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Corporate Participants

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Other Participants

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Todd Vencil – Analyst, Sterne, Agee & Leach, Inc.
Rodny Nacier – Analyst, KeyBanc Capital Markets
Jack F. Kasprzak – Analyst, BB&T Capital Markets
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Quarter 2012 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 conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Ward Nye. You may begin.

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

Good afternoon, and thank you for joining Martin Marietta Materials' quarterly earnings call. With me is Anne Lloyd, our Executive Vice President and Chief Financial Officer, and we're pleased to share our second quarter 2012 results and our expectations for the full year.

Before we begin, let me remind you that this discussion may include forward-looking statements, as defined by securities laws, in connection with future events or future operating or financial performance. Forward-looking statements in this discussion are subject to a number of risks and uncertainties which could cause actual results to differ materially from such statements. Except as required by applicable law, Martin Marietta undertakes no obligation publicly to update or revise any forward-looking statements, whether resulting from new information, future developments, or otherwise.

Martin Marietta refers you to the legal disclaimers contained in our press release relating to our second quarter 2012 results and to Martin Marietta's other filings with the Securities and Exchange Commission, which can be found on the SEC's website. Finally, any references in our discussion to margin are based on net sales, excluding freight and delivery revenue. This is also explained in our SEC filings.

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For the second consecutive quarter, our heritage aggregates business reported an increase in operating margin, expanding 150 basis points in the second quarter of 2012. This expansion was driven by our heritage aggregates product line, which reported a 2.8% increase in shipments and a 2.4% increase in pricing. Underscoring this performance are signs of recovery in certain of our markets, predominantly in the Western United States.

These trends, along with the recent passage of a multiyear federal highway bill and regionalized improvement in home building, have provided optimism for future construction activity. We also continue to be pleased with our Specialty Products business, which established a new second quarter record for net sales and once again generated impressive margins.

The volume momentum generated in the first quarter for our heritage aggregates product line shipments continued into April and May. In fact, heritage shipments for the two-month period ended May 31 increased 8% over the comparable prior-year period. In that volume environment, we generated an incremental gross margin consistent with our expectations. Predictably, in markets with more notable volume growth, we generated an incremental gross margin much higher than 60%.

As an example, our Des Moines, Iowa district experienced a 16% shipment increase for this two-month period and generated an incremental gross margin of 75%. However, in June, certain project delays and economic uncertainty led to a 5.5% decline in heritage shipments compared with June of 2011. This erratic volume pattern, together with planned inventory control measures, diluted the incremental gross margin gains that were achieved in the first two months of the quarter.

We see consistent indications of recovery in our West Group, which reported a 7.6% volume increase for the quarter. Shipments were notably strong in Texas and Iowa. The Texas market experienced robust construction activity, including increased shipments to both the energy sector as well as the residential end-use market.

Our Midwest division, particularly Iowa, benefited from mild winter weather, which facilitated an earlier start to the construction season and allowed for significant progress on several projects, including the expansion of Highway 20, also known as the Midwest Connector, in Western Iowa.

Heritage aggregates volume in our Mideast Group increased nearly 8% for the two-month period ended May 31, 2012, as compared to the prior year, driven by strength in our Indiana and Ohio markets for major highway projects. However, June volumes declined over 4%, primarily as a result of project delays in North Carolina, which are expected to defer certain shipments to the second half of the year. Overall, our Mideast Group reported a 2.9% increase in heritage aggregates product line shipments for the quarter.

Our Southeast Group experienced a 10% decline in heritage aggregates product line shipments due to economic conditions lagging national trends, which is largely attributable to weak job growth and continued high foreclosure rates.

We're pleased that three of our four end-use markets reported heritage aggregates product line volume growth. Shipments to our heritage infrastructure market increased 3% over the prior-year quarter. This end-use, which accounts for more than half of our aggregates product line shipments, should benefit in the future from the recent passage of the Moving Ahead for Progress in the 21st Century Act, or MAP-21, which was signed into law earlier this month.

MAP-21 is essentially a final three-month continuing resolution for the previous highway bill through September 30, followed by an abbreviated two-year federal highway program. We believe the new law, which provides highway expenditures of $40 billion annually, will create a higher degree of fiscal certainty for state, counties, and municipalities compared with the series of shorter-term continuing resolutions in effect since 2009. Furthermore, MAP-21 provides for expedited project

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approvals, it eliminate earmarks, and embraces more private sector involvement, all of which we believe will be positive for our business.

Aggregates product line shipments to our heritage nonresidential end-use market increased 8% over the prior-year quarter. This growth is due to a 40% increase in shipments to the energy sector, which are primarily reflected in our West Group results. Our heritage residential end-use market continued its recovery from depressed levels, and experienced a 21% increase in aggregates product line shipments over the prior-year quarter. This growth reflects the increase in national year-to-date housing starts and was noteworthy in our Charlotte, Kansas City, and San Antonio markets.

Finally, aggregates product line shipments to our heritage ChemRock/Rail end-use market declined 19%, driven by the unusually strong balanced volume in the second quarter of 2011, as well as project delays related to rail track maintenance schedules. We anticipate certain of these shipments to be recovered in the second half of the year.

We continue to see positive construction trends in the Denver market. As previously communicated, when we exchanged our River assets for assets in Colorado, we increased our exposure to winter weather. The front range of the Rocky Mountains experiences a later start to the construction season than markets along the southern portions of the Mississippi River. Still, these Colorado operations once again outperformed our expectations for the quarter and had breakeven operational profitability, generating EBITDA in excess of the previously-mentioned River markets.

The average selling price in our heritage aggregates product line increased 2.4% over the prior-year quarter. The West Group reported the highest increase, 5.4%, which was supported by pricing in South Texas to the energy sector. These shipments are primarily from sales yards, which have a higher average selling price compared with producing quarries, due to transportation costs from our producing location to a sales yard. While product mix aided the 4.7% heritage aggregates product line pricing increase for our Southeast Group, we're nonetheless pleased to see price increases in all segment markets despite the group's volume decline.

