UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-12744

MARTIN MARIETTA MATERIALS, INC.
(Exact name of registrant as specified in its charter)

North Carolina (State or other jurisdiction of incorporation or organization)	**56-1848578** (I.R.S. Employer Identification No.)
2710 Wycliff Road, Raleigh, North Carolina (Address of principal executive offices)	**27607-3033** (Zip Code)

(919) 781-4550
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01 per share) (including rights attached thereto)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $2,896,651,183 based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock on the latest practicable date.

Class	Outstanding at February 14, 2014

Common Stock, $.01 par value per share	**46,158,811 shares**

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Excerpts from Annual Report to Shareholders for the Fiscal Year Ended December 31, 2013 (Annual Report)	Parts I, II, and IV
Proxy Statement for the Annual Meeting of Shareholders to be held May 22, 2014 (Proxy Statement)	Part III

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PART I

ITEM 1. BUSINESS

General

Martin Marietta Materials, Inc. (the "Company") is the nation's second largest producer of aggregates products (crushed stone, sand, and gravel) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural, and chemical grade stone used in environmental applications. The Company's Aggregates business also includes its vertically-integrated operations, i.e., asphalt products, ready mixed concrete, and road paving construction services. The Company also has a Specialty Products segment that manufactures and markets magnesia-based chemical products used in industrial, agricultural, and environmental applications, and dolomitic lime sold primarily to customers in the steel industry. In 2013, the Company's Aggregates business accounted for 88% of the Company's consolidated net sales, and the Company's Specialty Products segment accounted for 12% of the Company's consolidated net sales. Within the Company's Aggregates business, the aggregates products line accounted for 69% of consolidated 2013 net sales, while the vertically-integrated operations accounted for 19% of consolidated 2013 net sales.

The Company was formed in 1993 as a North Carolina corporation to serve as successor to the operations of the materials group of the organization that is now Lockheed Martin Corporation. An initial public offering of a portion of the Company's Common Stock was completed in 1994, followed by a tax-free exchange transaction in 1996 that resulted in 100% of the Company's Common Stock being publicly traded.

Initially, the Company's aggregates operations were predominantly in the Southeast, with additional operations in the Midwest. In 1995, the Company started its geographic expansion with the purchase of an aggregates business that included an extensive waterborne distribution system along the East and Gulf Coasts and the Mississippi River and provided the Company a shipping position from the Bahamas. Smaller acquisitions that year, including the acquisition of the Company's granite operations on the Strait of Canso in Nova Scotia, complemented the Company's new coastal distribution network.

Subsequent acquisitions in 1997 and 1998 expanded the Company's Aggregates business in the Ohio River Valley and added a leading producer of aggregates products in Texas, which provided the Company with access to an extensive rail network in Texas. Additionally, in 1998, the Company made an initial investment in an aggregates business that would later serve as the Company's platform for further expansion in the southwestern and western United States. In 2001, the Company completed the purchase of all of the remaining interests of this business. These acquisitions increased the Company's ability to use rail as a mode of transportation.

These transactions positioned the Company for numerous additional expansion acquisitions, with the Company completing over 70 smaller acquisitions from the time of its initial public offering until the present, which allowed the Company to enhance and expand its presence in the aggregates marketplace.

Effective January 1, 2005, the Company formed a joint venture with Hunt Midwest Enterprises to operate substantially all of the aggregates facilities of both companies in Kansas City and surrounding areas. The parties contributed a total of 15 active quarry operations to the joint venture.

In 2008, the Company entered into a swap transaction with Vulcan Materials Company ("Vulcan"), pursuant to which it acquired six quarry locations in Georgia and Tennessee. The acquired locations significantly expanded the Company's presence, particularly south and west of Atlanta, Georgia. The Company also acquired a land parcel previously leased from Vulcan at the Company's Three Rivers Quarry near Paducah, Kentucky. In addition to a cash payment, as part of this swap, the Company divested to Vulcan its only California quarry located in Oroville, an idle facility north of San Antonio, Texas, and land in Henderson, North Carolina, formerly leased to Vulcan.

In 2009, the Company acquired three quarry locations plus the remaining 49% interest in an existing joint venture from CEMEX, Inc. The quarry operations are located in Nebraska, Wyoming, and Utah, while the 49% interest purchased related to a quarry in Wyoming where the Company was the operating manager. The acquired locations enhanced the Company's existing long-haul distribution network and provided attractive product synergies.

In 2010, the Company acquired a deep-water port facility in Port Canaveral, Florida, which serves the greater Orlando market, the second-largest aggregates-consuming area in Florida. The Port Canaveral acquisition, the only developed deep-water aggregates import terminal located on Florida's central east coast, was complemented by the Company's organic investment in 2010 in a new aggregates import facility at Port Manatee, Florida.

In 2011, the Company acquired three aggregates-related businesses. First, it acquired the assets of an aggregates, asphalt, and ready mixed concrete business located in western San Antonio, Texas. Next, it exchanged certain assets with Lafarge North America Inc. ("Lafarge"), pursuant to which it received aggregate quarry sites, ready mixed concrete and asphalt plants, and a road paving business in and around the metropolitan Denver, Colorado, region, in exchange for which Lafarge received properties consisting of quarries, an asphalt plant, and distribution yards operated by the Company along the Mississippi River (referred to herein as the Company's "River District Operations") and a cash payment. Finally, the Company acquired a privately-held ready mixed concrete business in the Denver, Colorado area.

In 2013, the Company acquired three aggregates quarries in the greater Atlanta, Georgia area. The transaction provided over 800 million tons of permitted aggregate reserves and enhanced the Company's existing long-term position in this market.

Between 2001 and 2011, the Company disposed of or idled a number of underperforming operations, including aggregates, asphalt, ready mixed concrete, trucking, and road paving operations of its Aggregates business and the refractories business of its Specialty Products segment. In some of its divestitures, the Company concurrently entered into supply agreements to provide aggregates at market rates to certain of these divested businesses. The Company will continue to evaluate opportunities to divest underperforming assets during 2014 in an effort to redeploy capital for other opportunities.

Recent Developments

On January 27, 2014, the Company entered into an Agreement and Plan of Merger (the "merger agreement") with Texas Industries, Inc., a Delaware corporation ("TXI"), and Project Holdings, Inc., a North Carolina corporation and a wholly owned subsidiary of the Company ("Merger Sub"). Subject to the terms and conditions set forth in the merger agreement, Merger Sub will merge with and into TXI with TXI surviving the merger as a wholly owned subsidiary of the Company (herein referred to as the "proposed business combination with TXI"). Pursuant to the merger agreement, promptly after the effective time of the merger, each outstanding share of TXI common stock will be exchanged for 0.70 of a share of the Company's common stock. The proposed business combination with TXI was unanimously approved by the Boards of Directors of both the Company and TXI.

The closing of the proposed business combination with TXI is subject to customary closing conditions, including, among others, the adoption of the merger agreement by TXI's stockholders, approval by the Company's shareholders of the issuance of the Company's common stock in connection with the merger and expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In addition, the merger agreement contains certain termination rights for both the Company and TXI and further provides for the payment of certain termination fees under certain specified circumstances. The Company currently anticipates the closing of the proposed business combination with TXI to be in the second quarter of 2014. However, the Company cannot assure the closing of the proposed business combination with TXI will occur by any particular date, if at all.

Certain of the risks and uncertainties relating to the Company's proposed business combination with TXI are summarized under Item IA, Risk Factors, of this Form 10-K. In addition, in connection with the proposed business combination with TXI, the Company and TXI intend to file relevant materials with the SEC, including a Registration Statement on Form S-4 that will include a joint proxy statement of the Company and TXI and that will also constitute a prospectus of the Company. For additional information regarding the proposed business combination with TXI and the risks and uncertainties associated with it, please see the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 (as may be amended from time to time) and the other relevant material that will be filed with the SEC when they become available.

Business Segment Information

Effective January 1, 2013, the Company reorganized the operations and management reporting structure of its Aggregates business, resulting in a change to its reportable business segments. The Company now conducts its Aggregates business through three reportable segments: the Mid-America Group, Southeast Group, and West Group. The Company also has the Specialty Products segment, which includes its magnesia-based chemicals and dolomitic lime businesses. Information concerning the Company's total revenues, net sales, gross profit, earnings from operations, assets employed, and certain additional information attributable to each reportable business segment for each year in the three-year period ended December 31, 2013 is included in "Note O: Business Segments" of the "Notes to Financial Statements" of the Company's 2013 consolidated financial statements (the "2013 Financial Statements"), which are included under Item 8 of this Form 10-K, and are part of the Company's 2013 Annual Report to Shareholders (the "2013 Annual Report"), which information is incorporated herein by reference.

Aggregates Business

The Aggregates business mines, processes and sells granite, limestone, sand, gravel, and other aggregate products for use in all sectors of the public infrastructure, nonresidential and residential construction industries, as well as agriculture, railroad ballast, chemical, and other uses. The Aggregates business also includes the operation of other construction materials businesses. These businesses, located in the West Group, were acquired through continued selective vertical integration by the Company, and include asphalt, ready mixed concrete, and road paving operations in Arkansas, Colorado, Texas, and Wyoming.

The Company is the second largest producer of aggregates for the construction industry in the United States. In 2013, the Company's Aggregates business shipped and delivered aggregates, asphalt products, and ready mixed concrete from a network of nearly 300 quarries, underground mines, distribution facilities, and plants to customers in 30 states, Canada, the Bahamas, and the Caribbean Islands, generating net sales and earnings from operations of $1.7 billion and $177.6 million, respectively.

The Aggregates business markets its products primarily to the construction industry, with approximately 45% of its aggregates shipments made to contractors in connection with highway and other public infrastructure projects and the balance of its shipments made primarily to contractors in connection with nonresidential and residential construction projects. As a result of dependence upon the construction industry, the profitability of aggregates producers is sensitive to national, regional, and local economic conditions, and particularly to cyclical swings in construction spending, which is affected by fluctuations in interest rates, demographic and population shifts, and changes in the level of infrastructure spending funded by the public sector.

The Company's aggregates shipments volume has ranged from 125 million tons to 130 million tons over the last four years, reflecting a certain degree of volume stability, albeit at historically low levels, in a cyclical trough environment. During 2013, the Company's overall aggregates shipments were relatively flat compared with 2012 levels. Prior to 2010, the economic recession resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006. Aggregates shipments have also suffered as states continue to balance their construction spending with the uncertainty related to long-term federal highway funding and budget shortfalls caused by decreasing tax revenues. Most state budgets began to improve in 2013 as increased tax revenues helped states resolve budget deficits.

The federal highway bill provides annual funding for public-sector construction projects. The current federal highway bill, *Moving Ahead for Progress in the 21st Century Act*, or MAP-21, provides for infrastructure spending of approximately $40 billion per year, but the bill expires on September 30, 2014. Recently, the Senate Environment and Public Works Committee Chairman announced plans to advance a new, multi-year surface-transportation bill in April 2014. Furthermore, the Federal government shutdown in October 2013 and the general uncertainty over governmental spending policy have reduced confidence in long-term funding beyond this September 2014 expiration of MAP-21. As a result, some states and municipalities are reluctant to commit to large scale, multi-year infrastructure projects.

MAP-21 also significantly expanded funding under the *Transportation Infrastructure Finance and Innovation Act*, or TIFIA. TIFIA, a U.S. Department of Transportation alternative funding mechanism, provides federal credit assistance for nationally or regionally significant surface transportation projects. Under MAP-21, TIFIA funding increases to $1.0 billion in fiscal 2014. The Company believes that TIFIA could provide a substantial boost for state department of transportation construction programs well above what states have currently budgeted. Several of the Company's key states have applied for TIFIA awards, including Texas, North Carolina, and Florida. On February 6, 2014, Texas received its first TIFIA award under MAP-21, the first award approved in the Company's key geographic markets.

The Company's Aggregates business covers a wide geographic area. The Company's five largest revenue-generating states (Texas, North Carolina, Colorado, Iowa, and Georgia) account for 59% of total 2013 net sales for the Aggregates business by state of destination. The Company's Aggregates business is accordingly affected by the economies in these regions and has been adversely affected in part by recessions and weaknesses in these economies from time to time. Recent improvements in the national economy and in some of the states in which the Company operates has led to improvements in profitability in the Company's Aggregates business.

The Company's Aggregates business is also highly seasonal, due primarily to the effect of weather conditions on construction activity within its markets. The operations of the Aggregates business that are concentrated in the northern and midwestern United States and Canada typically experience more severe winter weather conditions than operations in the southeastern and southwestern regions of the United States. Excessive rainfall, flooding, or severe drought can also jeopardize shipments, production, and profitability in all of the Company's markets. For example, the September 2013 flooding in the Denver, Colorado area severely affected production and distribution in that market area. In the second quarter of 2013, Iowa had its wettest quarter in more than a century. Similarly, many of our markets in Georgia experienced rainfall during the second quarter of 2013 at levels twice the average levels. These record levels of rainfall restricted production and shipments in several of the Company's midwestern and southeastern operations during the second quarter of 2013. Subject to these factors, the Company's second and third quarters are typically the strongest, with the first quarter generally reflecting the weakest results. Results in any quarter are not necessarily indicative of the Company's annual results. Similarly, the operations of the Aggregates business in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity, most notably in August, September, and October, and have experienced weather-related losses from time to time.

Natural aggregates sources can be found in relatively homogeneous deposits in certain areas of the United States. As a general rule, truck shipments from an individual quarry are limited because the cost of transporting processed aggregates to customers is high in relation to the price of the product itself. As described below, the Company's distribution system mainly uses trucks, but also has access to a river barge and ocean vessel network where the per mile unit cost of transporting aggregates is much lower. In addition, acquisitions have enabled the Company to extend its customer base through increased access to rail transportation. Proximity of quarry facilities to customers or to long-haul transportation corridors is an important factor in competition for aggregates businesses.

