MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Materials, Inc. Second Quarter 2010 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 follow at that time. [Operator Instructions] As a reminder, this program is being recorded.

I would now like to introduce your host for today's program, Mr. Ward Nye, President and CEO. Please go ahead, sir.

C. Howard Nye, President and Chief Executive Officer

Good afternoon. And thank you for joining our second quarter 2010 conference call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We appreciate your interest in Martin Marietta and hope today's conversation will be helpful to you.

We are extremely pleased with the second quarter that saw aggregates volume growth for the first time in four years and we delivered record performance in our Specialty Products business yet again, and produced a 37% increase in diluted earnings per share.

More importantly, volume growth combined with our operating cost structure led to incremental operating margin improvement in select markets, in line with our expectations. This type of performance should repeat itself in multiple areas across the company as volume rebounds.

Net sales for the quarter of $443 million were up 8% compared with the prior year quarter. It's particularly satisfying to report that this sales growth was driven by a 9% increase in heritage aggregates volumes. While the American Recovery and Reinvestment Act or Stimulus certainly contributed to this volume growth, it's important to recognize that our aggregates volumes increased 7% excluding shipments to stimulus-funded projects.

This 7% growth ex-stimulus underscores the greater relative stability in the transportation component of state budgets that will benefit us beyond stimulus.

Infrastructure continues to represent a more significant part of our business than we had seen historically. In fact, 56% of our second quarter aggregates shipments were sold into the infrastructure construction market versus our historical five-year average of 49%.

This end-use market experienced volume growth of 11% in the second quarter, approximately half of which was driven by stimulus. The remainder was generally attributable to increased government spending where we're seeing marked improvement in Department of Transportation letting activity in our key states.

Through June 10, the value of highway contracts awarded in our top five states increased 12% compared with the prior year. As a specific example in Texas, historically our second largest state by revenue, we estimate lettings to be up nearly 20% for their fiscal year ending August 31, 2010, versus the prior fiscal year.

The non-Residential end-use market also reported volume growth in the second quarter. The 10% growth in this sector was driven by shipments to support ongoing natural gas drilling projects at both the Haynesville and Barnett Shale deposits located predominantly in East Texas, Southwest Arkansas and Northeast Louisiana. We expect these energy projects will continue to provide steady aggregate demand for the remainder of the year.

Lastly, Residential and ChemRock/Rail had volume increases of 8% and 6%. respectively.

Volume by geographic segment tells a similar story. Volume for the second quarter increased for each of our segments. The Mideast Group and the West Group saw the most volume improvement, reporting volume growth of 11% and 10%, respectively. Specific markets that stand out within these groups include Indiana with a 45% increase in volume, Arkansas with a 34% increase, and Dallas/Fort Worth with a 21% increase. In fact, these areas represent our top three markets in terms of quarterly volume growth. Indiana's growth is related to stimulus and infrastructure shipments, while Arkansas and Dallas/Fort Worth growth is related to the previously mentioned energy projects.

The Southeast Group reported a 3% increase in volume for the quarter. This result was driven in part by the delayed timing of specific projects. We expect that the Southeast Group will also report much improved quarterly volume growth by the end of the year.

Our average aggregates selling price declined 3.8% compared with the prior year quarter. Our average sales price continues to reflect competitive pressure in a number of markets. As Residential and non-residential construction markets declined significantly over the past four years, some contractors who historically serve these end markets modify their focus and moved into portions of the infrastructure sector, capitalizing on stimulus opportunities.

This dynamic put increased pricing pressure on stimulus-funded projects. As a result, our traditional local customers looked to their long-term suppliers for price relief. All that said, product mix is also negatively impacting our pricing on stimulus jobs.

It's difficult to precisely separate and quantify the effect of product mix from the effect of competitive pressure. Nonetheless, it is clear that the average selling price on stimulus-funded projects for the second quarter was approximately 10% lower than the average selling price for the overall company.

Our aggregates operating team maintained its focus on controllable costs. However, energy prices moved in the wrong direction during the three-month period. Specifically for the second quarter, we paid $2.12 per gallon for diesel fuel, a 40% increase compared to the prior year quarter. This increase in the price of diesel fuel cost us $2.7 million in net earnings or $0.06 of diluted earnings per share. We expect the price of diesel fuel to be slightly lower in the last six months of 2010 as compared with the second quarter average. However, we do expect diesel will remain higher than the 2009 average of $1.62 per gallon.

Record quarterly profitability from our Specialty Products business contributed significantly to second quarter results. Net sales of $48 million for the quarter represented a 44% increase compared with the prior year quarter. This sales increase, driven by inventory restocking and heightened steel production, combined with outstanding cost control to generate a gross profit margin of 41%, a 990 basis point improvement versus the prior year quarter.

While we continue to expect a record-breaking year for this segment, we do expect that steel production levels will moderate for the remainder of the year, slowing the rate of sales growth.

Our cost focus also extends to selling, general and administrative expenses. For the second quarter, we reduced these expenses by $3.2 million to $33.6 million. As a percentage of net sales, SG&A expenses decreased 140 basis points to 7.6%, representing one of the lowest rates in the industry.

Importantly, we also settled the litigation related to our Greenwood, Missouri, operation for approximately $7 million. Accordingly, we released the reserve established in 2009, which contributed $2.7 million to net earnings or $0.06 per diluted share. With this resolution, our

Greenwood quarry can meet its customer and community needs in a more optimal manner. We expect this settlement will benefit our operating results almost immediately.

