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PARTICIPANTS

Corporate Participants

C. Howard Nye – President, Chief Executive Officer & Director
Anne H. Lloyd – CFO, Treasurer, EVP & Head-Investor Relations

Other Participants

Arnold Ursaner – Founder & President, CJS Securities, Inc.
L. Todd Vencil – Analyst, Davenport & Co. LLC
Garik Shmois – Senior Research Analyst, Longbow Research LLC
Kathryn I. Thompson – Co-Founder & Senior Research Analyst, Thompson Research Group LLC
Jack F. Kasprzak – Managing Director, BB&T Capital Markets
Adam Rudiger – Senior Analyst, Wells Fargo Securities LLC
Trey Grooms – Research Analyst, Stephens, Inc.
Ted Grace – Senior Analyst, Susquehanna Financial Group LLP
Scott J. Levine – Senior Analyst, JPMorgan Securities LLC
John A. Baugh – Managing Director, Stifel, Nicolaus & Co., Inc.
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Brent Thielman – Vice President & Senior Research Analyst, D. A. Davidson & Co.
Clyde A. Lewis – Research Analyst, Citigroup Global Markets Ltd.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Materials Second Quarter 2011 Conference Call. At this time, all participant lines 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, this conference is being recorded. I would now like to turn the conference over to Mr. Ward Nye, President and CEO. Please go ahead.

C. Howard Nye, President, Chief Executive Officer & Director

Good afternoon and thank you for joining our Second 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 believe you'll find this discussion beneficial.

These second quarter results are further evidence of our ability and determination to execute and maintain a disciplined approach to the profitable management of our business. Despite an extremely challenging operating environment, contributed to by both man and Mother Nature, we performed well. That's not to say, though, that we're satisfied with our results. But despite the difficult operating environment, we demonstrate our ability to achieve our primary goal, continuous improvement.

While aggregate's pricing momentum in the first quarter continued, with a 2.6% increase in average selling prices of our heritage aggregate product line over the prior-year quarter, factors beyond our control, such as erratic weather patterns, reduced investment in infrastructure products and low levels of private sector construction, all limited our aggregate shipments and reduced our net sales compared to the prior-year quarter.

Now, for the specifics. The second quarter results reflect our continued focus on controllable production costs as well as general and administrative expenses. Overall, we earned $0.78 per diluted share in the quarter compared with $1.18 in the prior-year quarter. Our Specialty Products business achieved yet another significant accomplishment, setting quarterly records for both net sales and earnings from operations. Based on first-half results and our outlook for the second half of the year, we have raised our full-year earnings guidance for this business.

We're pleased that aggregates pricing improved in most geographic markets, led by a 6.8% increase in our Southeast group. Rising energy prices have also contributed to certain mid-year pricing increases. We believe this pricing growth is sustainable and have accordingly raised our full-year overall aggregates product line pricing guidance to an increase ranging from 2% to 4%.

As you all know, weather is a significant non-controllable variable in aggregates businesses and during the second quarter, many of our operations in Midwestern states were constrained by historic levels of rainfall and extensive flooding along both the Mississippi and Missouri rivers. These extreme conditions restricted both production and shipments in a number of areas, our Southeast business being hardest hit.

In addition to weather hindrances, the macroeconomic environment and spending constraints have led to the absence of long-term commitments to infrastructure investment. In fact, state spending is trending toward projects that are more maintenance oriented. Additionally, jobs funded by the American Recovery and Reinvestment Act, or stimulus, are winding down.

The combination of these factors led to a 9% decline in our quarterly aggregates shipments, with a noteworthy 11% reduction in shipments to the infrastructure end-use market. Despite these declines, we are encouraged by year-to-date increases in contract lettings in several of our key states, including Texas, Iowa and Florida.
Aggregate shipments to the nonresidential end-use market decline 9% for the quarter, primarily due to reduced energy sector shipments caused by the timing of transitions from Haynesville shale opportunities in Louisiana to Eagle Ford shale reserves in Central and South Texas. The delayed recovery in residential construction negatively impacted volumes, as shipments to that sector declined 6% for the quarter.

The general consensus among economists is that current levels of residential construction activity are unsustainably low. However, economic uncertainty and the backlog of foreclosures have lowered expectations. And lastly, Chem/Rock & Rail shipments were 3% less than the prior-year quarter. Enterprise-wide aggregate volume declines of over 9% and decreased net sales made incremental operating margin, as we previously described it relative to periods of volume recovery, less meaningful. That said, our Western United States division did see increased net sales. In that environment, we delivered an incremental operating margin well in excess of the 60% stated objective.

We continue to benefit from two areas of focus you've heard me discuss previously, cost containment and prudent capital investment. For example, direct production costs for our heritage aggregates product line were down more than 2%. With reductions in repairs, contract services and depreciation more than offsetting a 13% increase in non-controllable energy costs. Diesel represents the largest single component of our energy expense. For the quarter, we paid an average of $3.08 per gallon of diesel, 45% more than the prior-year quarter. Higher diesel fuel costs reduced our quarterly earnings by $0.06 per diluted share.

Our lean selling, general and administrative expenses continue to be industry-leading. Compared with the prior-year quarter, SG&A expenses decreased $1.9 million or 20 basis points as a percentage of net sales. This reduction reflected lower pension and stock-based compensation costs. Our Specialty Products segment continued its exceptional performance.

Even compared with a record second quarter in 2010, this business established a new quarterly record for both net sales and earnings from operations. Net sales at $50 million for the quarter were 4% above the prior year, reflecting strong demand in both the chemicals and dolomitic lime product lines. The sales increase, along with cost control measures, produced earnings from operations of $19 million, a 380 basis point margin improvement over 2010.

As we have clearly stated, a strategic goal is to establish or maintain leading market positions in geographic areas with attractive demographics. During the quarter, we acquired a family-owned aggregates business in western San Antonio, Texas, where population and economic growth have consistently outperformed the national average. In addition to the six acquired aggregate locations, the business also has downstream asphalt and ready-mix concrete operations. This acquisition adds more than 200 million tons of aggregates reserves, complements our existing vertically-integrated operations and enhances our leading market position.

We continue to prudently allocate capital and for the six months ended June 30th, invested $59 million in organic growth initiatives. Of note, we started the new dolomitic limestone project at our Specialty Products business in Woodville, Ohio. This $53 million project should be substantially complete by the end of 2012. During the quarter, we also opened an aggregates sales distribution yard in Tampa, Florida, expanding rail distribution network serving the Interstate 4 corridor. For the full year, we have revised our forecasted CapEx to $155 million, $20 million less than previous guidance.

We also believe it's critical to maintain one of the industry's strongest balance sheets, especially in an environment like this one, which not only gives us the ability to make capital investment, but also to have significant working capital flexibility. As previously reported, we refinanced $242 million of notes maturing on April 1st with borrowings under our term loan and our accounts receivable facilities. In substance, we replaced fixed rate debt with variable rate debt. Due to the current low interest rate environment, the refinancing lead to a $3.1 million savings in interest expense for the quarter. At June 30th, 2011, our ratio of consolidated debt to consolidated EBITDA was 3.09 times, in compliance with the limit of 3.5 times. We were pleased that during the quarter, Standard & Poor's reaffirmed our credit and upgraded the outlook on our long-term rating from negative to stable.