A growing percentage of the Company's aggregates shipments are being moved by rail or water through a distribution yard network. In 1994, 93% of the Company's aggregates shipments were moved by truck, the rest by rail. In contrast, in 2013, the originating mode of transportation for the Company's aggregates shipments was 77% by truck, 18% by rail, and 5% by water. Although the Company divested its River District Operations in 2011 as part of the asset exchange with Lafarge, the development of deep-water and rail distribution yards continues to be a key component of the Company's strategic growth plan. While the River District Operations were being serviced as part of the Company's barge long-haul distribution network, those divested operations were not in high-growth states. The majority of rail and water movements occurs in the Southeast Group and the West Group, areas which generally lack a long-term indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population growth and density. The Company has an extensive network of aggregate quarries and distribution centers throughout the southern United States and in the Bahamas and Canada, as well as distribution centers along the Gulf of Mexico and Atlantic coasts. In 2013, 16.7 million tons of aggregates were sold from distribution yards. Results from these distribution operations lowered the gross margin (excluding freight and delivery revenues) of the Aggregates business by 240 basis points in 2013. The gross margin (excluding freight and delivery revenues) of the Aggregates business will continue to be reduced by the lower gross margins of the long-haul distribution network.

During the recent economic recession, the Company set a priority of preserving capital while maintaining safe, environmentally-sound operations. As the Company returns to a more normalized operating environment, management expects to focus part of its capital spending program on expanding key Southeast and Southwest operations. In addition to capital projects for the Aggregates business, in 2011, the Company initiated construction of a $53 million dolomitic lime kiln at its Specialty Products location in Woodville, Ohio. This project was completed in 2012, adding 275,000 additional tons of capacity per year.

In addition, the Company's acquisitions and capital projects have expanded its ability to ship material by rail, as discussed in more detail below. The Company has added additional capacity in a number of locations that can now accommodate larger unit train movements. These expansion projects have enhanced the Company's long-haul distribution network. The Company's process improvement efforts have also improved operational effectiveness through plant automation, mobile fleet modernization, right-sizing, and other cost control improvements. Accordingly, the Company has enhanced its reach through its ability to provide cost-effective coverage of coastal markets on the east and gulf coasts, as well as geographic areas that can be accessed economically by the Company's expanded distribution system. This distribution network moves aggregates materials from domestic and offshore sources, via rail and water, to markets where aggregates supply is limited.

As the Company continues to move more aggregates by rail and water, internal freight costs are expected to reduce gross margins (excluding freight and delivery revenues). This typically occurs where the Company transports aggregates from a production location to a distribution location by rail or water, and the customer pays a selling price that includes a freight component. Margins are negatively affected because the Company typically does not charge the customer a profit associated with the transportation component of the selling price of the materials. Moreover, the Company's expansion of its rail-based distribution network, coupled with the extensive use of rail service in the

Southeast and West Groups, increases the Company's dependence on and exposure to railroad performance, including track congestion, crew availability, and power availability, and the ability to renegotiate favorable railroad shipping contracts. The waterborne distribution network, primarily located within the Southeast Group, also increases the Company's exposure to certain risks, including the ability to negotiate favorable shipping contracts, demurrage costs, fuel costs, ship availability, and weather disruptions. The Company has entered into long-term agreements with shipping companies to provide ships to transport the Company's aggregates to various coastal ports.

The Company's long-term shipping contracts are generally take-or-pay contracts with minimum and maximum shipping requirements. If the Company fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. In 2013, the Company did not incur any such charges; however, a charge is possible in 2014 if shipment volumes do not meet the contractually-stated minimums.

From time to time, the Company has experienced rail transportation shortages, particularly in the Southwest and Southeast. These shortages were caused by the downsizing in personnel and equipment by certain railroads during economic downturns. Further, in response to these issues, rail transportation providers focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. Certain of the Company's sales yards have the system capabilities to meet the unit train requirements. Over the last few years, the Company has made capital improvements to a number of its sales yards in order to better accommodate unit train unloadings. Rail availability is seasonal and can impact aggregates shipments depending on competing movements.

From time to time, we have also experienced rail and trucking shortages due to competition from other products. For example, in Texas, competition with operations in the oil and gas fields for third-party trucking services constrains the availability of these services to us. If there are material changes in the availability or cost of rail or trucking services, we may not be able to arrange alternative and timely means to ship our products at a reasonable cost, which could lead to interruptions or slowdowns in our businesses or increases in our costs.

The Company's management expects the multiple transportation modes that have been developed with various rail carriers and via deep-water ships should provide the Company with the flexibility to effectively serve customers in the southeastern and southwestern regions of the United States.

The construction aggregates industry has been consolidating, and the Company has actively participated in the consolidation of the industry. When acquired, new locations sometimes do not satisfy the Company's internal safety, maintenance, and pit development standards, and may require additional resources before benefits of the acquisitions are fully realized. Industry consolidation has slowed in the last several years as the number of suitable small to mid-sized acquisition targets in high-growth markets declines. During the recent period of fewer acquisition opportunities, the Company has focused on investing in internal expansion projects in high-growth markets. Management anticipates the number of acquisition opportunities will increase as the economy recovers from the

protracted recession. Opportunities include public and larger private, family-owned businesses, as well as asset swaps and divestitures from companies rationalizing non-core assets and repairing financially-constrained balanced sheets. The Company's Board of Directors and management continue to review and monitor the Company's strategic long-term plans, which include assessing business combinations and arrangements with other companies engaged in similar businesses, increasing market share in the Company's core businesses, investing in internal expansion projects in high-growth markets, and pursuing new opportunities related to the Company's existing markets.

The Company became more vertically integrated with an acquisition in 1998 and subsequent acquisitions, particularly in the West Group, pursuant to which the Company acquired asphalt, ready mixed concrete, paving construction, trucking, and other businesses, which complement the Company's aggregates operations. These vertically-integrated operations accounted for 22% of net sales of the Aggregates business in 2013. These operations have lower gross margins (excluding freight and delivery revenues) than the Company's aggregates product line due to highly competitive market dynamics and minimal barriers to entry, and are affected by volatile factors, including fuel costs, operating efficiencies, and weather, to an even greater extent than the Company's aggregates operations. Liquid asphalt and cement serve as key raw materials in the production of hot mix asphalt and ready mixed concrete, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Company's operating results. During 2013, prices for liquid asphalt and cement were lower than 2012.

The Company continues to review carefully each of the acquired vertically-integrated operations to determine if they represent opportunities to divest underperforming assets in an effort to redeploy capital for other opportunities. The Company also reviews other independent vertically-integrated operations to determine if they might present attractive acquisition opportunities in the best interest of the Company, either as part of their own vertically-integrated operations or operations that might be vertically integrated with other operations owned by the Company. Based on these assessments, in 2011 the Company completed the acquisitions described under *General* above, which included vertically-integrated operations, including asphalt, ready mixed concrete, and road paving businesses in the Denver, Colorado, and San Antonio, Texas markets. The proposed business combination with TXI described under "*Recent Developments*" above is expected to further expand the Company's vertically-integrated operations, with the addition of TXI's cement and ready mixed concrete operations, along with its aggregates operations.

Environmental and zoning regulations have made it increasingly difficult for the aggregates industry to expand existing quarries and to develop new quarry operations. Although it cannot be predicted what policies will be adopted in the future by federal, state, and local governmental bodies regarding these matters, the Company anticipates that future restrictions will likely make zoning and permitting more difficult, thereby potentially enhancing the value of the Company's existing mineral reserves.

Management believes the Aggregates business' raw materials, or aggregates reserves, are sufficient to permit production at present operational levels for the foreseeable future. The Company does not anticipate any material difficulty in obtaining the raw materials that it uses for current production in its Aggregates business. The Company's aggregates reserves on the average exceed 60 years of production, based on normalized levels of production. However, certain locations may be

subject to more limited reserves and may not be able to expand. Moreover, as noted above, environmental and zoning regulations will likely make it harder for the Company to expand its existing quarries or develop new quarry operations. The Company generally sells products in its Aggregates business upon receipt of orders or requests from customers. Accordingly, there is no significant order backlog. The Company generally maintains inventories of aggregate products in sufficient quantities to meet the requirements of customers.

Less than 2% of the revenues from the Aggregates business are from foreign jurisdictions, principally Canada and the Bahamas, with revenues from customers in foreign countries totaling $16.8 million, $20.5 million, and $19.5 million, during 2013, 2012, and 2011, respectively.

Specialty Products Business

The Company manufactures and markets, through its Specialty Products business, magnesia-based chemical products for industrial, agricultural, and environmental applications, and dolomitic lime for use primarily in the steel industry. These chemical products have varying uses, including flame retardants, wastewater treatment, pulp and paper production, and other environmental applications. In 2013, 64% of Specialty Products' net sales were attributable to chemical products, 35% to lime, and 1% to stone sold as construction materials. Specialty Products' net sales increased to record levels in 2013 reflecting the Woodville, Ohio dolomitic lime kiln expansion, marketing initiatives in the chemicals business, and solid pricing gains in key product lines.

Given the high fixed costs associated with operating this business, low capacity utilization negatively affects its results of operations. A significant portion of the costs related to the production of magnesia-based products and dolomitic lime is of a fixed or semi-fixed nature. In addition, the production of certain magnesia chemical products and lime products requires natural gas, coal, and petroleum coke to fuel kilns. Price fluctuations of these fuels affect the profitability of this business.

In 2013, 81% of the lime produced was sold to third-party customers, while the remaining 19% was used internally as a raw material in making the business' chemical products. Dolomitic lime products sold to external customers are used primarily by the steel industry. Products used in the steel industry, either directly as dolomitic lime or indirectly as a component of other industrial products, accounted for 48% of the Specialty Products' net sales in 2013, attributable primarily to the sale of dolomitic lime products. Accordingly, a portion of the profitability of the Specialty Products business is dependent on steel production capacity utilization and the related marketplace. These trends are guided by the rate of consumer consumption, the flow of offshore imports, and other economic factors. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 77% in 2013. According to Moody's Credit Outlook, steel production in 2014 is forecast to increase modestly over 2013 levels and average capacity utilization is expected to be between 75% and 80%.

Management has shifted the strategic focus of the magnesia-based business to specialty chemicals that can be produced at volume levels that support efficient operations. Accordingly, that business is not as dependent on the steel industry as is the dolomitic lime portion of the Specialty Products business.

The principal raw materials used in the Specialty Products business are dolomitic limestone and alkali-rich brine. Management believes that its reserves of dolomitic limestone and brine are sufficient to permit production at the current operational levels for the foreseeable future.

After the brine is used in the production process, the Specialty Products business must dispose of the processed brine. In the past, the business did this by reinjecting the processed brine back into its underground brine reserve network around its facility in Manistee, Michigan. The business has also sold a portion of this processed brine to third parties. In 2003, Specialty Products entered into a long-term processed brine supply agreement with The Dow Chemical Company ("Dow") pursuant to which Dow purchases processed brine from Specialty Products, at market rates, for use in Dow's production of calcium chloride products. Specialty Products also entered into a venture with Dow to construct, own, and operate a processed brine supply pipeline between the Specialty Products facility in Manistee, Michigan, and Dow's facility in Ludington, Michigan. Construction of the pipeline was completed in 2003, and Dow began purchasing processed brine from Specialty Products through the pipeline. In 2010, Dow sold the assets of Dow's facility in Ludington, Michigan to Occidental Chemical Corporation ("Occidental") and assigned to Occidental its interests in the long-term processed brine supply agreement and the pipeline venture with Specialty Products.

In 2001 the Specialty Products business sold certain assets of its refractories business to a wholly-owned subsidiary of Minerals Technologies Inc. In connection with the sale, the business improved its cost structure through the write down of certain assets and the repositioning of the Manistee, Michigan, operating facility to focus on the production of chemical products. The sale of the refractories business lessened the dependence of the Specialty Products business on the steel industry over time.

Specialty Products generally delivers its products upon receipt of orders or requests from customers. Accordingly, there is no significant order backlog. Inventory for products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers.

Approximately 11% of the revenues of the Specialty Products business in 2013 were from foreign jurisdictions, principally Canada, Mexico, Europe, South America, and the Pacific Rim, but no single foreign country accounted for 10% or more of the revenues of the business. Revenues from customers in foreign countries totaled $25.7 million, $24.2 million, and $24.0 million, in 2013, 2012, and 2011, respectively. As a result of these foreign market sales, the financial results of the Specialty Products business could be affected by foreign currency exchange rates or weak economic conditions in the foreign markets. To mitigate the short-term effects of currency exchange rates, the Specialty Products business principally uses the U.S. dollar as the functional currency in foreign transactions.

In 2012, the Company completed construction of a new dolomitic lime kiln for its Specialty Products business at Woodville, Ohio. The new dolomitic lime capacity is committed under a long-term contract and adds 275,000 tons of capacity and $22 million to $25 million of annual net sales to the Specialty Products segment at comparable current margins.

Patents and Trademarks

As of February 14, 2014, the Company owns, has the right to use, or has pending applications for approximately 37 patents pending or granted by the United States and various countries and approximately 77 trademarks related to business. The Company believes that its rights under its existing patents, patent applications, and trademarks are of value to its operations, but no one patent or trademark or group of patents or trademarks is material to the conduct of the Company’s business as a whole.

Customers

No material part of the business of any segment of the Company is dependent upon a single customer or upon a few customers, the loss of any one of which would have a material adverse effect on the segment. The Company’s products are sold principally to commercial customers in private industry. Although large amounts of construction materials are used in public works projects, relatively insignificant sales are made directly to federal, state, county, or municipal governments, or agencies thereof.

Competition

Because of the impact of transportation costs on the aggregates industry, competition in the Aggregates business tends to be limited to producers in proximity to each of the Company’s facilities. Although all of the Company’s locations experience competition, the Company believes that it is generally a leading producer in the areas it serves. Competition is based primarily on quarry or distribution location and price, but quality of aggregates and level of customer service are also factors.

There are over 5,600 companies in the United States that produce construction aggregates. These include active crushed stone companies and active sand and gravel companies. The largest ten producers account for approximately 35% of the total market. The Company’s vertically-integrated operations are also characterized by numerous operators. A national trade association estimates there are about 5,500 ready mixed concrete plants in the United States owned by over 2,200 companies, with about 55,000 mixer trucks delivering ready mixed concrete. Similarly, a national trade association estimates there are about 3,500 asphalt plants in the United States owned by over 800 companies. The Company, in its Aggregates business, including its vertically-integrated operations, competes with a number of other large and small producers. The Company believes that its ability to transport materials by ocean vessels and rail have enhanced the Company’s ability to compete in the aggregates industry. Some of the Company’s competitors in the aggregates industry have greater financial resources than the Company.

The Company’s Specialty Products business competes with various companies in different geographic and product areas principally on the basis of quality, price, technological advances, and technical support for its products. The Specialty Products business also competes for sales to customers located outside the United States, with revenues from foreign jurisdictions accounting for 11% of revenues for the Specialty Products business in 2013, principally in Canada, Mexico, Europe, South America, and the Pacific Rim. Certain of the Company’s competitors in the Specialty Products business have greater financial resources than the Company.