Our balance sheet remains one of the strongest in the industry, and this financial flexibility will serve us well during economic recovery. We have the necessary capital to proactively pursue opportunities, both internal and external, as they become available.

For the first six months of the year, capital expenditures were $69 million compared with $75 million for the first six months of 2009. Our base of highly efficient cost effective operating assets allows us to safely and appropriately reduce capital investment based on expenditures made before the recession. Accordingly, we have reduced our CapEx target for the year from $160 million to $135 million.

At June 30, 2010, we had $32 million in cash and cash equivalents, and a total of $398 million of borrowing capacity on our secured accounts receivable facility and revolving credit agreement. Our rate of debt to 12 month trailing EBITDA was 2.84 times, well within our leverage covenant of 3.5 times. In April 2010, we settled our obligation related to the $225 million, three-year floating rate senior notes through the use of cash and short-term financing. In April 2011, we have $242 million of notes that mature. We currently have adequate credit capacity to satisfy this maturity.

To summarize, improving stability in overall aggregates demand has helped our outlook for 2010. This stability was evidenced in our second quarter shipments. We continue to expect aggregates volume to be up in three of our four end-use markets, infrastructure, Residential, and ChemRock/Rail. We further continue to expect the non-residential end-use market to be down. However, our current non-residential end-use forecast of down 12 to 15% is improved from our earlier forecast.

Considering these factors, we expect annual aggregates volume growth of 4 to 6%. We continue to expect aggregates pricing to be challenging with pricing down 1 to 3% for the year. We anticipate Specialty Products will contribute 46 to $48 million in annual pre-tax earnings.

Before we advance to the question-and-answer phase of this conference call, I want to briefly discuss certain macro indicators for 2011. Early in 2010, we were hopeful that a significantly increased federal highway bill would be passed after November's mid-term elections. However, a recent report by the Congressional Budget Office states that the existing Highway Trust Fund could maintain the current level of spending for two years. We now believe this report will serve to make transportation reauthorization a less pressing issue for elected officials already reluctant to increase spending. Thus, continuing Congressional resolutions will likely maintain federal spending at constant levels. However, it will be supplemented by approximately 30% of ARRA funds in 2011. We also expect improvement in both the Residential and non-residential sectors.

Again, we thank you for your interest in Martin Marietta. If our operator will now give the appropriate instructions, we'll be happy to respond to your questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Our first question comes from the line of Arnie Ursaner of CJS Securities. Your question, please.

<Q – Arnie Ursaner>: Afternoon, Ward. Good afternoon, Anne. Ward, could you comment a little bit about some of the key state budgets and your outlook for them in the next year? And then perhaps as a follow-up, highlight specifically your top states and what you might think we could be looking at in spending for 2011 and 2012. It seems to be a major issue a lot of people are focused on.

<A – C. Howard Nye>: Well, good afternoon, Arnie. And you're right. That's a fair question because where state budgets are now is really almost a disconnect in many respects because when you hear of state budgets today, what you're hearing is awfully grim news. The difference is if you come back and look at a state budget and look at it from a DOT perspective, oftentimes it's a very different story.

One of the interesting things that we look at and obviously we can talk about all the states, but we'll focus on, say, our top five. If we take a look at what happened in 2005, all of our top five states with the exception of one did not see any form of a decrease in transportation spending or budgets at all. In other words, in the top five states that we're in -- Georgia, Iowa, North Carolina, South Carolina and Texas -- only Georgia saw a reduction this year. And in fact, as we look ahead toward 2011, none of those states have proposed any transportation cuts for those fiscal years.

So again, as we look at state budgets, bad news overall, but because transportation is really segregated, it's a very different story. One of the reasons for that, Arnie, is the funding mechanisms, and again, much of that's going to be driven by user fees. And if you take a look at states like North and South Carolina, around 55% of the monies that are generated for those transportation budgets actually come from user fees. The national average is somewhere around 42%. So again, if we look at our top five states, historically, very stable. Going forward, we also feel like they're going to be stable.

I think the other component of your question that I want to comment on is really what's happening even outside of that, what's going on with stimulus in those top five states as well. And it's interesting to see money that has been spent so far this year. If we looked at the stimulus program through the half point of this year, through 6/30, the U.S. average is around 37% of stimulus dollars has been actually put into the system, that much in outlays. If we look at the end of the year, what we're anticipating is by the time we get to the end of this year, around 62 or 65% of stimulus in North Carolina will have been put into the system. Around 55 to 57% of the stimulus in Texas would have been put into the system. And again, those are our top two states.

So then looking to '11 and beyond, we're in North Carolina, 35 to 38% that's still left over. And in Texas, somewhere between 43 and 45% is still left over. So answer your question, two distinct buckets, state budgets and stimulus. We feel that gives us a pretty stable outlook moving ahead into '11, and certainly for the balance of '10.

<Q – Arnie Ursaner>: Very helpful. Thank you. One more quick question. Your margin in specialty has just been extraordinary. Maybe perhaps take a step back and – I mean, this used to be a sidelight business no one even focused on. Could you perhaps comment a little about what's driving the extraordinarily good margin, where you are on capacity, and how we might want to think of this beyond just the short-term cyclical factors?