Finally, heritage aggregates product line pricing for our Mideast Group declined approximately 1%. This reduction, however, reflects changes in the geographic mix of shipments, which further lowered the average selling price variance by 240 basis points.

For the overall aggregates business, which includes the impact of the Denver market, our aggregates product line average selling price increased 0.5% over the prior-year quarter. Remember, though, that aggregates product line shipments in the Denver market reflect lower average selling prices compared with the company average due to both geographic and product mix. As we've previously discussed, it's reasonable to expect a 30% to 40% difference in sales price driven by these mix issues.

Proper inventory control is an important operational discipline, and during the quarter, we adjusted production and reduced our heritage aggregates product line inventory levels. The inventory reduction lowered gross profit by $8.4 million compared with the prior-year quarter. Our operating teams continued their focus on cost control, limiting the increase in heritage aggregates product line cost per ton to 1%, inclusive of the impact of reduced production volumes.

Also, reversing a multi-quarter trend, energy costs benefited from a slight reduction in diesel fuel prices and remained essentially flat compared with the prior-year quarter. Our average price for diesel fuel was $3.03 per gallon, compared with $3.08 per gallon in the prior-year quarter.

Our Specialty Products business benefited from strong demand for both chemical and dolomitic lime products, and generated net sales of $50.4 million, which represents a second-quarter record. Despite increased direct input costs, this business generated an operating margin of 34.6%.

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On a consolidated basis, gross margin was 20.8%, a 300-basis-point decline compared with the prior-year quarter, primarily as a result of the inventory control measures discussed previously. We continue to focus on what we believe is industry-leading performance in our consolidated selling, general, and administrative expenses. In that respect, these expenses declined 40 basis points as a percentage of net sales.

The absolute increase of $4.3 million is due to incremental overhead incurred at our Denver operations and costs related to our planned information systems upgrade. We expect improvement in SG&A expenses at our Denver operations as we continue to integrate them into our disciplined cost structure.

Consolidated earnings from operations for the quarter were $59.3 million, inclusive of $9.2 million of business development expenses. Excluding the $0.12-per-diluted-share charge for these expenses, our adjusted earnings per diluted share was $0.92 for the quarter. Inclusive of these expenses, earnings per diluted share was $0.80, compared with $0.78 in the prior-year quarter.

For the first six months of the year, cash provided by operating activities, excluding the impact of business development expenses, was $52.6 million. Days sales outstanding was 43 days, an improvement compared with 2011.

We continue to invest in the new lime kiln being constructed at our Specialty Products Woodville, Ohio facility. We expect this project to be substantially completed during the fourth quarter and thereafter generate annual net sales ranging from $22 million to $25 million, with margins comparable to current levels. During the first six months of the year, we invested $66 million in various capital initiatives, including $22 million for the new kiln.

We also maintained our quarterly dividend rate of $0.40 per common share. At June 30, 2012, our ratio of consolidated debt to consolidated EBITDA was 3.63 times, in compliance with the limits under our debt covenant.

We remain optimistic about our performance in the second half of the year. We continue to expect our infrastructure end-use market volumes to range from flat to down slightly. We anticipate double-digit growth in nonresidential shipments, driven by increased energy sector demand. Residential shipments are expected to increase at a higher rate compared with the level of improvement in 2011. Finally, we expect ChemRock/Rail volume to range from flat to down slightly, dependent on the timing of the previously-mentioned maintenance projects. Overall, for the full year, in our heritage aggregates product line, we expect volume to increase 4% to 5%, pricing to increase 2% to 4%, and direct production costs to be flat.

SG&A expenses, exclusive of the incremental expense for our Denver operations and costs related to our information systems upgrade, are expected to decline slightly compared with 2011. Earnings for our Specialty Products segment are expected to range from $68 million to $70 million.

We expect interest expense to remain flat this year. Our effective tax rate is expected to be approximately 23%, exclusive of discrete events, and capital expenditures are forecast at $155 million. This CapEx estimate includes the remaining capital for the new kiln at our Specialty Products business.

We look forward to building on the positive first-half trends in the second half of the year. We remain confident that our disciplined operating approach will deliver results that enhance long-term shareholder value.

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

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Arnold Ursaner of CJS Securities. Your line is open.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Hi. Good afternoon, Ward. My first question is the 60% incremental margin target that you have spoken about previously, you mentioned you had it in April and May. Do you have any reason to think that your target of 60% incremental margin is not achievable on a go-forward basis, and maybe expand on some of the factors behind it?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Arnie. Arnie, thanks for your question. The short answer is we continue to believe the 60% incremental margin is attainable with volume recovery. If we look at April, volume was up 8.8%. If we look at May, volume was up 7.3%. So if you look at those two months, as we discussed, it was 8%. The fact is we believe strongly we can hit those incremental margins when we watch the next, call it, 40 million tons come back. Keep in mind we're 80 million tons away from where we were at peak.

Part of what's important here, though, Arnie, is it does have to come back across the enterprise, and that's really part of what we were seeing in April and May. The other component that I would remind you of – and we've discussed this before – markets like North Carolina and the Southeast are disproportionally profitable markets for us. So when we're looking at volumes down 10% in the Southeast, and when we're looking at what was a challenging period of volume for North Carolina, those two markets do tend to put a particular drag on that incremental margin target. But, again, if we see volume come back across the enterprise, we're very confident in that incremental margin target.

<Q – Arnie Ursaner – CJS Securities, Inc.>: My final question, if I could, I think you said $8.4 million hit from the planned inventory reduction plan; can you give us the quantity or the tonnage decline that you had from inventory, and perhaps walk us back through the math around the $8.4 million item you mentioned?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I can certainly take you through that. What we're talking about, Arnie, was basically a reduction in inventory of about 3.5 million tons. So if you take a look at the production tonnage that we had in Q2 2012 versus Q2 2011, we actually produced less tonnage in 2012 than we did in 2011, and we took our inventory volumes down by 3.5 million tons. So fully, call it, 10% of the heritage volume – or the volume that went out, frankly, came out of inventory.

