not recommend or withdraws its recommendation in favor of the transactions or modifies its recommendation in a manner adverse to Centex;

we breach or fail to comply with any of our material obligations under the distribution agreement or merger agreement and fail to cure the breach or failure within 30 days following notice; or

Centex receives a written proposal for an alternative transaction and the board of directors of Centex in good faith determines that it would be inconsistent with the Centex board's fiduciary duties to Centex stockholders if the Centex board did not commence discussions or negotiations with the person making the proposal, but only with respect to that specific proposal.

We will be released from this obligation if we receive a written proposal for an alternative transaction and our board of directors in good faith determines that it would be inconsistent with our fiduciary duties to our stockholders if we did not commence discussions or negotiations with the person making the proposal. This release will only be with respect to that specific proposal.

*Expenses.* The distribution agreement also provides that all expenses in connection with the reclassification and distribution shall be paid by the party incurring such costs and expenses, provided that if the distribution agreement is terminated for any reason without the distribution having been completed, then Centex will pay all out-of-pocket expenses incurred by us in connection with the distribution agreement and merger agreement.

### ***Termination***

The distribution agreement may be terminated:

by us if Centex is in material breach of any of its obligations or representations and warranties under the distribution agreement, and the breach would reasonably be expected to result in a material adverse effect on us after giving effect to the distribution, and Centex has not substantially cured the breach within 30 days following notice; or

by Centex in its sole discretion at any time prior to the payment of the special one-time cash dividend.

The distribution agreement will terminate automatically in the event the merger agreement is terminated in accordance with its terms. After payment of the cash dividend, the distribution agreement may not be terminated except pursuant to the written agreement of the parties which, in our case, has been approved by a majority of its directors that are not affiliated with Centex.

Except in circumstances where a party is required to pay the fees and expenses of the other party as set forth above, and except for liability for any breach by either party of the distribution agreement or merger agreement, no party will be liable to any other party or any other person as a result of termination of the distribution agreement.

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**UNAUDITED PROFORMA FINANCIAL INFORMATION**

The unaudited pro forma financial information set forth below has been derived from the financial statements of CXP as of and for the six months ended September 30, 2003 and as of and for the fiscal year ended March 31, 2003.

The unaudited pro forma financial information should be read in conjunction with the audited historical consolidated financial statements and related notes and the unaudited historical condensed consolidated financial statements and related notes of CXP, which are incorporated by reference in the proxy statement.

The unaudited pro forma balance sheet as of September 30, 2003 gives effect to the reclassification, the distribution and the special dividend as if these transactions had occurred as of the balance sheet date. The unaudited pro forma income statements for the fiscal year ended March 31, 2003 and the six months ended September 30, 2003 give effect to the reclassification, the distribution and the special dividend as if these transactions had occurred at the beginning of the applicable period. The unaudited pro forma financial information has been prepared in accordance with Article 11 of Regulation S-X, and reflects those adjustments that management believes are necessary to reflect the effect of these transactions.

The unaudited pro forma financial information is presented for illustrative purposes only and does not purport to be indicative of operating results or financial position that would have occurred if the transactions had been completed on the dates indicated, nor is it necessarily indicative of future operating results or financial position of CXP. The pro forma adjustments are based on the information and assumptions available to us on the date of this proxy statement.

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As of September 30, 2003  
(in \$000s)

	CXP Historical September 30, 2003	Pro Forma Adjustments	CXP Pro Forma
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 10,463	\$	\$ 10,463
Accounts and Notes Receivable, net	55,599		55,599
Inventories	43,444		43,444
	<hr/>	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>109,506</b>		<b>109,506</b>
Property, Plant and Equipment	712,398		712,398
Less: Accumulated Depreciation	(221,617)		(221,617)
	<hr/>	<hr/>	<hr/>
<b>Property, Plant and Equipment, net</b>	<b>490,781</b>		<b>490,781</b>
Investment in Joint Ventures	51,737		51,737
Notes Receivable, net	112		112
Goodwill	40,290		40,290
Other Assets	11,200		11,200
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 703,626</b>	<b>\$</b>	<b>\$ 703,626</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>			
Current Liabilities			
Accounts Payable	\$ 27,031		\$ 27,031
Accrued Liabilities	39,409		39,409
Current Portion of Long-term Debt	80		80
	<hr/>	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>66,520</b>		<b>66,520</b>
Long-term Debt	31,080	113,000(a)	144,080
Deferred Income Taxes	90,392		90,392
Stockholders' Equity			
Common Stock	185		185
Capital in Excess of Par Value	19,439		19,439
Unamortized Value of Restricted Stock	(709)		(709)
Accumulated Other Comprehensive Income	(1,703)		(1,703)
Retained Earnings	498,422	(113,000)(a)	385,422
	<hr/>	<hr/>	<hr/>
<b>Total Stockholders' Equity</b>	<b>515,634</b>	<b>(113,000)</b>	<b>402,634</b>
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 703,626</b>	<b>\$</b>	<b>\$ 703,626</b>
	<hr/>	<hr/>	<hr/>



**Table of Contents****UNAUDITED PRO FORMA INCOME STATEMENT****For the Six Months Ended September 30, 2003**

(in \$000s other than per share and share data)

	<b>CXP Historical Six Months Ended September 30, 2003</b>	<b>Pro Forma Adjustments</b>	<b>CXP Pro Forma</b>
Revenues	\$ 259,039	\$	\$ 259,039
Costs and Expenses			
Cost of goods sold	202,978		202,978
Selling, General & Administrative	15,261	302 (b)	15,563
Interest Expense, net	2,447	1,582 (c)	4,029
	<hr/>	<hr/>	<hr/>
Equity in Earnings of Unconsolidated Joint Ventures	220,686 11,696	1,884	222,570 11,696
Earnings before income taxes	50,049	(1,884)	48,165
Income Taxes	17,262	(631)(d)	16,631
	<hr/>	<hr/>	<hr/>
Net Earnings	\$ 32,787	\$(1,253)	\$ 31,534
	<hr/>	<hr/>	<hr/>
Earnings Per Share			
Basic	\$ 1.78		\$ 1.75
Diluted	\$ 1.77		\$ 1.73
Average Shares Outstanding			
Basic	18,434,560		18,434,560
Diluted	18,559,000		18,559,000

**Table of Contents****UNAUDITED PRO FORMA INCOME STATEMENT**

**For the Year Ended March 31, 2003**  
(in \$000s other than per share and share data)

	<b>CXP Historical Year Ended March 31, 2003</b>	<b>Pro Forma Adjustments</b>	<b>CXP Pro Forma</b>
	<b>(Restated Note E)</b>		
Revenues	\$ 429,178	\$	\$ 429,178
Costs of Goods Sold	331,892		331,892
Selling, General & Administrative	26,135	604(b)	26,739
Interest Expense, net	9,619	4,068(c)	13,687
	<hr/>	<hr/>	<hr/>
Equity in Earnings of Unconsolidated Joint Ventures	367,646	4,672	372,318
	25,081		25,081
Earnings before income taxes	86,613	(4,672)	81,941
Income Taxes	29,007	(1,565)(d)	27,442
	<hr/>	<hr/>	<hr/>
Net Earnings	\$ 57,606	\$(3,107)	\$ 54,499
	<hr/>	<hr/>	<hr/>
Earnings Per Share			
Basic	\$ 3.13		\$ 2.96
Diluted	\$ 3.11		\$ 2.95
Average Shares Outstanding			
Basic	18,418,191		18,418,191
Diluted	18,523,651		18,523,651

**Transactions**

The pro forma financial statements reflect the following transactions:

The reclassification of our capital stock pursuant to the reclassification proposal;

The borrowings expected to be incurred under our new bank credit facility to fund the payment of the special dividend;

The payment of the special dividend to our stockholders, assuming that 18,800,000 shares of common stock are outstanding on the record date for the distribution; and

The distribution, as a result of which CXP will become an independent public company.

**Pro Forma Adjustments**

(a) Reflects the payment of the special dividend with borrowings under the new bank credit facility, assuming that 18,800,000 shares of common stock are outstanding at the record date for the special dividend.

(b) Reflects the additional administrative and other expenses expected to be incurred by CXP when it becomes an independent public company as a result of the distribution. The amount of additional expenses shown in the table above assumes that CXP would be required to

obtain from unaffiliated third parties on arm's-length terms all administrative services that will be provided to it after the distribution by Centex pursuant to the administrative services agreement. See Proposal One: The Reclassification and Related Transactions Relationship between Centex and CXP after the Distribution. The actual amount

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of additional expenses to be incurred by CXP during the term of the administrative services agreement will be less than the amount shown in the above table.

(c) Reflects the interest expense assumed to be incurred in respect of borrowings of \$113 million to fund payment of the special dividend. The interest rates used to calculate the assumed interest expense are 3.6% and 2.8% for the fiscal year ended March 31, 2003 and the six months ended September 30, 2003, respectively. These interest rates are based on the pricing grid in CXP's current credit agreement. A 1/8% increase in the interest rate would increase the interest expense on the additional borrowings by \$141,000 annually.

(d) Reflect the tax benefit assumed to be realized as a result of the incurrence of the interest expense referred to in note (c) above.

(e) For many years, CXP proportionately consolidated its pro rata interest in the revenues, expenses, assets and liabilities of its two 50%-owned cement joint ventures. CXP has restated its consolidated financial statements to reflect a change in the method of accounting for these joint ventures from the proportionate consolidation method to the equity method of accounting. **This restatement had no effect on CXP's earnings before income taxes, net earnings, earnings per share or retained earnings.** Under the equity method of accounting, CXP's statements of earnings include a single line item entitled "Equity in Earnings of Unconsolidated Joint Ventures" which reflects CXP's 50% interest in the results of operations of the joint ventures. Similarly, CXP's balance sheets include a single line item entitled "Investment in Joint Ventures" which reflects CXP's 50% interest in the net assets of the joint ventures. Financial statements and related financial information for certain prior periods have been restated to reflect the current accounting for the interests in the joint ventures.

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**PROPOSALS TWO, THREE, FOUR, FIVE, SIX, SEVEN, EIGHT AND NINE:**

**GOVERNANCE PROPOSALS, AUTHORIZED CAPITAL INCREASE PROPOSAL,**

**NAME CHANGE PROPOSAL, STOCKHOLDERS RIGHTS PLAN PROPOSAL  
AND INCENTIVE PLAN PROPOSAL**

The governance proposals, authorized capital increase proposal, name change proposal and stockholders rights plan proposal will not be implemented if the reclassification proposal is not approved. The incentive plan proposal will be implemented even if the reclassification proposal is not approved. The following summary is qualified in its entirety by reference to the text of the proposed amendments to our certificate of incorporation and our bylaws, which are attached to this proxy statement as Appendices C and D. All stockholders are urged to read carefully the proposed certificate of incorporation and the proposed bylaws, each as proposed to be amended, and the proposed stockholders rights plan in their entirety.

**General**

We believe the governance proposals, authorized capital increase proposal and the stockholders rights plan proposal are necessary to foster our long-term growth as an independent company following the reclassification and the distribution and to protect our stockholders from unsolicited, potentially coercive or abusive takeover tactics and efforts to acquire control of CXP at a price or on terms that are not in the best interests of all of our stockholders. The authorized capital increase proposal includes changes to our certificate of incorporation intended, among other things, to provide CXP with financing flexibility. Because we will no longer be a majority-owned subsidiary of Centex and in order to establish an independent market presence in the construction products industry, our board of directors has determined that our name should be changed to Eagle Materials Inc.