<A – C. Howard Nye>: That's a very good question, Arnie, because that's a business that has been overlooked by many. Number one, our operating team does an exceptional job with that business. We control our costs there very, very, very well.

As you would imagine, this year in particular, the steel industry has been moving relatively well. So we've seen volumes go out the door in a more robust way relative to the steel industry. The other thing that has worked for us there is, we bought ahead some on our natural gas. What we've actually seen in energy pricing is a very favorable curve there as compared to diesel in some of our other sectors. And then even as we back away and simply look at the chemical portion of that, keep in mind: it's going toward cleaning water, it's in the pulp sectors, it's simply hitting some components of the economy right now that continue to be relatively healthy.

So as we look at that business for the balance of this year, we do expect steel to moderate. We expect the rate of growth to slow down a bit. But even if it slows down, say, 20 or 25%, we think the rate going forward is still going to be very attractive and very much in keeping with the way that we had planned for the year, Arnie.

<Q – Arnie Ursaner>: Ward, thank you very much.

<A – C. Howard Nye>: You're very welcome.

Operator: Thank you. Our next question comes from the line of Trey Grooms from Stephens. Your question, please.

<Q – Trey Grooms>: Good morning, Ward and Anne or afternoon, sorry.

<A – Anne Lloyd>: Good morning, Trey.

<A – C. Howard Nye>: Good afternoon, Trey.

<Q – Trey Grooms>: Let's see. Can you hear me?

<A – C. Howard Nye>: We can.

<Q – Trey Grooms>: Okay. I'm sorry. All right. Looking at the Southeast Group, what's going on with that group, Ward? I mean, you've got – prices are lower and the volume is lower than the average. Looks like the incremental margin is lower. Just can you give us an idea of really what's going on there with that?

<A – C. Howard Nye>: Yeah. I think several things are probably going on there, Trey. Number one, I think the volume's clearly going to be more back half loaded for that Southeast Group. I could give you specific projects coming out of Alabama that will be more active in the second half. There are number of projects in North Georgia that will be more active.

And clearly, Florida, while it has a lot of work that will be out there, it hasn't necessarily come out of the box hardly quickly. So I think what we need to consider and keep in mind is you're not likely to see a 3% volume variance for the Southeast into the next half. You're going to see a number considerably bigger than that.

I think the other component of it, though, as you go to the margin question -- keep in mind that a significant piece of that Southeast business is a long haul transportation business as well. And the portion of long haul that I would suggest to you that has suffered disproportionately during this downturn is really what's going up and down the river right now. Number one, those river markets are tough markets right now. There's no question about that. And it's very difficult to look at places in Louisiana or even parts of Tennessee, for example, Memphis, and see much activity in those markets. And clearly what's happened in the Gulf overall over the past several months with Deep Horizon tragedy is not something that has helped the overall economy in that part of the world. So I think clearly it did lag as we look here at Q2. I think it will have some momentum as we move into the second half.

<Q – Trey Grooms>: Okay. And then kind of a follow-up to that, with that improvement in volume in the second half, I mean, is that going to be what is needed to get the – kind of get that market back on track as far as pricing is concerned?

<A – C. Howard Nye>: You know what? I think it's going to help. And I think what's going to have to happen, Trey, is there's going to have to be a period of stability, and again, I don't think it's going to be a quarter of stability. I don't think it's going to be a month of stability. I think the volumes simply have to be there for some period of time to have the pricing behave in a more normalized way. That's certainly the view that I have.

<Q – Trey Grooms>: Okay. And then, again, back on incremental margin, just for looking at the company as a whole, I guess, I mean, is this something where we're going to have to see all eight cylinders cranking at once? So Southeast is going to have to be performing as well as the other markets and the West will have to pick up as well in order to get that kind of 60-plus percent incremental margin that we are kind of looking for in this business as the volume returns?

<A – C. Howard Nye>: Trey, it would certainly help. I don't think all cylinders have to hit to get there, to answer your question very directly. To give you a sense of, the Mideast Group for the quarter with volume 11% up but pricing 4% down, saw an incremental margin of 78%. DFW clearly saw volume up remarkably. We saw volume at DFW up 21%.

Now, granted, a lot of that was incredibly inexpensive material headed to the shale projects. But we saw incremental margins in DFW of over 100%, Trey. And I just give you those two examples because I think you can take those, extrapolate that to some different markets, and you can see some pretty remarkable improvement.

<Q – Trey Grooms>: Yeah, that's real helpful, Ward. And then Anne, just real quickly, if you could give us a little color on kind of where your variable versus fixed cost mix kind of stands right now. Could you give us any color on that, please?

<A – Anne Lloyd>: [inaudible], we still are at about, I would say, a 40/60% split between fixed and variable with about 400 to $450 million of fixed cost.

<Q – Trey Grooms>: Awesome. Thank you very much. That's all I have; thank you.

<A – Anne Lloyd>: Thanks.

<A – C. Howard Nye>: Thank you, Trey.

Operator: Thank you. Our next question comes from the line of Jack Kasprzak from BB&T Capital.

<Q – Jack Kasprzak>: Afternoon, everyone.

<A – C. Howard Nye>: Hello, Jack.

<A – Anne Lloyd>: Hi, Jack.

<Q – Jack Kasprzak>: Hi. First question is I guess related to the subject of incremental margins. Did you guys sell any of that stone that you'd already expensed in the quarter? Can you help us – did it help some of these incremental margins that you were just discussing, Ward?

