MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Materials, Inc. First Quarter 2011 Earnings Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Ward Nye, President and Chief Executive Officer. Please go ahead.

C. Howard Nye, President and Chief Executive Officer

Good afternoon and thank you joining our First Quarter 2011 Earnings Call. With me today is Anne Lloyd, our executive Vice President and Chief Financial Officer. We're pleased to report our quarterly results and trust you will find this discussion helpful.

Given winter's typical backdrop, both of our business segments performed very well in the first quarter. The result: a 240 basis point improvement in our consolidated operating margin, excluding freight and delivery revenues, over the prior year quarter.

First, our Aggregates business demonstrated greater stability, evidenced by our first quarterly price increase in more than a year. We've repeatedly predicted that Aggregates pricing would stabilize following a moderate period of volume recovery. In line with these expectations and following our volume growth in the last three quarters of 2010, heritage Aggregates product line pricing was up almost half of one percent for the first quarter of 2011. Secondly, our Specialty Products segment reported record net sales and established a new first quarter record from earnings from operations.

Our Aggregates business benefited from some milder weather early in the quarter, facilitating Aggregates volume growth in both January and February. Still, momentum gained early in the first quarter slowed during the critical last two weeks of March when weather patterns deteriorated. We believe weather-related delays in shipments were a primary factor, leading to our overall 1% quarterly decline in heritage Aggregates shipments. However, despite the quarter's volume decrease and the negative impact of rising diesel prices, we achieved an incremental operating margin for our Aggregates business that was in line with our expectations, again, this excludes freight and delivery revenues. Unfortunately, volatile weather has continued to dominate headlines in much of our geography, negatively affecting April shipments.

Infrastructure end use, comprising approximately half of our Aggregates volume, had a 3% decline in shipments for the quarter. Stimulus-related infrastructure spending has been consistent with our expectations. While four of our top seven states for Aggregates sales lagged behind the national average in stimulus spending as of the end of 2010, Louisiana and Florida are now among the states leading in stimulus spending in 2011. As a reminder, we anticipate that 30% of stimulus infrastructure funds will be spent in our key markets during the year.

Residential end-use shipments grew 15% over the prior year quarter. Although there is continuing negative pressure on the construction of single-family homes, we are nonetheless seeing an increase in multi-family construction. In fact, February represented the eighth consecutive month that multi-finally housing starts increased nationwide. Further, residential activity is picking up in cities and towns near college and university campuses as well as military facilities favored in base realignment.

Shipments to the non-residential end-use market showed mixed results for the quarter. Certain heavy industrial sectors saw increased activity, particularly in our San Antonio district and light commercial construction that typically follows housing is showing improvement in certain markets.

We continue to expect strong volumes to the energy sector for the full year. However, first quarter shipments to this industry decreased compared with the prior year quarter, which we believe is more a function of timing than demand. Overall, shipments to the non-residential end-use market declined 3%. Finally, ChemRock and Rail shipments increased 2% over the prior year quarter.

As I previously mentioned, we're pleased by the average selling price growth in our Aggregates product line. We are also encouraged that more of our markets reported quarterly pricing increases than in the last two years, thus allowing us to compensate for some markets that did not achieve pricing growth.

Heritage Aggregates pricing varied by geographic group, ranging from an increase of 5.8% for our Southeast Group to a decrease of 2.4% in our West Group. Pricing in our West Group, however, was negatively affected by product mix, particularly in the Southwest market. Other markets within our West Group, including North Texas and Iowa, reported pricing increases for the quarter.

Consolidated direct production costs increased 7%, primarily due to a 14% increase in non-controllable energy costs. For the quarter, we paid an average of $2.81 per gallon for diesel fuel, compared with $2.03 in the prior-year quarter. Diesel prices have further escalated in the second quarter and we're currently paying approximately $3.40 per gallon.

Our unrelenting commitment to cost control is also evident in selling, general and administrative expenses. Compared with the prior-year quarter, SG&A expenses decreased $4.3 million or 190 basis points as a percentage of net sales. This reduction was due to lower personnel and pension costs.

Our Specialty Products segment once again contributed significantly to results by establishing a new quarterly record for sales as well as a new first quarter record for earnings from operations. Net sales of $49 million for the quarter increased 18% over the prior year, reflecting strong demand in the Chemicals business where record sales volumes were achieved for several product lines. The sales increase along with cost control measures produced earnings from operations of $15 million. While we expect strong full-year performance from this business, I'd be remiss not to note that the remaining quarterly comparisons for 2011 will be versus record 2010 quarterly performance.

Careful management of our balance sheet, liquidity and cash flow generation has provided financial flexibility and positioned us for strong performance in an economic recovery. Working capital improved nearly $9 million compared with 2010 and our days sales outstanding was 45 days, essentially flat with 2010. However, operating cash flow for the quarter was $21 million, $6 million less than the prior-year quarter, primarily due to the timing of the federal income tax refunds.

On March 31st we entered into a new $600 million credit agreement providing a $350 million four-year unsecured revolving facility and a $250 million senior secured term loan. At closing, we borrowed $250 million on the term loan. Further, on April 1st we borrowed $100 million on the accounts receivable facility. These borrowings reduced repay amounts outstanding under our previous term loan and the $242 million of notes that matured on April 1st.

The new credit agreement retained the leverage covenant that limits our ratio of consolidated debt to consolidated earnings before interest, income taxes, depreciation and amortization, or EBITDA, for the trailing 12 months to 3.5 times. Additionally, the covenant was amended such that if no amounts are outstanding under both our revolving facility and our accounts receivable facility, consolidated debt for the covenant calculation may be reduced by a defined amount of cash and cash equivalents. At March 31, 2011, the ratio of consolidated debt to consolidated EBITDA was 2.73 times. We were pleased that Standard & Poor's recently reaffirmed our credit rating and upgraded our outlook from negative to stable.

During the quarter we continued to invest prudently in our business, focusing on both proactive maintenance capital to ensure we have safe, efficient operations, and sensible organic growth projects. We invested $31 million in the first quarter of 2011, compared with $25 million for the same period in 2010. For the full year, we expect capital spending to be approximately $175 million, including $25 million of a $53 million investment for a new dolomitic lime kiln at our Specialty Product segment's Woodville, Ohio facility. This project is expected to be completed by the end of 2012.

Several factors complicate the outlook for 2011. We are operating under a congressional continuing resolution of safety loop which we believe is likely to continue for the remainder of the year. Still, we believe reauthorized infrastructure legislation could be accelerated if Congress, the President and state and local authorities focus on infrastructure as an area in critical need of investment as well as a means of job creation and economic growth.

However, if a new federal highway bill is passed, it may be at flat or reduced funding levels with a shorter duration than the typical six-year term. Given this uncertainty, our 2011 outlook assumes that additional continuing resolutions will maintain current federal funding levels for the year.