Research and Development

The Company conducts research and development activities, principally for its magnesia-based chemicals business, at its plant in Manistee, Michigan. In general, the Company's research and development efforts are directed to applied technological development for the use of its chemicals products. The amounts spent by the Company in each of the last two years on research and development activities were not material.

Environmental and Governmental Regulations

The Company's operations are subject to and affected by federal, state, and local laws and regulations relating to the environment, health and safety, and other regulatory matters. Certain of the Company's operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations, and such permits are subject to modification, renewal, and revocation.

The Company records an accrual for environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the amounts can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. The accruals are not discounted to their present value or offset for potential insurance or other claims or potential gains from future alternative uses for a site.

The Company regularly monitors and reviews its operations, procedures, and policies for compliance with existing laws and regulations, changes in interpretations of existing laws and enforcement policies, new laws that are adopted, and new laws that the Company anticipates will be adopted that could affect its operations. The Company has a full time staff of environmental engineers and managers that perform these responsibilities. The direct costs of ongoing environmental compliance were approximately $12.6 million in 2013 and approximately $11.0 million in 2012 and are related to the Company's environmental staff, ongoing monitoring costs for various matters (including those matters disclosed in this Annual Report on Form 10-K), and asset retirement costs. Capitalized costs related to environmental control facilities were approximately $2.4 million in 2013 and are expected to be approximately $2.0 million in 2014 and 2015. The Company's capital expenditures for environmental matters were not material to its results of operations or financial condition in 2013 and 2012. However, our expenditures for environmental matters generally have increased over time and are likely to increase in the future. Despite our compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Company in the future.

Many of the requirements of the environmental laws are satisfied by procedures that the Company adopts as best business practices in the ordinary course of its operations. For example, plant equipment that is used to crush aggregates products may, as an ordinary course of operations, have an attached water spray bar that is used to clean the stone. The water spray bar also suffices as a dust control mechanism that complies with applicable environmental laws. The Company does not break

out the portion of the cost, depreciation, and other financial information relating to the water spray bar that is only attributable to environmental purposes, as it would be derived from an arbitrary allocation methodology. The incremental portion of such operating costs that is attributable to environmental compliance rather than best operating practices is impractical to quantify. Accordingly, the Company expenses costs in that category when incurred as operating expenses.

The environmental accruals recorded by the Company are based on internal studies of the required remediation costs and estimates of potential costs that arise from time to time under federal, state, and/or local environmental protection laws. Many of these laws and the regulations promulgated under them are complex, and are subject to challenges and new interpretations by regulators and the courts from time to time. In addition, new laws are adopted from time to time. It is often difficult to accurately and fully quantify the costs to comply with new rules until it is determined the type of operations to which they will apply and the manner in which they will be implemented is more accurately defined. This process often takes years to finalize and changes significantly from the time the rules are proposed to the time they are final. The Company typically has several appropriate alternatives available to satisfy compliance requirements, which could range from nominal costs to some alternatives that may be satisfied in conjunction with equipment replacement or expansion that also benefits operating efficiencies or capacities and carry significantly higher costs.

Management believes that its current accrual for environmental costs is reasonable, although those amounts may increase or decrease depending on the impact of applicable rules as they are finalized from time to time and changes in facts and circumstances. The Company believes that any additional costs for ongoing environmental compliance would not have a material adverse effect on the Company’s obligations or financial condition.

Future reclamation costs are estimated using statutory reclamation requirements and management’s experience and knowledge in the industry, and are discounted to their present value using a credit-adjusted, risk-free rate of interest. The future reclamation costs are not offset by potential recoveries. For additional information regarding compliance with legal requirements, see “Note N: Commitments and Contingencies” of the “Notes to Financial Statements” of the 2013 Financial Statements and the 2013 Annual Report. The Company is generally required by state or local laws or pursuant to the terms of an applicable lease to reclaim quarry sites after use. The Company performs activities on an ongoing basis that may reduce the ultimate reclamation obligation. These activities are performed as an integral part of the normal quarrying process. For example, the perimeter and interior walls of an open pit quarry are sloped and benched as they are developed to prevent erosion and provide stabilization. This sloping and benching meets dual objectives – safety regulations required by the Mine Safety and Health Administration for ongoing operations and final reclamation requirements. Therefore, these types of activities are included in normal operating costs and are not a part of the asset retirement obligation. Historically, the Company has not incurred substantial reclamation costs in connection with the closing of quarries. Reclaimed quarry sites owned by the Company are available for sale, typically for commercial development or use as reservoirs.

The Company believes that its operations and facilities, both owned or leased, are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on the Company’s operations or financial condition. See “Legal Proceedings” under Item 3 of this Form 10-K, “Note N: Commitments and Contingencies” of the “Notes to Financial

Statements" of the 2013 Financial Statements included under Item 8 of this Form 10-K and the 2013 Annual Report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Environmental Regulation and Litigation" included under Item 7 of this Form 10-K and the 2013 Annual Report. However, future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of certain products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

In general, quarry and mining facilities must comply with air quality, water quality, and noise regulations, zoning and special use permitting requirements, applicable mining regulations, and federal health and safety requirements. As new quarry and mining sites are located and acquired, the Company works closely with local authorities during the zoning and permitting processes to design new quarries and mines in such a way as to minimize disturbances. The Company frequently acquires large tracts of land so that quarry, mine, and production facilities can be situated substantial distances from surrounding property owners. Also, in certain markets the Company's ability to transport material by rail and ship allows it to locate its facilities further away from residential areas. The Company has established policies designed to minimize disturbances to surrounding property owners from its operations.

As is the case with other companies in the same industry, some of the Company's products contain varying amounts of crystalline silica, a common mineral also known as quartz. Excessive, prolonged inhalation of very small-sized particles of crystalline silica has been associated with lung diseases, including silicosis, and several scientific organizations and some states, such as California, have reported that crystalline silica can cause lung cancer. The Mine Safety and Health Administration and the Occupational Safety and Health Administration have established occupational thresholds for crystalline silica exposure as respirable dust. The Company monitors occupational exposures at its facilities and implements dust control procedures and/or makes available appropriate respiratory protective equipment to maintain the occupational exposures at or below the appropriate levels. The Company, through safety information sheets and other means, also communicates what it believes to be appropriate warnings and cautions its employees and customers about the risks associated with excessive, prolonged inhalation of mineral dust in general and crystalline silica in particular.

In 2010, the United States Environmental Protection Agency ("USEPA") included the lime industry as a national enforcement priority under the federal Clean Air Act ("CAA"). As part of the industry wide effort, the USEPA issued Notices of Violation/Findings of Violation ("NOVs") to the Company in 2010 and 2011 regarding the Company's compliance with the CAA New Source Review ("NSR") program at the Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Company has been providing information to the USEPA in response to these NOVs and has had several meetings with the USEPA. The Company believes it is in substantial compliance with the NSR program. The Company cannot at this time reasonably estimate what reasonable likely penalties or upgrades to equipment might ultimately be required. The Company believes that any costs related to any required upgrades will be spread over time and will not have a material adverse effect on the Company's operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment of the business.

In September 2005, the USEPA designated several entities as potentially responsible parties ("PRPs") under the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), at the Ward Transformer Superfund site located in Raleigh, North Carolina. In April 2009, two PRPs filed separate actions in the U.S. District Court for the Eastern District of North Carolina against more than 100 other entities, including the Company, seeking contribution from the defendants for expenses incurred by the plaintiffs related to work performed at a portion of the site. The USEPA has not designated the Company as a PRP. The ultimate outcome of these matters will depend upon further environmental assessment and the ultimate number of PRPs and defendants who are held liable for the costs and cannot be determined at this time. The Company believes that any liability will not have a material adverse effect on the Company's financial condition or results of operations.

The Company has been reviewing its operations with respect to climate change matters and its sources of greenhouse gas emissions. On December 7, 2009, the USEPA made an endangerment finding under the Clean Air Act that the current and projected concentrations of the six key greenhouse gases (sometimes referred to as "GHG" or GHGs") in the atmosphere threaten the public health and welfare of current and future generations. The six GHGs are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. As of 2010, facilities that emitted 25,000 metric tons or more per year of GHGs are required to annually report GHG generation to comply with the USEPA's Mandatory Greenhouse Gas Reporting Rule. On May 13, 2010, the USEPA issued a final rule to impose additional permitting requirements on existing GHG sources emitting greater than 25,000 metric tons per year of GHGs. Permitting requirements will be phased in over several years and apply to both new sources and modifications to existing facilities where GHGs increase and exceed certain specified thresholds. The regulated facilities will be required to determine the best available control technology to control GHG emissions. In Congress, both the House and Senate had considered climate change legislation, including the "cap-and-trade" approach. Cap and trade is an environmental policy tool that delivers results with a mandatory cap on emissions while providing sources flexibility in how they comply by trading credits with other sources whose emissions are below the cap. Another approach that had been proposed was a tax on emissions. The Company believes that climate change legislation is not a priority item in Congress in the near future and that the primary method that greenhouse gases will be regulated is through the USEPA using its rule-making authority. Various states where the Company has operations are also considering climate change initiatives, and the Company may be subject to state regulations in addition to any federal laws and rules that are passed.

The operations of the Company's Aggregates business are not major sources of GHG emissions. Most of the GHG emissions from aggregate operations are tailpipe emissions from mobile sources such as heavy construction and earth-moving equipment. The manufacturing operations of the Company's Specialty Products business in Woodville, Ohio releases carbon dioxide, methane and nitrous oxide during the production of lime. The Specialty Products operation in Manistee, Michigan releases carbon dioxide, methane, and nitrous oxides in the manufacture of magnesium oxide and hydroxide products. Both of these operations are filing annual reports of their GHG emissions in accordance with the USEPA's Mandatory Greenhouse Gas Reporting Rule. If and when Congress passes legislation on GHGs, the Woodville and Manistee operations will likely be subject to the new program. The Company believes that the USEPA may impose additional regulatory restrictions on emissions of GHGs that will impact the Company's Woodville and Manistee operations. The

Company anticipates that any increased operating costs or taxes relating to GHG emission limitations at the Woodville operation or for magnesium hydroxide produced at the Manistee operation would be passed on to its customers. The magnesium oxide products produced at the Manistee operation compete against other products that emit a lower level of GHGs in their production. Therefore, the Manistee facility may be required to absorb additional costs due to the regulation of GHG emissions in order to remain competitive in pricing in that market. The Company is also analyzing the obligations of our Manistee facility's global customer base with regards to climate change treaties and accords. The Company at this time cannot reasonably predict what the costs of compliance will be but does not believe it will have a material adverse effect on the financial condition or results of the operations of the Specialty Products business.

Employees

As of January 31, 2014, the Company has 5,036 employees, of which 3,749 are hourly employees and 1,287 are salaried employees. Included among these employees are 737 hourly employees represented by labor unions (14.6% of the Company's employees). Of such amount, 16.3% of the Company's Aggregates business's hourly employees are members of a labor union, while 100% of the Specialty Products segment's hourly employees are represented by labor unions. The Company's principal union contracts cover employees of the Specialty Products business at the Manistee, Michigan, magnesia-based chemicals plant and the Woodville, Ohio, lime plant. The Woodville collective bargaining agreement expires in June 2014. The Manistee collective bargaining agreement expires in August 2015. While the Company's management does not expect significant difficulties in renewing these labor contracts, there can be no assurance that a successor agreement will be reached at either location.

Available Information

The Company maintains an Internet address at www.martinmarietta.com. The Company makes available free of charge through its Internet web site its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and any amendments are accessed via the Company's web site through a link with the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system maintained by the Securities and Exchange Commission (the "SEC") at www.sec.gov. Accordingly, the Company's referenced reports and any amendments are made available as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC, once EDGAR places such material in its database.

The Company has adopted a *Code of Ethics and Standards of Conduct* that applies to all of its directors, officers, and employees. The Company's code of ethics is available on the Company's web site at www.martinmarietta.com. The Company intends to disclose on its Internet web site any waivers of or amendments to its code of ethics as it applies to its directors and executive officers.

The Company has adopted a set of *Corporate Governance Guidelines* to address issues of fundamental importance relating to the corporate governance of the Company, including director qualifications and responsibilities, responsibilities of key board committees, director compensation, and similar issues. Each of the Audit Committee, the Management Development and Compensation

Committee, and the Nominating and Corporate Governance Committee of the Board of Directors of the Company has adopted a written charter addressing various issues of importance relating to each committee, including the committee's purposes and responsibilities, an annual performance evaluation of each committee, and similar issues. These *Corporate Governance Guidelines*, and the charters of each of these committees, are available on the Company's web site at www.martinmarietta.com.

The Company's Chief Executive Officer and Chief Financial Officer are required to file with the SEC each quarter and each year certifications regarding the quality of the Company's public disclosure of its financial condition. The annual certifications are included as Exhibits to this Annual Report on Form 10-K. The Company's Chief Executive Officer is also required to certify to the New York Stock Exchange each year that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

ITEM 1A. RISK FACTORS

General Risk Factors

An investment in our common stock or debt securities involves risks and uncertainties. You should consider the following factors carefully, in addition to the other information contained in this Form 10-K, before deciding to purchase or otherwise trade our securities.

This Form 10-K and other written reports and oral statements made from time to time by the Company contain statements which, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of federal securities law. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable, but which may be materially different from actual results. Investors can identify these statements by the fact that they do not relate only to historic or current facts. The words "may," "will," "could," "should," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "outlook," "plan," "project," "scheduled," and similar expressions in connection with future events or future operating or financial performance are intended to identify forward-looking statements. Any or all of the Company's forward-looking statements in this Form 10-K and in other publications may turn out to be wrong.

Statements and assumptions on future revenues, income and cash flows, performance, economic trends, the outcome of litigation, regulatory compliance, and environmental remediation cost estimates are examples of forward-looking statements. Numerous factors, including potentially the risk factors described in this section, could affect our forward-looking statements and actual performance.

Investors are also cautioned that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. Other factors besides those listed may also adversely affect the Company and may be material to the Company. The Company has listed the known material risks it considers relevant in evaluating the Company and its operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E of the Securities Exchange Act of 1934. These forward-looking statements are made as of the date hereof based on management's current expectations, and the Company does not undertake an obligation to update such statements, whether as a result of new information, future events, or otherwise.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the factors listed below, along with the discussion of "Competition" under Item 1 of this Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 of this Form 10-K and the 2013 Annual Report, and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2013 Financial Statements included under Item 8 of this Form 10-K and the 2013 Annual Report. The Company also encourages investors to review its disclosures with respect to its proposed business combination with TXI, including the risks and other factors that will be described in the joint proxy statement/prospectus included in the Registration Statement on Form S-4 (as may be amended from time to time) that the Company intends to file with the SEC when it becomes available.