Our board of directors has also approved amendments to our bylaws that are more fully described under Proposal One: The Reclassification and Related Transactions Description of Bylaws Amendments and Description of Bylaws Amendments. Under the terms of our existing certificate of incorporation, our board of directors has the power to amend our bylaws without stockholder approval. As a result, separate stockholder approval is not required to effect the bylaws amendments. However, the bylaws amendments relating to the governance proposals and name change proposal are subject to the approval of the reclassification proposal, and the governance proposals and name change proposal will become effective only upon the completion of the reclassification. In addition to containing the amendments to our bylaws discussed in

Proposal One: Reclassification and Related Transactions Description of Bylaws Amendments, the bylaws amendments contain changes necessary to conform our bylaws to our certificate of incorporation if the governance proposals and name change proposal are approved.

**Purpose and Effects of the Governance Proposals**

The proposed reclassification and distribution may make it easier for a single person or group of related persons to gain control over CXP. Because Centex currently holds approximately 65% of our common stock, it is unlikely at the present time that any person could gain control of CXP without acquiring from Centex at least a majority of the shares of our common stock held by it. However, following the reclassification and distribution, holders of Class B common stock will have the right to elect at least 85% of our board of directors. Accordingly, a person or group of related persons could attempt to gain control of CXP by acquiring a sufficient number of shares of Class B common stock to elect a majority of the members of our board of directors. For these reasons, the proposed reclassification and distribution could render CXP more susceptible to unsolicited takeover bids from third parties, including offers that our board of directors may regard as being below our intrinsic value or as not being in the best interests of our stockholders. However, the ability of a person to gain control of our board of directors by acquiring shares of Class B common stock would be hindered by a proposed revision to our certificate of incorporation to the effect that a holder of 15% or more of the outstanding shares of Class B common stock can only vote for the election or removal of directors that percentage of the shares of Class B

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common stock which is equal to the lesser of its percentage ownership of Class B common stock or its percentage ownership of Class A common stock.

In order to mitigate the concerns described above, the governance proposals and authorized capital increase proposal, together with the bylaws amendments and the stockholders' rights plan, are intended to make it more difficult for a potential acquiror of CXP to take advantage of our new capital structure to acquire us by means of a transaction which is not negotiated with our board of directors. The governance proposals and authorized capital increase proposal, the bylaws amendments and the stockholders' rights plan would reduce our vulnerability to an unsolicited takeover proposal. These provisions are designed to enable us to develop our business in a manner which will foster our long-term growth, reducing, to the extent practicable, the threat of a takeover not deemed by our board of directors to be in the best interests of CXP and its stockholders and the potential disruption entailed by a threat of such a takeover. Absent these provisions, eliminating Centex as an approximately 65% stockholder as a result of the distribution would increase our vulnerability to an unsolicited takeover proposal. In addition, as discussed above under Proposal One: The Reclassification and Related Transactions Tax Matters Reclassification and Distribution, we have agreed to indemnify Centex for tax liabilities under certain circumstances if the distribution becomes subject to tax. The likelihood of the distribution losing its tax-free status and the likelihood of CXP being subject to liability under the tax indemnification provisions of the distribution agreement increase if CXP is acquired. By making a takeover of CXP without approval of our board of directors more difficult, the governance proposals, the authorized capital increase proposal, the stockholders' rights plan proposal and the bylaws amendments will also protect CXP and our stockholders from potential liabilities resulting from the loss of the tax-free status of the distribution.

Our board of directors believes that when companies do not have measures in place to address unsolicited takeover bids, change in control transactions occur at prices below the best price that might otherwise be attainable. Many companies have put provisions in place which effectively require potential acquirors to negotiate with the companies' boards of directors. Our board of directors desires to provide CXP with the flexibility to grow its business without being subject to unsolicited takeover proposals either at inadequate prices or by means of unfair takeover tactics. Our board of directors is aware of, and committed to, its fiduciary obligations to CXP and its stockholders in respect of these measures.

*State Anti-Takeover Statutes.* Under the business combination statute of the Delaware General Corporation Law, a corporation is generally restricted from engaging in a business combination with an interested stockholder for a three-year period following the time the stockholder became an interested stockholder. An interested stockholder is defined as a stockholder who, together with its affiliates or associates, owns, or who is an affiliate or associate of the corporation and within the prior three-year period did own, 15% or more of the corporation's voting stock. This restriction applies unless:

prior to the time the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon completion of the transaction which resulted in the stockholder becoming an interested stockholder; or

at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors of the corporation and authorized by the affirmative vote, at an annual or special meeting, and not by written consent, of at least 66 2/3% of the outstanding voting shares of the corporation, excluding shares held by that interested stockholder.

A business combination generally includes:

mergers, consolidations and sales or other dispositions of 10% or more of the assets of a corporation to or with an interested stockholder;

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transactions resulting in the issuance or transfer to an interested stockholder of any capital stock of the corporation or its subsidiaries, subject to certain exceptions;

transactions having the effect of increasing the proportionate share of the interested stockholder in the capital stock of the corporation or its subsidiaries, subject to certain exceptions; and

other transactions resulting in a disproportionate financial benefit to an interested stockholder.

The provisions of the Delaware business combination statute do not apply to a corporation if, subject to certain requirements, the certificate of incorporation or bylaws of the corporation contain a provision expressly electing not to be governed by the provisions of the statute or the corporation does not have voting stock listed on a national securities exchange, authorized for quotation on the Nasdaq Stock Market or held of record by more than 2,000 stockholders.

We have not adopted any provision in our certificate of incorporation or bylaws electing not to be governed by the Delaware business combination statute. As a result, the statute is applicable to business combinations involving CXP.

The governance proposals and the authorized capital increase proposal, together with the bylaws amendments and the stockholders' rights plan, may reduce the ability of our stockholders to influence the governance of CXP.

### **Purpose and Effects of the Authorized Capital Increase Proposal**

The authorized capital increase proposal would increase our authorized capital. Although CXP is not proposing the increase in the authorized shares of our common stock or preferred stock with the sole intention of using the additional shares for anti-takeover purposes, the increase in the number of authorized shares of our Class A common stock, Class B common stock and preferred stock and any subsequent issuance of such shares also could have the effect of delaying or preventing a change in control without further action by the stockholders. As of the date of this proxy statement, we are unaware of any pending or threatened efforts to acquire control of CXP. Shares of our authorized and unissued common stock (within the limits imposed by applicable law and New York Stock Exchange rules) or our preferred stock could be issued in one or more transactions that would make a change in control more difficult, and therefore less likely.

If the authorized capital increase proposal is adopted, our board of directors would be able to issue such additional shares without further stockholder approval, except as may be required by applicable law or exchange rules. In addition, our stockholders have no statutory preemptive rights with respect to future issuances of our common stock or preferred stock. Our board of directors has no present agreement or arrangement, plan or understanding with respect to the issuance of any such additional shares, other than under its existing employee benefits plans. The increase in our authorized capital will not have any immediate effect on the rights of our existing stockholders. To the extent that the additional authorized shares are issued in the future, however, they will decrease our then-existing stockholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to our then-existing stockholders.

### **Purpose and Effects of Name Change Proposal**

Because we will no longer be a majority-owned subsidiary of Centex and in order to establish an independent market presence in the construction products industry, our board of directors has determined that our name should be changed to eliminate the reference to Centex. Our board of directors believes that the name Eagle Materials Inc. will express our identity and our primary business focus and will effectively establish our new independent presence in the public capital markets and our industry generally.

Effecting the name change will not affect our business, operations or capital structure and will be accomplished at nominal expense to CXP. In addition, the name change will not affect the rights of our stockholders or the validity or transferability of the stock certificates currently outstanding. Our

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stockholders will not be required to surrender or exchange any stock certificates of CXP that they currently hold. Upon the change of our name, the trading symbol for our Class A common stock on the New York Stock Exchange will be EXP. The trading symbol for the Class B common stock on the New York Stock Exchange will be EXP.B.

### **The Governance Proposals, the Authorized Capital Increase Proposal and the Name Change Proposal**

In deciding to approve the governance proposals, we determined that it would be beneficial to have the protections of the governance proposals in place following the reclassification and the distribution. In deciding to approve the authorized capital increase proposal, our board of directors determined that it would be beneficial to provide CXP with financing flexibility following the distribution. The name change proposal is intended to effect an identity independent to Centex. The following is a description of the material terms of the governance proposals, the authorized capital increase proposal and the name change proposal.

*Proposal Two: Staggered Board Proposal.* If this proposal is approved, our certificate of incorporation will be amended to divide our board of directors into three classes based on their terms of office: Class I, Class II and Class III. Upon the approval of our stockholders, the Class I directors shall include F. William Barnett, Robert L. Clarke and Steven R. Rowley, the Class II directors shall include Laurence E. Hirsch and Michael R. Nicolais and the Class III directors shall include David W. Quinn and O.G. Dagnan. Such classes shall be as nearly equal in number of directors as possible. Each director shall serve for a term ending on the third annual meeting of stockholders following the annual meeting at which that director was elected. However, the directors first designated as Class I directors shall serve for a term expiring at the next annual meeting of stockholders following the date of this special meeting of stockholders, the directors first designated as Class II directors shall serve for a term expiring at the second annual meeting of stockholders following the date of this special meeting of stockholders, and the directors first designated as Class III directors shall serve for a term expiring at the third annual meeting of stockholders following the date of this special meeting of stockholders.

The vote of 66 2/3% of all CXP capital stock entitled to vote, voting together as a single class, will be required to alter, amend, rescind or repeal this provision of the certificate of incorporation or to adopt any provision inconsistent with this provision if the supermajority voting proposal described below is adopted.

*Proposal Three: Written Consent Proposal.* Unless otherwise provided in a company's certificate of incorporation, Delaware law permits any action required or permitted to be taken by stockholders at a meeting to be taken without notice, without a meeting and without a stockholder vote if a written consent setting forth the action to be taken is signed by the holders of outstanding shares of stock having the requisite number of votes that would be necessary to authorize the action at a meeting of stockholders at which all shares entitled to vote were present and voted. Our certificate of incorporation does not currently provide otherwise. Moreover, our bylaws currently provide for stockholder action by written consent. The written consent proposal will amend our certificate of incorporation, and conforming changes will be made to our bylaws, to require that stockholder action be taken at an annual or special meeting of stockholders, and will prohibit stockholder action by written consent.

The written consent proposal will give all stockholders of CXP the opportunity to participate in determining any proposed action and will prevent the holders of a majority of the voting stock from using the written consent procedure to take stockholder action without affording all stockholders an opportunity to participate. This proposal will prevent stockholders from taking action other than at an annual or special meeting of stockholders at which the proposal is submitted to stockholders in accordance with the advance notice provisions of the bylaws. This could lengthen the amount of time required to take stockholder actions, which will ensure that stockholders will have sufficient time to weigh the arguments presented by both sides in connection with any contested stockholder vote. If the special meeting proposal is adopted, our stockholders will no longer have the ability to call a special meeting of stockholders to take corporate action between annual meetings. Accordingly, the written consent proposal in conjunction with the special



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meeting proposal may discourage, delay or prevent a change in control of CXP. For example, a proposal for the removal of directors for cause could, if our board of directors desired, be delayed until the next annual meeting of our stockholders.

The vote of 66 2/3% of all CXP capital stock entitled to vote, voting together as a single class, will be required to alter, amend, rescind or repeal this provision of the certificate of incorporation or to adopt any provision inconsistent with this provision if the supermajority voting proposal described below is adopted.