We believe infrastructure shipments will be flat to slightly down this year, nonresidential shipments should grow in the mid-single digits with modest recovery in the commercial component. Residential shipments are expected to have modest growth, and ChemRock/Rail shipments are expected to be relatively flat.

That said, we expect our overall 2011 Aggregate shipments to range from flat to an increase of 3%. Stability in Aggregates shipments will likely lead to sustainable price increases. However, Aggregates pricing is expected once again to vary significantly by market. Overall, we anticipate Aggregates pricing to range from flat to an increase of 2% for the year. That said, rising energy costs may also lead to certain mid-year price increases.

We expect Aggregates production costs per ton to range from flat to slightly less compared with 2010 even with rising energy costs. Our Specialty Products segment is expected to contribute $50 million to $52 million in pre-tax earnings. Selling, general and administrative expenses will likely be lower than 2010, primarily due to lower pension expense. Interest expense should be approximately $60 million and our effective tax rate should approximate 26%.

We thank you for your interest in Martin Marietta Materials. If the operator will now give the required instructions, we'd be pleased to answer any questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Arnie Ursaner of CJS Securities. Please go ahead.

<Q – Arnie Ursaner>: Hi. Good afternoon, Ward. Good afternoon, Anne. Ward, could you spend a little more time discussing incremental margins? It's been a key area of focus for the company and it's very difficult to get a strong feel for them in the first quarter which is seasonally unimportant, particularly one like this that had a lot of weather issues. But you did indicate they were in line with your expectations but it's obviously despite terrible weather and much higher fuel costs. How should we be thinking about incremental margins going forward for the rest of the year?

<A – C. Howard Nye>: Arnie, I'll tell you how we looked at it. If you look at the Aggregates business and you look at the sales for 2011 and 2010, what you should see are incremental sales of around $3.2 million. Of the $3.2 million, the way that we've looked at it, about $2.7 million of it dropped straight to the bottom line. I think one reason we said it's in line with our expectations, if you do the math on that, that's incremental margin of around 84%. I mean, candidly, that's a pretty eye-popping number. I think it's hard to take first quarter volumes and really extrapolate that and say that's what it's going to be.

I think one thing though that I do take heart in, Arnie, is if you go back to Q4 last year as well, when we did see volume up and we were seeing incremental margins even in the face of pricing down at that point in time and diesel up, we were still seeing incremental margins over 60% and with diesel flat, we were seeing incremental margins then at around 76%. So, coming back and looking at this number, I think the primary thing it tells you is we have our cost structure very much where we need it to be. I hope that's responsive.

<Q – Arnie Ursaner>: It's very responsive. One other question if I can. You also mentioned that several of your key states, I think you said four of your top seven, have been lagging the national average in terms of their spending for highway spending relative to funds. Can you freshen that up a little bit and perhaps update us on where they stand at the moment? You did mention Florida and Louisiana but perhaps expand on that a little bit as well?

<A – C. Howard Nye>: Sure, Arnie. The four states that lagged the national average were Florida, Georgia, Louisiana and Texas. And to give you a sense of it, for outlays as of the end of the first quarter, the U.S. average was around 69% on stimulus dollars. Florida was at 53%, Georgia was at 52%, Louisiana at 59% and Texas at 62%. So if you look at the other side of the equation, Florida still has the balance to go of 47% of stimulus dollars, Georgia has 48% of it still to go, Louisiana 41% and Texas still at 38%.

To try to put some scope to that just in raw numbers, from a stimulus perspective Florida had around $1.3 billion of stimulus funds, Georgia was at $904 million, Louisiana at $433 million and Texas at $2.2 billion. So, we feel like those four really over the last couple of years being laggers, haven't necessarily helped us. Coming into '11, candidly, we're happy to see it.

<Q – Arnie Ursaner>: Thank you very much.

<A – C. Howard Nye>: Thank you, Arnie.

Operator: Our next question comes from Jack Kasprzak of BB&T Capital Markets. Please go ahead.

<Q – Jack Kasprzak>: Thanks. Good afternoon, everyone.

<A – C. Howard Nye>: Hello, Jack.

<Q – Jack Kasprzak>: Ward, you mentioned $3.40 a gallon is what you're paying for diesel. Can you tell us what you paid in the first quarter on average?

<A – C. Howard Nye>: Yeah, In Q1 this year, it was $2.81 per gallon and to give you some measure to that, in Q1 last year it was $2.03 a gallon so there's about at 38% delta between those numbers. And to give you a little bit more color, Jack, anticipating your next question, we've used about 5.8 million gallons of diesel in Q1 this year, versus around 5.2 million gallons last year.

<Q – Jack Kasprzak>: Great. I know you'll believe me when I tell you that that was my next question. But, I do have a couple more. Harking back a few quarters when you guys had expensed some Aggregate because you didn't think you could sell it within 12 months, and the number was maybe 10 million or 11 million tons. How much of that is left in terms of what's sitting on the ground today?

<A – C. Howard Nye>: You know what, Jack, as we looked at the inventories, they have candidly remained relatively static for a while and really what you're going back to is you're looking at what we typically refer to as what we have in excess inventory. And that number hasn't materially changed. What's going to change that number, Jack, is when we see an increasing amount of new projects because the product that's right now in some form of cap type of mode tends to be a base product, and that's going to be disproportionately used in newer projects.

<Q – Jack Kasprzak>: Okay. And that kind of leads into my next question on your outlook for the highway bill which it seems like will just be under these continuing resolutions at least for the balance of this year. That probably means states don't want to plan or have the money to plan for long-term projects, maybe they do more maintenance. How does that impact your business do you think?

<A – C. Howard Nye>: I think they will have some reservation until they have greater longer-term view forward to go forward with particularly large projects. I think one thing that's pretty clear though, even as we come back and look at state funding, Jack, is the state funding tends to be a remarkably stable animal in all of this, despite the way much of this works.

Realistically, even if you look at state budgets like North Carolina or Texas, we still anticipate this year seeing $1 billion worth of projects let in North Carolina. In Texas we still plan to see more than $4 billion worth of projects let. So, I think your caution is not wholly misplaced on large projects. That said, so much of the money that state funds, or that states are spending are not necessarily driven by their typical general fund circumstance, that it's probably not as acute as you might think otherwise.

<Q – Jack Kasprzak>: Got it. Okay. Great. Thanks very much for your help.

<A – C. Howard Nye>: Thank you, Jack.

Operator: Our next question comes from Jerry Revich of Goldman Sachs. Please go ahead.

<Q – Jerry Revich>: Hi. Good afternoon, Ward and Anne.

<A – C. Howard Nye>: Hi, Jerry.