Our aggregates business is cyclical and depends on activity within the construction industry.

The current market environment has hurt the economy, and we have considered the impact on our business. The overall United States economy moved at a tepid pace during 2013. Economic and political uncertainty impeded significant growth during the year. Demand for our products, particularly in the nonresidential and residential construction markets, could fall if companies and consumers are unable to get credit for construction projects or if the economic slowdown causes delays or cancellations of capital projects. State and federal budget issues may continue to hurt the funding available for infrastructure spending. The lack of available credit has limited the ability of states to issue bonds to finance construction projects. Several of our top sales states have stopped or slowed bidding projects in their transportation departments.

We sell most of our aggregate products to the construction industry, so our results depend on the strength of the construction industry. Since our business depends on construction spending, which can be cyclical, our profits are sensitive to national, regional, and local economic conditions and the aggregates intensity of the underlying spending on aggregates. During the past few years, the overall economy has been hurt by mortgage security losses and the tightening credit markets. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. If economic conditions change, a recession in the construction industry may occur and affect the demand for our aggregate products. The recent economic recession is an example, and our business has been hurt. Construction spending can also be disrupted by terrorist activity and armed conflicts.

While our aggregates operations cover a wide geographic area, our earnings depend on the strength of the local economies in which we operate because of the high cost to transport our products relative to their price. If economic conditions and construction spending decline significantly in one or more areas, particularly in our top five sales-generating states of our Aggregates business (based on net sales by state of destination) of Texas, North Carolina, Colorado, Iowa, and Georgia, our profitability will decrease. We experienced this situation with the recent economic recession.

The historic economic recession resulted in large declines in shipments of aggregate products in our industry. For the last four years, our aggregates shipments ranged from 125 million tons to 130 million tons, reflecting a certain degree of volume stability. During 2013 our overall aggregates shipments were relatively flat compared with 2012 levels. Prior to 2010, use of aggregate products in the United States had declined almost 40% from the highest volume in 2006. While historical spending on public infrastructure projects has been comparatively more stable as governmental appropriations and expenditures are typically less interest rate-sensitive than private sector spending, during 2013 the uncertainty created by the Federal government shutdown and the lack of a successor federal highway bill negatively affected spending on public infrastructure projects. This uncertainty was accompanied by a reduction in many states' investment in highway maintenance.

In July 2012, the President signed into law the successor federal highway bill known as MAP-21, which was designed to maintain highway spending at current annual levels of approximately $40 billion in funding for transportation infrastructure through fiscal 2014. MAP-21 also greatly expands TIFIA funding, a federal alternative funding mechanism for transportation projects, to $750 million in fiscal 2013 and $1 billion in fiscal 2014. While the enactment of MAP-21 resulted in an increase in infrastructure spending for a period of time, MAP-21 expires on September 30, 2014. We are not clear when or in what form there might be a successor bill to MAP-21. The recent Federal government shutdown and the general uncertainty about governmental spending in general have also reduced confidence in long-term funding for transportation beyond the September 2014 expiration of MAP-21. This uncertainty has caused some states and cities to cancel or defer large scale, long-term construction projects, which hurt infrastructure spending in 2013. Our aggregates shipments to the infrastructure construction market decreased 7% in 2013 compared with 2012 after being flat in 2012 compared with 2011. We believe that the demand and need for infrastructure projects will support consistent growth in this market once long-term federal funding is resolved beyond 2014. In 2013, 45% of our aggregates shipments were to the infrastructure construction market.

Within the construction industry, we also sell our aggregates products for use in both nonresidential construction and residential construction. Nonresidential and residential construction levels generally move with economic cycles; when the economy is strong, construction levels rise, and when the economy is weak, construction levels fall.

We experienced an 8% increase in aggregates shipments to the nonresidential construction market in 2013, with increased aggregates shipments in certain of our geographic markets to the commercial part of nonresidential construction, namely office and retail. During 2013, a strengthened residential market precipitated nonresidential construction activities to serve increased populations. Specifically, the commercial component of nonresidential construction generally follows the residential construction market with a 12-to-18 month lag. We expect continued stable aggregate shipments to the heavy industry component of nonresidential, predominantly the energy sector. Shale field activity remains strong, particularly at the Eagle Ford Shale field in south Texas and the Marcellus field in Pennsylvania. We should benefit from shale energy investments, particularly as additional shale-related development moves into downstream projects, such as public infrastructure and industrial building. In 2013, 31% of our aggregates shipments were to the nonresidential construction market. We expect the nonresidential construction market to increase notably in 2014.

Our aggregates shipments to the residential construction market increased 11% in 2013. Housing strength varies considerably in different areas of the country. We saw significant residential growth in our key geographic markets, including Colorado, Florida, Georgia, and North Carolina. The U.S. Census Bureau reported the total value of private residential construction put in place in 2013 increased 18%, helped by further gains in multi-family housing and a strengthening single-family market. Furthermore, housing permits and housing starts, key indicators for residential construction activity, continue to show year-over-year improvement, although starts are still below the 50-year historical annual average of 1.5 million starts. The U.S. Census Bureau estimated 923,000 housing units were started in 2013, up 18.3%, with the rate of housing starts significantly exceeding completions. The upward trend is expected to continue in 2014, with substantial expansion during the second half of the year. According to McGraw Hill Construction, for the first time since 2007, total housing starts are estimated to exceed 1 million units in 2014, bringing the level of construction closer to the demographic demand for single-family housing. In 2013, 14% of our aggregates shipments were to the residential construction market.

Shipments of chemical rock (comprised primarily of high-calcium carbonate material used for agricultural lime and flue gas desulfurization) and ballast product sales (collectively “ChemRock/Rail”) accounted for 10% of our aggregates shipments and decreased 1% in 2013. This reduction was principally due to a decrease in agricultural lime shipments in 2013 because of wet weather. Ballast shipments were flat in 2013 compared with 2012 levels.

Our aggregates business is dependent on funding from a combination of federal, state and local sources.

Our aggregates products are used in public infrastructure projects, which include the construction, maintenance, and improvement of highways, streets, roads, bridges, schools, prisons, and similar projects. So our business is dependent on the level of federal, state, and local spending on these projects. In 2013, Congress provided virtually no increase in federal transportation investment for highway, transit, and runway construction, which negatively affected spending on public infrastructure projects. We cannot be assured of the existence, amount, and timing of appropriations for spending on future projects.

The federal highway bill provides annual highway funding for public-sector construction projects. The most recent federal highway bill passed in 2012, MAP-21, provides annual funding at current levels of approximately $40 billion through September 30, 2014, with modest increases to reflect projected inflation. MAP-21 also greatly expands TIFIA funding, a federal alternative funding mechanism for transportation projects, to $1 billion in fiscal 2014. MAP-21 is not subject to potential sequestration under current federal law. TIFIA is also not subject to federal debt ceiling limits. However, authorized transfers from the General Fund to the Highway Trust Fund are subject to potential sequestration. Given the record level of national debt and the resulting pressure on all government spending, we cannot be assured that Congress will not take action that might impact MAP-21 or TIFIA or that Congress will pass a successor federal highway bill or will extend the provisions of the current bill when it expires in 2014. Federal highway bills provide spending authorizations that represent maximum amounts. Each year, an appropriation act is passed establishing the amount that can actually be used for particular programs. The annual funding level is generally tied to receipts of highway user taxes placed in the Highway Trust Fund. Once the annual appropriation is passed, funds

are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation. The Highway Trust Fund has experienced shortfalls in recent years, due to high gas prices, fewer miles driven and improved automobile fuel efficiency. These shortfalls created a significant decline in federal highway funding levels. In response to the projected shortfalls, money has been transferred from the General Fund into the Highway Trust Fund over the past several years. Based on current spending and revenue trends, the U.S. Department of Transportation projects that the highway account, one of the two components of the Highway Trust Fund, will be unable to meet its obligations in a timely manner before September 30, 2014, the same time MAP-21 expires. Therefore, timely Congressional action is needed to address the funding mechanism for the Highway Trust Fund and to enact a longer-term federal highway bill. We cannot be assured of the existence, timing or amount of federal highway funding levels in the future.

At the state level, each state funds its infrastructure spending from specially allocated amounts collected from various taxes, typically gasoline taxes and vehicle fees, along with voter-approved bond programs. Shortages in state tax revenues can reduce the amounts spent on state infrastructure projects, even below amounts awarded under legislative bills. Delays in state infrastructure spending can hurt our business. Many states have experienced state-level funding pressures caused by lower tax revenues and an inability to finance approved projects. North Carolina was among the states experiencing these pressures, and this state disproportionately affects our revenues and profits. Most state budgets, including North Carolina, began to improve in 2013 as increased tax revenues helped states resolve budget deficits. States have also taken on a larger role in funding sustained infrastructure investment. We anticipate further growth in state-level funding initiatives, such as bond issues, toll roads, and special purpose taxes, as states address infrastructure needs, particularly in periods of federal funding uncertainty. Nevertheless, it is a continuing risk to our business that sufficient funding from federal, state, and local sources will not be available to address infrastructure needs.

Our aggregates business is seasonal and subject to the weather.

Since the construction aggregates business is conducted outdoors, erratic weather patterns, seasonal changes and other weather-related conditions affect our business. Adverse weather conditions, including hurricanes and tropical storms, cold weather, snow, and heavy or sustained rainfall, reduce construction activity, restrict the demand for our products, and impede our ability to efficiently transport material. Adverse weather conditions also increase our costs and reduce our production output as a result of power loss, needed plant and equipment repairs, time required to remove water from flooded operations, and similar events. Severe drought conditions can restrict available water supplies and restrict production. The construction aggregates business production and shipment levels follow activity in the construction industry, which typically occur in the spring, summer and fall. Because of the weather's effect on the construction industry's activity, the production and shipment levels for the Company's Aggregates business, including all of its vertically-integrated operations, vary by quarter. The second and third quarters are generally the most profitable and the first quarter is generally the least profitable.

Our aggregates business depends on the availability of aggregate reserves or deposits and our ability to mine them economically.

Our challenge is to find aggregate deposits that we can mine economically, with appropriate permits, near either growing markets or long-haul transportation corridors that economically serve growing markets. As communities have grown, they have taken up attractive quarrying locations and have imposed restrictions on mining. We try to meet this challenge by identifying and permitting sites prior to economic expansion, buying more land around our existing quarries to increase our mineral reserves, developing underground mines, and developing a distribution network that transports aggregates products by various transportation methods, including rail and water, that allows us to transport our products longer distances than would normally be considered economical, but we can give no assurances that we will be successful.

Our business is a capital-intensive business.

The property and machinery needed to produce our products are very expensive. Therefore, we require large amounts of cash to operate our businesses. We believe that our cash on hand, along with our projected internal cash flows and our available financing resources, will be enough to give us the cash we need to support our anticipated operating and capital needs. Our ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business, and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash to operate our business, we may be required, among other things, to further reduce or delay planned capital or operating expenditures.

Our businesses face many competitors.

Our businesses have many competitors, some of whom are bigger and have more resources than we do. Some of our competitors also operate on a worldwide basis. Our results are affected by the number of competitors in a market, the production capacity that a particular market can accommodate, the pricing practices of other competitors, and the entry of new competitors in a market. We also face competition for some of our products from alternative products. For example, our magnesia specialties business may compete with other chemical products that could be used instead of our magnesia-based products. As another example, our aggregates business may compete with recycled asphalt and concrete products that could be used instead of new products.

Our future growth may depend in part on acquiring other businesses in our industry.

We expect to continue to grow, in part, by buying other businesses. While the pace of acquisitions has slowed considerably over the last few years, we will continue to look for strategic businesses to acquire. In the past, we have made acquisitions to strengthen our existing locations, expand our operations, and enter new geographic markets. We will continue to make selective acquisitions, joint ventures, or other business arrangements we believe will help our company. However, the continued success of our acquisition program will depend on our ability to find and buy other attractive businesses at a reasonable price and our ability to integrate acquired businesses into our existing operations. We cannot assume there will continue to be attractive acquisition opportunities for sale at reasonable prices that we can successfully integrate into our operations.

We may decide to pay all or part of the purchase price of any future acquisition with shares of our common stock. We may also use our stock to make strategic investments in other companies to complement and expand our operations. If we use our common stock in this way, the ownership interests of our shareholders will be diluted and the price of our stock could fall. We operate our businesses with the objective of maximizing the long-term shareholder return.

We have acquired many companies since 1995. Some of these acquisitions were more easily integrated into our existing operations and have performed as well or better than we expected, while others have not. We have sold some underperforming and other non-strategic assets.

We have provided under the initial heading "*Recent Developments*" under Item I of this Form 10-K a description of our proposed business combination with TXI. The merger agreement with TXI requires us to pay, subject to the terms and conditions of the merger agreement, the entire purchase price in the proposed business combination with TXI with shares of our common stock, which would dilute the ownership interests of our current shareholders. See "Risk Factors Relating to the Proposed Business Combination with TXI" For certain of the risks and uncertainties related to our proposed business combination with TXI.

Vertically-integrated businesses have lower profit margins and can be more volatile.

For 2013, our asphalt, ready mixed concrete, and road paving businesses accounted for about 22% of the net sales of our Aggregates business, up from 20% in 2012 and 8% in 2011. These businesses typically provide lower profit margins (excluding freight and delivery revenues) than our aggregates product line due to potentially volatile input costs, highly competitive market dynamics, and minimal barriers to entry. Therefore, as we expand these operations, our gross margins are likely to be adversely affected. The mix of vertically-integrated operations lowered the gross margins (excluding freight and delivery revenues) of our Aggregates business by 260 basis points in 2013. The gross margin (excluding freight and delivery revenues) of our Aggregates business will continue to be reduced by the lower gross margins for our vertically-integrated operations.

Short supplies and high costs of fuel, energy, and raw materials affect our businesses.

