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## FEDERAL BUREAU OF INVESTIGATION

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John Huggins, Former Executive Vice President for Irving Materials, Incorporated (IMI), was telephonically interviewed pursuant to a proffer agreement previously issued by the Department of Justice, Antitrust Division, Midwest Field Office. The following individuals participated in the teleconference interview of Huggins: Department of Justice, Antitrust Division, Trial Attorneys Frank Vondrak, Michael Boomgarden, Jonathan Epstein, and Eric Slease, along with Paralegal Specialist Lauren Jankowski; Ice Miller Attorneys Jack Thar and Susan Barnhizer-Rivas. Huggins' attorney, Robert Wagner, also participated in the teleconference interview of Huggins. After the participating individuals were identified, Huggins provided the following information:

Huggins was IMI's Executive Vice President until he retired on December 31, 2001. In 1993, IMI entered the ready-mix concrete market in Bloomington, Indiana. IMI had purchased the Rogers Corporation. The acquisition of the Rogers Corporation resulted in IMI acquiring eight ready-mix plants, along with 120 trucks. The purchase was a large acquisition that enabled IMI to enter the Bloomington market, as well as other areas.

Huggins believed Prairie Materials Supply (PMS) entered the Bloomington market sometime around 1998. Prior to PMS entering the Bloomington market, Roberson Ready-Mix was IMI's primary competitor. In 1996, IMI also purchased the Roberson operation. From 1996 until PMS entered the Bloomington market, IMI had no real competitors in the ready-mix concrete industry in Bloomington, Indiana.

After PMS entered the market, the price of ready-mix concrete dropped significantly. As Huggins described it, the bottom dropped out. Huggins explained that IMI tried very hard to provide the best service in the area and would prefer to compete on the quality of service, as opposed to the price of material. PMS had hired an IMI dispatcher, along with some of Roberson's ready-mix employees. Gary Matney had worked for Roberson in Bloomington prior to being hired by IMI. Matney worked for IMI for approximately 18 or 24 months before leaving to work for PMS in Indianapolis.

Investigation on 01/04/2005 at Indianapolis, Indiana (telephonically)

File # 60-IP-93296

Date dictated 01/05/2005

by SA Steven L. Schlobohm -llc (S:\SQ5\090LLC01.302)

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Huggins was unsure of the exact cost of ready-mix concrete in Bloomington shortly before PMS entered the market, but estimated that it was close to \$68 per cubic yard. After PMS entered the market, the price dropped to somewhere around \$56 per cubic yard. Huggins had heard rumors PMS was going to enter the Bloomington market, although Huggins could not recall the source of the information. Upon hearing this information, Huggins, along with Pete Irving, the owner of IMI, arranged to meet Jack Oremus in Chicago. Huggins and Irving flew to Midway Airport in Chicago to meet with Oremus. Huggins was unsure, but believed Irving arranged the meeting with Oremus. Huggins recalled Irving telling him the meeting was about PMS entering the Bloomington market. Huggins was uncertain of the date of the meeting, but estimated it may have been during the Summer of 1998. Huggins, Irving, and Oremus were the only ones present during this meeting. The meeting last approximately one hour. Huggins and Irving flew to Chicago, met with Oremus, and flew back to Indianapolis, all on the same day.

During the meeting, Oremus stated Matney was the person interested in expanding into the Bloomington market. Oremus explained he did not really want to expand their operations to Bloomington, but liked Matney and considered that he did a good job for him. Huggins and Irving felt they were wasting their time trying to convince PMS to stay out of the Bloomington market. Huggins also stated they had no real plan to convince PMS to stay out of the Bloomington market. Upon leaving the meeting, Huggins did not believe they had any real commitment PMS would stay out of Bloomington. Both, Huggins and Irving felt the meeting was a waste of time. Huggins was not aware of Irving having any additional meetings with Oremus about the Bloomington market.