<Q – Jerry Revich>: Ward, can you talk about what kind of price increases you're seeing out of your concrete and asphalt mix customers at this point? I realize it's a wide variance but perhaps you can give us some color. Thanks.

<A – C. Howard Nye>: Sure, Jerry. Jerry, it is an incredibly wide variance. What we were seeing early in the year is there were a number of ready mix players who were coming up and basically

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saying they could no longer afford to cut pricing. In fact, we saw some players who were doing their best to reinstitute 2006 pricing levels in many markets. I'm not sure that all of those types of price increases have stuck. In fact, I'm relatively confident they have not. At the same time, we are seeing ready mix pricing going up in a number of markets and we're pleased by that. I think as a general rule we believe that's probably the toughest segment to actually get price increases in, and we feel like when we're seeing that type of traction in ready mix it underscores in our view that what we have in Aggregates is a much more stable circumstance as we tried to make certain that we've outlined in the release.

<Q – Jerry Revich>: And do you have a best guess in aggregate, out of your end markets what are the ready mix players? What kind of price increases they are actually realizing in 1Q and 2Q? I realize it's not an exact science but I'd love your best estimate there.

<A – C. Howard Nye>: You know what, Jerry, that's going to be a tough guess and probably one better placed directly to them. But, I think you could clearly see yardage increases from $5 to $10 a cubic yard and I don't think would be surprising numbers in many markets.

<Q – Jerry Revich>: Anne, can you just say more about the pricing trends you're seeing in the West Group? That group's led your volume growth there for the past year. You mentioned some mix headwinds here from a pricing standpoint. Can you say more? Are you optimistic that we can get better pricing in this region versus the others? And then, perhaps touch on the 2% pricing you've delivered in other regions. Can we expect that to continue into hopefully seasonally stronger Q2?

<A – C. Howard Nye>: Jerry, I certainly think so. As I'm looking at the numbers that we have, I clearly see a lot more green than I do red and that's a nice trend. What I'll tell you is we saw pricing up in Iowa, we saw pricing up in Arkansas, we saw pricing up in North Texas. I think what we have really focused on was that pricing was down in South Texas particularly coming out of San Antonio. And keep in mind, much of what's happening there is you are starting to see more volume headed to the Eagle Ford shale play in South Texas. And keep in mind, that's going to be a mix issue that's going to be a predominantly base product.

And even as we look at the first quarter, we are only talking about a quarter of a million tons that probably found its way into that Eagle Ford deposit. At the same time, what that does tell you is why Q1 is not a good barometer to use what's going on with pricing, because when you've got a market where candidly a couple hundred thousand tons can move what ASP looks like, it tells you it's a pretty refined snapshot in time.

<Q – Jerry Revich>: That's very helpful. And lastly, Anne, can you talk about what you're seeing in your M&A pipeline and comment on what kind of net debt to EBITDA you'd be comfortable with? In Ward's comments, clearly, you've changed the covenant structure there. Can you talk about how we should think about your target leverage ratios if you get some good M&A opportunities? Thanks.

<A – C. Howard Nye>: Jerry, we're going to bifurcate that. I'll talk a little bit about the pipeline and Anne will come back and talk about really how the financing looks on some of that or how it could look on that. Obviously, we have been very busy and we have been looking at a number of different opportunities. We've been doing a lot more than talking. We've been doing a lot of work and we've been engaged in a good bit of due diligence, as you would expect us to be.

We continue to see reasonable activity from the public company side as well as closely held family businesses. We're engaged in a number of conversations in every geography in which we operate. But as we've said before, we're going to be disciplined, we're going to be careful, we're not going to overpay and we're going to understand a business exceptionally well before we close on one. That said, our aim continues to be to find markets that we believe have good, long-term, attractive

demographics and our aim typically is to have a number one or number two position in those markets. It's that broad-term strategy that will continue to guide what we're doing on M&A.

Now with that said, let me ask Anne to weigh in and talk a little bit with respect to the financial situation.

<A – Anne H. Lloyd>: Well, with our refinancing, we were able to amend our debt covenants, it's still at three and a half times on a debt to EBITDA on a run rate, but then 3.75 times for an acquisition and we are also able to use a net debt covenant, assuming we don't have any outstandings on our facilities.

For the right acquisition, would we push those debt covenants? Yes, we would. It would have to be the right one that we think would create value for the long-term, and I think we're in a stage where we're feeling more comfortable in our ability to estimate what might happen as opposed to two years ago when you really weren't sure of the trajectory of volume declines or profitability.

<Q – Jerry Revich>: Perfect. Thank you very much.

<A – C. Howard Nye>: Thank you, Jerry.

Operator: Our next question comes from Ted Grace of Susquehanna. Please go ahead.

<Q – Ted Grace>: Hi, guys. Good afternoon.

<A – C. Howard Nye>: Ted, good afternoon.

<Q – Ted Grace>: I was hoping to start by revisiting the margin question. Whether it's Ward or Anne, I was just wondering if you could walk us through kind of the puts and takes on your expectations for flat to slightly down Aggregate costs per ton of production? I guess the way I think about it maybe just to lead into this is, sources of leverage would be labor, DD&A and services and then non-leverageable costs would be petroleum, repair and maintenance, supplies, raw materials and royalties. So, can you just help us understand just kind of how we should think about each of those components?

<A – C. Howard Nye>: We'll certainly try.

<Q – Ted Grace>: At least the most important ones?

<A – C. Howard Nye>: I'll try and hit the highlights for you, Ted, and I think it'll get you there. If you look back to cost per ton last year, you're really looking at around $6.96 per ton. And if you go through the major buckets as you identified, I'd rack them up as labor and benefits, energy, DD&A, maintenance and repair, supplies, contract services, raw materials. What I really see as I sit down and take a look at it is, obviously, the area that is going to be the biggest swing factor to the bad, meaning more cost, is going to be on the energy side and really on that it's going to be almost uniquely diesel for us this year.

I think several things are going to happen as we do the build. I think as a practical matter you're likely year-on-year to see lower labor and related benefits. I think you will see up on energy. I think the other big places that you're likely to see us pull back and do better on the cost side, I think we'll see less maintenance and repair dollars this year and I think by the time you go through and look at what we think M&R is going to be, when you look at what we think personnel is going to be, and then when we just look at the balance of the other costs, I think we feel like less M&R, less personnel and less on the other cost line will more than compensate with what we think will be, or what we know will be, a much higher energy cost.

Keep in mind, Ted, when we came into the year and I think we said this with our full-year Q4 earnings, we anticipated energy would be up to plus 20%, but even by the time we got to February, energy was up plus 30% and here for the first quarter it was up plus 38%. That said, even if we lay in an additional $20 million on energy for the year, we still feel like if production volume in particular is up a percentage, two or three, that by the time we come back to the full year and look at cost per ton, it is likely to be down. Does that help?