Our businesses require a continued supply of diesel fuel, natural gas, coal, petroleum coke and other energy. The financial results of these businesses have been affected by the short supply or high costs of these fuels and energy. While we can contract for some fuels and sources of energy, such as fixed-price supply contracts for coal and petroleum coke, significant increases in costs or reduced availability of these items have and may in the future reduce our financial results. Moreover, fluctuations in the supply and costs of these fuels and energy can make planning our businesses more difficult. For example, in 2011, increases in energy costs when compared with 2010 lowered net earnings for our businesses by $0.27 per diluted share. We do not hedge our diesel fuel price risk, but instead focus on volume-related price reductions, fuel efficiency, consumption, and the natural hedge created by the ability to increase aggregates prices. In 2012, while the average price we paid per gallon of diesel fuel was 5% higher compared to 2011, this was offset by a decline of 25% from 2011 on our average cost for natural gas. This trend reversed in 2013, when the average price we paid per gallon of diesel fuel was 4% lower compared to 2012, but the average cost of natural gas increased 18% from 2012. The Specialty Products business has fixed price agreements for the supply of a portion of its coal and natural gas needs in 2014.

Similarly our vertically-integrated operations also require a continued supply of liquid asphalt and cement, which serve as key raw materials in the production of hot mix asphalt and ready mix concrete, respectively. These raw materials are subject to potential supply constraints and significant price fluctuations, which are beyond our control. The financial results of our vertically-integrated operations have been affected by the short supply or high costs of these raw materials. 2012 saw continued volatility in the costs for these raw materials. For 2013, however, we saw lower prices for these raw materials than 2012.

Road paving construction operations present additional risks to our business.

Our vertically-integrated operations also present challenges in the paving construction business where many of our contracts have penalties for late completion. In some instances, including many of our fixed price contracts, we guarantee that we will complete a project by a certain date. If we subsequently fail to complete the project as scheduled we may be held responsible for costs resulting from the delay, generally in the form of contractually agreed-upon liquidated damages. Under these circumstances, the total project cost could exceed our original estimate, and we could experience a loss of profit or a loss on the project. In our road paving construction operations we also have fixed price and fixed unit price contracts where our profits can be adversely affected by a number of factors beyond our control, which can cause our actual costs to materially exceed the costs estimated at the time or our original bid. These same issues and risks can also impact some of our contacts in our asphalt and ready mixed concrete operations. These risks are somewhat mitigated by the fact that a majority of our road paving contracts are for short duration projects.

Changes in legal requirements and governmental policies concerning zoning, land use, the environment, and other areas of the law, and litigation relating to these matters, affect our businesses. Our operations expose us to the risk of material environmental liabilities.

Many federal, state, and local laws and regulations relating to zoning, land use, the environment, health, safety, and other regulatory matters govern our operations. We take great pride in our operations and try to remain in strict compliance at all times with all applicable laws and regulations. Despite our extensive compliance efforts, risk of liabilities, particularly environmental liabilities, is inherent in the operation of our businesses, as it is with our competitors. We cannot assume that these liabilities will not negatively affect us in the future.

We are also subject to future events, including changes in existing laws or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may result in additional compliance and other costs. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could be substantial.

Our operations are subject to manufacturing, operating, and handling risks associated with the products we produce and the products we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances, and wastes. We are exposed to hazards including storage tank leaks, explosions, discharges or releases of hazardous substances, exposure to dust, and the operation of mobile equipment and manufacturing machinery.

These risks can subject us to potentially significant liabilities relating to personal injury or death, or property damage, and may result in civil or criminal penalties, which could hurt our productivity or profitability. For example, from time to time we investigate and remediate environmental contamination relating to our prior or current operations, as well as operations we have acquired from others, and in some cases we have been or could be named as a defendant in litigation brought by governmental agencies or private parties.

We are involved from time to time in litigation and claims arising from our operations. While we do not believe the outcome of pending or threatened litigation will have a material adverse effect on our operations or our financial condition, we cannot assume that an adverse outcome in a pending or future legal action would not negatively affect us.

Labor disputes could disrupt operations of our businesses.

Labor unions represent 16.3% of the hourly employees of our aggregates business and 100% of the hourly employees of our specialty products business. Our collective bargaining agreements for employees of our magnesia specialties business at the Manistee, Michigan magnesia chemicals plant and the Woodville, Ohio lime plant expire in August 2015 and June 2014, respectively.

Disputes with our trade unions, or the inability to renew our labor agreements, could lead to strikes or other actions that could disrupt our businesses, raise costs, and reduce revenues and earnings from the affected locations. We believe we have good relations with all of our employees, including our unionized employees.

Delays or interruptions in shipping products of our businesses could affect our operations.

Transportation logistics play an important role in allowing us to supply products to our customers, whether by truck, rail, or ship. Any significant delays, disruptions, or the non-availability of our transportation support system could negatively affect our operations.

The availability of rail cars can also affect our ability to transport our products. Rail cars can be used to transport many different types of products. If owners sell or lease rail cars for use in other industries, we may not have enough rail cars to transport our products.

We have long-term agreements with shipping companies to provide ships to transport our aggregate products from our Bahamas and Nova Scotia operations to various coastal ports. These contracts have varying expiration dates ranging from 2014 to 2017 and generally contain renewal options. Our inability to renew these agreements or enter into new ones with other shipping companies could affect our ability to transport our products.

When we sold our River District operations in 2011 as part of our asset exchange with Lafarge, we sold most of our barge long-haul distribution network. As a result, we reduced our risks from distributing our products by barges, especially along the Mississippi River. We still distribute some of

our product by barge along rivers in West Virginia. We may continue to experience, to a lesser degree, risks associated with distributing our products by barges, including significant delays, disruptions, or the non-availability of our barge transportation system that could negatively affect our operations, water levels that could affect our ability to transport our products by barge, and barges that may not be available in quantities that we might need from time to time to support our operations.

Our earnings are affected by the application of accounting standards and our critical accounting policies, which involve subjective judgments and estimates by our management. Our estimates and assumptions could be wrong.

The accounting standards we use in preparing our financial statements are often complex and require that we make significant estimates and assumptions in interpreting and applying those standards. We make critical estimates and assumptions involving accounting matters including our goodwill impairment testing, our expenses and cash requirements for our pension plans, our estimated income taxes, and how we account for our property, plant and equipment, and inventory. These estimates and assumptions involve matters that are inherently uncertain and require our subjective and complex judgments. If we used different estimates and assumptions or used different ways to determine these estimates, our financial results could differ.

While we believe our estimates and assumptions are appropriate, we could be wrong. Accordingly, our financial results could be different, either higher or lower. We urge you to read about our critical accounting policies in our Management's Discussion and Analysis of Financial Condition and Results of Operations.

The adoption of new accounting standards may affect our financial results.

The accounting standards we apply in preparing our financial statements are reviewed by regulatory bodies and are changed from time to time. New or revised accounting standards could change our financial results either positively or negatively. We urge you to read about our accounting policies in Note A of our 2013 financial statements. The federal regulatory body overseeing our accounting standards is now implementing a convergence project, which would conform the accounting in the United States for various topics to the requirements under international accounting standards. Proposed changes are being issued one topic at a time. We have not looked at how all of these topics might impact us. New or revised accounting standards could change our financial results either positively or negatively.

The *Sarbanes-Oxley Act of 2002*, and other related rules and regulations, have increased the scope, complexity, and cost of corporate governance. Reports from the Public Company Accounting Oversight Board's ("PCAOB") inspections of public accounting firms continue to outline findings and recommendations which could require these firms to perform additional work as part of their financial statement audits. The Company's costs to respond to these additional requirements and exposure to adverse findings by the PCAOB of the work performed may increase as to internal controls.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could affect our business.

Our success depends to a significant degree upon the continued services of our key personnel and executive officers. Our prospects depend upon our ability to attract and retain qualified personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel, which could negatively affect our business.

Disruptions in the credit markets could affect our business.

We have considered the current economic environment and its potential impact to the Company's business. Demand for aggregates products, particularly in the infrastructure construction market, has already been negatively affected by federal and state budget and deficit issues and the uncertainty over future highway funding levels beyond the September 2014 expiration of MAP-21. Further, delays or cancellations to capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

A recessionary construction economy can also increase the likelihood we will not be able to collect on all of our accounts receivable with our customers. We are protected in part, however, by payment bonds posted by many of our customers or end-users. Nevertheless, we have experienced a delay in payment from some of our customers during this construction downturn, which can negatively affect operating cash flows. Historically, our bad debt write-offs have not been significant to our operating results, and, although the amount of our bad debt write-offs has increased, we believe our allowance for doubtful accounts is adequate.

During the economic downturn, we have temporarily idled some of our facilities. In 2013, the Company's Aggregates business operated at a level significantly below capacity, which restricted the Company's ability to capitalize $50.7 million of costs that could have been inventoried under normal operating conditions. If demand does not improve, such temporary idling could become longer-term, impairing the value of some of the assets at those locations. The timing of increased demand will determine when these locations will be reopened. During the idling period, the plant and equipment will continue to be depreciated. If practicable, we will transfer the mobile equipment and use it elsewhere. Because we continue to have long-term access to the aggregate reserves, these sites are not considered impaired during temporary idlings. When temporarily idled locations reopen, we may incur additional repair costs for a temporary period. Nevertheless, there is a risk of long-term asset impairment at sites that are temporarily idled if the economic downturn does not improve in the near term.

The credit environment could impact the Company's ability to borrow money in the future. Additional financing or refinancing might not be available and, if available, may not be at economically favorable terms. Further, an increase in leverage could lead to deterioration in our credit ratings. A reduction in our credit ratings, regardless of the cause, could also limit our ability to obtain additional financing and/or increase our cost of obtaining financing. There is no guarantee we will be able to access the capital markets at financially economical interest rates, which could negatively affect our business.

We may be required to obtain financing in order to fund certain strategic acquisitions, if they arise, or to refinance our outstanding debt. Any large strategic acquisition would require that we issue both newly issued equity and debt securities in order to maintain our investment grade credit rating and could result in a ratings downgrade notwithstanding our issuance of equity securities to fund the transaction. We are also exposed to risks from tightening credit markets, through the interest payable on our outstanding debt and the interest cost on our commercial paper program, to the extent it is available to us. While management believes our credit ratings will remain at a composite investment-grade level, we cannot be assured these ratings will remain at those levels. While management believes the Company will continue to have credit available to it adequate to meet its needs, there can be no assurance of that.

On January 28, 2014, Moody's Investors Service announced it was placing our credit ratings under review for downgrade as a result of our announcement of the proposed business combination with TXI. Similarly, on the same day Standard & Poor's Ratings Services placed our credit ratings on their CreditWatch with negative implications because of the proposed transaction. On the other hand, on January 29, 2014, Fitch Ratings, after reviewing the proposed transaction, reaffirmed our credit rating outlook as stable. While we do not believe that a review by Moody's or Standard & Poor's should result in a reduction of our credit ratings, there is no guarantee of such outcome.

Our specialty products business depends in part on the steel industry and the supply of reasonably priced fuels.

Our specialty products business sells some of its products to companies in the steel industry. While we have reduced this risk over the last few years, this business is still dependent, in part, on the strength of the highly-cyclical steel industry. The specialty products business also requires significant amounts of natural gas, coal, and petroleum coke, and financial results are negatively affected by increases in fuel prices or shortages.

Our specialty products business now runs at capacity so unexpected changes could affect its earnings.

Because our Specialty Products business essentially runs at capacity, any unplanned changes in costs or customers would introduce volatility to the earnings of this segment of our business.

Our acquisitions could harm our results of operations.

In pursuing our business strategy, we conduct discussions, evaluate opportunities, and enter into acquisition agreements. Acquisitions involve significant challenges and risks, including risks that:

- We may not realize a satisfactory return on the investment we make;
- We may not be able to retain key personnel of the acquired business;
- We may experience difficulty in integrating new employees, business systems, and technology;

- Our due diligence process may not identify compliance issues or other liabilities that are in existence at the time of our acquisition;
- We may have difficulty entering into new geographic markets in which we are not experienced; or
- We may be unable to retain the customers and partners of acquired businesses following the acquisition.

Our articles of incorporation, bylaws, and shareholder rights plan and North Carolina law may inhibit a change in control that you may favor.

Our restated articles of incorporation and restated bylaws, shareholder rights plan, and North Carolina law contain provisions that may delay, deter or inhibit a future acquisition of us not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if many or even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in connection with the transaction. Provisions that could delay, deter, or inhibit a future acquisition include the following:

- a classified Board of Directors;
- the ability of the Board of Directors to establish the terms of, and issue, preferred stock without shareholder approval;
- the requirement that our shareholders may only remove directors for cause;
- the inability of shareholders to call special meetings of shareholders; and
- super majority shareholder approval requirements for business combination transactions with certain five percent shareholders.

In addition, we have in place a shareholder rights plan that will trigger a dilutive issuance of common stock upon acquisitions of our common stock by a third party above a threshold that are not approved by the Board of Directors. Additionally, the occurrence of certain change of control events could result in an event of default under certain of our existing or future debt instruments.

Changes in our effective income tax rate may harm our results of operations.

A number of factors may increase our future effective income tax rate, including:

- Governmental authorities increasing taxes or eliminating deductions, particularly the depletion deduction, to fund deficits;
- The jurisdictions in which earnings are taxed;

- The resolution of issues arising from tax audits with various tax authorities;
- Changes in the valuation of our deferred tax assets and liabilities;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Changes in available tax credits;
- Changes in stock-based compensation;
- Other changes in tax laws, and
- The interpretation of tax laws and/or administrative practices.

Any significant increase in our future effective income tax rate could reduce net earnings for future periods.

We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks.

We are dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested in the protection of our data and information technology to reduce these risks and routinely test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

Risk Factors Relating to Proposed Business Combination with TXI

We have provided under the initial heading "*Recent Developments*" under Item I of this Annual Report on Form 10-K a description of our proposed business combination with TXI. The proposed business combination with TXI presents risks and uncertainties that should be considered by someone purchasing or considering the purchase of our securities. Some of these risks have been described in connection with the discussion of various general risks described above. Other risk factors relating to our proposed business combination with TXI are discussed below. The following discussion is not intended as a substitute for the discussion of the proposed transaction contained in our joint proxy statement/prospectus used in connection with our proposed business combination with TXI. For further information regarding the proposed business combination with TXI, including additional risks and uncertainties related thereto, please review the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that the Company intends to file with the SEC (as may be amended from time to time), as well as the Company's other disclosures relating to the proposed business combination with TXI, when they become available. See also "Important Additional Information" under Item 9B of this Form 10-K below.