While attending a National Ready-Mix Concrete Association meeting, Huggins met with Jerry Krozel. Krozel was the Vice President for PMS and may have been a part owner of the company. Krozel was PMS's national representative to the association. Huggins had known Krozel for 20 to 25 years, as they were competitors previously when Huggins worked for Master Builders. Huggins had a drink with Krozel and began to explain the problems PMS was creating in the Bloomington market. Huggins explained how PMS was selling ready-mix concrete at an extremely low price and that PMS could not buy their customer base. Huggins told Krozel they needed to get the price straightened out in Bloomington. Huggins suggested PMS should price concrete close to the list price. Huggins had hoped Krozel would act upon the information and talk with either Alan Oremus and/or Matney in order to raise

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concrete prices in Bloomington. Huggins had tried to reach an agreement with Krozel about PMS raising their prices in Bloomington.

IMI sells ready-mix concrete approximately \$2 less per cubic yard in Bloomington than in Indianapolis. IMI's philosophy was always to compete on the quality of their product and services rather than on prices. IMI was interested in selling ready-mix concrete at or near list price. PMS had always listed their prices approximately 45 cents less per cubic yard than IMI.

Krozel said he would get back with Huggins, although never did. Huggins was not surprised by the fact Krozel never contacted him and added that he should have followed up with Krozel after their discussion. Huggins does not recall whether he told anyone at IMI about his meeting with Krozel. He may have told Irving, although does not recall the conversation. Huggins also tried to convince Krozel to have PMS join the Indiana Ready-Mix Concrete Association at a reduced rate. Huggins later called Krozel to advise him the association declined the reduced rate for PMS to join the Indiana chapter. Huggins could not recall any additional conversations with Krozel in which they discussed the Bloomington market. Huggins could not recall whether he was instructed to work something out with PMS or whether he acted on his own accord. At the time, Huggins was responsible for making the day to day decisions for IMI.

In early 1999, perhaps in March or April, Huggins recalled having breakfast with Matney. The meeting may have been a couple months after his meeting with Krozel, meaning that he probably met with Krozel in January 1999, as opposed to the Summer of 1998. Huggins recalled meeting Matney at a motel located on the west side of Indianapolis, off the Airport Expressway. When Huggins typically met with Matney, it was on the west side and typically at a restaurant. When Huggins wanted to meet with Matney, he would tell Gene Wiggam, an IMI Area Manager, to contact Matney and setup a meeting. At this particular breakfast meeting, Huggins instructed Wiggam to arrange the meeting. Huggins believed he told Wiggam the purpose for the meeting was to discuss prices in the Bloomington market. Wiggam called Matney and set up the meeting, although Huggins was not present during the conversation with Matney.

Huggins and Wiggam drove separately to the meeting. Wiggam, Huggins, and Matney were the only ones present at the

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meeting, which lasted approximately one hour. Huggins recalled Matney stating that he could not believe what his guy in Bloomington was doing with respect to the price of ready-mix concrete. Huggins could not recall his exact comments, but probably agreed with Matney and told him PMS could not buy out IMI in the marketplace. During the conversation, Matney agreed with Huggins' comments and explained that he would try to get the price up and try to get his guy in line. Huggins could not recall any of Wiggam's comments during the meeting. Huggins also discussed union problems with Matney. Matney talked about his daughter receiving a music scholarship and the fact she was dating a hippie. Supposedly, Matney had to drive somewhere and pick up his daughter for some unknown reason.

After the meeting with Matney, Huggins drove to Bloomington to talk with IMI employees. Huggins met with Mike Lagrange, IMI Bloomington Area Manager, IMI Salesman Danny Todd, and another salesman, name not recalled. Huggins told the aforementioned individuals that he had met with Matney and that PMS agreed to stop cutting prices. Huggins told his employees to remain firm on prices.

Huggins explained PMS eventually came around and raised their prices in the Bloomington area. The change did not happen overnight, but it took less than one month before PMS was pricing ready-mix concrete in accordance with their agreement. Huggins explained that some of PMS's prices were immediately in line with the agreement, although there were occasions when PMS deviated from the agreement. Huggins was not surprised by the deviations and felt that was typically how PMS conducted business. Huggins felt he and Matney had reached an agreement to hold the price at which they sold ready-mix concrete near the list price.