<Q – Ted Grace>: Yeah. That is helpful. And I guess as just a quick follow-on to that, could you just remind us where your 2Q, 3Q and Q4 diesel comps would be on a per gallon basis so we can calibrate our expectations?

<A – C. Howard Nye>: I'll have to go back and look at exactly what they were through last year. As I said, I know in Q4 of last year they were $2.03 a gallon. As we go back through and take a look at what they were all the way through, for the second quarter, $2.12 a gallon, for the third quarter, $2.05 a gallon, and for the fourth quarter, $2.32 a gallon. So, that gives you a pretty thorough march through, Ted.

<Q – Ted Grace>: Okay. That's helpful. Now, the other thing I was hoping to touch on, well, coming back to your comment that Aggregate pricing would stabilize following a moderate period of volume recovery. When we roll your numbers up, it certainly would look directionally that that's the case but when you decompose the areas, Southeast volumes are down 10% yet pricing is up 6%. West Coast volumes were up 3% and pricing was down 2%. And so, is there something going on in between, whether it's a mix shift? And, Anne, I was wondering if you could decompose the pricing as you have in prior quarters to help us understand what the real underlying pricing was as opposed to the optimal reported number when you take in geography and whatnot?

<A – C. Howard Nye>: I think last year when we came into '10, Ted, we particularly spoke to what we knew was going to be a profound mix change. We knew that mix was going to be different last year relative to geographic mix and we knew it was going to be different relative to project mix as well. I think when we came into this year, we felt much more broadly that the mix of work was not going to have the type of swing in '11 that we saw in '10. So, I think as a practical matter, what we're looking at is a much more apples-to-apples comparison.

I think the only place in this quarter that I'd particularly draw your attention to is what we mentioned and what we pulled out in particular in the Southwest because if you recall last year when we were talking about shale activity, we were talking primarily about the Haynesville and the Barnett Shale deposits and now this year what we're primarily speaking to, at least so far, has been Eagle Ford. So, last year much of that shale activity was coming out of Arkansas and coming out of North Texas and this year more of it is coming out of South Texas. I think with that type of mix shift as the exception, I think in large part it's a much closer jump ball this time, Ted.

<Q – Ted Grace>: Okay. That's helpful. Best of luck this quarter, guys.

<A – C. Howard Nye>: All right. Thank you.

Operator: Our next question comes from Todd Vencil of Davenport & Co. Please go ahead.

<Q – Todd Vencil>: Thanks, guys, good evening, guys.

<A – C. Howard Nye>: Hey, Todd.

<Q – Todd Vencil>: Not to beat this dead horse but just to look particularly at pricing in the Southeast Group, I think that's been down for six straight quarters and it's been down longer maybe a bit more than a lot of the other segments and you had a nice quarter this quarter. Was there

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anything in particular within the Southeast, either geographic or product mix, that kind of jumps out at you as a shift? Or was it more or less just product pricing?

<A – C. Howard Nye>: I guess a couple of things there that I took note of. Number one, in one of the markets, Todd, that I think has been the toughest market hit over the last several years in North Georgia, in particular, we saw pricing flat. I think given what Atlanta has been through, to have something in North Georgia that's flat I think is encouraging to see.

Here's what I thought was really encouraging to see. Our South Georgia group that was really broken up into a couple of different buckets. One is truly South Georgia and the other is Florida. And actually, what we saw were pricing up in Florida and we also saw pricing up in South Georgia. So, the fact that we saw those two markets with pricing moving up, I was pretty encouraged by.

I guess on the other side of the coin, the one market that I think, Todd, continues to really struggle and is looking to find bottom is Alabama. And I think that, that state, at least in the markets that we're seeing right now, continues to struggle and obviously the news reports over the last week have detailed a circumstance within that state itself that's very sad and tragic. But from a market perspective, Alabama is both from a volume and pricing snapshot, one of the more difficult markets in Southeast that we see.

<Q – Todd Vencil>: That's incredibly helpful. Thanks. And then, thinking not just with regard to the Southeast but broadly speaking, are you seeing any differentiation in the trends for the different products? And we can carve them broadly between [indiscernible] (32:42).

<A – C. Howard Nye>: You know what, not particularly, Todd. I think what we're seeing in large part is the same type of movement between products that you would expect in these markets.

<Q – Todd Vencil>: Got it. And then final question from me. You mentioned a couple times I guess that your volumes were up in January and February and in the back half of March you lost momentum due to the weather. Can you tell me how much volumes were actually up for January and February year-over-year?

<A – C. Howard Nye>: You know, if we look at January and February, I would say in January they were up 3%, almost 3.5%. If we look in February, they were up slightly over 7% and then when you look in March they were down around 8%. The thing that I would encourage you to do if you think back to March last year, Todd, part of what we had actually thought was that very few people would come back to work at all in the first quarter. We thought people in '10 would probably really not show up until April. They actually showed up last year in March with a vengeance. So, March was going to be a tough compare even with good weather and with the bad weather it made it even more difficult.

<Q – Todd Vencil>: Got it. That's very helpful. Thank you.

<A – C. Howard Nye>: Thank you, Todd.

Operator: Our next question comes from Kathryn Thompson of Thomson Research. Please go ahead.

<Q – Kathryn Thompson>: Hi. Thank you for taking my questions today. My first question is on SG&A. In prior calls, you had mentioned that SG&A was going to be lower year-over-year because of lower pension expense. But in the past you've said it was going to be about $6.5 billion lower. My question, is this number still accurate? And will there be additional SG&A reductions above and beyond the lower pension expense in 2011?

<A – Anne H. Lloyd>: Kathryn, we do have some personnel costs that we think will be down but the big driver is going to be SG&A costs and that's a result of better actual returns on our investment portfolio last year that actually lowered the cost projections as we moved forward.

<Q – Kathryn Thompson>: Is that $6.5 million still in the ballpark?

<A – Anne H. Lloyd>: It's reasonable.

<Q – Kathryn Thompson>: Okay. Back to my earlier question on stimulus. As a percentage of sales, how much of your revenue is directly related to stimulus in the first quarter? And how much do think will be in fiscal 2011? And how does that compare to last year?

<A – C. Howard Nye>: You know, Kathryn, going into the first quarter I would think actually very little would have been attributable to that. As a practical matter, the only places in the first quarter that you would've been significant volumes going would have been very warm weather type climates. I think it goes back to the volume trends and some of the pricing trends that we spoke to in South Georgia and Florida. Again, going back to the stimulus dollars themselves, what we're looking for this year is going to be somewhere less across the entire country of less than $9 billion, certainly less than $10 billion of stimulus that will be out there.