The proposed business combination with TXI is subject to approval by the Company's shareholders and TXI's stockholders and our ability to complete the proposed business combination with TXI is subject to the receipt of antitrust clearance from governmental entities, which may impose conditions that could have an adverse effect on us or TXI or cause us to abandon the proposed business combination with TXI.

In order for the proposed business combination with TXI to be completed, TXI stockholders must approve the adoption of the merger agreement and the Company's shareholders must approve the issuance of the Company's common stock to TXI stockholders in connection with the merger. In addition, we are unable to complete the proposed business combination with TXI until after the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, expires or is terminated and certain other conditions in the merger agreement are satisfied, or if legally permitted, waived. In deciding whether to terminate the antitrust waiting period or allow it to expire, the Antitrust Division of the Department of Justice (the "DOJ"), which is reviewing the proposed business combination with TXI, will consider the effect of the proposed business combination with TXI on competition within the relevant markets. The DOJ may seek a court order enjoining the proposed business combination with TXI, or may seek an agreement from us imposing certain requirements or obligations as conditions for not seeking an injunction or otherwise challenging the proposed business combination with TXI and allowing the expiration of the antitrust waiting period. The merger agreement requires us to accept certain conditions from regulators that could adversely impact the Company without us having the right to refuse to close the proposed business combination with TXI on the basis of those regulatory conditions. We can provide no assurance that we will obtain the necessary antitrust clearance and that any required conditions will not have a material adverse effect on us following the proposed business combination with TXI. In addition, we can provide no assurance that the regulatory review process or the regulatory conditions will not result in a delay or the abandonment of the proposed business combination with TXI.

Failure to complete the proposed business combination with TXI could negatively impact our stock price and our future business and financial results.

If the proposed business combination with TXI is not completed, our ongoing businesses may be adversely affected and we will be subject to several risks, including:

- being required, under certain circumstances, to pay a termination fee of $25 million or $140 million to TXI;
- having to pay certain costs relating to the proposed business combination with TXI, such as legal, accounting, financial advisor, filing, printing and mailing fees;
- under the merger agreement, being subject to certain restrictions on the conduct of our business, which may adversely affect our ability to execute certain business strategies; and

- the focus of our management on the proposed business combination with TXI instead of on pursuing other opportunities that could be beneficial to the Company;

in each case, without realizing any of the benefits of having the proposed business combination with TXI completed. In addition, if the proposed business combination with TXI is not completed, we may experience negative reactions from the financial markets and from our respective customers and employees. We could also be subject to litigation related to any failure to complete the proposed business combination with TXI or to enforcement proceedings commenced against us to perform our obligations under the merger agreement. If the proposed business combination with TXI is not completed, we can provide no assurance that these risks will not materialize and will not materially affect our business, financial results and stock price.

Any delay in completing the proposed business combination with TXI may reduce or eliminate the expected benefits from the transaction.

In addition to the required regulatory clearance and the shareholder and stockholder approvals described above, the proposed business combination with TXI is subject to a number of other conditions beyond our control that may prevent, delay, or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied. Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the proposed business combination with TXI for a significant period of time or prevent it from occurring. Any delay in completing the proposed business combination with TXI could cause us not to realize some or all of the synergies and other benefits that we expect to achieve if the proposed business combination with TXI is successfully completed within its expected time frame.

The pendency of, and uncertainties associated with, the proposed business combination with TXI could adversely affect our business and operations.

In connection with the pending proposed business combination with TXI, some customers, suppliers, and other entities with whom we have business relationships may delay or defer decisions, which could negatively impact our revenues, earnings, and cash flows, as well as the market price of our common stock, regardless of whether the proposed business combination with TXI is completed. In addition, current and prospective employees may experience uncertainty about their future roles with the Company following the closing of the proposed business combination with TXI, which may materially adversely affect our ability to attract and retain key personnel during the pendency of the proposed business combination with TXI. No assurance can be given that we will be able to retain key management personnel and other key employees of the Company or, following the closing of the proposed business combination with TXI, TXI.

The proposed business combination with TXI will involve substantial costs.

We have incurred and expect to continue to incur substantial costs and expenses relating directly to the proposed business combination with TXI, including debt refinancing costs, costs relating to change in control agreements at TXI, fees and expenses payable to financial advisors, other professional fees and expenses, insurance premium costs, fees and costs relating to regulatory filings and notices, SEC filing fees, printing and mailing costs and other transaction-related costs, fees and

expenses. In addition, we expect to incur substantial expenses in connection with the integration of the business, policies, procedures, operations, technologies and systems of TXI with those of the Company. While we have assumed that a certain level of expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of all of the expected integration expenses. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. These expenses could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings and revenue synergies related to the integration of the businesses following the completion of the proposed business combination with TXI. These integration expenses likely will result in our taking significant charges against earnings following the completion of the proposed business combination with TXI, but the amount and timing of such charges are uncertain at present.

Following the proposed business combination with TXI, we may be unable to integrate the Company and TXI successfully and realize the anticipated benefits of the proposed business combination with TXI.

The proposed business combination with TXI involves the combination of two companies which currently operate as independent public companies. We will be required to devote significant management attention and resources to integrating our business practices and operations. We may fail to realize some or all of the anticipated benefits of the proposed business combination with TXI if the integration process takes longer than expected or is more costly than expected. Potential difficulties we may encounter in the integration process include:

- the inability to successfully combine the businesses of the Company and TXI in a manner that permits us to achieve the cost savings and revenue synergies anticipated to result from the proposed business combination with TXI, which would result in the anticipated benefits of the proposed business combination with TXI not being realized partly or wholly in the time frame currently anticipated or at all;
- lost sales and customers as a result of certain customers of either of the Company or TXI deciding not to do business with the Company;
- complexities associated with managing the combined businesses;
- integrating personnel from the Company and TXI;
- creation of uniform standards, controls, procedures, policies and information systems;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the proposed business combination with TXI; and
- performance shortfalls at one or both of the Company and TXI as a result of the diversion of management attention caused by completing the proposed business combination with TXI and integrating the Company’s and TXI’s operations.

In addition, we and TXI have operated and, until the completion of the proposed business combination with TXI, will continue to operate, independently. It is possible that the integration process could result in the diversion of each company's management's attention, the disruption or interruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, suppliers and employees or our ability to achieve the anticipated benefits of the proposed business combination with TXI, or could reduce our earnings or otherwise adversely affect our business and financial results.

The market price of our common stock may decline in the future as a result of the proposed business combination with TXI.

The market price of our common stock may decline in the future as a result of the proposed business combination with TXI for a number of reasons, including the unsuccessful integration of the Company and TXI (including for the reasons set forth in the preceding risk factor) or our failure to achieve the perceived benefits of the proposed business combination with TXI, including financial results, as rapidly as or to the extent anticipated by financial or industry analysts. These factors are, to some extent, beyond our control.

The proposed business combination with TXI may not be accretive and may cause dilution to our earnings per share, which may negatively affect the market price of our common stock.

We currently anticipate that the proposed business combination with TXI will be accretive to earnings per share in 2014, assuming refinancing of TXI's outstanding debt at or around the closing of the proposed business combination with TXI and excluding one-time costs. This expectation is based on preliminary estimates which may materially change. We could also encounter additional transaction-related costs or other factors such as the failure to realize all of the benefits anticipated in the proposed business combination with TXI. All of these factors could cause dilution to our earnings per share or decrease or delay the expected accretive effect of the proposed business combination with TXI and cause a decrease in the market price of our common stock.

Our future results will suffer if we do not effectively manage our expanded operations following the proposed business combination with TXI.

Following the proposed business combination with TXI, the size of the business of the Company will increase significantly beyond the current size of either the Company's or TXI's current businesses. In addition, we may continue to expand our operations through additional acquisitions or other strategic transactions. Our future success depends, in part, upon our ability to manage our expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that we will be successful or that we will realize the expected economies of scale, cost savings, revenue synergies and other benefits currently anticipated from the proposed business combination with TXI or anticipated from any additional acquisitions or strategic transactions.

Our current shareholders will have a reduced ownership and voting interest in the Company after the closing of the proposed business combination with TXI and will exercise less influence over the Company's management.

Our current shareholders currently have the right to vote in the election of our Board of Directors and other matters affecting the Company. Immediately after the proposed business combination with TXI is completed, it is expected that our current shareholders will own approximately 69% of our common stock and current TXI stockholders will own approximately 31% of the outstanding shares of our common stock. As a result of the proposed business combination with TXI, our current shareholders will have less influence on our management and policies than they now have.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments that were received from the staff of the SEC one hundred and eighty (180) days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

Aggregates Business

As of December 31, 2013, the Company processed or shipped aggregates from 260 quarries, underground mines, and distribution yards in 30 states and in Canada and the Bahamas, of which 94 are located on land owned by the Company free of major encumbrances, 57 are on land owned in part and leased in part, 103 are on leased land, and 6 are on facilities neither owned nor leased, where raw materials are removed under an agreement. The Company's aggregates reserves, on the average, exceed 60 years based on normalized levels of production, and exceed 100 years at current production rates. However, certain locations may be subject to more limited reserves and may not be able to expand. In addition, as of December 31, 2013, the Company processed and shipped ready mixed concrete and/or asphalt products from 39 properties in 4 states, of which 26 are located on land owned by the Company free of major encumbrances, 1 is on land owned in part and leased in part, 11 are on leased land, and 1 is on a facility neither owned or leased, where product is sold under an agreement.

The Company uses various drilling methods, depending on the type of aggregate, to estimate aggregates reserves that are economically mineable. The extent of drilling varies and depends on whether the location is a potential new site (greensite), an existing location, or a potential acquisition. More extensive drilling is performed for potential greensites and acquisitions, and in rare cases, the Company may rely on existing geological data or results of prior drilling by third parties. Subsequent to drilling, selected core samples are tested for soundness, abrasion resistance, and other physical properties relevant to the aggregates industry. If the reserves meet the Company's standards and are economically mineable, then they are either leased or purchased.

The Company estimates proven and probable reserves based on the results of drilling. Proven reserves are reserves of deposits designated using closely spaced drill data, and based on that data the reserves are believed to be relatively homogenous. Proven reserves have a certainty of 85% to 90%. Probable reserves are reserves that are inferred utilizing fewer drill holes and/or assumptions about the economically mineable reserves based on local geology or drill results from adjacent properties. The degree of certainty for probable reserves is 70% to 75%. In determining the amount of reserves, the Company's policy is to not include calculations that exceed certain depths, so for deposits, such as granite, that typically continue to depths well below the ground, there may be additional deposits that are not included in the reserve calculations. The Company also deducts reserves not available due to property boundaries, set-backs, and plant configurations, as deemed appropriate when estimating reserves. For additional information on the Company's assessment of reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Financial Information – Critical Accounting Policies and Estimates – Property, Plant and Equipment" under Item 7 of this Form 10-K and the 2013 Annual Report for discussion of reserves evaluation by the Company.

Set forth in the tables below are the Company's estimates of reserves of recoverable aggregates of suitable quality for economic extraction, shown on a state-by-state basis, and the Company's total annual production for the last 3 years, along with the Company's estimate of years of production available, shown on a segment-by-segment basis. The number of producing quarries shown on the table include underground mines. The Company's reserve estimates for the last 2 years are shown for comparison purposes on a state-by-state basis. The changes in reserve estimates at a particular state level from year to year reflect the tonnages of reserves on locations that have been opened or closed during the year, whether by acquisition, disposition, or otherwise; production and sales in the normal course of business; additional reserve estimates or refinements of the Company's existing reserve estimates; opening of additional reserves at existing locations; the depletion of reserves at existing locations; and other factors. The Company evaluates its reserve estimates primarily on a Company-wide, or segment-by-segment basis, and does not believe comparisons of changes in reserve estimates on a state-by-state basis from year to year are particularly meaningful.

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State	Number of Producing Quarries	Tonnage of Reserves for each general type of aggregate at 12/31/12 (Add 000)		Tonnage of Reserves for each general type of aggregate at 12/31/13 (Add 000)		Change in Tonnage from 2012 (Add 000)		Percentage of aggregate reserves located at an existing quarry, and reserves not located at an existing quarry.		Percentage of aggregate reserves on land that has not been zoned for quarrying.* **	Percent of reserves owned and percent leased	
	2013	Hard Rock	S & G	Hard Rock	S & G	Hard Rock	S & G	At Quarry	Not at Quarry		Owned	Leased
Alabama	5	103,380	12,110	101,697	12,110	(1,683)	0	100%	0%	0%	35%	65%
Arkansas	3	233,122	0	227,821	0	(5,301)	0	95%	5%	0%	55%	45%
Colorado	6	116,231	101,746	111,520	96,413	(4,711)	(5,333)	85%	15%	0%	74%	26%
Florida	1	253,855	0	253,244	0	(611)	0	100%	0%	0%	0%	100%
Georgia	16	1,308,015	0	2,165,285	0	857,270	0	95%	5%	0%	80%	20%
Indiana	10	490,974	41,888	510,230	47,978	19,256	6,090	100%	0%	0%	35%	65%
Iowa	18	693,075	37,821	715,783	37,450	22,708	(371)	100%	0%	0%	14%	86%
Kansas	4	102,224	0	100,880	0	(1,344)	0	100%	0%	8%	39%	61%
Kentucky	1	0	30,770	0	28,690	0	(2,080)	100%	0%	0%	0%	100%
Maryland	2	97,143	0	96,067	0	(1,076)	0	100%	0%	0%	100%	0%
Minnesota	2	437,711	0	435,472	0	(2,239)	0	76%	24%	0%	68%	32%
Mississippi	1	0	67,497	0	67,216	0	(281)	100%	0%	0%	100%	0%
Missouri	5	385,007	0	423,224	0	38,217	0	90%	10%	0%	17%	83%
Montana	0	50,000	0	50,000	0	0	0	100%	0%	0%	100%	0%
Nebraska	3	174,774	0	188,854	0	14,080	0	100%	0%	0%	49%	51%
Nevada	1	139,849	0	139,342	0	(507)	0	100%	0%	0%	82%	18%
North Carolina	35	3,312,366	0	3,322,590	0	10,224	0	78%	22%	0%	68%	32%
Ohio***	13	675,011	188,654	673,636	186,886	(1,375)	(1,768)	45%	55%	0%	96%	4%
Oklahoma	8	793,402	36,217	784,865	35,780	(8,537)	(437)	100%	0%	0%	82%	18%
South Carolina	6	583,554	30,281	528,413	29,711	(55,141)	(570)	100%	0%	0%	62%	38%
Tennessee	1	37,261	0	36,756	0	(505)	0	100%	0%	0%	100%	0%
Texas	14	1,143,989	78,451	1,123,379	76,168	(20,610)	(2,283)	100%	0%	0%	10%	90%
Utah	1	25,866	0	25,248	0	(618)	0	100%	0%	0%	0%	100%
Virginia	4	367,777	0	364,373	0	(3,404)	0	87%	13%	0%	75%	25%
Washington	3	41,407	0	41,102	0	(305)	0	66%	36%	0%	41%	59%
West Virginia	1	42,326	0	41,578	0	(748)	0	40%	60%	0%	86%	14%
Wyoming	2	153,656	0	151,220	0	(2,436)	0	100%	0%	0%	0%	100%
U.S. Total	**166**	**11,761,975**	**625,435**	**12,612,579**	**618,402**	**850,604**	**(7,033)**	**91%**	**9%**	**0%**	**54%**	**46%**
Non-U.S.	2	838,145	0	825,865	0	(12,280)	0	100%	0%	0%	100%	0%
Grand Total	**168**	**12,600,120**	**625,435**	**13,438,444**	**618,402**	**838,324**	**(7,033)**					

* The Company calculates its aggregate reserves for purposes of this table based on land that has been zoned for quarrying and land for which the Company has determined zoning is not required.