When asked if he previously recalled stating he did not believe he and Matney had reached an agreement, Huggins stated he did not recall stating that fact and perhaps maybe his previous statement was taken out of context. He added he may have had additional conversations with his salesmen about Bloomington, although could not recall anything specific. Huggins would have told his salesmen how to bid particular projects. Huggins could not recall whether he informed Irving about his agreement with Matney.

Huggins had other meetings and discussions with Matney, but not necessarily specifically about Bloomington. Typically,



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during the subsequent conversations and meetings with Matney, they talked about issues involving the Indianapolis market. Huggins added that they could have discussed Bloomington, although it would have been brief and separate from the real purpose for meeting. Huggins does not recall talking to other individuals about Bloomington, although stated he could have, he just does not recall the conversations at this time.

Huggins felt Matney pretty much lived up to the agreement, but stated there were occasions when PMS deviated from the agreement, particularly when trying to receive a large contract. Huggins felt IMI fulfilled their obligations to the agreement.

Huggins added that after his meeting with Matney, he felt they had agreed PMS would stop cutting the price of ready-mix concrete in the Bloomington market. The agreement was for IMI and PMS to sell ready-mix concrete at or near the list price and stop discounting the material.

Early on in the agreement, Huggins recalled Dodd and/or Lagrange complaining that PMS was not living up to the agreement, especially in the first couple weeks. Huggins felt he should have contacted Matney at this time, but does not specifically recall doing so. Huggins explained that part of the delay in PMS following the agreement may have been attributed an IMI salesman, Todd, telling a customer that IMI and PMS's prices were going to be the same. The salesman stated that PMS would no longer discount the price at which they sell ready-mix concrete. Huggins could not recall the customer to which Todd provided this information.

Shortly after Todd provided this information, PMS cut the price at which they sold ready-mix concrete. Huggins believed this disclosure of information put the agreement on its heels for a couple weeks, although PMS eventually came around and began to price ready-mix concrete at the levels agreed upon between himself and Matney. For the most part, Huggins felt both sides lived up to the agreement. After the agreement, ready-mix concrete prices went up in the Bloomington area, although PMS did not always sell ready-mix concrete at the list price.

Rivas asked Huggins if IMI's Profit & Loss (P&L) data from September 1999 through September 2000 indicated that the price of ready-mix concrete went from \$61.99 to approximately \$67.22. She also asked if this would have been in response to IMI's

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agreement with Matney. Huggins stated that the price increase would have been in response to the agreement between IMI and PMS. Further P&L data indicated that IMI was selling ready-mix concrete at approximately \$67 per cubic yard in 1998. Shortly after PMS entered the Bloomington market, the price dropped to approximately \$61 per cubic yard. After the aforementioned agreement, the price went up to approximately \$67 per cubic yard. Huggins was not certain of the above data, but believed the information was accurate to the best of his knowledge.

Huggins also confirmed that IMI had communicated with Matney about an upcoming price increase. Huggins only recalled one price increase which would have been during the Spring of 2001. Huggins was certain IMI communicated with Matney about the price increase, although was unsure whether he or Wiggam conveyed the price increase information to Matney. Huggins added that Lagrange could have told Matney about the price increase.

Huggins was not aware of Matney attending any horse barn meetings where they discussed setting the price at which they sold ready-mix concrete in the Indianapolis area. Scott Hughey was the person responsible for communicating with Matney. Hughey told Huggins that Matney was going along with the pricing agreement in Indianapolis. Huggins believed Hughey would meet Matney for coffee and discuss pricing matters. Huggins was not present during the meetings Hughey and Matney. Other than Hughey's comments, Huggins has no direct knowledge that Matney agreed to the pricing agreement in Indianapolis, although based on market observations, he felt PMS was participating in the Indianapolis agreement. Huggins added that there were occasions when IMI employees contacted Matney to complain about them cutting prices. Most likely, Huggins and/or Wiggam contacted Matney about the prices. Huggins would have said something to the effect that "you guys are cutting prices again," which Matney would respond by stating he cannot always control his guys.

The teleconference interview was terminated at approximately 4:28 p.m.