*Proposal Four: Special Meeting Proposal.* Under our bylaws, a special meeting of stockholders may be called by the president or by the secretary, if requested to do so by a majority of the members of our board of directors. If the special meeting proposal is adopted, our certificate of incorporation will be amended, and conforming changes will be made to our bylaws, to expressly prohibit our stockholders from calling a special meeting. This would mean that proposals for stockholder action, such as a proposed amendment to the bylaws or a proposal for the removal of directors for cause, could, if our board of directors desired, be delayed until the next annual meeting of our stockholders. A common tactic of bidders attempting a takeover is to initiate a proxy contest by calling a special meeting. By eliminating the stockholders' right to call a special meeting, expensive proxy contests cannot occur other than in connection with our annual meeting. Our board of directors can still call a special meeting of the stockholders when issues arise that require a stockholder meeting. The inability of a stockholder to call a special meeting might impact a person's decision to purchase our voting securities.

The vote of 66 2/3% of all CXP capital stock entitled to vote, voting together as a single class, will be required to alter, amend, rescind or repeal this provision of the certificate of incorporation or to adopt any provision inconsistent with this provision if the supermajority voting proposal described below is adopted.

*Proposal Five: Supermajority Voting Proposal.* Currently, in addition to the approval of our board of directors, the approval of the holders of a majority of the outstanding shares of stock entitled to vote thereon is required to amend any provision of our certificate of incorporation. Delaware law permits a company to include provisions in its certificate of incorporation that require a greater stockholder vote for any corporate action than the vote otherwise required by law. The supermajority voting proposal would amend our certificate of incorporation to require the vote of at least 66 2/3% of all of the shares of our capital stock which are entitled to vote, voting together as a single class, to (1) take stockholder action to alter, amend, rescind or repeal any of our bylaws, or (2) to alter, amend, rescind or repeal certain provisions of our certificate of incorporation or to adopt any provision inconsistent therewith. The provisions in the certificate of incorporation affected by this amendment are:

the provision limiting the voting rights of beneficial owners of 15% or more of the outstanding shares of our Class B common stock;

the provision dividing our board of directors into three classes;

the provision concerning the inability of our stockholders to act by written consent;

the provision concerning the inability of our stockholders to call special meetings of the stockholders;

the provision concerning the ability of our board of directors to adopt, alter, amend and repeal the bylaws; and

the provision requiring a 66 2/3% vote of stockholders to amend the bylaws or to amend the provisions of the certificate of incorporation described above.

The supermajority voting provisions may discourage or deter a person from attempting to obtain control of CXP by making it more difficult to amend some provisions of our certificate of incorporation or for our stockholders to amend any provision of our bylaws, whether to eliminate provisions that have an anti-takeover effect or those that protect the interests of minority stockholders. The supermajority voting provisions will make it more difficult for a stockholder or stockholder group to amend our bylaws or put pressure on our board of directors to amend our certificate of incorporation to facilitate a takeover attempt.

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Adoption of the supermajority voting proposal requires only the approval of a majority of the outstanding shares of our common stock. If the supermajority voting proposal is adopted by less than a 66 2/3% vote, stockholders having the same percentage of voting power as those who voted in favor of its adoption will not have sufficient voting power to alter, amend or repeal these provisions at a later date.

*Proposal Six: Authorized Capital Increase Proposal.* If this proposal is adopted, our certificate of incorporation will be amended to provide for an increase in the authorized number of shares of common stock and preferred stock which we may issue. Currently, our certificate of incorporation authorizes the issuance of 50,000,000 shares of our common stock, 18,768,354 of which are issued and outstanding as of November 28, 2003, and 2,000,000 shares of preferred stock, none of which are outstanding as of this time. As of November 28, 2003, we have 1,654,132 shares of common stock reserved for issuance pursuant to our existing stock option plans. The remainder of the shares of authorized common stock were not issued or subject to reservation. If the reclassification proposal is adopted by the holders of our common stock, but the authorized capital increase proposal is not adopted, the 50,000,000 shares of our common stock would be divided between 40,780,000 shares of Class A common stock and 9,220,000 shares of Class B common stock. If the authorized capital increase proposal is adopted, our certificate of incorporation will be amended to increase our authorized capitalization to 100,000,000 shares of common stock (consisting of 50,000,000 shares of Class A common stock and 50,000,000 shares of Class B common stock) and 5,000,000 shares of preferred stock. Our board of directors believes that such an increase in the authorized number of shares of Class A common stock, Class B common stock and preferred stock will ensure that there remains a sufficient authorized number of shares after the reclassification for potential future stock splits, sales of our securities to raise additional capital, acquisitions of other companies or their businesses or assets, establishing strategic relationships with third parties, or providing options or other stock incentives to our employees, consultants or others. Our board of directors will determine whether, when and on what terms the issuance of shares of Class A common stock, Class B common stock or preferred stock may be warranted in connection with any of the foregoing purposes. Our board of directors believes that it is beneficial to CXP to have the additional shares available for such purposes without delay or the necessity of a meeting of the stockholders.

*Proposal Seven: Name Change Proposal.* If this proposal is adopted, our certificate of incorporation will be amended to change our name to Eagle Materials Inc.

## **Recommendation of the CXP Board**

Our board of directors, upon the recommendation of the special committee, has unanimously approved the governance proposals, the authorized capital increase proposal and the name change proposal and has determined that each of the governance proposals, the authorized capital increase proposal and the name change proposal is advisable and in the best interests of CXP and our unaffiliated and affiliated stockholders. **Our board of directors recommends that you vote For the approval of each of the governance proposals and the authorized capital increase proposal.**

## **Description of Bylaws Amendments**

As discussed under *Proposal One: The Reclassification and Related Transactions Description of Bylaws Amendments*, our board of directors has unanimously approved amendments to our bylaws. If our stockholders vote to approve the reclassification proposal, the governance proposals and the name change proposal, the amendments to our bylaws described under *Proposal One: The Reclassification and Related Transactions Description of Bylaws Amendments* will be implemented as well as provisions necessary to conform our bylaws to the governance proposals and the name change proposal. We refer you to the full text of the proposals to our bylaws, which are attached as Appendix D. If the reclassification proposal is approved but any of the governance proposals are not approved, our bylaws will be amended as indicated by the footnotes to the bylaws included in Appendix D.

The amendments to our bylaws relating to the governance proposals and the name change proposal are subject to the approval of the reclassification proposal and the governance proposals and the name

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change proposal and will become effective only upon the completion of the reclassification. The amendments to our bylaws do not require separate stockholder approval. A description of the amendments to our bylaws is included in this proxy statement for informational purposes only.

### **Stockholders Rights Plan Proposal**

#### ***Terms of Stockholders Rights Plan***

Our board of directors has approved, subject to approval by our stockholders, implementation of a stockholders rights plan containing the material terms and provisions described in this proxy statement. The following summary is qualified in its entirety by reference to the terms of the stockholders rights plan to be entered into between CXP and Mellon Investor Services LLC, as rights agent, filed as an exhibit to our Current Report on Form 8-K/A dated July 21, 2003 and filed on November 12, 2003.

If the stockholders rights plan proposal is approved by our stockholders, immediately after the consummation of the distribution by Centex, our board of directors will distribute to our stockholders of record at the close of business as of a date subsequent to the date of the distribution by Centex:

one preferred stock purchase right for each outstanding share of our Class A common stock that will entitle the registered holder to purchase from CXP one one-thousandth of a share of Series A preferred stock, par value \$0.01 per share (the Series A preferred stock ), at a purchase price of \$140 per one one-thousandth of a share, subject to adjustment (a Class A right ); and

one preferred stock purchase right for each outstanding share of our Class B common stock that will entitle the registered holder to purchase from CXP one one-thousandth of a share of Series B preferred stock, par value \$0.01 per share (the Series B preferred stock ), at a purchase price of \$140 per one one-thousandth of a share, subject to adjustment (a Class B right, and collectively with the Class A rights, the rights ).

*Separation and Distribution of Rights; Exercisability.* Initially, the Class A rights will be attached to all certificates representing shares of our Class A common stock then outstanding and the Class B rights will be attached to all certificates representing shares of our Class B common stock then outstanding, and no separate rights certificates will be distributed with respect to any of the rights. The Class A rights will separate from the Class A common stock and the Class B rights will separate from the Class B common stock, respectively, upon the earlier of:

ten business days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of shares of our Class A common stock and/or Class B common stock representing in the aggregate 15 percent or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of our Class A common stock and Class B common stock then outstanding, voting together as a class (the person or group is referred to in this section as the acquiring person ).

ten business days (or some later date as determined by our board of directors) following the commencement of a tender or exchange offer that would result in a person or group beneficially owning shares of our Class A common stock and/or Class B common stock representing in the aggregate 15 percent or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of our Class A common stock and Class B common stock then outstanding, voting together as a class.

The date the Class A rights separate from our Class A common stock and the Class B rights separate from our Class B common stock is referred to as the distribution date.

Until the distribution date, (i) the rights will be evidenced by and transferred with and only with the stock certificates representing the Class A common stock or Class B common stock to which they are attached, (ii) new stock certificates issued after the record date for the distribution of the rights will contain a notation incorporating the stockholders rights plan by reference, and (iii) the surrender for transfer of any certificates for Class A common stock or Class B common stock outstanding will also

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constitute the transfer of the rights associated with stock represented by those certificates. Pursuant to the stockholders' rights plan, we reserve the right to require prior to the occurrence of a triggering event (as discussed below) that, upon any exercise of rights, a number of rights be exercised so that only whole shares of preferred stock will be issued.

The rights are not exercisable until the distribution date and will expire on the tenth anniversary of the plan, unless earlier redeemed by CXP as described below.

As soon as practicable after the distribution date, separate rights certificates will be mailed to the holders of record of our Class A common stock and Class B common stock as of the close of business on the distribution date and, after that, the separate rights certificates will represent the rights. Except in connection with shares of our Class A common stock or Class B common stock issued or sold pursuant to the exercise of stock options under any employee plan or arrangements, or upon the exercise, conversion or exchange of securities issued by CXP in the future, or as otherwise determined by our board of directors, only shares of Class A common stock or Class B common stock issued prior to the distribution date will be issued with rights.

*Flip-in Events.* Each holder of a Class A right (other than the acquiring person and some related parties) will have the right to receive, upon exercise, shares of Class A common stock (or, in some circumstances, cash, property or other securities of CXP) and each holder of a Class B right (other than the acquiring person and some related parties) will have the right to receive, upon exercise, shares of Class B common stock (or, in some circumstances, cash, property or other securities of CXP), in each case having a value equal to two times the purchase price of the Class A or Class B right, as the case may be, if:

any person acquires beneficial ownership of shares of our Class A common stock and/or Class B common stock representing, in the aggregate, 15 percent or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of our Class A common stock and Class B common stock then outstanding, voting together as a class (except pursuant to specified exceptions, including an offer made for all outstanding shares of Class A common stock and Class B common stock at a price and upon terms and conditions that the board of directors determines to be in the best interests of CXP and its stockholders);

CXP is the surviving corporation in a merger with an acquiring person and neither Class A common stock nor Class B common stock is changed or exchanged; or

during the time that there is an acquiring person, an event occurs that results in increasing the acquiring person's total number of votes entitled to be cast generally (other than in an election of directors) by the holders of our Class A common stock and Class B common stock then outstanding, voting together as a class, by more than 1%.