** The Company may own additional land adjacent or near existing quarries on which reserves may be located but does not include such reserves in these calculations if zoning is required but has not been obtained.

*** The Company's reserves presented for the State of Ohio include dolomitic limestone reserves used in the business of the Specialty Products segment.

Reportable Segment*	Total Annual Production (in tons) (add 000) For year ended December 31			Number of years of production available at December 31, 2013
	2013	2012	2011	
Mid-America Group	51,739	52,264	55,689	136.5
Southeast Group	17,275	18,632	18,332	200.4
West Group	59,185	55,914	50,015	59.7
Total Aggregates Business	**128,199**	**126,810**	**124,036**	**109.6**

* Prior year segment information has been reclassified to conform to the presentation of the Company's current reportable segments.

Specialty Products Business

The Specialty Products business currently operates major manufacturing facilities in Manistee, Michigan, and Woodville, Ohio. Both of these facilities are owned.

Other Properties

The Company's principal corporate office, which it owns, is located in Raleigh, North Carolina. The Company owns and leases various administrative offices for its four reportable business segments.

The Company's principal properties, which are of varying ages and are of different construction types, are believed to be generally in good condition, are generally well maintained, and are generally suitable and adequate for the purposes for which they are used. During 2013, the principal properties were believed to be utilized at average productive capacities of approximately 60% and were capable of supporting a higher level of market demand. However, due to the current economic recession, the Company has adjusted its production schedules to meet reduced demand for its products. For example, the Company has reduced operating hours at a number of its facilities, closed some of its facilities, and temporarily idled some of its facilities. In 2013, the Company's Aggregates business operated at a level significantly below capacity, which restricted the Company's ability to capitalize $50.7 million of costs that could have been inventoried under normal operating conditions. If demand does not improve over the near term, such reductions and temporary idlings could continue. The Company expects, however, as the economy recovers, it will be able to resume production at its normalized levels and increase production again as demand for its products increases.

ITEM 3. LEGAL PROCEEDINGS

From time to time claims of various types are asserted against the Company arising out of its operations in the normal course of business, including claims relating to land use and permits, safety, health, and environmental matters (such as noise abatement, blasting, vibrations, air emissions, and

water discharges). Such matters are subject to many uncertainties, and it is not possible to determine the probable outcome of, or the amount of liability, if any, from, these matters. In the opinion of management of the Company (which opinion is based in part upon consideration of the opinion of counsel), based upon currently-available facts, it is remote that the ultimate outcome of any litigation and other proceedings will have a material adverse effect on the overall results of the Company's operations, its cash flows, or its financial condition. However, there can be no assurance that an adverse outcome in any of such litigation would not have a material adverse effect on the Company or its operating segments.

The Company was not required to pay any penalties in 2013 for failure to disclose certain "reportable transactions" under Section 6707A of the Internal Revenue Code.

See also "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2013 Financial Statements included under Item 8 of this Form 10-K and the 2013 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Environmental Regulation and Litigation" under Item 7 of this Form 10-K and the 2013 Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information regarding the executive officers of Martin Marietta Materials, Inc. as of February 14, 2014:

Name	*Age*	*Present Position*	*Year Assumed Present Position*	*Other Positions and Other Business Experience Within the Last Five Years*
C. Howard Nye	51	Chief Executive Officer;	2010	Chief Operating Officer (2006-2009)
		President;	2006	
		President of Aggregates Business	2010	
		Chairman of Magnesia Specialties Business	2007	
Anne H. Lloyd	52	Executive Vice President;	2009	Senior Vice President (2005-2009)
		Chief Financial Officer	2005	Treasurer (2006-2013)
Roselyn R. Bar	55	Senior Vice President;	2005	
		General Counsel;	2001	
		Corporate Secretary	1997	

Dana F. Guzzo	48	Senior Vice President; Chief Information Officer; Chief Accounting Officer; Controller	2011 2011 2006 2005	
Donald A. McCunniff	56	Senior Vice President, Human Resources	2011	Senior Vice President, Human Resources, CenturyLink Inc. (2009-2010); Senior Vice President, Human Resources, Armstrong World Industries (2006-2009)
Daniel L. Grant	59	Senior Vice President, Strategy & Development	2013	Senior Vice President, Strategy & Development, Lehigh Hanson, Inc., a producer of construction materials, and a subsidiary of Heidelberg Cement (1995-2013)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders, and Dividends

The Company's Common Stock, $.01 par value, is traded on the New York Stock Exchange ("NYSE") (Symbol: MLM). Information concerning stock prices and dividends paid is included under the caption "Quarterly Performance (Unaudited)" of the 2013 Annual Report, and that information is incorporated herein by reference. There were 638 holders of record of the Company's Common Stock as of February 14, 2014.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1, 2013 – October 31, 2013	0	$ —	0	5,041,871
November 1, 2013 – November 30, 2013	0	$ —	0	5,041,871
December 1, 2013 – December 31, 2013	0	$ —	0	5,041,871
Total	0	$ —	0	5,041,871

(1) The Company's initial stock repurchase program, which authorized the repurchase of 2.5 million shares of common stock, was announced in a press release dated May 6, 1994, and has been updated as appropriate. The program does not have an expiration date. The Company announced in a press release dated February 22, 2006 that its Board of Directors had authorized the repurchase of an additional 5 million shares of common stock. The Company announced in a press release dated August 15, 2007 that its Board of Directors had authorized the repurchase of an additional 5 million shares of common stock. Under the merger agreement with TXI, repurchases of the Company's common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement.

ITEM 6. SELECTED FINANCIAL DATA

The information required in response to this Item 6 is included under the caption "Five Year Summary" of the 2013 Annual Report, and that information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required in response to this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2013 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook 2014" in the 2013 Annual Report is not incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required in response to this Item 7A is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations-Quantitative and Qualitative Disclosures About Market Risk" of the 2013 Annual Report, and that information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this Item 8 is included under the caption "Consolidated Statements of Earnings," "Consolidated Statements of Comprehensive Earnings," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows," "Consolidated Statements of Total

Equity,” “Notes to Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quarterly Performance (Unaudited)” of the 2013 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Outlook 2014” in the 2013 Annual Report is not incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2013, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures and the Company’s internal control over financial reporting. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective in ensuring that all material information required to be disclosed is made known to them in a timely manner as of December 31, 2013 and further concluded that the Company’s internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with generally accepted accounting principles as of December 31, 2013. There were no changes in the Company’s internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The foregoing evaluation of the Company’s disclosure controls and procedures was based on the definition in Exchange Act Rule 13a-15(e), which requires that disclosure controls and procedures are effectively designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits with the SEC under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, including the CEO and CFO, does not expect that the Company’s control system will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance

that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management has issued its annual statement of financial responsibility and report on the Company's internal control over financial reporting, which included management's assessment that the Company's internal control over financial reporting was effective at December 31, 2013. The Company's independent registered public accounting firm has issued an attestation report that the Company's internal control over financial reporting was effective at December 31, 2013. Management's report on the Company's internal controls and the attestation report of the Company's independent registered public accounting firm are included in the 2013 Financial Statements, included under Item 8 of this Form 10-K and the 2013 Annual Report. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Internal Control and Accounting and Reporting Risk" under Item 7 of this Form 10-K and the 2013 Annual Report.

Included among the Exhibits to this Form 10-K are forms of "Certifications" of the Company's CEO and CFO as required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certification"). The Section 302 Certifications refer to this evaluation of the Company's disclosure policies and procedures and internal control over financial reporting. The information in this section should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

ITEM 9B. OTHER INFORMATION

Important Additional Information

Certain sections of this Form 10-K, including the Company's audited consolidated financial statements and Management's Discussion and Analysis included in the 2013 Annual Report and as Items 8 and 7 respectively in this Form 10-K, refer, in part, to the proposed business combination with TXI, pursuant to which, subject to the terms and conditions of the merger agreement, the Company intends to issue shares of the Company's common stock to stockholders of TXI. In connection with the proposed business combination with TXI, the Company and TXI intend to file relevant materials with the SEC, including a Registration Statement on Form S-4 that will include a joint proxy statement of the Company and TXI and that will also constitute a prospectus of the Company relating to the proposed transaction. INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION

ABOUT THE COMPANY, TXI AND THE PROPOSED TRANSACTION. The joint proxy statement/prospectus and other documents relating to the proposed transaction (when they become available) can be obtained free of charge from the SEC's website at www.sec.gov. These documents can also be obtained free of charge from the Company upon written request to the Corporate Secretary at Martin Marietta Materials, Inc., 2710 Wycliff Road, Raleigh, NC 27607, telephone number (919) 783-4540 or from the Company's website, http://ir.martinmarietta.com or from TXI upon written request to TXI at Investor Relations, Texas Industries, Inc., 1503 LBJ Freeway, Suite 400, Dallas, Texas 75234, telephone number (972) 647-6700 or from TXI's website, http://investorrelations.txi.com.

This communication is not a solicitation of a proxy from any investor or securityholder. However, the Company, TXI and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction under the rules of the SEC. Information regarding the Company's directors and executive officers may be found in the 2013 Annual Report and the definitive proxy statement relating to the Company's 2013 Annual Meeting of Shareholders filed with the SEC on April 16, 2013. Information regarding TXI's directors and executive officers may be found in its Annual Report for the year ended May 31, 2013 on Form 10-K filed with the SEC on July 22, 2013 and the definitive proxy statement relating to its 2013 Annual Meeting of Shareholders filed with the SEC on August 23, 2013. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants and a description of their direct or indirect interests, by security holdings or otherwise, will also be included in the joint proxy statement/prospectus that will be filed by the Company and TXI with the SEC when it becomes available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors of the Company, the Audit Committee of the Board of Directors, and the Audit Committee financial expert serving on the Audit Committee, all as required in response to this Item 10, is included under the captions "Corporate Governance Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year ended December 31, 2013 (the "2014 Proxy Statement"), and that information is hereby incorporated by reference in this Form 10-K. Information concerning executive officers of the Company required in response to this Item 10 is included in Part I, under the heading "Executive Officers of the Registrant," of this Form 10-K. The information concerning the Company's code of ethics required in response to this Item 10 is included in Part I, under the heading "Available Information," of this Form 10-K.

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ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item 11 is included under the captions “Executive Compensation,” “Compensation Discussion and Analysis,” “Corporate Governance Matters,” “Management Development and Compensation Committee Report,” and “Compensation Committee Interlocks and Insider Participation” in the Company’s 2014 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in response to this Item 12 is included under the captions “General Information,” “Security Ownership of Certain Beneficial Owners and Management,” and “Securities Authorized for Issuance Under Equity Compensation Plans” in the Company’s 2014 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in response to this Item 13 is included under the captions “Compensation Committee Interlocks and Insider Participation in Compensation Decisions” and “Corporate Governance Matters” in the Company’s 2014 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this Item 14 is included under the caption “Independent Auditors” in the Company’s 2014 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) List of financial statements filed as part of this Form 10-K.

The following consolidated financial statements of Martin Marietta Materials, Inc. and consolidated subsidiaries, included in the 2013 Annual Report and incorporated by reference under Item 8 of this Form 10-K:

Consolidated Statements of Earnings –
for years ended December 31, 2013, 2012, and 2011

Consolidated Statements of Comprehensive Earnings –
for years ended December 31, 2013, 2012, and 2011

Consolidated Balance Sheets –
at December 31, 2013 and 2012

Consolidated Statements of Cash Flows –
for years ended December 31, 2013, 2012, 2011

Consolidated Statements of Total Equity –
for years ended December 31, 2013, 2012, 2011

Notes to Financial Statements

(2) List of financial statement schedules filed as part of this Form 10-K

The following financial statement schedule of Martin Marietta Materials, Inc. and consolidated subsidiaries is included in Item 15(c) of this Form 10-K.

Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

The report of the Company's independent registered public accounting firm with respect to the above-referenced financial statements is included in the 2013 Annual Report, and that report is hereby incorporated by reference in this Form 10-K. The report on the financial statement schedule and the consent of the Company's independent registered public accounting firm are attached as Exhibit 23.01 to this Form 10-K.

(3) Exhibits

The list of Exhibits on the accompanying Index of Exhibits included in Item 15(b) of this Form 10-K is hereby incorporated by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit is indicated by asterisks.

(b) Index of Exhibits

Exhibit No.	
2.01	—Agreement and Plan of Merger, dated as of January 27, 2014, among the Company, Texas Industries, Inc. and Project Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
2.02	—Voting Agreement, dated as of January 27, 2014, between the Company and Southeastern Asset Management, Inc. (incorporated by reference to Exhibit 2.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
2.03	—Voting Agreement, dated as of January 27, 2014, between the Company and NNS Holding (incorporated by reference to Exhibit 2.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
*3.01	—Restated Articles of Incorporation of the Company, as amended
3.02	—Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.01	—Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
4.02	—Articles 2 and 8 of the Company's Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
4.03	—Article 1 of the Company's Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.04	—Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.05	—Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))

4.06	—Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744)
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*23.01	—Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
*24.01	—Powers of Attorney (included in this Form 10-K immediately following Signatures)
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*101.PRE	—XBRL Taxonomy Extension Presentation Linkbase Document
*101.DEF	—XBRL Taxonomy Extension Definition Linkbase

Other material incorporated by reference:

Martin Marietta Materials, Inc.'s 2014 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2014 Proxy Statement which are not incorporated by reference shall not be deemed to be "filed" as part of this report.