We continue to monitor activity in Washington D.C., viewing transportation funding as our most significant risk for the rest of 2011 and into 2012. As a reminder, we're currently operating under a Congressional continuing resolution that extends SAFETEA-LU through September 30th, 2011. Recently, Representative John Mica, Chair of the U.S. House Transportation and Infrastructure Committee, released his committee's outline for a reauthorized transportation bill. The committee's proposal is a six-year bill with total funding of $230 billion, a 30% reduction from current funding levels. Senator Barbara Boxer, Chair of the U.S. Senate Environment and Public Works Committee, supports a two-year reauthorized bill with total funding of $109 billion, essentially consistent with existing funding levels but adjusted for inflation.

While we support many of the reform aspects included in both proposals, the level of funding is widely regarded as wholly insufficient. In fact, on June 27th, the American Society of Civil Engineers issued a report indicating decaying infrastructure costs the United States $129 billion per year. $97 billion per year added to the cost of operating vehicles plus travel delays that cost $32 billion. Notably, the U.S. Chamber's Tom Donohue commented on this report saying and I quote, without more robust economic growth, the U.S. will not create the 20 million jobs needed in the next decade to replace those lost during the recession and to keep up with the growing workforce, end quote.

The debate, lack of consensus and now inevitable committee work related to the national debt ceiling and the 2012 budget will likely constrain Congressional ability to negotiate, resolve and enact the reauthorization bill prior to the expiration of the current continuing resolution. As

uncertainty emanates from the federal government, the willingness of states to use alternative means to fund their long-term aggregates-intensive projects will become more significant.

We continue to believe that federal and state officials realize investment in infrastructure is an efficient means of job creation, necessary for economic growth and essential to public health, safety and welfare. It's increasingly challenging to forecast full-year 2011, given the variety of factors beyond our direct control. We expect infrastructure funding by state to remain relatively constant and at least 25% of stimulus funds to be spent this year.

While our outlook assumes additional continuing resolutions to maintain current federal funding levels, the extent of such levels is uncertain. Further, as mentioned earlier, project mix is shifting to more maintenance-level work. These factors suggest that aggregate shipments delayed in the first half of the year due to weather, may not be recovered in the second half of the year.

Another complicating issue is the uncertain timing of housing recovery. Given this backdrop, we now believe that overall aggregate shipments will range from flat to down 3%. Infrastructure shipments are expected to be down in the mid-single digits. Nonresidential shipments should range from flat to up slightly. Chem/Rock & Rail shipments should be stable compared with 2010 and the rate of improvement in residential shipments should be better than 2010.

We expect aggregates production cost per ton to range from flat to slightly less than 2010, despite rising energy costs. Our Specialty Products segment is now expected to contribute $54 million to $56 million in pre-tax earnings. Selling, general and administrative expenses will likely be less than 2010, primarily due to lower pension expense. Interest expense should be approximately $60 million and our effective tax rate should approximate 26%.

Thank you for your interest in Martin Marietta Materials. If the operator will now give the required instructions, we'd be pleased to address any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Arnie Ursaner with CJS Securities. Your question, please?

<Q – Arnold Ursaner – CJS Securities, Inc.>: Hi, good afternoon, Ward. Good afternoon, Anne. I think in summarizing the report you had, the things that you can't control, weather and volume caused some of the problems, but I think you guys continue to do an extraordinarily good job controlling the things you can control. You mentioned in your prepared remarks that you expect flat to down cost per ton, and that's despite significantly higher energy costs, yet the starting point is you've been doing a pretty good job cutting costs. Can you tell us more about the types of actions you're taking to continue to bring down your costs on a go-forward basis? And how sustainable it is?

<A – C. Nye – President, Chief Executive Officer & Director>: Sure, Arnie. If you go back and take a look at it, the areas where we're reducing our costs tend to be depreciation, which is really just coming through from the lower capital investment over the last several years. We're seeing reduced M&R, we saw that pretty considerably, and we're seeing reduced contract expenses.

And here's what's really driving that, Arnie, if you go back and look at what we did with CapEx prior to the downturn, we were investing in CapEx well in advance of DDNA. What that's giving us the opportunity is pull back on CapEx now, but at the same time, run at a very efficient level. What you'll remember is that last year, we saw slight spike in some of the M&R expenses as some volume came back. We anticipated at that time that M&R as we went into this year would be lower and indeed it has.

Going also to contract expenses or bringing in third parties at times to do work in your facilities, one of the big expenses that we would typically incur during the year, as you would imagine, is stripping or working simply to move dirt that's covering reserves in some places. Fallback can be a significant expense. We've seen those expenses come down pretty considerably over the last several years. In fact, what I would tell you today is in some places you are probably moving dirt for about half of what you would have several years ago.

<Q – Arnold Ursaner – CJS Securities, Inc.>: So, I'm assuming that your view is this is sustainable. It's not a short-term blip that's causing it, but something you do view as sustainable?

<A – C. Nye – President, Chief Executive Officer & Director>: Arnie, we do think it's sustainable and, again, in my view, I think the story of the quarter is several-fold, and I think you hit it. I think we do have sustainable cost decreases that we have put through. I think to have a quarter where you see volume down nearly 10% and pricing up and production costs down is actually pretty remarkable and I think our operating teams are in a position to continue that type of operating performance.

<Q – Arnold Ursaner – CJS Securities, Inc.>: Okay. If I could, could you just expand a little bit more on your mid-year price increases? Sort of the discussions you're having with customers and I know it takes time for them to work their way in. I assume the much bigger impact would be on next year?

<A – C. Nye – President, Chief Executive Officer & Director>: Well that – your timing is exactly right, Arnie. The conversations have been much more robust this year than they have been in the last couple years. Again, we anticipated that would be the case. If really I take a look across our entire enterprise, we're seeing it almost in every major market in which we are operating. We've seen increases of a buck a ton on list price in certain places in North Carolina effective July 1. We've seen increases of $0.25 to $0.35 per ton in portions of the Midwestern United States as well, by that I mean Indiana and Ohio.

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Notably, we have seen price increases on clean stone, on asphalt stone in Florida. We've seen probably a 2.5% increase there as well. Obviously, Texas has come through this downturn in a lot of respects better than most and we've seen price increases, again, mid-year in San Antonio, Houston as well as South Texas and even if you move up to North Texas, which traditionally has been one of the more challenging markets, we're seeing $1 per ton type increases on limestone and $0.50 a ton increases on sand.

Now in fairness, a lot of those increases in North Texas are more geared toward September 1. So, the practical effect is you won't feel a lot of the impact of that in this year, you will feel it next year and it also raises the bar on pricing as we move into 2012.

<Q – Arnold Ursaner – CJS Securities, Inc.>: Thank you very much.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you, Arnie.

Operator: Thank you. Our next question is from Todd Vencil of Davenport & Company. Your question, please?

<Q – L. Vencil – Davenport & Co. LLC>: Good afternoon, guys.

<A – C. Nye – President, Chief Executive Officer & Director>: Hey, Todd.

<Q – L. Vencil – Davenport & Co. LLC>: So Ward, if I look at your volume guidance, your updated volume guidance and I back out what you actually did in the first half, it looks like your range implies you think volumes are going to be about flat to up 5% year-over-year for the back half. Am I looking at that right?

<A – C. Nye – President, Chief Executive Officer & Director>: I think you broadly are looking at that right. To give you a sense of how we were seeing the trend in the second quarter, Todd, and I think this probably gives you a sense of how we're looking at it even separate and distinct from your numbers, our volume in April, which was a remarkably wet month, as you recall were down 21%. Our volumes in May were down around 5.5% and by the time we got to June our volumes were down 1.7%. So, we were clearly seeing the rate of decline, decline. And I think as you come back and take a look at the second half, I don't think you're miles off.