<A – C. Howard Nye>: Yeah, did some of that go, Jack? It probably did. Is it easy to go and tell exactly what came out of cash for these purposes? Not entirely. What I can tell you on inventories though is basically we had – and we've got 47.6 million tons on the ground now versus 50.2 million tons in the prior year. So, we're knocking our inventories back around 2.6 million tons something for the quarter. But I'll tell you as well, we're still sitting at around 9 million tons in capped inventories. That is down probably a little bit less than a million tons, but right in that ZIP code. So over a year period, that will give you a sense of how much reduction we've seen.

<Q – Jack Kasprzak>: At 50.2 is a year ago?

<A – Anne Lloyd>: 12/31. At 12/31.

<Q – Jack Kasprzak>: Yeah. Okay. And 9 million of capped which is around a million.

<A – C. Howard Nye>: Correct.

<Q – Jack Kasprzak>: Okay. And Ward, in your comments regarding the legal settlement, I think you said $2.7 million.

<A – C. Howard Nye>: Yes.

<Q – Jack Kasprzak>: Is that – because in the press release, I think it mentions 5 million.

<A – C. Howard Nye>: But that's – the 2.7 is the net number, Jack.

<Q – Jack Kasprzak>: Okay. So what -- was the 5 million number something that was in the profit of the West Group in the quarter?

<A – C. Howard Nye>: Yes, it was.

<Q – Jack Kasprzak>: Okay. And the other income in the quarter was, I think, $6.5 million?

<A – C. Howard Nye>: Correct.

<Q – Jack Kasprzak>: Was there anything – that's a little high versus a normalized level for you guys. I mean, was there anything particularly unusual in there?

<A – C. Howard Nye>: No. There wasn't anything particularly unusual in there. It was some 1031 exchanges in the Carolinas and that's really it, Jack.

<Q – Jack Kasprzak>: Okay. I think that does it for me. Thanks, Ward.

<A – C. Howard Nye>: All right; thank you, Jack.

Operator: Thank you. Our next question comes from the line of Kathryn Thompson from Thompson Research. Your question, please.

<Q – Kathryn Thompson>: Hi; thank you for taking my questions today.

<A – C. Howard Nye>: Hello, Kathryn.

<Q – Kathryn Thompson>: You indicated about 40% of your direct production costs in the quarter were driven by higher energy prices and you also talked about the remainder of the impact of pricing being impacted by mix and competitive pricing. The question on pricing is how much of pricing in the quarter just reported was impacted by pricing from late '09 flowing into Q2?

<A – C. Howard Nye>: You know, Kathryn, it's tough to go back and really give you a precise number on that portion of it. Clearly, back in that last part of '09, it was – let's just say it was a tricky time to really imagine what volumes were going to be like going forward. You remember where we were on highway reauthorization at that moment in particular, so I'm sure there is a significant piece of it that will go back to that.

I think the other portion of the competitive piece of my comments go not just to that period of time, but I think part of the phenomena that we have discussed over the past several months in particular or the last year has really been some of the bidding after the bidding that has gone on with respect to infrastructure projects as well, because it's one thing for a contractor to have a contract awarded to them and for them to have it. It's another to actually have a purchase order in hand from that contractor on the stone. So even when you're bidding on work at some point in the past, you actually may see a dynamic activity around that bidding going forward beyond the point of an award time. Is that responsive to what you're looking for, Kathryn?

<Q – Kathryn Thompson>: Yeah. To some extent it's just really understanding what's going to carry over from pricing late '09 which was tough for everyone in the market, and how much is it just really what we're seeing the market today?

<A – C. Howard Nye>: Yeah, I would think if you're looking '09 versus today, I think you can clearly say the biggest piece of that's going to be a hangover from '09. No question about that, Kathryn.

<Q – Kathryn Thompson>: Okay. Second question on pricing, with your guidance down 1 to 3% second half implies up roughly 2.5 to down roughly 2% for the back half of the year. Understanding you have to work off some of these older projects with lower pricing, could you walk me through how you see pricing improve in the back half of the year? And I guess in general discuss your overall pricing strategy going forward.

<A – C. Howard Nye>: Okay. And I think several things happened, Kathryn. Number one, the Southeast is not going to stay at around 3% volume up. You're going to see even more volume coming out of the Southeast for the back half than you did for the front half. And just as we suffered in the front half with areas that had lower ASPs, you're going to see some areas of higher ASPs, period; that's part of it.

A second piece of that is going to be places like our Midwest that actually had a remarkable quarter, in particular with rain, and simply did not send as much material out as we would've expected them to. So you're going to see some pieces of that.

And the other piece of it that I would suggest to you, Kathryn, is while it's not widespread, we are seeing some instances of mid-year price increases. In particular in Dallas/Fort Worth, we're seeing $0.50 a ton on concrete stone and hot mix stone in that market, and on manufactured sand in the San Antonio market, we're seeing the possibility for a mid-year price increase as well.

So, I think that shift that we're going to see in geography, some mid-year price increases and in fairness some product shifts, will certainly put some tailwind to that. Now, with respect to our pricing strategy, our strategy is simply one of this. We're going to keep our customers competitive in the markets in which they compete. We've got long-term customers. We need to make sure that they're busy. At the same time, we recognize that we have a product that in many respects is horribly difficult to replace. And we want to make sure that we could get good value for that. We try be a good leader in these markets as well and try to recognize it.