Now, keep in mind, when you're working in a volume environment that we're in today, you're probably running with fixed costs somewhere near 70%. And when you're in that type of a volume environment with that type of fixed cost structure, when you do bring volumes down, you're simply going to feel it to the tune of that $8.4 million, $8.5 million. So, from an operating perspective, it was entirely the right thing to do. We've discussed where we've been with inventories for some time, but hopefully, that put some metrics to it.

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

<A – Ward Nye – Martin Marietta Materials, Inc.>: You're very welcome.

Operator: Our next question comes from Todd Vencil of Sterne Agee. Your line is open.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Hi. Good afternoon.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Hi, Todd.

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<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Let's talk about the second half of the year for a minute. Obviously, there's a fair amount of concern about the macroeconomic environment. You guys kept your guidance unchanged. You talked a little bit about the second half and what your specific expectations are there, but can you give us a feel for what's underlying that and what you're seeing that makes you feel as confident as you seem to be in that?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure. Well, Todd, as you recall, we've indicated we thought volume would be up 4% to 5%, so if we take a look at really the bottom end of that range and what it takes us to get there, I'll try to take you through the different buckets and give you a sense of that. We expect in infrastructure a slowdown in the second half, so we're actually showing second-half volumes down in infrastructure, down around 1.6%. Now, non-res, particularly driven by energy, had a nice first half. We saw that volume up around 12%. Based on what we're seeing right now, we think that will likely replicate itself again in the second half.

If you look at res, res was up 15% in half-one, and obviously there's a lot of activity in res right now, at least comparatively. We're actually seeing res, in our numbers, slow down in the second half. If there's a place that there may be some upside, I think, candidly, that may be it. So we saw res up 15%, half-one. We're showing it up only 9%, half-two. And then if you assume that we're not going to see the same level of down in ChemRock/Rail – in half-one, we saw that down 9%; we're seeing that down 2% in half-two. That at least gives you some degree of bookends around the different percentages that we're talking about in the different end-uses, and as I come back and take a look at those, none of those percentages seem to be particularly unrealistic to me, Todd.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: That's great. Thanks for that. You mentioned 2013 in your press release when you were talking about MAP-21, and I can't resist taking the opportunity to ask if you want to give us an early indication of what you think next year might look like, whether it's for infrastructure as a result of that or just broadly speaking.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Well, you can't resist. I probably can resist, Todd. But actually, Todd, I do think the highway bill is clearly going to be something that's helpful to this industry. When Secretary LaHood came out with his announcement around much of this, he said he thought this was going to give some degree of engine to an area that truly has pent-up demand, and I don't disagree with that. As you recall, for the last couple of years, about the only sector of our business that we said we thought had pent-up demand was in ag lime. I do think there's pent-up demand in the larger multiyear projects, and I think what we have in MAP-21, at least giving a clear two-year snapshot to what we have, is going to be helpful.

Keep in mind I didn't think we'd see a highway bill, so I think this is a better place than I thought we would be. I think, in addition to the flat funding, that I would suggest to you, Todd, is pretty good, I think if you look at the reform provisions that are in it, those are going to matter, I think, quite a bit as we go through. I would particularly encourage people to look at the TIFIA program because that's going to end up, I think, putting a considerable amount of money out there that people will be able to use. You can look at the projects that have been bid in the TIFIA program since 1998. They're simply going to be much more robust going forward. In fact, again, on, I think it was last Friday, LaHood announced that there'd be immediately available $17 billion of TIFIA loans, so by the time you end up really putting the leverage amount to that, you can have something coming out of TIFIA, I believe, that can be much more important to the industry than, for example, the prior stimulus bill was.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: That's great. Thanks for that.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Todd.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: You have talked about the possibility of mid-year price increases this year. Are you seeing that come through the way you'd anticipated?

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<A – Ward Nye – Martin Marietta Materials, Inc.>: You know what? We have certainly seen mid-year prices increases. They have not been across the board as much as they would have been last year, at least by market. We've seen increases in certain markets in the East, primarily for ready-mix stone, and we have seen mid-year price increases, as you would expect, in portions of the Southwest. We've seen price increases in San Antonio. We've seen fine and course aggregate pricing go up in some places as much as $1 a ton. In Houston, we've seen mid-year price increases on aggregates anywhere from $1 to $1.50 a ton. We've seen sand and gravel go up in that market as well. And we've seen similar type increases in South Texas. The one area in Texas that we have not seen the mid-year price increases stick is in DFW, and as you recall, we're not really the market leader in DFW. But we've certainly seen what we believe is productive mid-year price increases in San Antonio, Houston, and South Texas.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Great. Final question from me, on the inventory reductions, can you just talk about what drove the decision to make that, and was it particular product and market-driven? And going forward, are you looking to produce in line with shipments, or are there further reductions to come? Thanks.

<A – Ward Nye – Martin Marietta Materials, Inc.>: It was not driven by any single product, Todd. It was really across the spectrum. What I would suggest to you is, as volumes come through next year, particularly after MAP-21, I think you'll see more of a drawdown in base products. And this is simply the way we run our business. This is not unusual for us to go and adjust the inventories down. We'll continue to watch what we think shipments are going to be, and we'll try to manage that in a way that we think is responsible. So I don't want to sit here at this moment and tell you exactly what our plan will be, because we will watch that as the year unfolds.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Thank you very much.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Todd.

Operator: Our next question comes from Rodny Nacier of KeyBanc Capital Markets. Your line is open.

<Q – Rodny Nacier – KeyBanc Capital Markets>: Hi. Good afternoon, everyone.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Hello, Rodny.