<Q – L. Vencil – Davenport & Co. LLC>: Yeah. So, if you look at your plan, and just as background I mean when I sort of fed in the first or second quarter actuals into my model and I looked at your guidance I was – my full-year implied number without changing my back half assumptions was within the range of your guidance. If you look at your plan, is that sort of what happened there? I mean, we obviously had a difficult second quarter and you made the point that you don't necessarily think you're going get everything in the back half that you may have missed out on in the second quarter. But have you really had to make many modifications in your own expectations for what you're going see in the second half?

<A – C. Nye – President, Chief Executive Officer & Director>: No, Todd. We really haven't. I think the primary thing that you're seeing and it's not just a Martin Marietta issue I think it's across the industry, I think there's a bit more caution. I think you even see that in some of the guidance at McGraw-Hill and others have come out with. I mean, if you remember when we came into the year, McGraw-Hill was saying overall construction was going to be up 8%. I think their latest revision shows overall construction down 2%.

The only issue that I would tell you we continue to watch carefully though as we move into the second half of the year is really what's going to happen with energy as we go through the year. When we came into this year, we assumed, for example, that energy was going to be up pretty

considerably. And if you look at what diesel was last year at this time, diesel was $2.12 a gallon and we've just finished a quarter where it was $3.08 a gallon. And, in fairness, it's probably trending more toward call it $3.20 a gallon. So, clearly, it's heading up.

<Q – L. Vencil – Davenport & Co. LLC>: Got it. And you anticipated my next question which is, are we about $3.20 right now?

<A – C. Nye – President, Chief Executive Officer & Director>: That's certainly what the forward curve is showing, yes, Todd.

<Q – L. Vencil – Davenport & Co. LLC>: Okay. And can you tell me how many gallons you've burned in the quarter?

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah. Well, I can tell in Q1 we were at 6.8 million gallons. In Q2, we were at 8.4 million gallons, so half one was 15.2 million gallons and my guess is that will put us somewhere in the mid 30's again by the year end, Todd.

<Q – L. Vencil – Davenport & Co. LLC>: Got it. On the CapEx guidance cut which you mentioned but you didn't kind of lay out why you did that, can you talk about what's behind that?

<A – C. Nye – President, Chief Executive Officer & Director>: Well, if you think back to the way we set up our guidance at the beginning of the year, Todd, really what I had was around $100 million going into our heritage aggregates operation. We had around $25 million going this year going into the new kiln in Woodville, Ohio. We had $25 million in some separate growth initiatives in the South, and we had around $25 million also in competitive capital. And we were going to save the competitive capital for capital projects that just had really very, very attractive internal rates of return, but we were also going to have that there to pull back at some point if we needed to. So, what you're going to see is the pullback in the competitive capital.

<Q – L. Vencil – Davenport & Co. LLC>: Is that just in response to – related to the reduction in expectations for the year of the business?

<A – C. Nye – President, Chief Executive Officer & Director>: It is. In fact, it is my view that I think everyone is simply being more cautious and we viewed that as a prudent step.

<Q – L. Vencil – Davenport & Co. LLC>: Fair enough. Just a couple more on capital if I can? Can you give us any more information on the San Antonio deal in terms of what the volumes look like there and what the financial performance looks like?

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah. What I can tell you is, again, we're very pleased with what we've bought in San Antonio. From the [ph] Tousch (23:08) family it's a closely held transaction. We believe that obviously is going to fit very, very nicely with the heritage business that we have there. It's 220 million tons of reserves. Pricing in the San Antonio market is actually well below the corporate average and we feel like obviously growth in Texas for a lot of reasons will be a pretty attractive place for us to participate particularly in that role. That's a business that certainly has permitted capacity annually up to 6 million tons. It's not 6 million tons at all right now, Todd. But that gives you a sense of what it can do.

And then, again, that's what we have from a purchase price perspective and I'm sure that's something that you're curious about. We obviously have agreements in place that prohibit us from talking about that. But if you were looking at this transaction and trying to put some metrics to it, what I would encourage you to do is to go back and take a look at how we've valued reserves if they were on a lease basis. And take a look at that and then come back and you'll get a pretty good sense of the type of value that we placed on this transaction.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: And Todd, for this year, obviously, in the quarter we had about $1.7 million of one-time costs related to business development and acquisitions that were included in OI&E. And your question on financial performance, we actually expect the transaction to be slightly dilutive this year but accretive in '12.

<Q – L. Vencil – Davenport & Co. LLC>: Got it. And I guess final question from me and I'll jump back in the queue, but it looks like from the cash flow statement there was about $10 million in there that used to buy in – the joint venture interest. Can you tell us what that was?

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah. That was J.W. Jones. It was a transaction that was done just about – almost exactly 10 years ago. And there was a certain amount paid down at closing and this was finishing up the transaction. It's a business that's west of Indianapolis, so it's been a part of our portfolio for a decade.

<Q – L. Vencil – Davenport & Co. LLC>: Got it. Thanks, a lot.

<A – C. Nye – President, Chief Executive Officer & Director>: Sure, Todd.

Operator: Thank you. Our next question is from Garick Shmois of Longbow Research. Your question, please?

<Q – Garik Shmois – Longbow Research LLC>: Thank you. Just wondering just looking at the pricing in the Southeast group, second strong quarter on a year-over-year basis. Just wondering if you could flesh out a little bit more what's happening there? Is it mix driven? Is it price increases that you secured in 2010 that have benefited this year? And just wondering how sustainable this mid-to high-single digit year-over-year increase is for the balance of the year?

<A – C. Nye – President, Chief Executive Officer & Director>: Garik, that's a good question. I guess it's driven by several different things. If we look at that Southeast market, in many respects it's the most single challenged market that we're faced with, in this quarter in particular, if you think about what's happening with some of the material coming down the river, among others. One thing I'll tell you is that even in markets that I think are incredibly challenged right now, and if I had to give you two markets that were remarkably challenged, I would say North Georgia is one and Alabama is one and we're actually seeing price increases in both of those markets.

I think something else that's notable is when I take a look at what's happening in Florida, because I think this is now at least the second quarter in a row that we've come back and told you that pricing in Florida is, at least from where we sit, moving in the right direction. We saw pricing in Florida for the quarter up 7%. I think going back to your question, really what this tells us, Garik, and I think we've been consistent with this, is that the business was looking at least for some degree of equilibrium it.

Now, none of us may be happy with the equilibrium from a volume perspective that we found, but at least some degree of it has been found. And I think what you're starting to see now is that our business and I think really the industry is starting to move in a way that historically you would have seen it move. So, I think there is sustainability to that, and that at least gives you some color on what we saw in that market. Is that helpful?

<Q – Garik Shmois – Longbow Research LLC>: That is. Just a question on the disruptions in the river market. Are all of those disruptions behind you? Is the market operating smoothly right now? And is it possible to quantify at all how much of the EBIT impact came from these disruptions, whether it's higher costs coming from increased distribution or changes in inventory or something like that?

<A – C. Nye – President, Chief Executive Officer & Director>: I'll answer your first part initially. It is operating in a much more efficient, more normalized setting right now. It really worked, as you would imagine, you had initially up-river disruptions at your production facilities, then you also had disruptions at your yard facilities down-river for a while as well. So, it literally affects the entire system over a period of time. The system is operating much more efficiently and almost normally now.

I think as a practical matter to your point though, it's very hard to go back and really come out with varying degrees of precision on what is attributable to weather, what was attributable to a reduction in sales and what was attributable simply to not be able to operate in a highly-productive mode when you are dealing with those types of downstream circumstances. But what I can tell you is obviously the volume numbers in river were off 20-ish percent. So, it was pretty considerable.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: And, Garik, if you look at the second quarter results as a whole, the 9.3% decline in volume cost the company about $35 million of gross profit. It's difficult to bifurcate that between weather and/or other issues that might be going on in the underlying economy, but a pretty significant hit.