Notwithstanding any of the foregoing, following the occurrence of any of the events described in this paragraph, all rights that are, or (under some circumstances specified in the stockholders' rights plan) were, beneficially owned by any acquiring person will be null and void. The events described in this paragraph are referred to as flip-in events.

For example, at a purchase price of \$140.00 per right, each Class A right not owned by an acquiring person (or by some related parties or transferees) following an event set forth in the preceding paragraph would entitle its holder to purchase \$280.00 worth of Class A common stock (or other consideration, as noted above) for \$140.00 and each Class B right not owned by an acquiring person (or by some related parties or transferees) following an event set forth in the preceding paragraph would entitle its holder to purchase \$280.00 worth of Class B common stock (or other consideration, as noted above) for \$140.00.

*Flip-over Events.* At any time following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire beneficial ownership of shares of our Class A common stock and/or Class B common stock representing, in the aggregate, 15 percent or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the

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holders of our Class A common stock and Class B common stock then outstanding, voting together as a class, each holder of a Class A right or a Class B right (except rights which previously have been voided as set forth above) will have the right to receive, upon exercise, common stock of an acquiring company having a value equal to two times the purchase price of the Class A right or the Class B right, as the case may be, if any of the following occur:

CXP enters into a merger in which CXP is not the surviving corporation;

CXP is the surviving corporation in a merger pursuant to which all or part of either one or both of the outstanding shares of our Class A common stock or Class B common stock are changed into or exchanged for stock or other securities of any other person or cash or any other property; or

more than 50% of the combined assets, cash flow or earning power of CXP and its subsidiaries is sold or transferred (in each case other than some consolidations with, mergers with and into, or sales of assets, cash flow or earning power by or to subsidiaries of CXP as specified in the stockholders' rights plan).

The events described in this paragraph are referred to as flip-over events. Flip-in events and flip-over events are referred to collectively as triggering events.

*Anti-dilution Adjustments; Fractional Shares.* The applicable purchase price payable, the number of shares of the applicable series of preferred stock or other securities or property issuable upon the exercise of the rights, and the number of applicable rights outstanding are subject to adjustment from time to time to prevent dilution:

in the event of a stock dividend on, or a subdivision, combination or reclassification of, the applicable series of preferred stock;

if the holders of the applicable series of preferred stock are granted some rights, options or warrants to subscribe for the applicable preferred stock or securities convertible into the applicable preferred stock at less than the current market price of the applicable preferred stock; or

upon the distribution to holders of the applicable series of preferred stock of evidences of indebtedness, cash (excluding regular quarterly cash dividends), assets (other than dividends payable in preferred stock) or subscription rights or warrants (other than those referred to in the bullet point immediately above).

The number of outstanding rights are also subject to adjustment in the event of a stock dividend on, or a subdivision, combination or recapitalization of the applicable class of common stock. With some exceptions, no adjustment in the purchase price relating to a right will be required until cumulative adjustments amount to at least one percent of the purchase price relating to the right.

No fractional shares of Series A preferred stock or Series B preferred stock are required to be issued (other than fractions which are integral multiples of one one-thousandth of a share of the applicable preferred stock) and, in lieu of the issuance of fractional shares, we may make an adjustment in cash based on the market price of the Series A preferred stock or the Series B preferred stock, as the case may be, on the trading date immediately prior to the date of exercise.

*Dividend, Liquidation and Redemption Rights of the Preferred Stock.* Each share of the applicable series of preferred stock will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment equal to the greater of \$0.001 per share and an aggregate amount of 1,000 times the dividend declared per share of our Class A common stock or Class B common stock, as the case may be (other than stock dividends payable in Class A common stock or Class B common stock). Upon liquidation, the holders of each series of preferred stock will be entitled to the greater of (1) a minimum preferential liquidation payment of \$1,000 per share (plus any accrued but unpaid dividends) and (2) an aggregate payment of 1,000 times the payment made per share of our Class A common stock or Class B common stock, as the case may be. Each share of the applicable series of preferred stock will have 1,000 times the number of votes each share of our Class A common stock or Class B common stock, as the case

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may be, has on matters the respective class is entitled to vote on, which will be voted together with the applicable class of our Class A common stock or Class B common stock. Upon any merger, consolidation or other transaction in which shares of our Class A common stock or Class B common stock are converted or exchanged, each share of the applicable series of preferred stock will be entitled to receive 1,000 times the amount received per share of our Class A common stock or Class B common stock, as the case may be. These rights are protected by customary antidilution provisions.

At any time, or from time to time, our board of directors may redeem the outstanding shares of Series A preferred stock or Series B preferred stock, in whole but not in part, at a cash price per share equal to 105 percent of (a) 1,000 (subject to adjustment) times the average market value of our Class A common stock or Class B common stock plus (b) all accrued and unpaid dividends of the Series A preferred stock or the Series B preferred stock, as the case may be, as of the redemption date.

Because of the nature of the dividend, liquidation and voting rights of each series of preferred stock, the value of the one one-thousandth interest in a share of Series A preferred stock purchasable upon exercise of each Class A right and the value of the one one-thousandth interest in a share of Series B preferred stock purchasable upon exercise of each Class B right, should approximate the value of one share of our Class A common stock and Class B common stock, respectively.

*Exchange of the Rights.* At any time after the occurrence of a flip-in event, and prior to the acquisition by a person or group of shares of our Class A common stock and/or our Class B common stock representing, in the aggregate, 50% or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of our Class A common stock and our Class B common stock then outstanding, voting together as a class, our board of directors may, without payment of the purchase price by the holder, exchange the Class A rights and the Class B rights, in whole or in part, as follows:

one Class A right (other than the Class A rights owned by the acquiring person or group, which will become void) for one share of Class A common stock or one-half of the shares or other units of other property for which a Class A right is exercisable immediately prior to the time of our decision to exchange the Class A rights (subject to adjustment); and

one Class B right (other than Class B rights owned by the acquiring person or group, which will become void) for one share of Class B common stock (or in some circumstances preferred stock) or one-half of the shares or other units of other property for which a Class B right is exercisable immediately prior to the time of our decision to exchange the Class B rights (subject to adjustment).

*Redemption of the Rights.* At any time until a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire beneficial ownership of Class A common stock and/or Class B common stock representing, in the aggregate, 15% or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of Class A common stock and Class B common stock then outstanding, voting together as a class, we may redeem all, but not less than all, of the rights at a price of \$0.001 per right (payable in cash, shares of Class A common stock, Class B common stock or other consideration deemed appropriate by our board of directors and subject to adjustment).

Immediately upon the effectiveness of action of our board of directors ordering redemption of the rights, the applicable rights will terminate and the only right of the holders of these rights will be to receive the redemption price.

*No Rights as Stockholder.* Until a right is exercised, the holder will have no rights as a stockholder of CXP, including, without limitation, the right to vote or to receive dividends.

*Amendment of the Rights Agreement.* Other than those provisions relating to the principal economic terms of the rights, any of the provisions of the stockholders' rights plan may be amended by our board of directors at any time during the period in which the rights are redeemable. At any time when the rights

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are no longer redeemable, the provisions of the stockholders' rights plan may be amended by our board only if the amendment does not adversely affect the interest of holders of rights (excluding the interest of any acquiring person) or cause the rights to become redeemable again.

*Periodic Review.* Our board of directors will appoint a committee that is comprised of at least three directors of CXP who are not officers, employees or affiliates of CXP, to review and evaluate the stockholders' rights plan beginning no later than the second anniversary of the consummation of the reclassification and at least every three years thereafter or sooner if any person shall become an acquiring person in order to consider whether the maintenance of the stockholders' rights plan continues to be in the best interests of CXP and its stockholders. Following each review, the committee will communicate its conclusions to our full board of directors including any recommendation as to whether the rights agreement should be modified or the rights should be redeemed.

### ***Objectives and Potential Advantages***

Stockholders' rights agreements are widely accepted as a means of discouraging certain coercive takeover tactics. Our board of directors believes that the proposed rights agreement is similar to those adopted by many other corporations. The overriding objective of our board of directors in adopting our rights agreement was to enhance the ability of our board of directors to ensure that our stockholders receive full, fair value for their shares of common stock in a hostile takeover attempt.

The rights agreement is not intended to prevent a takeover on terms that are in the best interests of all our stockholders, and it is not intended to deter a proxy contest initiated by any of our stockholders. The rights agreement is designed to provide our board of directors with the ability to take what the board of directors believes are the most effective steps to protect and maximize the value of stockholders' investments in CXP. It is designed to encourage potential acquirors to negotiate directly with our board of directors, which we believe is in the best position to negotiate on behalf of all stockholders, evaluate the adequacy of any potential offer and protect stockholders against potential abuses during the takeover process. Our board of directors believes that the adoption of a stockholders' rights agreement is particularly important to CXP after CXP's reclassification and after the distribution by Centex because CXP has potential liability to Centex under the tax indemnification provisions of the distribution agreement in the event that certain business combinations or other transactions are consummated within two years after the distribution.

In the view of our board of directors, the experiences of other companies indicate that rights agreements do not necessarily prevent unsolicited offers from occurring or prevent companies from being acquired in transactions that are fair to all stockholders. In recent years, a number of public companies with rights agreements similar to our proposed rights agreement have received unsolicited offers, many of which were successfully completed after the directors of those companies were satisfied that the transaction, as negotiated, was fair to and in the best interests of all stockholders.

The proposed rights agreement was not designed or intended to entrench management. Our board of directors unanimously adopted the proposed rights agreement. Our board of directors did not adopt the proposed rights agreement as a result of any specific effort to obtain control of CXP.

In adopting the stockholders' rights plan and submitting it for stockholder approval, our board of directors has given careful and thoughtful consideration to the interests of the stockholders of CXP and the effects of the stockholders' rights plan on them. In the course of that review, our board of directors concluded that numerous means existed by which a bidder could obtain control of CXP through tactics that may unfairly pressure our stockholders to sell their investments at less than full value and that the stockholders' rights plan was a prudent measure to counteract those means.

### ***Potential Disadvantages***

The stockholders' rights plan will substantially dilute both the voting and economic interests of any person who attempts to acquire control of CXP without satisfying our board of directors as to the fairness

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of their offer in relation to the interests of the other stockholders of CXP. As a result, the stockholders' rights plan may discourage some tender offers and other attempts to acquire CXP or change control of CXP, even though stockholders might feel the acquisition would be beneficial to them or CXP. In addition, the stockholders' rights plan may discourage tender offers, open market purchases in anticipation of tender offers, and other investment and speculative market activity that may have the effect of increasing the market price of or price volatility in CXP's stock. As a result, our stockholders could in some circumstances be deprived of opportunities to sell their shares at higher prices.

### ***Current Anti-Takeover Provisions Available to CXP***

During the time that we have been a majority-owned subsidiary of Centex, our board of directors believed that it was not necessary to adopt anti-takeover provisions that are typically found in public companies that do not have a majority stockholder. Because we will not be a majority-owned subsidiary of Centex after the reclassification and the distribution, our board of directors believes that it is advisable to adopt anti-takeover provisions that are typically found in non-majority owned public companies. The following factors, and the potential for each to have an anti-takeover effect, should be reviewed in evaluating the proposal to approve the stockholders' rights plan.

*Change of Control Provisions.* Our stock compensation plans contain provisions to the effect that, if there occurs a change of control of CXP, all options granted pursuant to such plans will vest and become exercisable and all restrictions will lapse on shares of restricted stock granted under such plans.