It's not going to be an enormous needle mover in any markets, but I do think in a couple of markets – and again I would identify Florida in particular and I would identify the Texas in particular as well as Georgia – the role that we're going to have in a state like Florida where we're seeing more infrastructure work this year that maybe stimulus related, particularly as energy pricing goes up, can be a very different circumstance for us, because of the type of product that we're coming into Florida with. Granite is going to be a much preferred product in that market if it's going into asphalt simply due to its lower absorption potential.

<Q – Kathryn Thompson>: I was thinking about what you're talking about earlier about some of your markets seeing a greater impact, maybe not as much as you would have liked to have seen in prior years. One other company, or other companies are benefiting, other states are benefiting but you're seeing a greater benefit this year. So, I was really just trying to get a sense of how much of an impact would it be for you this year, more on the positive side, just so we can frame it relatively.

<A – Anne H. Lloyd>: Kathryn, I don't think we have that completely broken out but we do have it rolled up into our projections for infrastructure spending or infrastructure volumes for the year. I mean it's obviously helping offset some drag.

<Q – Kathryn Thompson>: Okay. Okay. Great. And then finally, we've also been hearing in the field about the possibility of a midyear price increase. Could you clarify how that would work through the market? Does it happen midyear literally? And how is that executed in the market? And how long would it take for it to take hold, assuming the market accepts a price increase?

<A – C. Howard Nye>: Obviously, each company is going to have to do whatever they feel like is appropriate, exercising their own judgment. As a practical matter, the timing of that is going to be up to anybody who wants to deal with that. That's part of what they want to do. If we go with a midyear price increase, and let's use easy numbers, let's assume for ease of discussion we went out on June 30th and put in some X dollar per ton midyear price increase. There are obviously going to be a number of projects that contractors are going to be protected on.

What that really means, Kathryn, is you're going to pick up some degree of protection in the second half of the year. You're likely not to pick up an enormous amount of protection. It's not, for example, going to cover all the extra costs, for example, that we are incurring on diesel fuel. It will make up for some of it and importantly too what it will do is it simply sets the bar higher as we go into 2012.

<A – Anne H. Lloyd>: We typically are going to realize about a quarter of that increase or 25% of that increase, Kathryn.

<Q – Kathryn Thompson>: Perfect. That's very helpful. And finally, you talked in the past about seeing some strength in heavy industrial. Any updates with this type of projects, what type of projects? And are you still seeing continued strength in that segment?

<A – C. Howard Nye>: Kathryn, we are seeing good strength in that segment. We continue to see some projects. For example, Caterpillar has a large project in Winston-Salem. We see that. We're seeing a large Norfolk Southern undertaking in Charlotte. We're seeing continued heavy-type work at some nuclear plants as well. But part of what I'm more taken with, Kathryn, is even with what we're seeing on the light side because that's been the area that has been particularly hard hit of late.

And I will tell you, at one of our most recent meetings one of the statistics or factoids that I heard that I found stunning is, for example, in the Metroplex area in Dallas-Fort Worth, they're looking to build 12 new Wal-Mart facilities within that community. So, you're seeing that type of level of activity that you would not have seen, and that's not just on the heavy side, it's on the more commercial side as well. So, we're seeing more activity on both sides of it right now.

<Q – Kathryn Thompson>: Okay. Great. Thank you very much.

<A – C. Howard Nye>: Sure, Kathryn.

Operator: Our next question comes from Keith Hughes of SunTrust. Please go ahead.

<Q – Keith Hughes>: Thank you. In the press release you talked about your residential business being up 15% on multi-family construction. I'm surprised that that's skewing the number that much, given the size of that market. Do have a special niche there? Or what exactly is going on?

<A – C. Howard Nye>: Well, I guess the big thing I would say to you, Keith, is it's been a market that has been so dead for so long that when any degree of activity comes back to it, it tends to have a remarkable swing in it. Part of what's interesting is even when we step back and take a look at what's going on broadly in multi-family period, one of the best statistics that I've seen has actually been one that I noted the other week with respect to portions of Texas.

My recollection is that we were looking at around in February last year around 400 different permits that had been handed out per multifamily construction and during the same time this year, over 2,000. So, when you're seeing that type of change in that type of market, again, on a percentage basis, it can make some pretty big changes. Keep in mind though it's important to remember even as we look at our residential business last year as a percentage of our business, it was only 7%. So, when ChemRock and Rail became a bigger percentage of our business than residential, that's when we named ChemRock and Rail instead of to referring to it as Other. So, I guess my view is, Keith, it's not that it's that great, it's just that it's coming back from something that's very, very low.

<Q – Keith Hughes>: Okay. That answers it. Thank you.

<A – C. Howard Nye>: You're welcome.

Operator: Our next question comes from Scott Levine of JPMorgan. Please go ahead.

<Q – Scott Levine>: Hey, good afternoon.

<A – C. Howard Nye>: Hi, Scott.

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<Q – Scott Levine>: In reading your release, it sounds like the results were roughly in line with internal expectations despite a couple of the more important external variables like fuel and the weather working against you. I was wondering if you could comment whether that's true, number one. And secondly if it is, what areas maybe surprised to the upside relative to your expectations as you put the quarter together?

<A – C. Howard Nye>: That's a fair point. I think the big issues that I'm not going to say they were surprise to us, I think the big issues that were headwinds is what we've identified. We were talking $4.6 million more in cost simply for diesel fuel in Q1 this year as compared to the prior year. When I took the first question from Arnie Ursaner; if you recall, we were talking about incremental margins.

Actually, if we took that $4.6 million and made it equal to what it was last year, the incremental margin that we were talking about in the conversation with Arnie I said was around 84%. Candidly, it could just about double. So, I think while it's not necessarily a surprise, I think it that come back and underscore in our minds, as we said before, that the cost structure is in the right place.

I'm not sure that we've had many other significant surprises. I think we were clearly disappointed with the way that the weather responded in the second half of March, but at the same time, part of what we've said forever is this is an outdoor sport and when weather does what it does in March and what it does what it did in April, it has an effect on the business. I think taking all of that into account, the type of performance that we saw the Aggregates group turn in and frankly the superior performance that we saw the Specialty Products group turn in, and they've done that repeatedly now for a while, I think are the two notables from the quarter.

<A – Anne H. Lloyd>: I don't think it was a surprise, Scott, but a reaffirmation that the cost structure is in line when you're able to, as Ward indicated, we got pretty strong volumes in January and February and incremental earnings power that we got off of that volume was really able to essentially carry March that was very negatively weather affected.

<Q – Scott Levine>: Got it. Thank you. And with regard to March, I think you said volumes were down 8%. Do you have a rough breakout first half versus second half of the month? I think you indicated in the release the second half of the month is where you really felt the brunt of the weather impact?