<Q – Rodny Nacier – KeyBanc Capital Markets>: You had highlighted, in your prepared remarks, several states that grew or contracted during the second quarter, and as I'm thinking about your guidance of 4% to 5% for the full year, could you perhaps break out on a broad regional basis, your outlook for the segments?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Well, I tried to break it out on an end-use basis. Really, if we look at the way the trends are going right now, Rodny, clearly, I think we can all say that the West is going to be a more robust area of the country for the rest of this year than the East is going to be. I think, at the same time, as we come back and look at our Mideast Group, the deferrals that we saw of some volume in the Mideast, particularly in North Carolina, is fairly notable. If we took a look at several rather large projects, there's a large project on I-85 crossing the Yadkin River that was delayed.

We've seen some widening projects on I-85 around Charlotte delayed. We've seen some delays on Highway 311, which is going through the middle of the state, really, in Randolph County. And even as we get to the eastern part of the state, there were some delays on the Wilmington Bypass, and of course we've had good military work throughout our enterprise at different locations, and we saw same delays at Camp Lejeune.

So if I come back and say to you, broadly, we do anticipate volumes being stronger in the West; we do anticipate seeing a stronger second half, clearly, in the Mideast. And I think the area that's simply going to lag is what we're seeing in the Southeast right now, and I think that's driven by a number of different factors. I think the economic factors in the Southeast are pretty powerful. And if we take a look at what employment situations look like right now in Florida and Georgia and in South Carolina, looking back where they were at peak and where they are today, they're 55% below peak today.

So, in Georgia, it's down 37%; North Carolina, 34%; South Carolina, down 40%. At the same time, housing, which is driving a lot of the activity in many parts of the country – and let's celebrate the fact that it's up 28% right now, but at the same time, on a seasonally adjusted rate, that's 780,000 units versus a norm of 1.4 to 1.5 per annum.

So I think if we look at the Southeast – and here's the factoid for you, and I think we can tie it back in very directly on why I feel like the Southeast will lag. If we look at 1,000 homes in the United States, what you can assume is around 4.3 of those homes are in some degree of foreclosure. That's not a very heartwarming statistic. It gets even uglier when we talk about Georgia and Florida because Georgia's got 8.3 of them in some degree of foreclosure out of 1,000, and Florida at 8.6.

So I've tried to give you at least some data that I think comes back to underscore what we said on the West and the Mideast and the Southeast, Rodny. The one thing that I would say is this. It's been remarkably dry in portions of the West this year, and in particular, in parts of Iowa. And I think that may end up putting some degree of duress on the agriculture community there if they don't get some rain soon, and of course what that can actually do is impact your ag lime volumes at the end of the year. So, Rodny, I hope that was helpful.

<Q – Rodny Nacier – KeyBanc Capital Markets>: Yeah, yeah, that was very helpful. And not to focus on the laggard here, but looking at the Southeast segment with volumes down 10%, and just looking at the restated volumes that you have, it was on a pretty similar comp to the first quarter. And so the first quarter was up 5%, and this quarter was down 10%, and was there anything specific that happened this quarter that really drove that market to just deteriorate at a faster pace?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, I don't think there was anything horribly specific. I think there are several things that are rather general. And I think one of the issues that we need to watch is what happens today in the state of Georgia, because that's when we're going to end up seeing what the full results are on the 1% sales tax that Georgia's trying to put in in 12 districts. I think, clearly, not having a good, viable funding mechanism at Georgia DOT is something that does cause them some concern. And the other issue that I would mention – and we didn't put it in the press release, and I didn't put it in my prepared remarks because it's an outdoor sport – you did have a tropical storm that came through. Debby did come through in June, and to say that Florida and Georgia escaped that without any effect wouldn't be entirely right. But storms come through; you just deal with them.

<Q – Rodny Nacier – KeyBanc Capital Markets>: Okay. All right, thank you. That's very helpful.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Rodny.

Operator: Our next question comes from Jack Kasprzak of BB&T. Your line is open.

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

<A – Ward Nye – Martin Marietta Materials, Inc.>: How are you doing, Jack?

<Q – Jack Kasprzak – BB&T Capital Markets>: I'm doing all right. Thanks. What do you think happened in June? Seems like the declines were fairly widespread, and was it something you guys saw coming, or did it catch the industry a bit by surprise?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, I think perhaps the degree to which there was a decline, I think, caught the industry by surprise. I think when you're looking at double-digit numbers down in Georgia and you're looking at double-digits down in parts of North Carolina and double-digits down in South Carolina, I think those are bigger numbers than people would have expected. At the same time, when I remember that we're talking about North Carolina and South Carolina and Georgia, those aren't states that you would expect to stay down. These are states that have broad good, solid economies. But I think, to answer your question directly, Jack, it was a deeper fall in June than I think people would have expected.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. And with regard to the residential piece, where you are expecting not quite as good a gain in volume in the second half versus the first, when I look at the housing starts and single-family starts, they're – right now, anyway – at the highest level of the year, so does your guidance there reflect some of those market-specific factors, or just more some conservatism, even given that housing has gained a little momentum lately?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, and think that's a fair point, Jack, and I think that the comments I built around that in the earlier Q&A was I think if there's a place here that we probably benefit punitive to ourselves, it may well be on the res side. I was out in San Antonio here a few weeks ago, and I was in Florida for part of the other week as well. And, Jack, what I'm seeing is I'm seeing activity in the field that feels like, in some respects, that I'm back in 2006. We're seeing people cutting in new subdivisions. It's not just that they're building homes. They're paving streets. They're building sidewalks. They're putting in curb and gutter. So I do think the housing piece of it is a very good story right now, and I don't want to soft-sell that. I think that is good, and it's clearly more important to this industry than I think people would have believed.

<Q – Jack Kasprzak – BB&T Capital Markets>: Sure. Well, it's been a while since we've seen it, obviously. And on pricing, you mentioned some of markets where pricing's been good and where you're getting some mid-year price increases, but you've also said on this call as well as for, I think, a few quarters at least, that it is choppy, I guess, maybe is the word, or sporadic in terms of the ability to get pricing. Are there still some important markets out there where pricing's somewhat competitive? And if it happens in the wrong market, it can really affect margin. Is that something that you're dealing with?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, and I wouldn't say that it's hard to get price. I think what I'm more saying is, in some markets, it's not as easy to get a mid-year price right now, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay.