*CXP's Certificate of Incorporation and Bylaws.* Although our certificate of incorporation and bylaws do not currently provide for common anti-takeover protections, we are asking our stockholders to approve a number of governance proposals that will, if approved, make it more difficult for a third party to acquire control of CXP. See The Governance Proposals, the Authorized Capital Increase Proposal and the Name Change Proposal.

*Blank-Check Preferred Stock.* Our authorized capital stock currently includes 2,000,000 shares of preferred stock, par value \$0.01 per share. No preferred stock was outstanding as of the date of this proxy statement. Our board of directors has the authority to authorize the issuance of our preferred stock in one or more series and to fix the rights (including the voting rights, if any), preferences, privileges and restrictions granted to or imposed upon any series, without any further vote or action by our stockholders.

We believe that our preferred stock provides us with increased flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. Having authorized preferred shares available for issuance will allow CXP to issue shares of preferred stock without further action by our stockholders, unless stockholder action is required by applicable laws or the rules of any stock exchange or market on which CXP's securities may be listed. Our board of directors will make any determination to issue preferred shares based on its judgment as to the best interests of CXP and our stockholders at the time of issuance. Our board of directors, in so acting, could issue preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of their stock.

*State Anti-Takeover Statute.* For a discussion of the state anti-takeover statute that we are subject to, see Purpose and Effects of the Governance Proposals State Anti-Takeover Statutes.

## **Recommendation of the CXP Board**

Our board of directors has unanimously approved the stockholders' rights plan proposal and has determined that the stockholders' rights plan proposal is advisable and in the best interests of CXP and our stockholders. **Our board of directors recommends that you vote For the approval of the stockholders' rights plan proposal.**



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### **Incentive Plan Proposal**

Our board of directors, upon the recommendation of the compensation committee, has approved the Centex Construction Products, Inc. Incentive Plan, which we refer to in this section as the Plan, and its submission to our stockholders for their approval. The Plan is a combined amendment and restatement of our existing stock option plans, which are the Centex Construction Products, Inc. Amended and Restated Stock Option Plan and the Centex Construction Products, Inc. 2000 Stock Option Plan. The number of shares available for issuance under the Plan has not increased from, and is the same as, the total number of share available for issuance under our two existing stock option plans. We have elected to propose this new equity incentive compensation plan at this time in order to:

present stockholders with the opportunity to assess and approve equity incentive compensation provided by CXP;

ensure that our equity compensation agreements meet the requirements of Section 162(m) of the Internal Revenue Code necessary to maintain the deductibility of certain performance-based compensation, including the applicable stockholder approval requirements;

ensure that our equity compensation arrangements are governed by a uniform set of terms and provisions; and

facilitate the development of a more flexible equity incentive compensation strategy for CXP and certain of its subsidiaries.

The purposes of the Plan are to align the interests of our employees and directors to the interests of our stockholders while rewarding outstanding contributions to the success and profitability of CXP. The Plan will also strengthen our ability to attract and retain talented employees and directors.

The Plan is intended to provide us the means by which to pay long-term equity incentive and short-term cash compensation to its employees and directors. We expect that the types of awards that will be used for officers under the Plan will be primarily stock options and restricted stock.

#### ***Description of the Incentive Plan***

The following is a summary of the terms of the Plan and is qualified in its entirety by reference to the complete text of the Plan, which is attached to this proxy statement as Appendix F.

*Eligibility.* Persons eligible to be considered for awards under the Plan are our directors and all employees of CXP and certain of our subsidiaries and joint ventures who hold positions of responsibility and whose performance, in the judgment of the compensation committee, can have a significant effect on ourselves and the success of our affiliates.

*Shares Available for Awards.* Up to 1,685,954 shares of Class A common stock (which includes shares of Class A common stock subject to awards outstanding under the existing plans), less those shares issued after the date of board approval and before shareholder approval of the Plan pursuant to outstanding grants, may be issued under the Plan. All of the shares available for issuance under the Plan may be issued pursuant to stock options or stock awards (including awards subject to the achievement of specified performance-based goals.)

Shares subject to awards that are forfeited, terminated, expire unexercised, settled in cash, exchanged for other awards, tendered to satisfy the purchase price of an award, withheld to satisfy tax obligations or otherwise lapse again become available for awards. Shares delivered in settlement, assumption, or substitution of awards granted by another entity as a result of an acquisition do not reduce the number of shares available under the Plan.

Our board of directors may make appropriate adjustments in the number of shares available under the Plan to reflect any stock split, stock dividend, recapitalization, reorganization, consolidation, merger, combination or exchange of shares, distribution to shareholders (including cash dividends that the

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compensation committee determines are not in the ordinary course of business but excluding normal cash dividends or dividends payable in shares of our capital stock) or other similar event.

*Administration.* The compensation committee has been designated by our board to administer all awards under the Plan. The compensation committee has the discretion to determine the employees and directors who will be granted awards, the sizes and types of such awards, and the terms and conditions of such awards, subject to certain limitations set forth in the Plan. In addition, the compensation committee has full and final authority to interpret the Plan and may, from time to time, adopt rules and regulations in order to carry out the terms of the Plan.

The compensation committee may delegate to our chief executive officer and other executive officers its administrative duties under the Plan (excluding its granting authority).

Subject to certain restrictions contained in the Plan, the compensation committee has the discretion to extend the exercisability of an award, accelerate the vesting or exercisability of an award, or otherwise amend the award in a manner that is not adverse to, or is consented to, by the recipient of the award.

*Employee Awards.* At the discretion of the compensation committee, employees may be granted awards under the Plan in the form of stock options, stock appreciation rights, stock awards, cash awards or performance awards. Such awards may be granted singly, in combination, or in tandem.

Stock Options. The Plan provides for the granting of incentive stock options, which are intended to comply with Section 422 of the Internal Revenue Code, and non-qualified stock options to employees.

A stock option is a right to purchase a specified number of shares of Class A common stock at a specified grant price. All stock options granted under the Plan must have an exercise price per share that is not less than the fair market value (as defined in the Plan) of the Class A common stock on the date of grant and a term of no more than ten years. The grant price, number of shares, terms and conditions of exercise, whether a stock option will qualify as an incentive stock option under the Internal Revenue Code, and other terms of a stock option grant will be fixed by the compensation committee as of the grant date. However, stock options may not include provisions that reload the option upon exercise, and stock options may not be repriced, including by means of a substitute award.

The exercise price of any stock option must be paid in full at the time the stock is delivered to the optionee. The price must be paid in cash or, if permitted by the compensation committee and elected by the participant, by means of tendering (either by actual delivery or by attestation) previously owned shares of Class A common stock or shares issued pursuant to an award under the Plan.

Stock Appreciation Rights. The Plan also provides for the granting of stock appreciation rights or SARs to employees. A SAR is a right to receive a payment, in cash or Class A common stock or a combination of cash and Class A common stock, equal to the excess of the fair market value of a specified number of shares of Class A common stock over a specified grant price. A SAR may be granted to the holder of a stock option with respect to all or a portion of the shares of common stock subject to such stock option (a tandem SAR) or may be granted separately. The holder of a tandem SAR may elect to exercise either the stock option or the SAR, but not both.

Stock Awards. The Plan also provides for the granting of stock awards, restricted stock and stock units to employees that consist of grants of Class A common stock or units denominated in Class A common stock. The terms, conditions and limitations applicable to any stock award will be decided by the compensation committee. However, any stock award granted to an employee that is not a performance award must have a minimum restriction period of three years from the date of grant, except that (1) stock awards granted in lieu of salary or bonus need not be subject to such three-year requirement, (2) in the event of a change in control all stock awards become immediately vested and fully exercisable and (3) the compensation committee may provide for earlier vesting upon a termination due to death, disability, or retirement. At the discretion of the compensation committee, the terms of a stock award may include rights to receive dividends or dividend equivalents.

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Cash Awards. The Plan also provides for the granting of cash awards to employees. The terms, conditions and limitations applicable to any cash awards granted pursuant to the Plan will be determined by the compensation committee.

Performance Awards. At the discretion of the compensation committee, any of the above-described employee awards may be made in the form of a performance award. A performance award is an award that is subject to the attainment of one or more future performance goals.

The terms, conditions and limitations applicable to any performance award will be decided by the compensation committee. However, any performance award granted to an employee must have a minimum restriction period of one year from the date of grant, except that the compensation committee may provide for earlier vesting upon a termination due to death, disability, or retirement.

At the discretion of the compensation committee, certain awards under the Plan will be intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Section 162(m) generally disallows deductions for compensation in excess of \$1,000,000 for some executive officers unless the compensation qualifies as performance-based compensationfont-family:Times New Roman" SIZE="2"> 16 15 7

**Gross deposits (on and off balance) by line of business**

Life and Savings

367 560 (34) 442 (17) 927 824 13

Pensions

80

**Total gross deposits**

367 560 (34) 442 (17) 927 904 3

**Net deposits (on and off balance) by line of business**

Life and Savings

(66) (185) 64 (113) 42 (251) (255) 2

Pensions

27

**Total net deposits**

(66) (185) 64 (113) 42 (251) (228) (10)



UNITED KINGDOM

**Underlying earnings before tax increase to GBP 20 million as a result of stronger pension earnings**

**Net income amounts to GBP 38 million**

**New life sales of GBP 170 million, in line with expectations**

**Underlying earnings before tax**

Underlying earnings before tax from AEGON's operations in the UK increased to GBP 20 million in the second quarter, driven by a strong improvement in earnings from Pensions compared to the second quarter last year. Earnings included recurring charges for Corporate Center expenses of GBP 2 million.

Earnings from Life declined slightly to GBP 15 million, partly driven by recurring charges for Corporate Center expenses.

Earnings from Pensions improved to GBP 5 million, mainly driven by the non-recurrence of exceptional charges recorded in the previous year, and successful implementation of the cost reduction program in AEGON's business in the UK. These positive impacts were partly offset by lower fee income as result of adverse movements in equity markets and adverse persistency.

Earnings from Distribution amounted to nil.

**Net income**

Net income increased strongly to GBP 38 million from a loss of GBP 15 million in the comparable quarter, driven by higher underlying earnings, higher realized gains on investments of GBP 28 million and a strong improvement in impairments. There were no impairments during the quarter. Results on fair value items amounted to a loss of GBP 1 million.

**Return on capital**

The return on average capital, excluding revaluation reserves, invested in AEGON's businesses in the UK increased to 2.8%, primarily as a result of higher net underlying earnings from Pensions. Return on capital of AEGON's businesses excludes the benefit of leverage at the holding.

**Operating expenses**

Operating expenses for the second quarter of 2012 amounted to GBP 69 million, a 37% reduction following the successful implementation of the cost reduction program in the UK. Operating expenses in the second quarter benefited from favorable timing differences, which are expected to reverse in the remainder of the year. For the full year, AEGON expects to achieve target operating expenses.

**Sales and deposits**

New life sales were down 11% to GBP 170 million compared to the second quarter of 2011, reflecting an expected reduction in pension sales. Platform sales increased as new advisors joined the AEGON Retirement Choices platform.



**Market consistent value of new business**

The market consistent value of new business in the UK remained level at GBP 18 million as the benefit from lower acquisition expenses was offset by lower sales volumes and lower margins on protection business.

**Revenue-generating investments**

Revenue-generating investments decreased 2% to GBP 52 billion, compared with the first quarter-end of 2012, primarily the result of lower equity markets.