<A – C. Nye – President, Chief Executive Officer & Director>: And, Garik, the last component I think that you asked that we haven't responded to, is you did ask us about mix. And that's a fair question because when we came into the year last year, we told everyone that mix was going to have a considerable effect on what was happening with pricing. Our view was coming into this year mix would not and I think as a practical matter in what we've seen from an enterprise-wide perspective, we are safe to say that we've been right, that mix has not had a profound impact on that.

<Q – Garik Shmois – Longbow Research LLC>: Thank you. One last question from me, you know, Ward, you mentioned that you are expecting to see a bigger shift to maintenance projects, at least in the near-term. If we assume this is going to continue over the next several years, if we have a secular shift to more maintenance projects, can you speak to the potential implications on pricing and volumes with respect to the aggregate intensity in maintenance projects versus new road build?

<A – C. Nye – President, Chief Executive Officer & Director>: Maintenance projects can tend to be relatively aggregate intensive, because in large part they're hot mix asphalt driven. So, from that perspective, you're dealing with and end-use product that is primarily obviously aggregate. I think the biggest challenge that you're going to have if projects tend to be more short term is that you are going to be back in a mode that you are pushing several individual products to the exclusion of others.

In other words, clean washed stone is going to move to the head of the line and you're going to have base products move again toward the back of the line. So, I think running your businesses at their most optimal and keeping your inventories in balance will be the biggest challenge in that. Actually, from an average selling price perspective, you may actually see some help there, because that tends to be some of your more high-priced products.

<Q – Garik Shmois – Longbow Research LLC>: Great. Thank you very much.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you, Garik.

Operator: Thank you. Our next question is from Kathryn Thompson of Thompson Research. Your question, please?

<Q – Kathryn Thompson – Thompson Research Group LLC>: Hi. Thanks for taking my question today. It certainly was a challenging quarter from a volume standpoint, given all the

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weather. [ph] I think as we read today (31:00), you would have been better served as a roofer than a producer of rock in the quarter. So, understanding the overall volume, which makes sense, where we need a little bit of help is understanding how much gross margin this pressure by volume versus mix versus some other external factor. Could you walk through that for us?

<A – C. Nye – President, Chief Executive Officer & Director>: I think the best way that I can address that, and I think Anne might have said it a few minutes ago, really as we sat back and looked at the quarter and we really parsed it out, we saw as we analyzed our gross profit roll forward that volume weakness all by itself, all by itself, cost us around $35 million. And, Kathryn, I might switch back to the envelope, we're probably in the 70% fixed cost land right now. So, when you have 9.3% volume decline, that's really going to be the show. Again, Kathryn, back to the comments that I made to Arnie, I think when you've got that degree of volume decline and can still demonstrate the ability to pull back on direct production costs and raise price, it's a pretty good story. But right now, this business is very clear respects about volume.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Thank you. That's helpful. I was also hoping you could clarify a little bit more how you're looking at calculating that aggregate production cost per ton? Are you pulling out certain items? Because as we were looking at it, there's a little bit of an increase, but it could just be a difference in how you're looking at calculating that?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: Kathryn, we're talking about direct production costs, so those are at-the-quarry costs. So, as you look at the total distribution of costs, you're taking out that embedded freight that moves items between their producing and selling locations and the differential between the direct production costs that went down and the total production costs that are up are the liquid asphalt costs, the rising costs of that, one of those other energy-driven factors, as well as some energy pass-through on those embedded freights.

<A – C. Nye – President, Chief Executive Officer & Director>: So Kathryn, if you're sitting where I am, I can tell you the buckets that I'm going to look at when I calculate that, I'm going to look at labor, I'm going to look at energy, I'm going to look at supplies, I'm going to look at M&R, I'm going to look at DD&A, and in large part, I'm going to look at contract services. Those are going to be the primary direct production cost drivers that we're going to be focused on.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. And I'll follow up later with a few more questions I have on that. Also, in prior quarters you've been able to talk about the pricing at the end of the quarter versus intra-quarter. I assume that there hasn't been a meaningful change, or if there has, could you expand on it?

<A – C. Nye – President, Chief Executive Officer & Director>: No, Kathryn. There has not been a meaningful change. So, you are correct.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. And finally, you talked in the release that some of the lost revenue in the quarter from weather wouldn't necessarily be recaptured. What's driving that?

<A – C. Nye – President, Chief Executive Officer & Director>: Again, I think that is simply back to the caution that a lot of people have right now, Kathryn. I think we're going to see some pull back obviously in varying degrees of non-res in some parts of the country and I just think we are taking a more conservative view, and I think we're following, at least in part, what we've seen others, including McGraw-Hill, indicate as they've looked at the balance of the year.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay, perfect. Thanks so much.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you.

Operator: Thank you. Our next question is from Jack Kasprzak with BB&T Capital Markets. Go ahead, please.

<Q – Jack Kasprzak – BB&T Capital Markets>: Thanks. Good afternoon, everyone.

<A – C. Nye – President, Chief Executive Officer & Director>: Hi, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Hi. With regard to that last comment, Ward, so, you guys have seen in the last couple of months, I guess, projects that you thought would go ahead or might move forward either delayed or canceled. Is that a fair statement? And specifically on infrastructure, given all of the uncertainty over the highway bill and the ongoing dithering in Washington, are states getting frustrated and pulling back, canceling projects real-time that is causing part of that caution, too?

<A – C. Nye – President, Chief Executive Officer & Director>: I don't think we're as cautious right now on the infrastructure piece, Jack. That looks stable. And actually, I'll tell you, the state component of it actually looks remarkably stable, much more stable than you would think, and that's a good thing actually, because our view is that the states are going to have to step up in ways over the next several years and, frankly, probably through this next highway bill in ways they haven't had to historically. So, really, what we're more focused on when we've become more conservative in our view, tends to be more the nonresidential and portions of res as well.

<Q – Jack Kasprzak – BB&T Capital Markets>: With regard to residential, I think you said that you expect I guess a little bit of improvement in the back half maybe, a better rate of change, less negative, however you want to say it. Is that as much as anything a product of the easier comparisons in residential that we all know we have post-tax credit expiration from last year?

<A – C. Nye – President, Chief Executive Officer & Director>: Jack, that's entirely what's driving that. I guess the other comment that we would have is simply as that we look at res, that's the answer to the near-term issue, as we look at res in the more long-term, part of what we're still struck by is if you stood back and look at res from 1959 to 2010, housing permits during that 50-year period averaged 1.4 million per year. And here we've been parked at 600,000-ish for the last couple years. So, to your point, the compares are going to get easier, but at the same time, what we have right now is artificially low. We understand why. At the same time, at some point that's going to have to turn and we think that it's going to turn slowly and we think we're going to see certainly some improvement in the second half.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. I was just curious, too, your comment about two examples of very challenged markets being North Georgia and Alabama. What is, specifically on North Georgia, what's causing it to be among those most-challenged markets? Is it the housing issue?

<A – C. Nye – President, Chief Executive Officer & Director>: I think it very much is a housing issue. I think North Georgia probably as much as any place was pretty considerably over built. I think they could say the same thing relative to their office and retail portion as well. And keep in mind even as you look at Georgia, that's one of the few states that actually funds its transportation broadly from its general fund as well. That's a bit of an anomaly from other states, particularly in the Southeast. And while Georgia has in large part gotten their system much more on track here of late, that's certainly a DOT that over the last several years in particular, has suffered, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. Great. That's very helpful. Thanks very much.