<A – Ward Nye – Martin Marietta Materials, Inc.>: So if I'm looking at our pricing – and, again, in a very tepid volume environment – realistically, this is still, the way I measure it, a pretty good story.

<Q – Jack Kasprzak – BB&T Capital Markets>: Yeah. Okay, fair enough. Thanks, Ward.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Jack.

Operator: Our next question comes from Garik Shmois of Longbow Research. Your line is open.

<Q – Garik Shmois – Longbow Research LLC>: Hi. Thank you. I just have a follow-up question with respect to the inventory control measures you took in the second quarter. I was wondering if you can break out, perhaps by region, how much of the $8 million was spread across where.

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<A – Ward Nye – Martin Marietta Materials, Inc.>: Yeah, well, Garik, I could probably go back and take a look at that. I can't break that out for you right now and give you a good spread of exactly where that was. I don't think there was any particular area that really drove it. I think we pretty much did that across the portfolio. I think there might have been a little bit more east of the Mississippi, but as a practical matter, we also had better business west of the Mississippi. But I think that's probably as good as I can give you right now.

<Q – Garik Shmois – Longbow Research LLC>: Okay. And then I guess as we think about the gross margin in the back half of the year, looking for mid-single-digit volume growth, some pricing lift. All things being equal, especially with diesel tapering off, could we expect gross margin expansion year-over-year in the back half of the year, meaning some of these revenue growth opportunities will more than offset some of the negative mix issues that you're seeing geographically?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Garik, I don't think that's something that you should dismiss all at. I think the primary driver is going to be volume and where the volume is. I think those are going to be the two issues that, if I were you, and being me, that those are the two things that I'm going to watch – how much and where.

<Q – Garik Shmois – Longbow Research LLC>: Okay, fair enough. Then I guess just a question on nonresidential demand; clearly, energy has been very strong for you in the first half of the year. I was just wondering maybe if you could provide some color on what you're seeing in the more traditional non-res end markets, office and retail, end markets like that.

<A – Ward Nye – Martin Marietta Materials, Inc.>: It continues to get better, but I will tell you, it's getting better from a very, very, very low point right now, Garik. And we're seeing that better in a number of markets. So I'm seeing that better in Ohio. I'm seeing it better in Indiana. I'm seeing good warehousing, good distribution, seeing portions of that in the Mid-Atlantic. And we're clearly seeing good activity along those lines in places like Kansas City and in the Western U.S. So if we come back and really look at what non-res – really more the lighter side of it – is doing, we're seeing better activity than we've seen in a long time, Florida probably being one of the few places right now that, on that piece of it, still not an enormous amount of activity.

<Q – Garik Shmois – Longbow Research LLC>: Okay. And then I guess just my last question is housekeeping. I was wondering if you can provide the number of gallons of diesel you consumed in the second quarter.

<A – Ward Nye – Martin Marietta Materials, Inc.>: And I can. It looks like, in Q2, we consumed about 7.5 million gallons of diesel fuel, so for half-one, we were at 13.5 million gallons. And just so you'll know, usually, Q3 is our highest diesel fuel consumption period.

<Q – Garik Shmois – Longbow Research LLC>: Great. Thanks so much.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Garik.

Operator: Our next question comes from Kathryn Thompson of Thompson Research. Your line is open.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Hi. Thanks for taking my questions today. I was going to see if you could just give me a little bit more clarity on volumes on an apples-to-apples basis, just to reconfirm you're gaining about 8 million tons in fiscal 2012 from Denver and taking out about 6.5 million from other divested assets in River and another related assets. So, taking those to account, how did the Denver assets perform on a year-over-year basis versus your core asset base volume performance in the quarter?

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<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Kathryn, let me address that. Actually, what we've said before is the 8 million tons that I think you're referencing, it's not just Denver. That's the cumulative tonnage from the acquisitions last year. So that would include Denver, and it would include San Antonio. But let me do this; let me come back and try to help you a little bit on Denver, because I can understand that that's something that you wanted to try and bring some clarity to it. If we look at it for the quarter, we shipped around 1.6 million tons of aggregates in Denver. It was around 485,000 tons of hot-mix and around 230,000 cubic yards of ready-mix, and generated approximately $60 million in net sales from the acquired Denver business.

So if we look at that, we had something in Denver for the quarter that really started getting its legs under it. It was EBITDA-positive for the quarter. And again, part of what we're intrigued by and like in what we're seeing in Denver, Kathryn, is the rate of growth in highway construction awards in Colorado is ranking among the highest in the country. And also, looking at what they're doing relative to decreasing construction-related unemployment is pretty impressive. Colorado added jobs at a rate of 4.2% versus the national average of 1.9%.

And really, going back even to the last question, this is one of the markets where we're seeing a nice uptick in non-res and residential construction. To give you more of a sense of it, during the quarter, we bid on nearly 1,200 different projects in Colorado up and down the Front Range. So, hopefully, that gives you a sense of how that market is starting to evolve and growing into something that we thought it would, but it also gives you some volume and some revenue metrics around Denver.

The other thing that I would point out to you, too, is if you went back and took a look at the way the TIFIA program has worked, even historically, Colorado's been one of the better states at coming up with projects of a national or regional significance and getting TIFIA dollars put into those. Is that some of the detail you needed, Kathryn?

<Q – Kathryn Thompson – Thompson Research Group LLC>: Yeah. And I just was looking again at Denver. How much of that non-res demand is really more energy-driven versus your core other – kind of your "other" category in non-res?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You know what? Actually, not a lot of it is purely energy-driven there. What you'll see coming out of there is really going to a Niobrara deposit, and the type of tonnage that we would see going to the Niobrara compared to anything that we might be seeing in the Barnett, for example, which is way down, or the Haynesville, which is down, or even the Marcellus, that we don't have a huge presence in; it's not as much as we would see in any of those other deposits. So when we're talking about non-res in that market, it truly is what you would think about. It's the Westin that's going up at the Denver Airport, and it's other projects of that nature.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. And going to pricing, how much did mix account for in the upside in the quarter?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You know what? Really, it doesn't count for much of the upside. In fact, mix was clearly a headwind on what we experienced in the Mideast. The only place that we got really a tailwind that was appreciable on mix was in the Southeast, where I want to say we were up – what was it – four-and-some percent, and I want to say it was around 200 basis points of that that was a positive mix effect. Aside from that, it wasn't a great moment for the quarter.