**REVENUE-GENERATING INVESTMENTS**

	June 30, 2012	Mar. 31, 2012	%
<b>Revenue-generating investments (total)</b>	<b>51,631</b>	<b>52,761</b>	<b>(2)</b>
Investments general account	8,460	8,298	2
Investments for account of policyholders	43,171	44,463	(3)

## UNITED KINGDOM

<i>GBP millions</i>	Notes	Q2 2012	Q1 2012	%	Q2 2011	%	YTD 2012	YTD 2011	%
<b>Underlying earnings before tax by line of business</b>									
Life		15	15		17	(12)	30	38	(21)
Pensions		5	11	(55)	(7)		16	(16)	
Distribution			(1)		(1)		(1)	(3)	67
<b>Underlying earnings before tax</b>		<b>20</b>	<b>25</b>	<b>(20)</b>	<b>9</b>	<b>122</b>	<b>45</b>	<b>19</b>	<b>137</b>
Fair value items		(1)	(2)	50			(3)	(1)	(200)
Realized gains / (losses) on investments		28			10	180	28	35	(20)
Impairment charges					(35)			(35)	
Other income / (charges)	7	10	5	100	1		15	(4)	
<b>Income before tax</b>		<b>57</b>	<b>28</b>	<b>104</b>	<b>(15)</b>		<b>85</b>	<b>14</b>	
Income tax attributable to policyholder return		(11)	(5)	(120)	(15)	27	(16)	(16)	
<b>Income before income tax on shareholders return</b>		<b>46</b>	<b>23</b>	<b>100</b>	<b>(30)</b>		<b>69</b>	<b>(2)</b>	
Income tax on shareholders return		(8)	16		15		8	33	(76)
<b>Net income</b>		<b>38</b>	<b>39</b>	<b>(3)</b>	<b>(15)</b>		<b>77</b>	<b>31</b>	<b>148</b>
<b>Net income / (loss) attributable to:</b>									
Equity holders of AEGON N.V.		38	39	(3)	(15)		77	31	148
<b>Net underlying earnings</b>		<b>18</b>	<b>40</b>	<b>(55)</b>	<b>14</b>	<b>29</b>	<b>58</b>	<b>47</b>	<b>23</b>
Commissions and expenses		146	142	3	193	(24)	288	365	(21)
of which operating expenses		69	62	11	109	(37)	131	207	(37)
<b>New life sales</b>	8								
Life single premiums		592	600	(1)	711	(17)	1,192	1,552	(23)
Life recurring premiums annualized		111	118	(6)	120	(8)	229	247	(7)
<b>Total recurring plus 1/10 single</b>		<b>170</b>	<b>178</b>	<b>(4)</b>	<b>191</b>	<b>(11)</b>	<b>348</b>	<b>402</b>	<b>(13)</b>
Life		17	17		15	13	34	31	10
Pensions		153	161	(5)	176	(13)	314	371	(15)
<b>Total recurring plus 1/10 single</b>		<b>170</b>	<b>178</b>	<b>(4)</b>	<b>191</b>	<b>(11)</b>	<b>348</b>	<b>402</b>	<b>(13)</b>
<b>Gross deposits (on and off balance) by line of business</b>									
Variable annuities		7	7		14	(50)	14	31	(55)
<b>Total gross deposits</b>		<b>7</b>	<b>7</b>		<b>14</b>	<b>(50)</b>	<b>14</b>	<b>31</b>	<b>(55)</b>

**Net deposits (on and off balance) by line of business**

Variable annuities	(1)	(1)	12	(2)	14
<b>Total net deposits</b>	<b>(1)</b>	<b>(1)</b>	<b>12</b>	<b>(2)</b>	<b>14</b>

## NEW MARKETS

**Underlying earnings before tax decrease 9% to EUR 64 million as results from partnership with CAM are no longer included**

**Net income amounts to EUR 37 million**

**New life sales decline to EUR 68 million as lower sales in Spain are partly being offset by growth in Asia**

### **Underlying earnings before tax**

In New Markets, AEGON underlying earnings before tax decreased 9% to EUR 64 million. Higher earnings from AEGON Asset Management and Asia were more than offset by lower earnings in Central & Eastern Europe, Spain and Variable Annuities Europe. Recurring charges for Corporate Center expenses amounted to EUR 2 million.

Earnings from **Central & Eastern Europe** declined to EUR 21 million, primarily as a result of the pension legislation changes in Poland in 2011, which was only partly offset by favorable claim experience in the non-life business. In addition, adverse currency movements negatively impacted earnings.

Results from AEGON's operations in **Asia** increased to EUR 5 million mainly as a result of higher investment income and favorable claim experience.

Earnings from **Spain & France** decreased 15% to EUR 17 million as results from AEGON's partnership with CAM are no longer included in the results. The comparable quarter of 2011 included underlying earnings of EUR 9 million from CAM. Excluding results from CAM, earnings in Spain improved as result of business growth and the inclusion of earnings from Caixa Sabadell Vida. Earnings contributions from partner La Mondiale in France remained level with the same quarter last year and amounted to EUR 5 million.

Results from **Variable Annuities Europe** declined to EUR (2) million which was driven by an exceptional charge of EUR 2 million for customer refunding.

Earnings from **AEGON Asset Management** increased significantly to EUR 23 million, the result of performance fees and increased fee income, resulting from higher asset balances.

### **Net income**

Net income from AEGON's operations in New Markets declined to EUR 37 million as lower underlying earnings and negative results from fair value items were only partly offset by higher gains on investments and lower impairment charges. As of the second quarter, fair value items contains a currency hedge related to part of the in Swiss franc denominated mortgage portfolio in Hungary.

### **Return on capital**

The return on average capital, excluding revaluation reserves, invested in AEGON's businesses in New Markets declined to 6.6%, mainly the result of lower net underlying earnings. Return on capital of AEGON's businesses excludes the benefit of leverage at the holding.

**Operating expenses**

Operating expenses increased 12% to EUR 154 million in the second quarter, as a result of higher costs in Asia driven by investments in new distribution capabilities, the inclusion of the company's Canadian investment management activities within AEGON Asset Management and recurring charges for Corporate Center expenses of EUR 2 million.

**Sales and deposits**

New life sales declined 7% to EUR 68 million.

In Central & Eastern Europe, new life sales remained level and amounted to EUR 29 million as lower production in Hungary due to difficult market circumstances was offset by increased production primarily in Poland and Turkey. At constant currencies, new life sales increased 3%.

In Asia, new life sales increased to EUR 15 million, driven by higher production in China due to strong performance of new distribution partners in the brokerage channel and increased sales of universal life products in Hong Kong and Singapore, despite repricing in the first quarter of 2012.

New life sales in Spain & France declined to EUR 24 million as the inclusion of Caixa Sabadell Vida was offset by lower production at other joint venture partners in Spain and the exclusion of new life sales from CAM. New premium production from AEGON's general insurance operations in Central & Eastern Europe declined and amounted to EUR 6 million. New premium production from AEGON's accident & health insurance in CEE and Asia remained level at EUR 7 million.

Gross deposits in New Markets amounted to EUR 2.7 billion and increased strongly compared to the second quarter of 2011. Gross deposits in AEGON Asset Management increased substantially to EUR 2.5 billion as a result of strong institutional sales in the US and the Netherlands. In CEE gross deposits declined following pension legislation changes in Poland.

#### Market consistent value of new business

The market consistent value of new business in New Markets decreased to EUR 19 million as a result of lower pension production and lower margins in CEE and Spain. Additionally, results from the partnership with CAM are no longer included in the results. These factors were only partly offset by expense savings in CEE and the inclusion of new joint venture partners in Spain.

#### Revenue-generating investments

Revenue-generating investments increased 5% compared with the first quarter of 2012 to EUR 66 billion, mainly driven by net deposits in AEGON Asset Management.

#### REVENUE-GENERATING INVESTMENTS

	June 30, 2012	Mar. 31, 2012	%
<b>Revenue-generating investments (total)</b>	<b>66,236</b>	<b>63,288</b>	<b>5</b>
Investments general account	5,069	4,957	2
Investments for account of policyholders	6,835	6,663	3
Off balance sheet investments third parties	54,332	51,668	5

NEW MARKETS <sup>e)</sup>

<i>EUR millions</i>	Notes	Q2 2012	Q1 2012	%	Q2 2011	%	YTD 2012	YTD 2011	%
<b>Underlying earnings before tax</b>									
Central Eastern Europe		21	23	(9)	29	(28)	44	55	(20)
Asia		5	9	(44)	3	67	14	3	
Spain & France		17	25	(32)	20	(15)	42	43	(2)
Variable Annuities Europe		(2)	2					5	
AEGON Asset Management		23	29	(21)	18	28	52	32	63
<b>Underlying earnings before tax</b>		<b>64</b>	<b>88</b>	<b>(27)</b>	<b>70</b>	<b>(9)</b>	<b>152</b>	<b>138</b>	<b>10</b>
Fair value items		(12)	7		(3)		(5)	(3)	(67)
Realized gains / (losses) on investments		3	2	50	1	200	5	4	25
Impairment charges			(4)		(4)		(4)	(6)	33
Other income / (charges)			(18)		(3)		(18)	8	
<b>Income before tax</b>		<b>55</b>	<b>75</b>	<b>(27)</b>	<b>61</b>	<b>(10)</b>	<b>130</b>	<b>141</b>	<b>(8)</b>
Income tax		(18)	(27)	33	(15)	(20)	(45)	(46)	2
<b>Net income</b>		<b>37</b>	<b>48</b>	<b>(23)</b>	<b>46</b>	<b>(20)</b>	<b>85</b>	<b>95</b>	<b>(11)</b>
<b>Net income / (loss) attributable to:</b>									
Equity holders of AEGON N.V.		37	48	(23)	45	(18)	85	94	(10)
Non-controlling interests					1			1	
<b>Net underlying earnings</b>		<b>44</b>	<b>59</b>	<b>(25)</b>	<b>53</b>	<b>(17)</b>	<b>103</b>	<b>97</b>	<b>6</b>
Commissions and expenses		219	208	5	196	12	427	399	7
of which operating expenses		154	143	8	138	12	297	287	3
<b>New life sales</b> <sup>12</sup>									
Life single premiums		142	146	(3)	131	8	288	340	(15)
Life recurring premiums annualized		53	66	(20)	60	(12)	119	123	(3)
<b>Total recurring plus 1/10 single</b>		<b>68</b>	<b>80</b>	<b>(15)</b>	<b>73</b>	<b>(7)</b>	<b>148</b>	<b>157</b>	<b>(6)</b>
Life		66	75	(12)	67	(1)	141	137	3
Associates		2	5	(60)	6	(67)	7	20	(65)
<b>Total recurring plus 1/10 single</b>		<b>68</b>	<b>80</b>	<b>(15)</b>	<b>73</b>	<b>(7)</b>	<b>148</b>	<b>157</b>	<b>(6)</b>
Central Eastern Europe		29	27	7	30	(3)	56	57	(2)
Asia		15	15		10	50	30	29	3
Spain & France		24	38	(37)	33	(27)	62	71	(13)
<b>Total recurring plus 1/10 single</b>		<b>68</b>	<b>80</b>	<b>(15)</b>	<b>73</b>	<b>(7)</b>	<b>148</b>	<b>157</b>	<b>(6)</b>
New premium production accident and health insurance		7	10	(30)	8	(13)	17	18	(6)
New premium production general insurance		6	5	20	7	(14)	11	12	(8)