<A – C. Nye – President, Chief Executive Officer & Director>: Certainly.

Operator: Thank you. Our next question is from Adam Rudiger with Wells Fargo Securities. Your question, please?

<Q – Adam Rudiger – Wells Fargo Securities LLC>: Hi. Thank you. Ward, you mentioned to a previous question that it was a volume story right now and I agree with that. But I was wondering and I recognize this is a very difficult question to answer considering the difficulty in even thinking about the rest of 2011, but if you look into your crystal ball for 2012, do you see that being a meaningful growth year for volume? I mean, there's plenty of reasons to believe that 2012 could be a dud as well. So, I was just curious on when you think about the future, when you think we might get that volume spike that you need?

<A – C. Nye – President, Chief Executive Officer & Director>: The nice thing about being in the volume place we are right now, you don't even need much of a spike to see remarkable returns because any degree of volume at this level that moves upward has a profound impact on what we can do. Here's how I would walk you through that, Adam, and I'll probably go in reverse order. Our Chem/Rock and Rail segment, I think is a very different segment for us than it is for others. I think we clearly have a much more significant part of our portfolio that goes that way where the number one shipper on U.P., BN, CSX, number one on Kansas City Southern and number two on Norfolk Southern.

What I'll tell you is we view that portion of our business going into next year as very stable. Again, you've heard what I just said to Jack about res. We see that as something that is likely to be stable to very much improving. It's simply a matter of timing. I think what we're seeing this year on non-res, as I've said in my comments, in large part right now revolves around the types of transitions that are going on from the Haynesville to the Barnett shales into the Eagle Ford. We are seeing some degrees of life in non-res, in big box and some other activity there. So, we continue to think that's going to show some improvement.

And then, when you come back to the infrastructure piece of it, in large part it's going to be driven by what happens in Washington D.C. The things that we can't control, Adam, are really threefold: we can't very much control volume, we can't control energy and if anything that we've all learned from this past week is nobody can control Washington D.C. If we can come back and get some degree of at least extension of SAFETEA-LU, perhaps through the election, I think we'll all feel better about that.

The one commentary I would come back and offer you on that and, Adam, our view still is that we're are likely in our view to have a CR through the presidential election. There is increasing conversation, in fact, folks that we speak to in D.C. gave us as much as a 60/40 read on it yesterday, that there would be some form of a highway bill. Now, I'm not of the view that there's going to be a six-year highway bill and neither are most of the folks that we speak to, but there is a growing view that there may be a two, maybe a three-year highway bill.

And depending on how that shakes out, it could certainly influence the way that the infrastructure piece of that pie looks as we go into 2012. We'll obviously give you considerably more view on that as we go into next year. But keep in mind that one thing we still need, and it still pertains to this year, before we even look at 2012 is we need the CR that's in place now that expires on September 30th to go through the end of the year.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: That's helpful. Thank you. And then secondly, I just had a question on pricing, what's the elasticity towards pricing now? If you were to say, just to say wanted to go for volume work, would lowering prices meaningfully help drive volume? Or is it just a question of, you highlighted caution of a lot of times on this call, and your customers might be cautious. If you lowered prices or just kept them flat while everybody else tried

to raise them, would that really even drive meaningful volume for you? Or is it just an inelastic market right now?

<A – C. Nye – President, Chief Executive Officer & Director>: At this point, I don't think it does that. And candidly, my view is we have a product that is so difficult to get and is so irreplaceable, I wouldn't be inclined to do it that way. I don't think that's the way it works right now anyway, Adam.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: All right. Thank you.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you.

Operator: Thank you. Our next question is from Trey Grooms of Stephens. Your question, please?

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

<A – C. Nye – President, Chief Executive Officer & Director>: Hi, Trey.

<Q – Trey Grooms – Stephens, Inc.>: Ward, just kind of going back to the comment you made on the recovery in commercial, I know you mentioned big box, but are you actually seeing signs of things starting to turn there on the commercial side currently or is that just more kind of an outlook for the balance of the year?

<A – C. Nye – President, Chief Executive Officer & Director>: No, Trey. We are seeing some of it starting to turn currently. It's not widespread. We see some of that in Texas. We're seeing some of that in portions of North Carolina; those are the primary places that we are seeing that. We are seeing pockets of it, but again, those are pockets that we would not have seen for the last couple of years. So, we are seeing something there that is trending much better.

<Q – Trey Grooms – Stephens, Inc.>: But is your expectation for a more broad kind of improvement in the back half or do you still kind of look for just these little pockets?

<A – C. Nye – President, Chief Executive Officer & Director>: I expect more in the back half, little pocket-type activity, Trey. That's probably as good a way to put it as any.

<Q – Trey Grooms – Stephens, Inc.>: Okay. And then the only other question I had was you announced this acquisition and then in the past you've talked about acquisition opportunity and things. And I'm really just trying to get a feel for on the M&A front, are you starting to see more opportunity now with what I would expect outlooks and potential sellers' outlooks becoming kind of coming in some or maybe becoming more realistic?

<A – C. Nye – President, Chief Executive Officer & Director>: I think what I would tell you, Trey, is that we are still looking at a good number of acquisitions. Actually, this transaction that we announced today is one that we started on and finished ahead of some deals that we've been working on actually much longer than that one that are still very much in our pipeline. The dialog that we're having in a number of geographies is probably not remarkably different today than it was a year ago, but it remains very, very steady. The dialog can range from, again, very small closely-held businesses to much larger businesses, from markets in which we currently operate to markets in which we want to have a significant presence. So, they're all over the board. But that's still a very busy segment of our group.

<Q – Trey Grooms – Stephens, Inc.>: Okay. And then as far as other folks at the table, I guess, if you will, are you starting to see people getting more aggressive in this field? Are you starting to see more people at the table? Or is it about the same?

<A – C. Nye – President, Chief Executive Officer & Director>: It's the usual suspects who are there right now, Trey, and in candor, it's not a lot of them. So, if we're looking at a transaction that might be in one of our markets or in an adjacent market, maybe there's two folks there, but typically not more than that.

<Q – Trey Grooms – Stephens, Inc.>: Okay. That's all I had. Thanks.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you, Trey.

Operator: Thank you. Our next question is from Ted Grace of Susquehanna. Your question, please?

<Q – Ted Grace – Susquehanna Financial Group LLP>: Hi. Thanks, guys.

<A – C. Nye – President, Chief Executive Officer & Director>: Hi, Ted.

<Q – Ted Grace – Susquehanna Financial Group LLP>: I was hoping to come back to Kathryn's question and I apologize if it's just been a real long earnings season for me. But is there any way you could provide a bridge to help us reconcile the change in your revenue versus the change in your operating profits? Because when I look at just the aggregate business and there you've got an $18 million decline in revenue as I'm looking at it, which is net, and you've got a $28 million decline in profits. And so, I know Ward, you went through kind of the bits and pieces, but could you give us a little more granularity to help us understand what was absorption versus it looked like if diesel was $0.06 that's about $4 million of pre-tax kind of hit? Can you just bridge us a little more with a little more color, or Anne?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: Again, I think the volume piece of it was the largest effect of that, with $35 million of costs. We had non-production costs and liquid asphalt costs that hit us. And non-production costs meaning anything we might be buying and having to use for resale. There were, again, the costs of the raw materials for liquid asphalt, and then freight demerge and other charges that we had during the quarter from the activity, or inactivity perhaps, on the river were some other of the driving factors that's causing that differential.