The flip side of that is, we do not intend to lose market share in the markets in which we compete. And as you'll see from our cost profile, whether it's SG&A or otherwise, we are very, very focused on cost. And hopefully, we don't have to compete that way, but if we have to compete that way, Kathryn, to protect our share, we can be very effective at it. But again, I don't think that's a departure from our previous philosophy at all, Kathryn.

<Q – Kathryn Thompson>: Okay. That's helpful. And just real quick on the mid-year price increase, because we had also run across that in a couple different markets, one of which you mentioned, any idea how that's flowing through the market or is it too early to say?

<A – C. Howard Nye>: It's a little too early to say, but I bet I can talk to you all about it in Q3.

<Q – Kathryn Thompson>: All right. Sounds good. Moving on to volume guidance, how much visibility – it also implies you have improvement in the second half of the year. How much visibility do you have to give you confidence on the upper end of that range? I know you talked a little bit about improvement in the Midwest from weather delays, but what other factors should we take into consideration in order to get to that upper end of the range?

<A – C. Howard Nye>: Kathryn, we are literally building that up almost quarry-by-quarry, area-by-area. A lot of it's going to be very project-specific and I could walk you through a number of those, but I guess that's the biggest single piece that I can tell you. We have pretty high confidence in that in large part because we know what the bidding activity was early in the year. We've got a good feel for what the infrastructure piece is going to look like for the balance of the year. We do feel like what we've seen at least on the commercial side in the Southwest will continue to have some legs to it. And while res is not a big piece of our business and never has been a particularly big piece of our business, we are seeing some places, albeit not a lot, we are seeing some places with enhanced res activity as well.

<Q – Kathryn Thompson>: Okay. Great. And then final – this may be a question more for Anne. I know that you have scheduled retirement payouts in Q3 and Q4. Could you clarify what these are, the amounts are, for modeling purposes and if you could split those between Q3 and Q4?

<A – Anne Lloyd>: Yes, the Q3 impact I believe is about $900,000, Q4 is around $2.5 million on the expense side of the equation. You get to cash, you're talking about 4 million in cash in the third quarter and about 11 million in the fourth quarter.

<Q – Kathryn Thompson>: Okay. Great. Thank you very much for answering my questions today.

<A – C. Howard Nye>: Thanks, Kathryn.

Operator: Thank you. Our next question comes from the line of Garik Shmois from Longbow. Your question, please.

<Q – Garik Shmois>: Hi, thanks. Good afternoon, everyone. Just wanted to drill just really quickly on the volume guidance again. How much of the raise was or if any the second quarter may be coming in ahead of your internal expectations versus just the visibility you have in the backlog for the second half of the year?

<A – C. Howard Nye>: You know what? It's not so much based on what we saw in Q2, per se. It's really forward-looking and we're literally having conversations weekly, monthly and otherwise with our operating guys, Garik, and we're building it up more that way. It's forward-looking; not in our rear-view mirror.

<Q – Garik Shmois>: Okay. And if we look out – you mentioned preliminarily how you're trying to think about 2011. If we take the different buckets for next year, highway spending with DOT budgets relatively flat, the federal spending piece could be flat, maybe slightly up depending on what Congress does. And then res and non-res up a little bit next year. Is it fair to assume that maybe we should be thinking about growth in the low to mid single digit range for next year? Is there some other piece that we might be missing if we break it out that way?

<A – C. Howard Nye>: You know what? I'm not going to wholly disagree with at least the buckets that you gave some color to, Garik. As we get closer, we'll obviously give you some more specific guidance relative to '11. But it's hard for me to look at least what you painted as a broad brush and disagree with that.

<Q – Garik Shmois>: Okay. Thanks. And I guess two more questions. Just on M&A, if you could talk about the pipeline for the back half of the year, anything that we should be paying attention to sooner than later?

<A – C. Howard Nye>: Well, Garik, it's interesting right now, because part of what we had discussed earlier in the year is we said we felt like for a host of reasons, this year particularly in the back half may be a busier than usual M&A circumstance. And based on what we've seen, that prediction is right.

Now, Garik, what I'll come back and say though is, you know how diligence works in this business. It's something that the way we do it, it's very thorough. It's very time consuming and it's hard to know exactly where a number of transactions we're working on will finish up. But I think it's fair for me to say this. I think our pipeline has more activity today than at any point since I joined Martin Marietta in 2006.

<Q – Garik Shmois>: Fair enough. And just one more question for Anne. If you could give us your estimated tax rate for the year, if that's possible?

<A – Anne Lloyd>: Right now, Garik, we're about – 28% is our estimate.

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

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

Operator: Thank you. Our next question comes from the line of Timna Tanners from UBS. Your question, please.

<Q – Timna Tanners>: Hi, good afternoon.

<A – C. Howard Nye>: Hi, Timna.

<Q – Timna Tanners>: Most of my questions have been asked, so I guess I'll just ask your opinion on the House decision to increase transportation spending or propose it into next year or the fiscal 2011 calendar. What do you think about that, the prospects for that to start with?

<A – C. Howard Nye>: Well, I certainly welcome what the House did. I think if we go back and look at the buckets, Timna, I think the House went up around 10% on the highways portion of it. I think they basically kept the transit and the air basically at the same numbers. I think the trick is going to be what is the Senate going to do with it. The Senate is going to look at it obviously when they come back from break. But we would certainly hope to see the Senate follow the House's lead on that, but the last numbers I saw from the Senate looked actually very flat with what we've seen this year. But again, if you ask me what I think, my opinion on the House doing that is very high.