<Q – Kathryn Thompson – Thompson Research Group LLC>: And then going back to inventory production, this has been, for good or for ill, kind of an issue for the industry in general, really since the stimulus program got going and having to battle through base inventories. I guess my question

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to you – I think it's great you're focusing on inventories, and you talked a little bit about it earlier in the Q&A, but maybe you could just help me understand a little bit better. Inventory, particularly base, has been an issue since the downturn. Why maybe focus a little bit more in this quarter, or is there an opportunity maybe to unload a type of inventory that you hadn't had the opportunity before, because of different demand trends?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, the demand trends didn't change remarkably, and Lord knows the problem with the industry right now is there's not enough opportunities to unload volume anywhere right now, Kathryn. That's the real challenge that we're faced with, and simply recognizing that – to your point – if you were going to be in a mode for much of the last several years that you were producing principally a clean-washed stone material, you were going to build some other inventories, you are going to have to go back and run your plants at times in a different mode, and you will build up some inventories, and you do have to manage it. So there was nothing that was particularly magic about this quarter. It's obviously easier, to the extent that you're going to sell out of inventory, to do it when you feel like you're in the right season to get much of that done. So that's simply what drove it.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay, great. And finally, is – anything on the impact of the drought on your ag lime business?

<A – Ward Nye – Martin Marietta Materials, Inc.>: It's hard to say that there will or won't be an impact right now. That was really just going back to what we felt like the puts and takes may be with respect to volume later in the year. Obviously, we've had a couple of good years of ag lime volume. I think the need for ag lime, in many respects, is still there. At the same time, if the crops end up, in large part, being subject to drought, and the farmers find themselves in a more distressed place at the end of the year, they won't buy as much ag lime. That's simply the way that market works. I don't think we're to the point that any of us can say that that's where the farmers are, but at the same time, I think that's something that they are probably watching right now. As they are, we are.

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

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Kathryn.

Operator: Our next question comes from Ted Grace of Susquehanna. Your line is open.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Oh, thank you. Hey, guys. How are you doing?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Good. How are you?

<Q – Ted Grace – Susquehanna Financial Group LLP>: Great. So I had a quick question – I apologize if I missed it, but on Specialty Products, revenue up 2%, gross profit down about 7%, operating profit down 9%, margins down 420 basis points; said otherwise, revenue up $2 million, profit down $2 million. You cited higher raw material costs, I think contract services and repairs, and I was just wondering if you could give us a little better sense for what the raw material issue was in the quarter and how to think about it, if it's a cyclical issue, if it's something other than – is it natural gas, is it some other raw material, as a starting point.

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, to tell you the truth, really, Ted, as we went back and looked at that, some of it was simply in supplies and explosives; some of it was in repairs; some of it was just in pure maintenance. We had some issues with respect to lime. But at the same time, the issue that we're faced with right now is a few hundred thousand dollars here, a few hundred thousand dollars there; you get up to something that – $1 million, $1.5 million. I don't think it's anything that's really likely to recur or be that notable. At the same time, I think you and I

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both look at those margins and take them every day of the week, and that team has done very well. The one thing I will say to you is that, obviously, nat gas has been our friend up there.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Yeah.

<A – Ward Nye – Martin Marietta Materials, Inc.>: And if we look at the way nat gas has worked historically, if we had looked at the energy profile for that business, nat gas clearly would have been the single-largest component of that. And as we sit here today, coal and electricity and nat gas, really on a percentage basis, are all about the same for that business right now. So it wasn't any one thing, Ted. It was just a series of smaller things that, as I looked at them and as John Harman, who runs that business very well for us, looks at them, we're not particularly alarmed by what we saw.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. So just – and I'm not going to nag on it. I agree it's a phenomenal business. It's really been extraordinary through the downturn and upturn. But just when it comes back to thinking about the profitability, though, on the go-forward basis, it's a business that's historically put up some really impressive incrementals in the 50% to 60% range, and you had 220% decrementals this quarter. And so just in terms of calibrating our expectations, I know you reaffirmed the $68 million to $70 million of pre-tax profits, but it's still a pretty big swing. So if you start adding up $200,000 things here and there, you still come to a $4 million net swing – revenue up $2 million, profits down $2 million.

<A – Ward Nye – Martin Marietta Materials, Inc.>: All right, I understand where you're coming from. If I really was concerned about it, to your point, I would have gone back and changed the guidance. I feel confident that we'll be where we are. [ph] Steel's (46:22) running at a 77.8% capacity right now. Obviously, the input costs with respect to natural gas are in a very attractive place compared to history. We're right on time, right on schedule, right on dollars with the kiln project as well. Ted, I don't see anything there that for the full year is concerning to me. I feel very good about it.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Great, because I know you mentioned 77.8% capacity utilization. Could you just tell us what it was last year? Well, obviously, the question really was there -?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Last year, it was around 74.5%.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Oh, wow. Okay, so nice improvement.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yeah.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Great. And then I apologize to go back. I just wanted to touch on the incremental margins in aggregates. I know there's mix, there's the inventory issue, and you talked about getting 60% incrementals, I think you said in April and May.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yeah.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Was that on the – the business on a reported basis, or was that really the underlying aggregates when you strip out the downstream stuff and any other noise?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, that was on our aggregates business. And the way we report our aggregates business is really, if we're looking at East – I'm just thinking through it, Ted. There's no downstream – at least, appreciably – in the East, and obviously there is in the West, so what we're talking about on that is the incremental margins with respect to the ags business across the group, so ag rock only.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. The last thing I just wanted to ask, and then I'll just hand off the baton to somebody else...