<A – C. Howard Nye>: We always do. We don't have it broken down between half one in have two. The reason that we always reference have two is that's when the weather traditionally, particularly in the southeastern U.S., turns better. In fact most DOTs, if you look at their standard specifications, often don't even open up for business per se to permit asphalt or paving or otherwise until after March 15th. But, because of the weather this year, that really didn't happen and so we don't have a breakdown for you between half one and half two in March.

<Q – Scott Levine>: Got it. Okay, one last one, if I may. On gross profit on the corporate line item, it looks like that went from $0.5 million loss a year ago to $2.3 million this quarter. I was wondering if there's anything notable in there?

<A – Anne H. Lloyd>: There was a reserve that we provided there for some sales tax contingencies.

<Q – Scott Levine>: Got it. Great. Thanks.

<A – C. Howard Nye>: Thank you.

Operator: Our next question comes from Trey Grooms of Stephens Inc. Please go ahead.

<Q – Trey Grooms>: Hey, good afternoon.

<A – C. Howard Nye>: Same to you, Trey.

<Q – Trey Grooms>: All right, so we've had some pretty tough weather and you said April has continued in most of your markets to be pretty tough from a weather standpoint. So, do think that this is going to create some pent-up demand here that we could see maybe a bit of a spike up once all of this weather clears out and all the water recedes?

<A – C. Howard Nye>: You know what, Trey, I do think the work that's there has been pushed to the right. I think in some degrees it's been pushed the same way that ag lime was for a number of years. Now granted, ag lime took a number of years before we saw something that we truly described last year as pent-up demand and then when we had a dry fourth quarter, we really saw it hit. Now, I'm not going to say there's some huge degree of pent-up demand out there. However, I will say I think there are a number of contractors who are very anxious to get to work, number one, on projects that are there.

I think the other thing that we need to be mindful of and it's nothing to take lightly, when you do have these types of weather events, there will be some construction that naturally comes from the events themselves. So, I think to answer your question, Trey, I think the work that's there has been pushed to the right. I think we have anxious contractors and I think there is now more work to be done in a number of communities as well.

<Q – Trey Grooms>: Okay. That's helpful. And then, so, looking at the different cost buckets you broke out earlier, it sounds like pretty much everything is going to be lower on a cost per ton basis with the exception of energy. I know obviously volume is going to play little bit of a role but I mean the volume guidance you guys have given isn't really a huge amount. So, just kind of wondering other than just volume, what else is playing a role in that, Anne or Ward?

<A – C. Howard Nye>: You know what, Trey, that is the story. That really is the story. And I think part of what we just said and I guess it's good to be right, but it's hard to be right in this context. We said for a while that our cost structure was so tight that even small degrees of volume make a big difference on our business right now and I think what you said is right. I think if we look at of all of those buckets you're going to see great exercise of cost control and I think you'll see numbers go down and I think to have that type of performance, even when we're seeing energy do what it's doing, and come back and say, okay let's say we do produce 3% more this year, under that scenario we would actually have reduced costs per ton, Trey, I think is a great story. But to your point, it's all volume.

<Q – Trey Grooms>: Well, that's pretty amazing. Looking at the pricing, just another real quick question. The concrete, guys, you said $5 to $10 a yard increases in some markets. I guess that's mostly due to the fuel cost moving up with these guys and it really looks like the stage is being set for you guys to have a pretty good argument for maybe your price increases and as it was mentioned earlier I think there's actually some reports out there of people kind of getting prepared for that already. So, I guess the question is, number one, timing. I think you used June as an example but just hypothetically, if that were to happen, is that kind of a June-ish kind of timeframe? And also, thinking about magnitude, any color you can give us there?

<A – C. Howard Nye>: Trey, again, the magnitude is going to vary by market and I think as a practical matter if we start coming out with midyear price increases, it will probably be somewhere just in advance of midyear. I think that's the way historically we've certainly dealt with that. Really, Trey, I'm not comfortable going to pure magnitude questions either. Again that's what we may do in one community that may be 75 miles from another community, may be an entirely different snapshots so I think that's a very difficult one to answer.

<A – Anne H. Lloyd>: Trey, I think with some certainty we'll tell you it's not going to be 38%, which matches the increase in diesel. How's that?

<Q – Trey Grooms>: I think that's fair. Okay. Thanks, guys.

<A – C. Howard Nye>: Thanks, Trey.

Operator: Our next question comes from Garik Shmois of Longbow Research. Please go ahead.

<Q – Garik Shmois>: Thank you. Good afternoon. First question is if you have seen any disruption in your plants from the tornadoes that hit recently?

<A – C. Howard Nye>: Good question, Garik. The tornados that have come through recently, obviously, the ones most recently what through Alabama and first of all, we want to extend our thoughts and best wishes to everyone in that state that has been hit extremely hard. I'm happy to tell you that as a practical matter as a corporate family and as families within our organization, it appears that we came through that series of storms exceptionally well from a human being perspective and from an iron perspective. I don't have anything except some very minor damage that I'll report to you.

And I'll follow-up with that and say the same is true of the storms that came through North Carolina about 10 days prior to that. I remember listening to radio reports that day and literally hearing of a tornado going through the Lemon Springs community in Sanford and I put in my heart in my throat because we have a quarry in Lemon Springs, North Carolina. There were homes that were very close to our quarry that were damaged extensively but our operations there and our people are safe.

<Q – Garik Shmois>: Okay. That's very good to hear. We did touch upon multi-family housing demand, recognize that residential is a small portion of your business right now, but how much of residential is multi-family right now for you?

<A – C. Howard Nye>: Right now, the single biggest piece of what we're seeing in res is going to be multi-family by far. I would say obviously three-quarters of what we're seeing in that is probably in the multi-family piece of it. And keep in mind, Garik, even if we go back in time, what we would have said on residential if you reflect on it is we said around half of the tons that we would see in a normal time in res are going to the house or the improvement of the lot.

The other half is going to the improvement of the subdivision. And keep in mind on the single-family side right now, many of the subdivisions are already built out, which is why from a percentage perspective right now I would come back and tell you that it's a much higher percentage, a disproportionate percentage that's going into multifamily right now.

<A – Anne H. Lloyd>: And also, Garik, as we highlighted both in the press release and in Ward's comments, we're seeing a lot of that multifamily work in the college and university communities which really makes some sense as well as in those communities who were favored in base realignment.

<A – C. Howard Nye>: So, part of what's interesting about that, Garik, if you think about our number one and number two state on revenues, North Carolina and Texas share a number of things in common. Number one we have a lot of colleges and universities in both and we have a lot of military facilities in both as well. So, I think that has probably in one of our good friends.

<Q – Garik Shmois>: I'd imagine the intensity per project on some of these larger multifamily projects that you're highlighting would be more significant than on a construction of a new house?

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<A – C. Howard Nye>: Yeah, it absolutely would.