<A – C. Nye – President, Chief Executive Officer & Director>: But, Ted, what I'll tell you is, is you can rack up everything that Anne just said with the exception of volume and it's going to be a very small number.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. And just for a point of clarity on that, is most of the liquid asphalt concentrated in the West region where you're more vertically integrated?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: It's all there.

<A – C. Nye – President, Chief Executive Officer & Director>: It's all there. Our only asphalt businesses are in San Antonio and in Arkansas, and at the same time really when you add those up, I want to say last year probably 1.2 million tons of asphalt probably 350,000 cubic yards of ready-mix, so not a big business there for us in that respect.

<Q – Ted Grace – Susquehanna Financial Group LLP>: And yet still the gross margins in the West were up 220 basis points whereas Southeast were down 1,500 basis points and Mideast almost 600 basis points?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: Yes. The Southeast is where you're going to get hit with all the freight demurrage and those kind of charges, Ted.

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<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. Great. The second question I was hoping to ask you is would you be – to Adam's question, just thinking a little longer-term out, would you be willing to either take a stab or give us a framework for how to think about when you might be able to get back to some semblance of mid-cycle earnings? For us, we think about that being about $5 for your company and I recognize there are a myriad of factors between here and there. But whether it's – if you would even take a stab at 2013 in your internal models, '14, '15, '16?

<A – C. Nye – President, Chief Executive Officer & Director>: You know what, I'll tell you, that's where you guys are at your best. So, I'm going to let you go back and sort out when you think that's going to happen. I guess what I would tell you, Ted, and you've heard us say this before and this isn't necessarily a mid-cycle answer, this is a top-cycle answer. It doesn't take the 80 million tons that we've lost to get back to the point that we're making more money than you saw at peak. We could do that by picking up half of the volume that we've lost.

It's still remarkable to me to go back and take a look at tonnage that we've just done in the second quarter of this year. 33.9 million tons is the lowest amount of tonnage for the second quarter that we've ever seen as a modern company. If I went back to 2007, we had 50 million tons in the second quarter. In other words, I'm not got to answer your question on what mid-cycle looks like. But I'm telling you all this takes is it takes is it takes some degree of volume and it does not take 205 million tons of volume to get back to peak.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: And Ted, we've said before that in our internal models, so for a five-year view, we had assumed that there would not be a new federal highway bill until after the presidential election. So, I don't think that our five-year forward view has changed drastically because I think we're going to – unfortunately prophetically be correct that it's probably going to be an extended or at least some short-term bill that gets us through a presidential election and then sets in place a better bill for the industry.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. And then the last question I have is just for a little more clarification, Ward, I think I heard you say state spending has been pretty stable. And I guess the way we look at it is based on the monthly Census Bureau data. And in the last three months on a reported basis those numbers have been down double digits in each month and if you back out the stimulus, they've been down north of 20%. And so, I'm just – could you just help us understand when you say state spending's been stable? Do you have any numbers related to state spending because that's where the money – the work gets done, any more clarity on how you're kind of viewing it as stable would be great and I'll leave it at that.

<A – C. Nye – President, Chief Executive Officer & Director>: I will. Yeah, I think in large part when we say that's what we're doing, that is we're coming back and looking at the states that are big players for us. If we're looking at NCDOT, again, we continue to see good, steady work here in North Carolina, even as we look at 2011 going into 2012, we see the transportation budget having gone up somewhere, say, call it, 4.5%, 4.6%. We continue to see construction and engineering spending in a state like North Carolina at over $2.5 billion. At the same time, we go to a state like Texas, Texas had $4 billion worth of lettings last year, $4 billion worth of lettings this year. And actually, we continue to have very nice infrastructure work in that state, participating in the DFW connector, Highway 161. We've got some work now on the LBJ in Texas.

At the same time, even looking at states like Iowa that are coming back with good, solid budgets moving forward and even looking at the extension of roads like Highway 20, which actually matters a lot to us there. And then, when we come back and take a look at even the states that we said were going to have a significant stimulus effect for us this year, keep in mind we had said while stimulus spending had been a headwind for us for the last several years, we thought it was going to be helpful to us this year. What we had pointed out in particular is that Texas, Louisiana, Florida and Georgia had lagged, and they did, but calendar outlays in those states so far this year, Texas has put out 15.1% of its stimulus dollars, Louisiana, 20.5%, Florida, over 16% and Georgia, over

16% as well. And all of those states are still showing 30-plus percent remaining for the balance of the year and that's on top of what they might have otherwise.

So, as we look at the states and really where their budgets are right now and what they're able to put out on the floor, it is not bad. Part of what we've seen even as we look at month like May, is general fund revenues in North Carolina, Florida, Georgia, Indiana and South Carolina are all up and sales taxes in all of those states are up as well. So again, we recognize that the federal side of it is a pretty tough story. I think what I'm trying to tell you with this is that the state side of it is probably better than you would otherwise think, at least from where we sit.

<Q – Ted Grace – Susquehanna Financial Group LLP>: I think you may have indirectly kind of, it's kind what I was asking. If you look at the leading edge of stimulus spending --

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah.

<Q – Ted Grace – Susquehanna Financial Group LLP>: -- it was down 60% in June, down 50% in May and down 30% in April. And that's for the whole country, so recognizing there are footprint differences.

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah.

<Q – Ted Grace – Susquehanna Financial Group LLP>: You're leading edge kind of read on stimulus spending is, obviously, leaves you as comfortable as you are?

<A – C. Nye – President, Chief Executive Officer & Director>: Yeah, it does.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. Super. Well, I will jump back in queue.

<A – C. Nye – President, Chief Executive Officer & Director>: All right. Thanks, Ted.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Thanks, guys. Good luck this quarter.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you much.

Operator: Thank you. Our next question is from Scott Levine of JPMorgan. Your question, please?

<Q – Scott Levine – JPMorgan Securities LLC>: Hi. Good afternoon, guys.

<A – C. Nye – President, Chief Executive Officer & Director>: Hey, Scott.

<Q – Scott Levine – JPMorgan Securities LLC>: So, I realize this is probably hypothetical, but really what I'm trying to do here is determine what your second half outlook appears to be now versus maybe what it was? And I know you don't usually guide to the second half, but it sounds like your outlook for private sector in general is a bit weaker and I'm just kind of wondering whether – because the volume growth that you're implying in the second half now is consistent with what we were looking for.

Is the idea here that the weather pushed off some demand in the back half of the year but you're reducing your private sector outlook? Can you comment maybe in terms of what your new second half outlook is versus what you guys were previously thinking for the second half? Without maybe putting some numbers to it because I know you don't guide first half versus second half.

<A – C. Nye – President, Chief Executive Officer & Director>: Well, again, if we're looking at infrastructure, to give you a sense of what we're saying for the year, we started out at the beginning

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of the year saying it's going to be flat to slightly down. Then as we come out with revised, we're saying it's going to be down, but it's going to be down in the mid-single digit range. So, that's going to be the single biggest movement that we think you're going to see. We took non-res too, and we showed it up mid-single digit range when we came out at the beginning of the year and now we're saying that's going to be flat to slightly up. So, those are the two places that we're seeing movement. Realistically, as we look at residential and as we look at Chem/Rock Rail, we're not seeing that much movement right now.

<Q – Scott Levine – JPMorgan Securities LLC>: Got it. And if we think about your Specialty Products guidance, okay, you're raising that, you're talking about a positive demand environment there. Is it really demand driven? Are you outperforming your initial margin expectations for that business? What is driving the upside to prior expectations for that business?