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure.

<Q – Ted Grace – Susquehanna Financial Group LLP>: But the IT costs, can you just talk about what's driving the upgrade? I think we've all regarded you guys as having best-of-breed technology, so I was just wondering what exactly you're doing, what the total costs will be, and how we should think about payback and the anticipated benefits.

<A – Ward Nye – Martin Marietta Materials, Inc.>: [indiscernible] (48:11)

<Q – Ted Grace – Susquehanna Financial Group LLP>: Ward, can you hear me? Hello?

<A – Ward Nye – Martin Marietta Materials, Inc.>: [indiscernible] (48:32 – 48:46)

<Q – Ted Grace – Susquehanna Financial Group LLP>: Ward, I apologize. I don't know if you can hear me, but I think something may be wrong with my line because I can't hear anything. So I'm just going to hang up and I can circle up offline. Thank you.

Operator: Thank you. Our next question comes from Adam Rudiger of Wells Fargo Securities.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: Hi, can you hear me?

<A – Ward Nye – Martin Marietta Materials, Inc.>: [indiscernible] (49:06)

<Q – Adam Rudiger – Wells Fargo Securities LLC>: We can't hear you.

<A – Ward Nye – Martin Marietta Materials, Inc.>: [indiscernible] (49:10 – 49:29) so all told, an $8 million upgrade investment, which is simply standard due course and something that we were prepared for. And obviously, we feel like the way we run our business and the importance of our systems, it's an important and critical investment.

Operator, if you can still hear us, I'd like to go to the next call.

Operator: Our next question comes from Mike Betts of Jefferies. Your line is open.

<Q – Mike Betts – Jefferies International Ltd.>: Yes, can you hear me, Ward?

<A – Ward Nye – Martin Marietta Materials, Inc.>: The good news is, Mike, I can you hear you, and I'm sorry for whatever happened there. I'm glad all of you could continue to hear us.

<Q – Mike Betts – Jefferies International Ltd.>: Yeah, I'm not sure we could, Ward. Maybe I could [ph] ask, first, simply (50:07) because I think you broke up to everybody, if you could just summarize – you came back in on the $8 million upgrade on the IT. Was there anything else crucial that you were saying in that? I think we missed that. And then my specific questions were, the new kiln in the Specialty Products that's opening later on this year, should we expect any dilution in margin as that kiln ramps up? Will it take a time before it comes up to full production? And secondly, you've not talked about July volume at all. I know you won't give specific numbers at this stage, but is it basically the trend continued the way it's been in June, or has there been anything significant that's changed in July in the aggregates business versus June? Thank you.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Mike, thank you for your questions. And let me go back and try to address the systems question one more time, just in case I was cut off, and

again, I apologize for whatever technical issues we ran into. On that, it's simply an upgrade to our JDE system. We're looking at about $1 million a quarter for 2012 and for 2013, so in other words, it's about an $8 million investment to upgrade that system, so we'll just leave that there. With respect to July, you know what? I'll tell you about July when we're sitting down at our next quarterly call. I'll give you a quick update on that, but obviously, right now, that's not a conversation we feel like it's appropriate for us to go into.

With respect to the new kiln, obviously, what we feel like we can do there is we can bring capacity into the market, and the capacity that's already got a home, in large part, in the market, we feel like we will bring some process online here in the fourth quarter. We think we will go through the debugging process, and actually what we would anticipate is coming into 2013 with margins coming out of that kiln that very much marry up to what you've seen come out of that business heretofore. So we're not seeing what we believe will be any degradation in that business at all from a margin perspective.

<Q – Mike Betts – Jefferies International Ltd.>: Not even in Q4 when it first starts to come on?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You can certainly have some degree of debugging for a brief period of time. That would not be wholly unusual. Again, it is a kiln process. But, Mike, based on what we've seen on the project, based on the conversations that we're having regularly with our teams there, and based on the track record that they have, I don't anticipate anything that would be material.

<Q – Mike Betts – Jefferies International Ltd.>: Okay. And then just one final question, Ward, if I may; I think you also altered the guidance slightly on your heritage cost, your production costs, from the decline to flat. Was that just the inventory issue, or was there anything else behind that?

<A – Ward Nye – Martin Marietta Materials, Inc.>: No, Mike, it was primarily the inventory issue. You're exactly right.

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

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you.

Operator: Thank you. Our next question comes from Brent Thielman of D. A. Davidson. Your line is open.

<Q – Brent Thielman – D. A. Davidson & Co.>: Hi. Good afternoon. Thanks for taking my questions.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Brent.

<Q – Brent Thielman – D. A. Davidson & Co.>: First, on Texas, you mentioned some of the strength in the energy sector in residential, and I'm just wondering, have you seen the public side flow at all in that market, or is it just more steady as it goes?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I'll tell you, the market in Texas just feels pretty good right now. There's just no doubt about that. If we look at the 12-month contract awards, it's around $4.9 billion, what I'm hearing, and obviously that's an August fiscal year state. They haven't come out with exactly what their budget's going to be, but I'm certainly hearing budgets out of TxDOT – or spending that could be well in excess of anything we've seen in the last several years. So we're looking at something that we think, in Texas, for the next 18 to 24 months, just on the public infrastructure side, is likely to be very strong.

At the same time, if you're looking at markets like San Antonio, the residential recovery has been really something to see. Home values hit a two-year high in June. Multifamily continues to be at a 93% occupancy rate. And if we look at just new projects we added there for the quarter, I count up nearly 11 new projects that we added just in San Antonio. At the same time, we know the Eagle Ford deposit is booming. I think one component that will likely come out of Texas that I'm not sure everyone completely appreciated, is how many secondary or farm-to-market roads are being absolutely destroyed by the activity that's going on in the Eagle Ford shale deposit right now, so by the time this process is done, it won't just be stone going into the shale fields; it'll be stone going into the roads that need considerable repair.