<A – Anne H. Lloyd>: Just sheerly from the parking lot alone.

<Q – Garik Shmois>: Okay. And then, just switching real quick to Specialty Products, where you didn't indicate that you're up against tough comps in the back half of the year. The profitability run rate there appears like it's going to have to moderate to hit your guidance. Is it just a function of being up against tough comps? Or is there anything else going on there that is kind of slowing the growth rate on the operating profit line?

<A – C. Howard Nye>: Really, I think it's just being up against tough comps but I'll tell you is that is a team that has continuously performed against tough comps in the past and steel is running at about 76% of capacity right now. It's still early, Garik, so I think in large part we're just wanting to give ourselves a little bit more time to look at that. But, there's nothing else that's remarkably going on in that business. As we indicated in my comments, we had a couple of product lines that did particularly well. Our hydroxide slurry did as did periclase, again evidence of what's going on in the steel industry. But it's more comp driven than anything else, Garik.

<Q – Garik Shmois>: Okay. Sounds good. Thank you very much.

<A – C. Howard Nye>: Thank you.

Operator: Our next question comes from Brent Thielman of D.A. Davidson. Please go ahead.

<Q – Brent Thielman>: Hi. Thanks for taking my question. Just a question on the energy component of your business. I was a little surprised to see lower shipments in that side year-over-year. Do think that's just a function of weather in related markets? Or simply just difficult year-over-year comparisons?

<A – C. Howard Nye>: I think it's really a function of weather. I think it's a function of shifting some of it, too. I think there's some fringes of the Barnett and Haynesville shale deposits that have seen some of that activity shift to South Texas, so I think what we're seeing when I'm talking about 0.25 million tons that are going in South Texas, yeah, I think that's what you're primarily seeing this year.

Keep in mind too, last year the weather, much better in March. You would have seen a lot of activity ramping up in Arkansas, Louisiana and northeastern Texas. I think what we've indicated coming into the year and we would still say, is we see that business very similar to what we saw last year, probably slightly up.

<Q – Brent Thielman>: And Ward, is that – is it all on the upstream side in terms of where you're seeing activity? Or where are the areas of where you're seeing the most growth?

<A – C. Howard Nye>: I want to make sure I understand your question, Brent.

<Q – Brent Thielman>: I mean is this for drilling projects or --?

<A – C. Howard Nye>: No, this is primarily building the roads into the deposits and it's also building the pads out for them. So, really it's for their own forms of infrastructure and being able to access the resource.

<Q – Brent Thielman>: Got you. Okay. Thanks.

<A – C. Howard Nye>: Sure.

Operator: Our next question comes from Mike Betts of Jefferies. Please go ahead.

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<Q – Mike Betts>: Yes. Thank you very much. I had three questions as well if I could, Ward. First one, could you – the weakness that you saw in March, could you highlight the particular states that, that occurred in? I presume they're in the Southeast region but which were the ones worst hit? And have they been in the same in April? That's my first question.

<A – C. Howard Nye>: Well, I think what we saw in March was some cold weather that came in and some rainy weather that came in. I think really what we're seeing in April is tornadic activity as well as just some remarkable flooding. So, you're seeing geography move a little bit in that, Mike. So, in large part if we're looking at what would have happened in the second half of March, much of the East Coast in particular would have been affected by that. So, we would have felt that in the Carolinas. We would have felt that in Virginia. We would have felt that in North Georgia, for example.

What we're seeing now is really more of an effect in portions of the business that we have going down the middle of the country. So, clearly, we're seeing and feeling some of that in Arkansas. We're feeling that in Kansas City. We're feeling that in portions of Oklahoma as well. Is that helpful to you, Mike?

<Q – Mike Betts>: It is. Thank you very much for that. My second question is one about the timing of the price increases earlier on this year. I mean, CEMEX in their call on Friday indicated in their Aggregates businesses the price increases this year had gone typically in in January, which is a bit earlier than normal. Was that the same for you?

<A – C. Howard Nye>: You know what, and gain, I think everybody's going to deal with that a little bit differently and it probably depends entirely on the market and I'm not sure if CEMEX did the same thing in California that they had done in Florida and that maybe that they had done or not done in Arizona. I just don't know.

I think there were some price increases that we put in that went in in January, some went in in April, and in large part I'm not sure that it makes in an enormous difference because volumes were so muted in the first quarter anyway. So, I think we saw a number of different ways that we dealt with it in different markets, but effectively, all done at some point during the first, say, 90 days of the quarter, Mike.

<Q – Mike Betts>: And you didn't change particularly from 2010 or 2009? There was no structural change in the intention at least?

<A – C. Howard Nye>: No. No, there's not, Mike.

<Q – Mike Betts>: Okay. And the third and final question is probably for Anne, and correct me if I'm wrong here, Anne, but I think you lowered the tax rate guidance from 28% to 26%. Is that correct? If so, why? And does it have any impact further out in terms of what you think might happen with the tax rate?

<A – Anne H. Lloyd>: Yes, we did lower it from 28% to 26% and primarily it's just where we stand on our estimates of pre-tax earnings for the year and the relation of our percentage depletion deduction to those pre-tax estimates.

<Q – Mike Betts>: Okay. So, presumably that means that in terms of your expectations for the year have gone down. Is that the right way to look at it?

<A – Anne H. Lloyd>: They've moderated. They haven't gone down. That's a difficult thing to pull through because you also have other one-time events that are going to affect that tax rate.

<Q – Mike Betts>: Okay. Okay. And I think long-term you've indicated 29%. Is that still an expectation for the long-term sort of rate? Or is that an old number?

<A – Anne H. Lloyd>: I think between 28% and 30% is very reasonable for a long-term rate assuming that the tax regulatory scheme stays as it is today.

<Q – Mike Betts>: Okay. That's great. Thanks very much.

<A – C. Howard Nye>: Thank you, Mike.

Operator: Our next question comes from Chris Manuel of KeyBanc Capital Markets. Please go ahead.

<Q – Chris Manuel>: Good afternoon.

<A – C. Howard Nye>: And to you, Chris.

<Q – Chris Manuel>: Most of my questions have been answered but I do still have a couple left. One is, if we were to think about, as you talked about earlier in the prepared remarks and the press release, that should we get a shorter highway bill, it could be at or below given austerity-type things in the country. What would you postulate when you say potential for lower? How much lower could you think a highway bill could be?

<A – C. Howard Nye>: You know what, I'll use this as a metric. I guess number one, Chris, is who knows? I guess being more serious about it, really the last bill was, what, $244 million, billion dollars, I'm sorry. I've certainly heard some numbers that would say you might see something coming out of the House transportation and infrastructure committee that could be in the $235 billion range. So, that's a lower number.