<Q – Timna Tanners>: You would like – yes. Okay. Got you. What are you looking for to get any confidence of a non-res recovery? How good you think your visibility is there?

<A – C. Howard Nye>: You know what? Our visibility is not bad there, on at least what's happening. I think the question on that is how quickly can it turn, Timna. I think some of the activity that we're seeing that's spotty is occurring because the construction costs are so remarkably low right now. I think one of the big issues or the two big issues that continue to be there are around what I call the two Cs. It's around credit and it's around confidence.

And if people can get their hands on the money and if they have the confidence to go and spend it, it's a remarkably effective time to do that and we're seeing that in some places, but I tell you that it's few and far between, and what we have going on in the energy sector right now is more of an exception rather than the rule. That's what's really taken us from a 20% down there to more like that 12 to 15% down.

<Q – Timna Tanners>: Okay. All right. Thanks. That's it from me.

<A – C. Howard Nye>: Thanks, Timna.

Operator: Thank you. Our next question comes from the line of Mike Betts from Jefferies. Your question, please.

<Q – Mike Betts>: Yes, just one question from me, Ward and Anne. You're cutting CapEx further this year. I was just wondering why, given the demand outlook seems to be improving. Is it just a timing issue or is it something more structural behind it?

<A – C. Howard Nye>: It's not necessarily anything structural other than we've invested in our structures. I guess, really, Mike, what I would suggest to you, if you look back over previous five years of our CapEx spending, we have spent money well in advance of DD&A. And DD&A for us today sits right at around the $180 million. So we have spent so well in advance of that for so long that really from a fixed plant perspective and a rolling stock perspective, we're in as good a shape as we've ever been, number one.

Number two, given the volume profile that you simply don't wear out machinery at the same pace that you otherwise would have. So when we say that we can appropriately and safely cut back on CapEx, that's really what I mean. And part of the difference is, keep in mind, we were investing in ourselves when others were investing in others. And what that does is it gives us a chance right now to pull back on CapEx and at the same time not see a remarkable spike in M&R.

<A – Anne Lloyd>: And Mike, looking at that actually I think when we look at capital to DD&A compared to our competitors over this trough period of time, or actually through this whole cycle, we've had about a quarter churn better investment in our capital. So we think that pays us great benefits right now.

<Q – Mike Betts>: Sure. I mean, does this mean that you could expect to be -- remain around that level in '11 as well or is it too early to comment on that this point?

<A – C. Howard Nye>: Yes. It's probably too early to comment on it at this point, Mike, but I'll say this much: we could stay at sub-DD&A levels for quite a while if we needed to.

<Q – Mike Betts>: Perfect. Thank you very much.

<A – C. Howard Nye>: Thank you, Mike.

Operator: Thank you. Our next question comes from the line of John Fox from Fenimore Asset. Your question, please.

<Q – John Fox>: Thank you. Hello, everyone.

<A – C. Howard Nye>: Hello, John.

<A – Anne Lloyd>: Hi, John.

<Q – John Fox>: Couple of just detail questions. First of all, the 5 million I guess if I look at the income statement, where is that $5 million if it's not in the other income line?

<A – C. Howard Nye>: Operating.

<A – Anne Lloyd>: Other operating. It's in other operating.

<Q – John Fox>: Okay. And how much were the 1031 exchanges?

<A – C. Howard Nye>: I want to say it's 1.5 million, John.

<Q – John Fox>: Terrific. And could you, Anne, talk about your plan to address the 2011? I mean, typically in the second half the debt, I mean, typically in the second half of the year you have good working capital and you get the receivables in the fourth quarter. So is it kind of your intent just to kind of build the cash up through the end of the year, or do you envision going into the line or what are your plans there?

<A – Anne Lloyd>: We actually think by the end of the year, assuming a status quo at where we are right now, which with the M&A pipeline may not be there, but assuming that we remain at status quo, we'll actually pay down an incremental 20 to $25 million more of debt by the end of the year and just maintain the cash balance.

We had looked at a number of opportunities for funding or pre-funding the maturities for next April, but haven't seen those to be cost effective, particularly with the nice backstop of credit availability that we have under our own control that we can basically take care of that maturity without having to go out to the public market. If I was sitting here today, I would tell you that I probably would refinance it because I think the business can afford the level of debt that we have, projecting when we get down by the end of the year to well below that 2.8 times debt to EBITDA.

<Q – John Fox>: All right. Okay. Thank you.

<A – C. Howard Nye>: Thank you, John.

Operator: Thank you. Our next question comes from the line of Ted Grace from Susquehanna. Your question, please.

<Q – Ted Grace>: Thank you, guys. Just wanted to ask a similar question on the question Trey asked, but on the West Group. If you back out the $5 million reversal, the relative drag on gross income contribution is about 2X what it was in the Southeast. So if you could just kind of address issues in the quarter and how we should think about that going forward, that would be great.