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<b>Gross deposits (on and off balance)</b>	12							
Central Eastern Europe	66	116	(43)	167	(60)	182	349	(48)
Asia	37	34	9	7		71	18	
Spain & France	11	10	10	11		21	19	11
Variable Annuities Europe	109	120	(9)	159	(31)	229	290	(21)
AEGON Asset Management	2,514	2,803	(10)	898	180	5,317	1,833	190
<b>Total gross deposits</b>	<b>2,737</b>	<b>3,083</b>	<b>(11)</b>	<b>1,242</b>	<b>120</b>	<b>5,820</b>	<b>2,509</b>	<b>132</b>
<b>Net deposits (on and off balance)</b>	12							
Central Eastern Europe	(18)	42		(1,972)	99	24	(1,864)	
Asia	36	31	16	4		67	15	
Spain & France	(11)	(26)	58	(43)	74	(37)	(54)	31
Variable Annuities Europe	7	28	(75)	63	(89)	35	89	(61)
AEGON Asset Management	605	1,289	(53)	(539)		1,894	(2,392)	
<b>Total net deposits</b>	<b>619</b>	<b>1,364</b>	<b>(55)</b>	<b>(2,487)</b>		<b>1,983</b>	<b>(4,206)</b>	



**MARKET CONSISTENT VALUE OF NEW BUSINESS**

<i>EUR millions, after tax</i>	<b>MCVNB</b>					<b>MCVNB</b>		
	Q2 2012	Q1 2012	%	Q2 2011	%	YTD 2012	YTD 2011	%
Americas	46	47	(2)	67	(31)	93	134	(31)
The Netherlands	30	27	11	17	76	57	18	
United Kingdom	22	27	(19)	21	5	49	39	26
New Markets	19	24	(21)	33	(42)	43	68	(37)
<b>Total</b>	<b>117</b>	<b>125</b>	<b>(6)</b>	<b>138</b>	<b>(15)</b>	<b>242</b>	<b>259</b>	<b>(7)</b>

**MODELED NEW BUSINESS, APE AND DEPOSITS**

<i>EUR millions</i>	Notes	<b>Premium business APE</b>				<b>Premium business APE</b>			
		Q2 2012	Q1 2012	%	Q2 2011	%	YTD 2012	YTD 2011	%
	9								
Americas		281	279	1	254	11	561	472	19
The Netherlands		73	70	4	45	62	143	120	19
United Kingdom		205	216	(5)	226	(9)	420	463	(9)
New Markets		157	129	22	143	10	285	264	8
<b>Total</b>		<b>716</b>	<b>694</b>	<b>3</b>	<b>668</b>	<b>7</b>	<b>1,409</b>	<b>1,319</b>	<b>7</b>

<i>EUR millions</i>	Notes	<b>Deposit business Deposits</b>				<b>Deposit business Deposits</b>			
		Q2 2012	Q1 2012	%	Q2 2011	%	YTD 2012	YTD 2011	%
	9								
Americas		5,209	4,935	6	3,733	40	10,145	8,074	26
United Kingdom		10	8	25	17	(41)	17	36	(53)
New Markets		123	180	(32)	(52)		303	162	87
<b>Total</b>		<b>5,342</b>	<b>5,123</b>	<b>4</b>	<b>3,698</b>	<b>44</b>	<b>10,465</b>	<b>8,272</b>	<b>27</b>

**MCVNB/PVNBP SUMMARY**

<i>EUR millions</i>	Notes	<b>Premium business</b>				<b>Premium business</b>			
		MCVNB/ PVNBP	MCVNB/ PVNBP	MCVNB/ APE	MCVNB/ PVNBP	MCVNB/ PVNBP	MCVNB/ APE	MCVNB/ PVNBP	MCVNB/ APE
	10								
Americas		23	1,240	1.8	8.0	54	2,452	2.2	9.7
The Netherlands		30	885	3.4	41.1	57	1,701	3.4	39.8
United Kingdom		22	1,336	1.7	10.8	49	2,744	1.8	11.6
New Markets		19	910	2.0	11.8	43	1,872	2.3	15.0

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**Total** **94** **4,371** **2.2** **13.2** **203** **8,769** **2.3** **14.4**

<i>EUR millions</i>	Notes	Deposit business				Deposit business			
		MCVNB Q2 2012	PVNBP	MCVNB/ PVNBP %	MCVNB/ Deposits %	MCVNB YTD 2012	PVNBP	MCVNB/ PVNBP %	MCVNB/ Deposits %
	10								
Americas		23	7,485	0.3	0.4	38	14,910	0.3	0.4
United Kingdom			10	0.3	0.3		17	0.4	0.4
New Markets			172	(0.1)	(0.1)	1	452	0.1	0.2
<b>Total</b>		<b>23</b>	<b>7,667</b>	<b>0.3</b>	<b>0.4</b>	<b>39</b>	<b>15,379</b>	<b>0.3</b>	<b>0.4</b>

OPERATIONAL HIGHLIGHTS FIRST SIX MONTHS 2012

**Underlying earnings before tax**

AEGON's underlying earnings before tax amounted to EUR 868 million for the first six months of 2012. The increase compared with the same period last year was mainly the result of a strong delivery on cost reduction programs and favorable currency exchange rates.

Underlying earnings from the Americas amounted to EUR 631 million. The decrease compared to the first half of 2011 is primarily due to unfavorable mortality results and lower fixed annuity earnings, as the product is de-emphasized. In addition, earnings were impacted by recurring charges for Corporate Center expenses (EUR 14 million) and an increase in employee benefit expenses (EUR 21 million).

In the Netherlands, underlying earnings declined slightly to EUR 150 million. A higher contribution from pensions and AEGON's growing Dutch mortgage portfolio was offset by adverse claim experience on disability products in the non-life business.

In the United Kingdom, underlying earnings increased to EUR 54 million. The strong improvement in earnings was driven by the successful implementation of the cost reduction program in AEGON's businesses in the United Kingdom and the non-recurrence of exceptional charges recorded in the previous year.

Underlying earnings from New Markets increased to EUR 152 million driven mainly by growth in Asia and AEGON Asset Management.

Total holding costs decreased 21% to EUR 119 million as part of AEGON's Corporate Center expenses are now charged to operating units. This change reflects the various services and support provided by the Corporate Center to operating units. The charges to operating units amounted to EUR 32 million in the first six months of 2012.

**Net income**

Net income increased to EUR 775 million. Higher underlying earnings, improved results from fair value items and lower impairments were partly offset by lower realized gains on investments and higher other charges.

**Fair value items**

In the first six months of 2012, results from fair value items amounted to EUR 257 million. The main driver behind the improvement was better results related to the guarantee portfolio in the Netherlands.

**Realized gains on investments**

Realized gains on investments amounted to EUR 130 million for the first half of the year and were the result of normal trading in the portfolio. The first half of 2011 had included gains related to a strategic shift from equities to bonds in the Netherlands.

**Impairment charges**

Impairment charges improved considerably to EUR 83 million and were mostly linked to residential mortgage-backed securities in the United States.

**Other charges**

Other charges amounted to EUR 271 million and are mostly related to the acceleration of product improvements for unit-linked insurance policies in the Netherlands and the associated one-time charge of EUR 265 million.

**Run-off businesses**

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The results of the run-off businesses amounted to EUR 4 million. The decline compared to the first half of 2011 is mainly related to the amortization of the prepaid cost of reinsurance asset related to the divestment of the life reinsurance activities.

### **Income tax**

Tax charges for the first six months of 2012 amounted to EUR 130 million. These charges included EUR 51 million in tax benefits related to cross-border inter-company reinsurance transactions and one-time tax credits the Netherlands and the United Kingdom of in total EUR 46 million.

### **Operating expenses**

Operating expenses improved considerably and were 5% lower at EUR 1,595 million. Significant cost reductions and lower restructuring charges were the main drivers behind the improvement.

## Sales

AEGON's total sales increased 26% to EUR 3.4 billion. New life sales declined as a result of lower production in the Netherlands, the United Kingdom and New Markets, partly offset by growth in the Americas. Substantial growth of gross deposits was mainly driven by higher pension deposits in the Americas and strong asset management inflows. New premium production for accident and health insurance also increased, mainly driven by strong travel and supplemental health insurance sales in the United States.

## Market consistent value of new business

Compared with the first six months of 2011, the value of new business declined 7% to EUR 242 million. A higher contribution from mortgage loans in the Netherlands and higher profitability in the annuity business in the United Kingdom was offset by the impact of lower interest rates on the value of new business in the Americas and New Markets.

## Revenue-generating investments

Revenue-generating investments increased compared with the end of 2011 to EUR 452 billion. The increase was the result primarily of a strengthening of the US dollar against the euro, net inflows and the effect of higher equity markets on unit-linked and off balance sheet assets partly offset by outflows from run-off businesses and fixed annuities.

## Capital management

At June 30, 2012, AEGON's core capital position, excluding revaluation reserves, amounted to EUR 18.5 billion, equivalent to 74.6% of the company's total capital base. AEGON is on track to reach a capital base ratio of at least 75% by the end of 2012.

Shareholders' equity increased to EUR 23 billion. The increase was a result of net income for the half of the year, an increase in the revaluation reserves and strengthening of the US dollar against the euro.

The revaluation reserves at June 30, 2012 increased to EUR 4.5 billion, mainly a reflection of lower interest rates. The foreign currency translation reserves increased, primarily the result of a strengthening of the US dollar against the euro.

Shareholders' equity per common share, excluding preference capital, amounted to EUR 10.91 at June 30, 2012.

Excess capital in the holding serves as a buffer. During the first half of the year, excess capital in the holding increased to EUR 1.6 billion, mainly the result of dividends received from operating units partly offset by operational expenses and dividends on preferred and common shares. During 2012, AEGON aims to maintain a buffer at the holding of at least EUR 750 million.

At June 30, 2012, AEGON's Insurance Group Directive (IGD) ratio amounted to 216%, a strong increase from the level of year-end 2011. Measured on a local solvency basis, the Risk Based Capital (RBC) ratio in the United States increased to ~460%, while the Pillar I ratio in the United Kingdom declined to ~135% at June 30, 2012. The IGD ratio in the Netherlands increased substantially during the first six months of 2012 to ~265% as a result of a change in the yield curve to discount liabilities as prescribed by the Dutch Central Bank. This measure has added ~35 percentage points to the IGD ratio of the Dutch entity, equivalent to ~8 percentage points to the group IGD ratio.

## Cash flows

AEGON's subsidiaries generated EUR 1,566 million in operational free cash flows during the first half of the year, including a positive market impact of EUR 1,022 million. Excluding market impact and one-time items, operational free cash flows amounted to EUR 701 million. Operational free cash flows represent distributable earnings generation of the business units. The impact of capital preservation initiatives is not included in the reported operational free cash flows. AEGON is on track to improve operational free cash flow from its 2010 normalized level of EUR 1.0-1.2 billion per annum by 30% by 2015.

In May, AEGON completed the sale of EUR 667 million of SAECURE 11 notes. The transaction included a USD 600 million tranche of USD denominated residential mortgage-backed securities (RMBS) placed with US investors. With this transaction, AEGON is further diversifying its RMBS investor base outside Europe.



AEGON believes the successful placement is recognition by US investors that Dutch RMBS notes are regarded as high-quality and that AEGON's SAECURE program is acknowledged as a top-tier program in the Dutch RMBS market. The net proceeds will be used to refinance part of the existing Dutch mortgage loan portfolio of AEGON.

In July, AEGON issued EUR 500 million in senior unsecured notes. The notes were issued under AEGON's USD 6 billion debt issuance program at a price of 99.712%, and carry a coupon of 3.00%. Net proceeds from this issuance will be used for general corporate purposes and the redemption of short-term debt.