At the same time, what people would very quickly come behind that and say is the previous bill had about 109 different programs ranging from public parks to bike pads to other things, all of which would likely come out of this new bill. So, we've been cautioned by people, if you see a smaller build keep in mind you may have something that's a much purer bill. You may have something that's actually were aggregate-intensive bill so don't let that headline number concern you. At the same time, Chris, I think whatever the House T&I committee comes out with is very likely to be a very different number than whatever number the Senate is going to come out with.

Now, obviously, Congress has been on Easter recess. I think there's some conversation that we may see something coming out of the House in the next couple of weeks. It's hard to say. But, I think it's fair to say, whatever comes out of the House we'll see a larger number coming out of the Senate and we're going to see a larger number that the White House is going to want to support and at some point, all of this has to go to some degree of conference or it just gets kicked down the road. But, I think really that probably puts some bookends to it for you, Chris.

<Q – Chris Manuel>: But on a bit shorter duration as well on an annual basis, it may still end up being somewhat flat. Is that what I think you're suggesting?

<A – C. Howard Nye>: Yeah, I think that's something that you certainly have to keep in the back of your mind.

<Q – Chris Manuel>: But, the second question along these lines is, I realize it's not going to be as big a haircut as what we had a few years ago when we went into the – when the bill went into lapse and I think it was funded at 70-ish percent level, but during that timeframe pricing became very, very aggressive, both from the contractor and then to support long-term relationship with

contractors, you had to help them out a bit as well. As we sit today, is that a fear that you have? Is that the environment could, if it's something less than flat, become aggressive again?

<A – C. Howard Nye>: I think what happened if you think back to that time, that was really probably late 2009, Chris. And I think several things were happening then. The highway bill had in fact expired and I think there was practically no view forward on what was going to happen with the bill. That was at a point in time where I think a lot of people wondered if the entire economy was going to implode as well.

And then, what was happening at the same time, people were coming behind that with varying degrees of stimulus work and I think what we were seeing with that stimulus work was obviously a lot of contractors who were moving into parts of the country that they hadn't been before. And I think that did create a very competitive dynamic during that snapshot in time.

I guess my view is at this point that this industry has now survived what I think is truly the acid test on pricing and the way it works on these materials. Is it a possibility, Chris? I can't ever dismiss it as a possibility. I don't look at the circumstance over the next several months or even years if we end up with a CR for a longer period time being something that I think makes us revisit that time.

<Q – Chris Manuel>: Okay, that's fair. It's what I suspected but I wanted to hear you put it into your own words.

<A – C. Howard Nye>: Okay. Well, I hope that helped.

<Q – Chris Manuel>: The next question I had was when we think about the $50 million or so that you're spending this year for growth-oriented projects, could you give us, not an exhaustive list, but a few large ones? And what you'd anticipate coming out of those?

<A – C. Howard Nye>: Sure. If you really look at our capital this year what I will to tell you is think up in several different buckets. Assume for what we have out there right now, around $100 million is what being spent in the heritage Aggregates business. We've got another $25 million that's actually going to be spent in building the new kiln in Woodville. We have another $25 million in large part that we're using to invest in a yard network system in Florida. Again, we're the largest granite sales company in Florida and we want to continue to make sure that we have our network there as robust as required as that market returns. So, that's part of what you're seeing.

And the other $25 million, Chris, is really competitive capital and that competitive capital is something that I hold here that I'm going to look at projects as they come through. And what we have told our teams is to get your hands on that competitive capital, you'd better have an internal rate of return that is, I think of words have been, is a pretty eye-popping IRR. And so far, we have seen one project in particular that we thought was particularly moving and we've used some money to do that. But, that's the type of projects and the type of structure that we have to CapEx this year.

I think by structuring it that way, one thing that we've done too, Chris, is we've built in a certain degree of flexibility into our business and while we don't think we'll have to do it, if we got to the point that for whatever reason we felt like we needed to pull back on capital, we obviously could.

<Q – Chris Manuel>: Okay, that's helpful. And for my last question I just wanted to dig in a little bit to the extra capital you're spending. I think you're adding a kiln and there's a little more slated for next year. How much extra capacity will that add for you in the Specialty Products business?

<A – C. Howard Nye>: What that will add by the time we're done with that is about 240,000 or 270,000 extra tons of dolomitic lime coming out of that facility, Chris.

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<A – Anne H. Lloyd>: As a reminder, Chris, as we've said before, almost every pound of that is covered under long-term take-or-pay contracts.

<A – C. Howard Nye>: There'll be a home for all of that before it goes online, Chris.

<Q – Chris Manuel>: Okay. That's fine. I'm just trying to gauge future contribution. Thank you much.

<A – C. Howard Nye>: Thank you, Chris.

Operator: Our next question comes from Clyde Lewis of Citigroup. Please go ahead.

<Q – Clyde Lewis>: Good afternoon, Ward. Good afternoon, Anne.

<A – C. Howard Nye>: Good evening, Clyde.

<Q – Clyde Lewis>: I'm not positive if somebody did ask this earlier but I did get cut off but did you say anything about [indiscernible] (1:07:10) and bolt-ons? Obviously, your balance sheet is in pretty good shape these days so I just wanted to see what's happening on that front and whether there are some interesting opportunities starting to come up.

<A – C. Howard Nye>: That's a good question. I would answer your question with a broad answer, yes. There are opportunities to do that. We continue to look at it. We're very active in looking at. We're very thorough in looking at it. And candidly, I hope to have some that we can talk to you about in the not-too-distant future. I think one thing that I need to say and I think it's an important thing for us all to remember, is whether it's a closely held family business or whether it's a public business or anyone else, people understand how incredibly valuable these businesses are.

And I think even as we have gone through this downturn, and we have looked at a host of different acquisitions and we looked at probably close to mid-20, 30 different types of transactions just in 2010 all by itself, people are very proud, understandably, of what they have and looking hard to make sure that you're buying something that really endures to the long-term benefit of shareholders is something that we care deeply about. But, we will continue to be vigilant in looking for transactions, Clyde.

<Q – Clyde Lewis>: Okay. Great. Thanks so much.

<A – C. Howard Nye>: Thank you.

Operator: I'm showing no further questions at this time. I'd like to turn the call back over to Mr. Ward Nye for any closing remarks.

C. Howard Nye, President and Chief Executive Officer

Thanks again for joining us on this first quarter earnings call and for your interest in our company. We believe the [indiscernible] (1:08:46) stability experienced in our Aggregates business will provide a platform for the next phase of the construction cycle, recovery and growth. Consistent with our core principles and values, we will continue to focus on managing our business for the long-term benefit of our shareholders and we look forward to discussing our second quarter results with you in August. Take care. Thanks a lot.

Operator: Ladies and gentlemen, this does conclude today's conference. You may all disconnect and have a wonderful day.

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