<A – C. Howard Nye>: Sure, Ted. Ted, I think the big issue for the quarter was simply the delta that we saw in the Midwest Group, in particular. I want to say that in Des Moines they had around 14 inches of rain simply for the quarter. I hate to talk about weather, but in this instance I think we have to. That's almost half of the rain in that quarter that they would expect for a full year. If you go back and take a look at our Midwest Group last year, it was clearly outperforming most of the company and most of the nation in large part because Iowa was doing such a fantastic job getting stimulus into the system. So I think that's clearly the single biggest piece of what's going on in the West.

The other piece of it that I would mention to you is I think of all the different markets in the West right now that are overall performing well, but one that's struggling more than the rest, is probably the Houston area right now. That's an area in particular where those in the ready-mix concrete sector are really struggling. So if you take a look at the West and you're focused on what did not happen in the Midwest because of weather, and you simply take a look also at what's going on or in some instances not going on in Houston, those are two of the big drivers.

<A – Anne Lloyd>: Ted, I would add there that you also have got a disproportionate impact on pricing in that area because of that oil spill activity. That's primarily pretty low price based work so that's obviously affecting the incremental margins in that region, even though they were quite attractive.

<Q – Ted Grace>: It's a lot of [inaudible].

<A – C. Howard Nye>: It's a lot of...

<A – Anne Lloyd>: [inaudible] stone used to actually fill up some of those marshy land with -- for roads and bases for the drilling pads.

<Q – Ted Grace>: Okay. So it's not the fracing sand?

<A – Anne Lloyd>: No.

<A – C. Howard Nye>: No, it's not.

<Q – Ted Grace>: Okay. Okay. That's helpful. And just as a reminder, in terms of the – if you could rank, fortunately however you want to do it, the five most important markets in the West region.

<A – C. Howard Nye>: The five most important markets in the West?

<Q – Ted Grace>: The biggest markets for you.

<A – C. Howard Nye>: Well, clearly what we have in the Midwest is going to be important market for us and by that I mean I'm going to mean primarily around Des Moines and what we have going on there. San Antonio is going to be an important market to us. Dallas/Fort Worth is going to be an important market to us. Houston is going to be an important market to us, and Kansas City is a market that is of some moment to us as well. But I tell you what. I can't speak to this in this context and not also speak to what's gone on this year in Arkansas because that's been a very, very important market for us and they have done a good job of that business.

<Q – Ted Grace>: And what's driving Arkansas?

<A – C. Howard Nye>: Well, Arkansas, again, it's back to the shale deposits. What we've seen is a 34% volume increase in Arkansas that's coming out of some of our rail located quarries and again, a nice volume increase, but again, selling a very low priced product going into those shale deposits.

<Q – Ted Grace>: Okay. And the other thing I would ask is, would you be willing to take a shot at kind of call it a bear case and a bull case for the highway bill? You laid out kind of what your base case is. And I'd be curious how you're thinking about what the upside or downside could be based on the work you do and the consultants you talk to and if you'd be willing to scratch some probabilities, that would be even more interesting.

<A – C. Howard Nye>: I bet that would be interesting. I've got to tell you, though, Ted, it's -- that's a tough one to handicap.

<A – Anne Lloyd>: I think he would be better in Vegas.

<A – C. Howard Nye>: Yeah. And if I was really good at that, Ted, you'd call me someplace else, I think. I would be afraid really to go out and put much to that. Obviously, we won't see anything happen until the elections are over. And I think really seeing how those elections turn out is going to be the driver.

There's certainly been some talk about trying to get a bill through in 2011. We have heard that. I think Ms. Boxer would like to see that. I think there are a number who would. I think even if you look at the testimony that Ray LaHood gave just earlier this week or last week before the House Transportation Committee. I think what you'll find is, he's willing to testify the amount in the bill that's proposed out there, the 450 to 500 billion, is a number that he likes, and it's a number he believes in. At the same time, he'll tell you he has a very difficult time looking at gas taxes or user fees as the means to finance that. So until there is some form of consensus on how you pay for it, we're going to have some difficulty and no one's going to make that call before the first Tuesday November, that's for sure.

<A – Anne Lloyd>: And I think, Ted, is there -- the only thing I would say that there could be possibly better odds for a bill is if there is a focus on jobs creation. The numbers have been proven that money spent in construction from infrastructure spending creates jobs through all socio-economic classes. And it is hard to argue that the construction sector has not been in a recession when one in four jobs lost in America is a construction related job. So that would be the only outside shot, but I think it is an outside shot.

<Q – Ted Grace>: I'd agree with that. Great. Thank you very much. Good luck.

<A – C. Howard Nye>: Thank you, Ted.

Operator: Thank you. Our next question comes from the line of Jerry Revich from Goldman Sachs. Your question, please.

<Q – Jerry Revich>: Good afternoon.

<A – Anne Lloyd>: And to you, Jerry.

<Q – Jerry Revich>: Anne, I'm wondering if you could talk about your capital structure in an M&A scenario. How big of an acquisition would you feel comfortable funding by cash or debt and at which point would you look to increase equity contributions? Sounds like by Ward's comments there's quite a number of opportunities out there. Would love to get a range of your views on the capital structure in the low and high-end scenario, perhaps.

<A – Anne Lloyd>: Yeah. I think what we would be very comfortable with, particularly in an acquisition of size, is that you could spend between 1 billion, $1.5 billion and solve for a three times debt to EBITDA. Doing that should take you anywhere about 500 to $600 million of incremental debt with the balance is new equity out there.

<Q – Jerry Revich>: And Anne, if you get an opportunity for a bunch of singles or doubles, if you will, call it 100, $200 million range, would you feel comfortable doing that with cash or you'd still think about it in the same way?