#### **Interim dividend**

The 2012 interim dividend amounts to EUR 0.10 per common share. The interim dividend will be paid in cash or stock at the election of the shareholder. The value of the stock dividend will be approximately equal to the cash dividend.

AEGON shares will be quoted ex-dividend on August 16, 2012. The record date is August 20, 2012. The election period for shareholders will run from August 22 up to and including September 7, 2012. The stock fraction will be based on the average share price on Euronext Amsterdam from September 3 through September 7, 2012. The stock dividend ratio will be announced on September 7, 2012 after closing of Euronext Amsterdam. The dividend will be payable as of September 14, 2012.

FINANCIAL OVERVIEW, 2012 YEAR-TO-DATE GEOGRAPHICALLY <sup>c)</sup>

EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities & eliminations	Total
<b>Underlying earnings before tax by line of business</b>						
Life	252	107	37	66		462
Individual savings and retirement products	245			(7)		238
Pensions	130	46	19	1		196
Non-life		(16)		23		7
Distribution		11	(1)			10
Asset Management				52		52
Other					(119)	(119)
Associates	4	2	(1)	17		22
<b>Underlying earnings before tax</b>	<b>631</b>	<b>150</b>	<b>54</b>	<b>152</b>	<b>(119)</b>	<b>868</b>
Fair value items	(15)	195	(3)	(5)	85	257
Realized gains / (losses) on investments	63	28	34	5		130
Impairment charges	(69)	(6)		(4)	(4)	(83)
Other income / (charges)	(2)	(269)	19	(18)	(1)	(271)
Run-off businesses	4					4
<b>Income before tax</b>	<b>612</b>	<b>98</b>	<b>104</b>	<b>130</b>	<b>(39)</b>	<b>905</b>
Income tax	(118)	15	(9)	(45)	27	(130)
<b>Net income</b>	<b>494</b>	<b>113</b>	<b>95</b>	<b>85</b>	<b>(12)</b>	<b>775</b>
<b>Net underlying earnings</b>	<b>458</b>	<b>119</b>	<b>71</b>	<b>103</b>	<b>(86)</b>	<b>665</b>



**Notes:**

<sup>1)</sup> For segment reporting purposes underlying earnings before tax, net underlying earnings, commissions and expenses, operating expenses, income tax including associated companies, income before tax including associated companies and market consistent value of new business are calculated by consolidating on a proportionate basis the revenues and expenses of certain of AEGON's associated companies in Spain, India, Brazil and Mexico. AEGON believes that AEGON's non-IFRS measures provide meaningful information about the underlying operating results of its business including insight into the financial measures that AEGON's senior management uses in managing its business. Among other things AEGON's senior management is compensated based in part on AEGON's results against targets using the non-IFRS measures presented here. While other insurers in AEGON's peer group present substantially similar non-IFRS measures, the non-IFRS measures presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which AEGON and its peers present similar information before comparing them. AEGON believes the non-IFRS measures shown herein, when read together with AEGON's reported IFRS financial statements, provide meaningful supplemental information for the investing public to evaluate AEGON's business after eliminating the impact of current IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (i.e. companies can use different local GAAPs) and that can make the comparability from period to period difficult.

For a definition of underlying earnings and the reconciliation from underlying earnings before tax to income before tax, reference is made to Note 3 Segment information of AEGON's Condensed consolidated interim financial statements.

- <sup>2)</sup> Net income refers to net income attributable to equity holders of AEGON N.V. and non-controlling interest.
- <sup>3)</sup> Sales is defined as new recurring premiums plus 1/10 of single premiums plus 1/10 of gross deposits plus new premium production accident and health plus new premium production general insurance.
- <sup>4)</sup> The present value, at point of sale, of all cashflows for new business written during the reporting period, calculated using approximate point of sale economics assumptions. Market consistent value of new business is calculated using a risk neutral approach, ignoring the investment returns expected to be earned in the future in excess of risk free rates (swap curves), with the exception of an allowance for liquidity premium. The market consistent value of new business is calculated on a post tax basis, after allowing for the time value financial options and guarantees, a market value margin for non-hedgeable financial and non-financial risks and the costs of non-hedgeable stranded capital.
- <sup>5)</sup> Return on equity is calculated by dividing the net underlying earnings after cost of leverage by the average shareholders' equity excluding the preferred shares and the revaluation reserve.
- <sup>6)</sup> Capital securities that are denominated in foreign currencies are, for purposes of calculating the capital base ratio, revalued to the period-end exchange rate. All ratios exclude AEGON's revaluation reserve.
- <sup>7)</sup> Included in other income/(charges) are charges made to policyholders with respect to income tax in the United Kingdom.
- <sup>8)</sup> Includes production on investment contracts without a discretionary participation feature of which the proceeds are not recognized as revenues but are directly added to AEGON's investment contract liabilities.
- <sup>9)</sup> APE = recurring premium + 1/10 single premium.
- <sup>10)</sup> PVNBP: Present value of new business premiums (PVNBP) is the premiums for the new business sold during the reporting period, projected using assumptions and projection periods that are consistent with those used to calculate the market consistent value of new business, discounted back to point of sale using the swap curve (plus liquidity premium where applicable).
- <sup>11)</sup> Reconciliation of operating expenses, used for segment reporting, to AEGON's IFRS based operating expenses.

	Q2 2012	YTD 2012
Employee expenses	529	1,033
Administrative expenses	272	534
<b>Operating expenses for IFRS reporting</b>	<b>801</b>	<b>1,567</b>
Operating expenses related to associates	13	28

<b>Operating expenses in earnings release</b>	<b>814</b>	<b>1,595</b>
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- 12) New life sales, gross deposits and net deposits data include results of AEGON's associated companies in Spain, India, Brazil and Mexico which are consolidated on a proportionate basis.
- 13) Operational free cash flow reflect the sum of the return on free surplus, earnings on in-force business, release of required surplus on in-force business reduced by new business first year strain and required surplus on new business. Refer to AEGON's Embedded Value 2011 report for further details.
- a) The calculation of the IGD (Insurance Group Directive) capital surplus and ratio are based on Solvency I capital requirements on IFRS for entities within the EU (Pillar 1 for AEGON UK), and local regulatory solvency measurements for non-EU entities. Specifically, required capital for the life insurance companies in the US is calculated as two times the upper end of the Company Action Level range (200%) as applied by the National Association of Insurance Commissioners in the US. The calculation of the IGD ratio excludes the available and required capital of the UK With-Profit funds. In the UK solvency surplus calculation the local regulator only allows the available capital number of the With-Profit funds included in overall local available capital to be equal to the amount of With-Profit funds' required capital.
- b) The results in this release are unaudited.
- c) The comparative 2011 figures have been revised to reflect changes in AEGON's organization. Businesses in Asia, which were previously managed by AEGON Americas, are included in the Asia line of business within the New Markets segment. This revision in financial reporting reflects changes in management of the organization, as AEGON's Asian operations are now managed from the company's regional head office in Hong Kong.

#### **Currencies**

Income statement items: average rate 1 EUR = USD 1.2962 (2011: USD 1.4025).

Income statement items: average rate 1 EUR = GBP 0.8217 (2011: GBP 0.8670).

Balance sheet items: closing rate 1 EUR = USD 1.2691 (2011: USD 1.4499; year-end 2011: USD 1.2982).

Balance sheet items: closing rate 1 EUR = GBP 0.8091 (2011: GBP 0.9031; year-end 2011: GBP 0.8353).

ADDITIONAL INFORMATION

**The Hague, August 9, 2012**

**Media conference call**

7:45 a.m. CET

Podcast available after the call on [www.aegon.com](http://www.aegon.com)

**Analyst & investor conference call**

9:00 a.m. CET

Audio webcast on [www.aegon.com](http://www.aegon.com)

**Dial-in numbers**

United States: +1 480 629 9673

United Kingdom: +44 207 153 2027

The Netherlands: +31 45 631 6902

Two hours after the conference call, a replay will be available on [www.aegon.com](http://www.aegon.com).

**Supplements**

AEGON's Q2 2012 Financial Supplement and Condensed Consolidated Interim Financial Statements are available on [www.aegon.com](http://www.aegon.com).

**About AEGON**

As an international life insurance, pensions and asset management company based in The Hague, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. AEGON companies employ approximately 25,000 people and have nearly 47 million customers across the globe.

**Contact information**

**Key figures** EUR

**Q2 2012**      **Full year 2011**

**Media Relations:**

Underlying earnings before tax

443 million      1.5 billion

Greg Tucker

New life sales

428 million      1.8 billion

+ 31 (0) 70 344 8956

[gcc-ir@aegon.com](mailto:gcc-ir@aegon.com)

Gross deposits

9.8 billion      32 billion  
452 billion      424 billion

Revenue-generating investments (*end of period*)

**Investor Relations:**

Willem van den Berg

+ 31 (0) 70 344 8305

[ir@aegon.com](mailto:ir@aegon.com)

[www.aegon.com](http://www.aegon.com)

Cautionary note regarding non-GAAP measures

This document includes certain non-GAAP financial measures: underlying earnings before tax and market consistent value of new business. The reconciliation of underlying earnings before tax to the most comparable IFRS measure is provided in Note 3 Segment information of our Condensed consolidated interim financial statements. Market consistent value of new business is not based on IFRS, which are used to report AEGON's primary financial statements and should not be viewed as a substitute for IFRS financial measures. AEGON may define and calculate market consistent value of new business differently than other companies. AEGON believes that these non-GAAP measures, together with the IFRS information, provide a meaningful measure for the investment community to evaluate AEGON's business relative to the businesses of its peers.

Local currencies and constant currency exchange rates

This document contains certain information about AEGON's results and financial condition in USD for the Americas and GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about the company presented in EUR, which is the currency of AEGON's primary financial statements.

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to AEGON. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. AEGON undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;

Changes in the performance of financial markets, including emerging markets, such as with regard to:

The frequency and severity of defaults by issuers in AEGON's fixed income investment portfolios;

The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities AEGON holds; and

The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that AEGON holds;

Changes in the performance of AEGON's investment portfolio and decline in ratings of the company's counterparties;

Consequences of a potential (partial) break-up of the euro;

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The frequency and severity of insured loss events;

Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of AEGON's insurance products;

Reinsurers to whom AEGON has ceded significant underwriting risks may fail to meet their obligations;

Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels; changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;

Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;

Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;

Changes in laws and regulations, particularly those affecting AEGON's operations, ability to hire and retain key personnel, the products the company sells, and the attractiveness of certain products to its consumers;

Regulatory changes relating to the insurance industry in the jurisdictions in which AEGON operates;

Acts of God, acts of terrorism, acts of war and pandemics;

Changes in the policies of central banks and/or governments;

Lowering of one or more of AEGON's debt ratings issued by recognized rating organizations and the adverse impact such action may have on the company's ability to raise capital and on its liquidity and financial condition;

Lowering of one or more of insurer financial strength ratings of AEGON's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity;

The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital AEGON is required to maintain;

Litigation or regulatory action that could require AEGON to pay significant damages or change the way the company does business;

As AEGON's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt the company's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;

Customer responsiveness to both new products and distribution channels;

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Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for AEGON's products;

Changes in accounting regulations and policies may affect AEGON's reported results and shareholder's equity;

The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including AEGON's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;

Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt AEGON's business; and

AEGON's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives. Further details of potential risks and uncertainties affecting the company are described in the company's filings with NYSE Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.