And then even if we look at places like Houston right now, we're looking into core development that's launching Generation Park, that's a $5 billion development there; Exxon Mobil is looking to put a new chemical plant in Mont Belvieu; and of course the Grand Parkway that's going to be a 38-mile project, $1.3 billion, at The Woodlands are all very considerable projects, many of which have strong commercial components to them as well. So what we're seeing in Texas right now is a beautiful thing. We just wish we saw it in other markets as well.

<Q – Brent Thielman – D. A. Davidson & Co.>: That's really helpful. And then just a clarification, your other big market, North Carolina – were all the project delays sort of weather-associated, [ph] or were there any other (55:27) issues there?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You know what? I don't think weather had that profound an impact on North Carolina. We did get some rain in June that probably delayed some of them. I think much of it – you look at it and we look it at too in terms of what's it looking like this quarter. I think most owners and most DOTs aren't necessarily looking at it that way. They're looking at it more within the confines of a construction season. So I think to the extent that we saw something or you may see something pushed to the right 45 days, that's a much greater moment to people from the outside looking in than it is to a DOT or an owner. So I don't think there was anything fundamentally or structurally that was different. I think we're just seeing the good and sometimes the not-so-pretty components of the way construction works.

<Q – Brent Thielman – D. A. Davidson & Co.>: Gotcha. Thanks a lot; best of luck in the second half.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you very much.

Operator: Thank you. Our next question comes from Desi DiPierro of RBC Capital Markets. Your line is open.

<Q – Desi DiPierro – RBC Capital Markets Equity Research>: Thanks for taking my questions. You mentioned each of the volume rates for April, May, and June, and it appears that things kind of got worse as the quarter went along, and you said that the 5.5% decline in June reflected project delays and economic uncertainty. Are you able to break out what portion of that you think is more due to project delays or a deteriorating economic environment?

<A – Ward Nye – Martin Marietta Materials, Inc.>: It's hard to break that out. I think as we look at a market that clearly matters a lot to us, and that is North Carolina, I think some of the larger projects that we were assuming would go, were simply project delays. So I think as we're looking at the East Coast, that the Mid-Atlantic, that's really more of the issue, because we're seeing good, steady business in Indiana and Ohio, primarily driven by highways. The driver in North Carolina would continue to be highways, although we're seeing much better economic activity around Charlotte than we've seen for a while as well. I think, back to my earlier comments, now, I think the issues in much of the pure Southeast – and by that I mean Florida and Georgia, and Georgia in particular – are more driven not so much by delays, but by what's going on in that economy. And I hope that geographic divide was responsive.

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<Q – Desi DiPierro – RBC Capital Markets Equity Research>: Yeah, that's good. And then also, obviously, you didn't predict Southeast would be down 10% this quarter when you issued your previous guidance, up plus 4% to 5%, and since you're maintaining that, does that assume that the other areas are doing better than you had initially expected?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I think, clearly, the West is having a very robust year. I think, again, as we look at what we have in backlogs – and it's one reason that I tried to go through each end-use segment as carefully as I did and speak to the very specific increases – or decrease in the infrastructure component, for example – that we thought we might see in the second half to show you how that build would be to get to the bottom end of our range. So we're comfortable with where we sit right now.

<Q – Desi DiPierro – RBC Capital Markets Equity Research>: Okay. Thank you.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure. Thank you, Desi.

Operator: Thank you. Our next question comes from Stanley Elliott of Stifel Nicolaus. Your line is open.

<Q – Stanley Elliott – Stifel, Nicolaus & Co., Inc.>: Great. Thank you very much. Back to the TIFIA program, it doesn't sound like there's going to be much of an impact this year, with your outlook for the back half of the year, but the way that – the modifications that they've made to this program, do you all expect it to have the same benefits as the regular MAP-21 program when construction season starts in the first quarter/second quarter, or is this more of a longer-term type situation, just because of the partnerships being involved with all that?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I think any time it's tied to this type of bill, it's going to be longer-term by nature. And I think if we go back and think about it, let's face it; we haven't talked much about TIFIA because it hasn't been that big a deal, but TIFIA has been around, as I understand it, originally since 1998. So if you go back and take a look at some of the projects that we've benefited from, particularly with respect to TIFIA, and will continue to; in Denver, we're seeing U.S. 36, a managed lanes project. TIFIA was actually some of the funding for the Denver Union Station. In Texas, it's money behind the 635, which is the LBJ managed lanes projects, also the North Tarrant Expressway. And even here in North Carolina, on the Triangle Expressway, which was our first modern toll road; that had TIFIA dollars in it as well.

Clearly, we're looking at, what, $750 million of TIFIA dollars and $13 billion next year, so $1.7 billion. If the Secretary's numbers are right, and you put a 10-time multiple to that, that's $17 billion of TIFIA loans. And I think part of what's going to be remarkable as we watch TIFIA – and I think this is going to be important to see – is the maximum potential TIFIA share of project costs have basically gone from 33% to 49%. So, in other words, it's possible to take that $17 billion and assume that you might even see additional leverage put to that. And I think if we start looking at a $2 to $3 form of leverage, even with that $17 billion; that goes back to why I feel like TIFIA in the final analysis may well be more profound than even stimulus was coming into the sector.

So I think TIFIA's going to be something to watch. Clearly, what LaHood has called it is the largest infrastructure loan program in history, and that doesn't sound like a bad thing right now to me.

<Q – Stanley Elliott – Stifel, Nicolaus & Co., Inc.>: Nope, not at all. Great, thank you very much.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Sure, Stanley.

Operator: Thank you. I'm showing no further questions at this time. I'll hand the call back to Ward Nye for closing remarks.

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

Well, thank you again for joining our second quarter 2012 earnings call and for your interest in Martin Marietta Materials. We're encouraged by the first-half trends, particularly the passage of a new highway bill, and anticipate building on this momentum throughout the year, into 2013 and beyond. We look forward to discussing our third quarter 2012 results with you in November.

Thanks for your time today and for your support of our company.

Operator: Thank you. Ladies and gentlemen, this concludes the conference for today. You may all disconnect, and have a wonderful day.

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