<A – C. Nye – President, Chief Executive Officer & Director>: You know what, steel -- the last number I saw in steel, steel was running at about 76% right now. You have to believe in many respects that's the single biggest driver on that. At the same time on the chemical side of it, you're in the season where slurry is going to certainly needing to find a home, and it is. Those are the two issues that are really driving that. And, obviously, periclase in that business has been a good strong component as well. So, I would say is a threefold driver on specialty products.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: And, Scott, when we originally formed our plan for '11, in the Specialty Products business, we assumed a 70% utilization in steel, and it's run 76% really the whole first half on average.

<Q – Scott Levine – JPMorgan Securities LLC>: Got it. That's clear. Maybe one last one, just to clarify the point on the highway bill as well, when you guys say that you're expecting to see a CR through the end of the year, I don't know if it ends up going to the next election, does that imply continuity of funding in your mind? Or could there be a scenario where there is a CR but at a reduced level of funding? Or is the point at which funding is reduced coincident with the new highway bill of some sort whether it's two, three or six years?

<A – C. Nye – President, Chief Executive Officer & Director>: I think what we have been anticipating is that you would have CR and it would be relatively flat.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: And, Scott, again, there is probably a pretty slim chance that Congress after recess would come back and get a bill passed before the September 30th expiration. So, our thoughts are we'll see some kind of continuing resolution to the end of calendar '11 just to allow them to finish the legislation, and essentially that being at a flat level, and then moving in to whether or not we do a two-year deal at the level. Right now it's kind of 60/40 split, 60/40 way in that we think we'll get to a two-year bill.

<A – C. Nye – President, Chief Executive Officer & Director>: But, again, Scott, there does need to be a bridge to get us to the end of the year. There's no question about that.

<Q – Scott Levine – JPMorgan Securities LLC>: Understood. Thanks. Makes sense.

<A – C. Nye – President, Chief Executive Officer & Director>: Okay. Thank you.

Operator: Thank you. Our next question is from John Baugh of Stifel, Nicolaus. Your question, please?

<Q – John Baugh – Stifel, Nicolaus & Co., Inc.>: Just a couple of small ones. One, '012 to '011, what would you anticipate would be your stimulus headwind? And then, secondly, are you indifferent on housing starts, whether they're multifamily versus single-family? Or does that make a difference? Thank you.

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<A – C. Nye – President, Chief Executive Officer & Director>: It does make a difference. Let's start about stimulus first. I guess what we're seeing is what we think probably is somewhere between 25% or 30% stimulus goes this year, again to track it over time, around 20% in '09, call it 40% in '10, year-to-date so far this year, 12%, 13% of it by the end of the year, 30-ish percent, we think 8%, 9%, 10% of stimulus going into next year, and I think that's the best way to track that.

I think going back to your question on housing, does multifamily or single-family housing matter to us? The answer is yes, it does. We very much prefer single-family housing. Keep in mind, in the areas that we have most of our geography, you tend to be building not just homes but you tend to be building subdivisions as well.

So, when we look at our residential component, it's not just going to be the stone that's going into the structure itself or into the lot. It's going to be the stone that's going into the roads that are going in a subdivision, it's going to be the curbing and gutters, it's going to be the sidewalks, it's what's going to be what's going into the utilities as well. And clearly, that is a much more stone-intensive undertaking than is multifamily.

So, we recognize that historically we have been a good leading indicator of when res activity is starting to take off. The fact is this time we're likely to be lagging indicator, because you still have a lot of subdivisions that have been built out, you just don't have homes there yet. So, instead of requiring a bunch of stone on the front end, you'll see what I like to refer to as sticks and bricks on the back end.

<Q – John Baugh – Stifel, Nicolaus & Co., Inc.>: Great. And lastly, quickly I think I understand the issues with Q4 and the continuing resolution. As we look at '12, and you've cited this is your biggest risk if you will, the infrastructure piece. Kind of handicap, if you can, if we got a new bill, you're saying if we just get a continuing resolution for the next year or two, I guess it would be at the similar rate. But handicap the best case and worst-case in your mind if we got say a two-year bill? And I think you mentioned Mica's bill, which was down 30%. Is that sort of the worst-case number? And then, what in your mind would be the best-case number for say a two-year bill starting in '012? Thank you.

<A – C. Nye – President, Chief Executive Officer & Director>: It's hard to handicap that. Again, this past week is evidence of anything can happen over any period of time. We certainly haven't seen anything that's any worse than the 30% down that Mr. Mica and his committee have come out with. So, I think you could certainly bracket something saying that's the bottom end of it.

At the same time when Mr. Mica talks about 30% down, he's talking about a very different bill. He's talking about a bill that is all highways, bridges, roads and streets. It's a much more pure bill and in fact what he would submit to us is that given the bet of that bill, given lot of the reform components, given how much more quickly some of those projects will go to market you might have a more aggregate-intensive bill with a smaller number. And that's certainly something that we as an industry like to hear.

But at the same time I think that's probably your bottom end of that net. I think the upper end of that net could be considerably more attractive if people came to the view that spending on highways actually equals investing in highways and investing in highways is a good way to create jobs because whether you want to look at some numbers that Arco or others have put out over the last several years, for every billion dollars of infrastructure investment, you're creating somewhere between 28,000 and 30,000 jobs, so very job generative. And at some point in this economy, that's going to matter a lot.

So, if that becomes something that can really get some fire today and, in fact, I did hear some of the President's comments today just after the Senate voted, he again was talking about

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infrastructure. But the upside beyond where Mica is right now or where Barbara Boxer coming out of the Senate, it's hard to handicap that.

<Q – John Baugh – Stifel, Nicolaus & Co., Inc.>: Thanks, Ward.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you, John.

Operator: Thank you. Our next question is from Bob Wetenhall of RBC. Your question, please?

<Q – Robert Wetenhall – RBC Capital Markets>: Just curious on SG&A spending. It looks like pension expense is down. I was curious for 2011, do you think it would be good to use $125 million type of number?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: For total SG&A or pension expense?

<Q – Robert Wetenhall – RBC Capital Markets>: For total SG&A. I think you were at $133 million last year.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: Yeah. Our pension expense we expect to be about $18 million this year. I think that differential – that run rate probably is about right, Bob --

<Q – Robert Wetenhall – RBC Capital Markets>: Sorry. So, look to use like a $125 number?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: -- about right.

<A – C. Nye – President, Chief Executive Officer & Director>: Yes, you're there, Bob.
<Q – Robert Wetenhall – RBC Capital Markets>: Got it. And you mentioned in the Chem/Rock business that volumes look stabled, any thoughts on pricing given the strong demand from steel?

<A – C. Nye – President, Chief Executive Officer & Director>: Again, that's a different world. Chem/Rock & Rail for us, to give you a sense of it, the rail piece of it is what's going into [ph] ballasts (63:45). The Chem/Rock in that is what's either going into agricultural lime or it's going into flue-gas desulfurization. So, really, what's going into steel is more coming out of our Woodville, Ohio, facility into specialty products.

So, again, if you're talking Chem/Rock & Rail I think we see business to the railroads being very steady. I think actually in the second quarter, we saw some pretty significant headwinds on getting some of those scrubber stone to power plants because much of that's going up and down the Mississippi River and there wasn't much going down the river except water during the second quarter.

And again, the Ag lime season tends to be either the first quarter or fourth quarter. As you recall last year in Q4, we had a very strong Ag lime quarter. Our sense still is that there's pent-up demand in Ag lime. It can be cold in Q4 and Ag lime still goes, it just can't be wet in Q4 for Ag lime to go. So I think that probably gives you more color around the Chem/Rock Rail piece.

<Q – Robert Wetenhall – RBC Capital Markets>: So, it's somewhat contingent on the weather?