<A – Anne Lloyd>: No. I think you would be comfortable doing the singles and doubles with cash.

<Q – Jerry Revich>: Anne, without asking you to bid against yourself on a lot of these opportunities, how would you characterize the valuation ranges relative to perhaps 2011 and mid-cycle earnings in terms of what you're seeing out there, not necessarily in your pipeline, but the broader deal flow?

<A – Anne Lloyd>: Those are going to be pretty much lower than those mid-cycle. I mean, we're looking for solid valuations. Obviously, you're going to be at even at an EBITDA level that's not as high. But I'll tell you, for the right asset we would be willing to pay in line with those valuations.

<A – C. Howard Nye>: Jerry, it really depends where it is

<A – Anne Lloyd>: Yes.

<A – C. Howard Nye>: And it depends what kind of business it is. It depends whether it's pure or depends on whether it's going to be downstream, and a lot of it depends on what we feel like we can do in the synergy side of it.

I think what we're going to find at least for the near term is what we can do on cost is going to mean a lot more than what people could historically have done on price, and that's going to be our big focus as we look at acquisitions and how we tuck them into our business.

<Q – Jerry Revich>: And where presumably valuation for assets that come with downstream operations is looking pretty good at this point in the cycle, how open are you for that type of opportunity versus the pure type of acquisitions that you folks found in the past?

<A – C. Howard Nye>: You know what? Again, I think it's going to absolutely positively depend on the market. Because as you know, if you look at where we are in San Antonio for example or how our business is constructed in Arkansas, we do have some downstream businesses there. What we're most focused on is we would like to have a one or two market position in markets that we think not just for the short term, but for the long term are attractive. And if we're looking at a long-term market that we believe is attractive and is built in that mechanism, looking at some downstream businesses is not something that we would run away from.

<Q – Jerry Revich>: And on the Specialty Products side, obviously phenomenal performance there. I'm wondering if you have any updated thoughts on the CapEx opportunities that perhaps inch up capacity or maybe augment capacity in a more meaningful way. Can you give us the updated thoughts around that business? Thank you.

<A – C. Howard Nye>: Certainly. The fact is we are looking at some opportunities to enhance that business. We may look at some opportunities to ramp up CapEx in that business as well. You can see what kind of profits that business generates right now off an asset base that's just about equal to the profits that it's kicking out. So to the extent that we could move into that sector and enhance our operations and perhaps even add more business to it in the right way, we would not be shy about doing that.

<A – Anne Lloyd>: But we are running at capacity pretty much right now, Jerry.

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

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

Operator: Thank you. Our next question comes from the line of Brent Thielman from D.A. Davidson. Your question, please.

<Q – Brent Thielman>: Yeah. Hi, good afternoon.

<A – C. Howard Nye>: Hi, Brent.

<Q – Brent Thielman>: Yeah, Ward, I apologize because I think you touched on this, but in Specialty Products just kind of based on what guidance implies for the second half, why wouldn't you expect to see a similar performance relative to the first half? Maybe just help me understand the factors there.

<A – C. Howard Nye>: I think the big thing that's going to happen in the second half is steel is just going to cool down a little bit. I think steel just ran so hard during the first half of the year that as we see that moderate, we're likely -- I think my words in the commentary was we would see the rate of growth slow.

So I don't think we see a remarkable pullback there. But again, I think you could see the steel industry slow down by, say, 20%. I mean anecdotally part of what I'm seeing is one of our larger customers on the East Coast was scheduling at least from what we hear a 30 day shutdown. They're looking more right now at an 80 day shutdown. They're doing maintenance. They're going to be prepared to come back earlier if the market dictates that they come back earlier. But again, if we are sitting here trying to gauge what's it's going to look like going forward, that's not a bad barometer for us to look at.

<Q – Brent Thielman>: Agreed. Understood. Thank you.

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

Operator: Thank you. [Operator Instructions] Our next question comes from the line of David Tepperman from Greenlight Capital. Your question, please.

<Q – David Einhorn>: Hi, actually it's David Einhorn. My question is if you think about what you're describing with the guidance for next year relating to the volumes and you combine that with your previous view that it's sort of volume would come before pricing, and the volume expectation's reasonably low, how is it that earnings next year don't begin to pencil out to something south of maybe $3 a share?

<A – C. Howard Nye>: Obviously, heading down that road at this point is trying to make some suppositions and lead some things that really we're not prepared to do right now. We will certainly give you some guidance on that as we get closer to the day and the hour. But I think that's probably outside the scope of what we need to talk to today. But I appreciate the effort.

<Q – David Einhorn>: Thank you.

<A – C. Howard Nye>: Thank you.

Operator: Thank you. I'm not showing any further questions in the queue at this time.

C. Howard Nye, President and Chief Executive Officer

Well, very good. Thanks for joining us on the conference call and for your interest in our company. Again, we're pleased with our second quarter results and the full year 2010 outlook. We're poised to deliver exceptional results as aggregate volume recovers and importantly, we maintain our position as an industry cost leader.

Also as we discussed today, our Specialty Products business will continue to provide us with some positive opportunities to further differentiate us from our competitors. We look forward to discussing these and other items with you at our third quarter call, and we'll talk to you then. Thank you all very much.

Operator: Thank you ladies and gentlemen for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.