<A – C. Nye – President, Chief Executive Officer & Director>: For Ag lime, in particular, that's entirely true and it's a Q4-driven phenomenon.

<Q – Robert Wetenhall – RBC Capital Markets>: How about the steel-driven business?

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<A – C. Nye – President, Chief Executive Officer & Director>: In the steel-driven business, again, steel is running at 76% of capacity right now. It's very steady, it's been very good for us and we've clearly seen steel move around a bit and pricing has behaved very nicely.

<Q – Robert Wetenhall – RBC Capital Markets>: Good. Okay. Thanks very much.

<A – C. Nye – President, Chief Executive Officer & Director>: All right, Bob.

Operator: Thank you. Our next question is from Mike Betts, Jr. of Jefferies. Your question, please?

<Q – Mike Betts – Jefferies International Ltd.>: I got disconnected earlier so if you already covered this please say so. There was some pretty serious disruptions on the river system. I think what some of your quarries were flooded in the quarter. Were there any kind of one-off costs or in reality, people can't work and they're just manning the pubs and stuff like that?

<A – C. Nye – President, Chief Executive Officer & Director>: Hopefully, they weren't manning the pubs, Mike. But I'll tell you what, if volumes don't get better they may be manning the pubs. But no, we didn't have any significant one-off costs in that. I think the primary thing that we were faced with is you just had remarkably inefficient operations when you had that much water going through. Our yards downriver were hit. There were some places that access was cut off.

I think when people want to reflect on what's going on with the river business they think instinctively about what we have up and down the Mississippi River. That was certainly affected by – actually we've had some operations affected by it up and down the Missouri River as well from that Fort Calhoun operation, in particular, felt some effects from it. But again, it's more of an efficiency issue than it is a one-time cost issue, Mike.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: We did have a little bit of demurrage, which is just really idle freight movement, but not huge.

<Q – Mike Betts – Jefferies International Ltd.>: Okay. And, just ask question on that river issue because obviously we see the percentage of shipments for the full-year by the river, by water. Is that much different in Q2 and Q3 because presumably Q1 some of that stuff doesn't happen?

<A – C. Nye – President, Chief Executive Officer & Director>: Yes. You're correct, Mike. I mean, it's going to be a Q2 and Q3 story, no question.

<Q – Mike Betts – Jefferies International Ltd.>: Understood. Thank you very much.

<A – C. Nye – President, Chief Executive Officer & Director>: All right, Mike. Thank you.

Operator: Thank you. Our next question is from Brent Thielman with D. A. Davidson. Your question please?

<Q – Brent Thielman – D. A. Davidson & Co.>: Hi. Good afternoon. Just one left for me. Obviously, energy, diesel's been moving up. But if you were to see some moderation in the coming quarters, does that concern you and your ability to continue to get that momentum in pricing that you've seen?

<A – C. Nye – President, Chief Executive Officer & Director>: Brent, I think in many respects if you look at the comments that I've said, I've said I thought that rising energy prices contributed to it. I don't think that's really going to be big driver of it. I just think you're starting to see these markets having found equilibrium and I think you're starting to see pricing move in the way that you would typically expect it to in this industry.

<Q – Brent Thielman – D. A. Davidson & Co.>: Okay. Thank you.

<A – C. Nye – President, Chief Executive Officer & Director>: Sure, Brent.

Operator: Thank you. Our next question is from Clyde Lewis of Citigroup. Your question, please?

<Q – Clyde Lewis – Citigroup Global Markets Ltd.>: Good afternoon, Ward. Good afternoon, Anne. Two questions if I may. One on the contracting prices that are coming through in some of the markets, particularly in terms of infrastructure at the moment. Can you sort of give some idea of what's happening on that front? Obviously, you've started to push up prices a little bit more.

I'm just wondering what the overall impact of how much rock there might be within the sort of dollar of sort of overall stimulus spending or highway spending, just to get an idea of where that's moving? Second question I had was on your fixed cost elements. If we are looking at maybe a stable sort of continuing resolution through 2012 or even a slightly lower new bill on the under Mica, would you be tempted to go back and have another go at the fixed cost space in some meaningful way at all?

<A – C. Nye – President, Chief Executive Officer & Director>: Let's talk about pricing first. I think the primary thing that you're probably thinking back to, Mike, is the types of pricing that we were seeing in 2009 when some of the stimulus work came out originally. There's no question that stimulus pricing came in considerably lower on an ASP percentage than things we were seeing prior to that.

The infrastructure work that's going now is not going for the types of pricing that we would have seen in 2009. So, I think when we're showing you what our pricing looks like now, you can assume that's what it's going to look like going forward on infrastructure as well. And as a reminder, as a practical matter, most of the work that was stimulus-related that was more pricing challenged, my guess is will be rolling off by the end of the year. So, I think you're seeing nice stability there.

With respect to volumes and what we do with fixed costs, I guess the one thing I would say to you is again to have volumes down 9.3% and have production costs down is a remarkable story. This is the company that understands costs and this is a company that is focused on continuous improvement every year, every quarter on costs. So, we're going to have a go at costs anywhere that we feel like we need to. And that's something that, Mike – I mean, Clyde, when you're in a world that you're looking at $10.27 per ton for material, you better be good on costs and we understand that.

<Q – Clyde Lewis – Citigroup Global Markets Ltd.>: Thanks a lot.

<A – C. Nye – President, Chief Executive Officer & Director>: All right, Clyde.

Operator: Thank you. Our next question is from Todd Vencil of Davenport and Company. Your question, please?

<Q – L. Vencil – Davenport & Co. LLC>: Hi, guys. Just one more if I can.

<A – C. Nye – President, Chief Executive Officer & Director>: [indiscernible] (70:30) a bite of the apple. Go ahead, Todd.

<Q – L. Vencil – Davenport & Co. LLC>: On the Specialty Products, obviously, strong performance as you discussed in the first half of the year. If I look at your guidance, it would appear to imply a pretty big slowdown in the second half relative to the first half and even if you factor in what I am guessing would be normal seasonality, is there something going on there or are you being conservative? Or what's going on there with those numbers?

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<A – C. Nye – President, Chief Executive Officer & Director>: I think that really goes back to the word that you and I used in our first conversation, that was we're approaching things with caution right now. I think if steel stays where it is, Todd, I think you can obviously run your math and do some calculations there. But again, I think it's conservatism and I think it's caution.

<Q – L. Vencil – Davenport & Co. LLC>: Perfect. Thanks a lot.

<A – C. Nye – President, Chief Executive Officer & Director>: Thank you.

Operator: Thank you. Our next question is from Kathryn Thompson of Thompson Research. Your question, please?

<Q – Kathryn Thompson – Thompson Research Group LLC>: Hi, thanks. Just a quick follow-up to a question I had earlier, how much did price benefit from higher embedded freight cost in the quarter?

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: I'll take that for you. It was huge, because volumes were down quite substantially in that part of the world.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. Well, I'll follow-up after the call.

<A – Anne Lloyd – CFO, Treasurer, EVP & Head-Investor Relations>: Thank you.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Thank you.

Operator: Thank you. I'm showing no further questions in queue at this time. I would now like to turn the call back over to Mr. Nye for any further remarks.

C. Howard Nye, President, Chief Executive Officer & Director

Again, thank you all for joining the Second Quarter Earnings Call and for your interest in our company. Because we continue to operate in a challenging operating environment, we remain committed to creating long-term shareholder value by operating as a best-in-class company, optimizing our assets, performance and teams. And we look forward to discussing our third-quarter results with you in November. Thank you all very much.

Operator: Ladies and gentlemen, thank you for your participation. That concludes the conference. You may disconnect, and have a wonderful day.

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