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* Filed herewith

** Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K

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(c) Financial Statement Schedule

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

Col A	Col B	Col C		Col D	Col E
		Additions			
Description	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts–describe	Deductions–describe	Balance at end of period
		(Amounts in Thousands)			
Year ended December 31, 2013					
Allowance for doubtful accounts	$ 6,069	$ —	$ —	$ 1,988[a]	$ 4,081
Allowance for uncollectible notes receivable	440	369	—	—	809
Inventory valuation allowance	96,817	1,165	$ 1,044[b]	—	99,026
Year ended December 31, 2012					
Allowance for doubtful accounts	$ 5,295	$ 774	$ —	$ —	$ 6,069
Allowance for uncollectible notes receivable	295	145	—	—	440
Inventory valuation allowance	92,481	4,475	—	139[c]	96,817
Year ended December 31, 2011					
Allowance for doubtful accounts	$ 3,578	$ 1,717	$ —	$ —	$ 5,295
Allowance for uncollectible notes receivable	179	116	—	—	295
Inventory valuation allowance	87,044	7,882	2,154[b]	4,599[c]	92,481

(a) Write off of uncollectible accounts and change in estimates.
(b) Application of reserve policy to acquired inventories.
(c) Divestitures.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn R. Bar
Roselyn R. Bar
Senior Vice President, General Counsel
and Corporate Secretary

Dated: February 24, 2014

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below appoints Roselyn R. Bar and M. Guy Brooks, III, jointly and severally, as his or her true and lawful attorney-in-fact, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, jointly and severally, full power and authority to do and perform each in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, jointly and severally, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	*Title*	*Date*
/s/ Stephen P. Zelnak, Jr. Stephen P. Zelnak, Jr.	Chairman of the Board	February 24, 2014
/s/ C. Howard Nye C. Howard Nye	President and Chief Executive Officer	February 24, 2014
/s/ Anne H. Lloyd Anne H. Lloyd	Executive Vice President and Chief Financial Officer	February 24, 2014
/s/ Dana F. Guzzo Dana F. Guzzo	Senior Vice President, Chief Information Officer, Chief Accounting Officer, and Controller	February 24, 2014
/s/ Sue W. Cole Sue W. Cole	Director	February 24, 2014
/s/ David G. Maffucci David G. Maffucci	Director	February 24, 2014
/s/ William E. McDonald William E. McDonald	Director	February 24, 2014
/s/ Frank H. Menaker, Jr. Frank H. Menaker, Jr.	Director	February 24, 2014
/s/ Laree E. Perez Laree E. Perez	Director	February 24, 2014
/s/ Michael J. Quillen Michael J. Quillen	Director	February 24, 2014

/s/ Dennis L. Rediker Dennis L. Rediker	Director	February 24, 2014
/s/ Richard A. Vinroot Richard A. Vinroot	Director	February 24, 2014

EXHIBITS

Exhibit No.	
2.01	—Agreement and Plan of Merger, dated as of January 27, 2014, among the Company, Texas Industries, Inc. and Project Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
2.02	—Voting Agreement, dated as of January 27, 2014, between the Company and Southeastern Asset Management, Inc. (incorporated by reference to Exhibit 2.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
2.03	—Voting Agreement, dated as of January 27, 2014, between the Company and NNS Holding (incorporated by reference to Exhibit 2.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on January 30, 2014) (Commission File No. 1-12744)
*3.01	—Restated Articles of Incorporation of the Company, as amended
3.02	—Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.01	—Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
4.02	—Articles 2 and 8 of the Company's Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
4.03	—Article 1 of the Company's Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.04	—Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
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962959033

C-0333756
FILED
11:50 am
OCT 21 1996
EFFECTIVE 8:00 am
JANICE H. FAULKNER
SECRETARY OF STATE

EXHIBIT 3.01

RESTATED
ARTICLES OF INCORPORATION
OF
MARTIN MARIETTA MATERIALS, INC.

1. The name of the corporation is Martin Marietta Materials, Inc. (hereinafter the “Corporation”).

2. The number of shares the Corporation is authorized to issue is One Hundred Ten Million (110,000,000), divided into One Hundred Million (100,000,000) Common Shares and Ten Million (10,000,000) Preferred Shares, each with a par value of one cent ($.01) per share.

The preferences, limitations and relative rights of each class and series of shares are as follows:

(a) Common Shares

The common shares shall be entitled to one vote per share and to all other rights of shareholders subject only to any rights granted to Preferred Shares under subparagraph (b) of this Article *2*.

(b) Preferred Shares

The Preferred Shares may be issued in one or more series with such designations, preferences, limitations, and relative rights as the board of directors may determine from time to time in accordance with applicable law.

3. The address of the registered office of the Corporation in the State of North Carolina is 225 Hillsborough Street, Raleigh, Wake County, North Carolina 27603; and the name of its registered agent at such address is CT Corporation System.

4. The name and address of the incorporator are Russell M. Robinson, II, 1900 Independence Center, Charlotte, Mecklenburg County, North Carolina 28246.

5. (a) The number of directors of the Corporation shall be not less than nine (9) nor more than eleven (11). By vote of a majority of the Board of Directors or shareholders of the Corporation, the number of directors of the Corporation may be increased or decreased, from time to time, within the range above specified; provided, however, that the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board or the shareholders.

(b) (i) The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the Board of Directors. Prior to the 1997 annual meeting of shareholders, the Board of Directors shall determine which directors shall be designated as Class I, Class II and Class III directors. The term of the initial Class I directors shall terminate on the date of the 1997 annual meeting of shareholders; the term of the initial Class II directors shall terminate on the date of the 1998 annual meeting of shareholders; and the term of the initial Class III directors shall terminate on the date of the 1999 annual meeting of shareholders. At each annual meeting of shareholders beginning in 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. Those persons who receive the highest number of votes at a meeting at which a quorum is present shall be deemed to have been elected.

(ii) If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(iii) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Shares issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Restated Articles of Incorporation or the resolution or resolutions adopted by the Board of Directors pursuant to Article 2(b) of these Restated Articles of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article 5(b) unless expressly provided by the terms of such Preferred Shares.

(c) Vacancies in the Board of Directors, except for vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the shareholders may be filled by the shareholders at the same meeting at which such removal occurs. Vacancies resulting from an increase in the number of directors shall be filled only by a majority vote of the Board of Directors. Any director elected to fill a vacancy shall hold office until the next shareholders’ meeting at which directors are elected. No decrease in the number of directors constituting the Board of Directors shall affect the tenure of any incumbent director.

(d) Except as otherwise provided herein, any of the directors or the entire Board of Directors, as the case may be, may be removed at any time, but only for cause, by a vote of the shareholders and if the number of votes cast to remove such director(s) or the entire Board of Directors, as the case may be, exceeds the number of votes cast not to remove such director(s) or the entire Board of Directors, as the case may be. Cause for removal shall be deemed to exist only if the director(s) whose removal is proposed has been convicted in a court of competent jurisdiction of a felony or has been adjudged by a court of competent jurisdiction to be liable for fraudulent or dishonest conduct, or gross abuse of authority or discretion, with respect to the Corporation, and such conviction or adjudication has become final and non-appealable. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove such director. A director may not be removed by the shareholders at a meeting unless the notice of the meeting states that the purpose, or one of the purposes, of the meeting is removal of the director. If any directors are so removed, new directors may be elected at the same meeting.

6. To the fullest extent permitted by the North Carolina Business Corporation Act as it exists or may hereafter be amended, no person who is serving or who has served as a director of the Corporation shall be personally liable to the Corporation or any of its shareholders for monetary damages for breach of duty as a director. No amendment or repeal of this Article, nor the adoption of any provision to these Restated Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the protection granted herein with respect to any matter that occurred prior to such amendment, repeal or adoption.

7. The provision of Article 9 of the North Carolina Business Corporation Act entitled “The North Carolina Shareholder Protection Act” and of Article 9A entitled “The North Carolina Control Share Acquisition Act” shall not be applicable to the Corporation.

8. (a) Any purchase by the Corporation of shares of Voting Stock (as hereinafter defined) from an Interested Shareholder (as hereinafter defined) who has beneficially owned such securities for less than two years prior to the date of such purchase or any agreement in respect thereof, other than pursuant to an offer to the holders of all of the outstanding shares of the same class as those so purchased, at a per share price in excess of the Market Price (as hereinafter defined), at the time of such purchase or any agreement in respect thereof (whichever is earlier), of the shares so purchased, shall require the affirmative vote of the holders of a majority of the voting power of the Voting Stock not beneficially owned by the Interested Shareholder, voting together as a single class.

(b) In addition to any affirmative vote required by law or these Restated Articles of Incorporation:

(i) Any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Shareholder or (ii) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder;

(ii) Any sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of $10,000,000 or more;

(iii) The issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any equity securities (including any securities that are convertible into equity securities) of the Corporation or any Subsidiary having an aggregate Fair Market Value of $10,000,000 or more to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities, or other property (or combination thereof);

(iv) The adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) Any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries, or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity (including any securities that are convertible into equity securities) securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder

shall require the affirmative vote of the holders of not less than (i) 66-2/3% of the voting power of the Voting Stock not beneficially owned by any Interested Shareholder, voting together as a single class, and (ii) 80% of the voting power of all Voting Stock, voting together as a single class; provided, however, that no such vote shall be required for (A) the purchase by the Corporation of shares of Voting Stock from an Interested Shareholder unless such vote is required by Subparagraph (a) of this Article 8, or (B) any transaction approved by a majority of the Disinterested Directors (as hereinafter defined).

(c) For the purpose of this Article 8:

(i) A “person” shall mean any individual, firm, corporation, partnership, or other entity.

(ii) “Voting Stock” shall mean all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(iii) “Interested Shareholder” shall mean any person who or which:

(A) is the beneficial owner, directly or indirectly, of 5% or more of the outstanding Voting Stock;

(B) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date as of which a determination is being made was the beneficial owner, directly or indirectly, of 5% or more of the outstanding Voting Stock; or

(C) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date as of which a determination is being made beneficially owned by any person described in subparagraphs (c) (iii) (A) or (B) of this Article 8 if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(iv) A person shall be a “beneficial owner” of any Voting Stock:

(A) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly;

(B) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement, or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement, or understanding; or

(C) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of any shares of Voting Stock.

(v) For the purposes of determining whether a person is an Interested Shareholder, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph (c) (iv) of this Article 8, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(vi) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on November 1, 1993.

(vii) “Subsidiary” shall mean any corporation of which a majority of the shares thereof entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation.

(viii) “Market Price” shall mean: the last closing sale price immediately preceding the time in question of a share of the stock in question on the Composite Tape for New York Stock Exchange — Listed Stocks, or if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, Inc., or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or if such stock is not listed on any such exchange, the last closing bid quotation with respect to a share of such stock immediately preceding the time in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use (or any other system of reporting or ascertaining quotations then available), or if such stock is not so quoted, the Fair Market Value at the time in question of a share of such stock as determined by the Board of Directors in good faith.

(ix) “Fair Market Value” shall mean:

(A) in the case of stock, the Market Price, and

(B) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board of Directors in good faith.

(x) “Disinterested Director” shall mean any member of the Board of Directors of the Corporation who is not an Affiliate or Associate of an Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is not an Affiliate or Associate of an Interested Shareholder as is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(d) A majority of the Disinterested Directors shall have the power and duty to determine for the purposes of this Article 8, on the basis of information known to them after reasonable inquiry, whether a person is an Interested Shareholder or a transaction or series of transactions constitutes one of the transactions described in subparagraph (b) of this Article 8.

(e) Notwithstanding any other provisions of these Restated Articles of Incorporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Restated Articles of Incorporation, or the Bylaws of the Corporation), the affirmative vote of not less than (i) 66-2/3% of the voting power of the Voting Stock not beneficially owned by any Interested Shareholder, voting together as a single class, and (ii) 80% of the voting power of all Voting Stock, voting together as a single class, shall be required to amend, repeal, or adopt any provisions inconsistent with this Article 8.

9. At any time in the interval between annual meetings, special meetings of the shareholders may be called by the Chairman of the Board, President, or by the Board of Directors or the Executive Committee by vote at a meeting or in writing with or without a meeting. Special meetings of the shareholders may not be called by any other person or persons.

These Restated Articles of Incorporation shall be effective at 8:00 a.m. (EDT) on the date of filing of these Restated Articles of Incorporation with the Secretary of State of North Carolina.

This the 18th day of October 1996.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Bruce A. Deerson
Bruce A. Deerson
Vice President and General Counsel

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C-0333756
FILED
11:55 am
OCT 21 1996
EFFECTIVE 8:01 am
JANICE H. FAULKNER
SECRETARY OF STATE

ARTICLES OF AMENDMENT
OF MARTIN MARIETTA MATERIALS, INC.
WITH RESPECT TO THE
JUNIOR PARTICIPATING CLASS A PREFERRED STOCK

Pursuant to Sections 55-6-02 and 55-10-06
of the Business Corporation Act
of the State of North Carolina

Martin Marietta Materials, Inc., a corporation organized and existing under the Business Corporation Act of the State of North Carolina (the "Corporation"), does hereby submit these Articles of Amendment for the purpose of amending its articles of incorporation to fix the preferences, limitations and relative rights of a series of a class of its shares:

1. The name of the Corporation is MARTIN MARIETTA MATERIALS, INC.

2. Pursuant to the authority conferred upon the Board of Directors by Article 2 of the Articles of Incorporation of this Corporation and in accordance with the provisions of Section 55-6-02 of the North Carolina Business Corporation Act, the Board of Directors has duly adopted an amendment to the Articles of Incorporation of the Corporation determining certain preferences, privileges, limitations and relative rights (within the limits set forth in Section 55-6-01 of the North Carolina Business Corporation Act) of a new series of the Corporation's Junior Participating Class A Preferred Stock, par value $0.01, before the issuance of any shares of such series, the text of which amendment reads in full as follows:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Articles of Incorporation, as amended, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Class A Preferred Stock" and the number of shares constituting such series shall be 100,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Class A Preferred Stock with respect to dividends, the holders of shares of Class A Preferred Stock shall

be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Class A Preferred Stock, in an amount per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $.01 per share, of the Corporation (the “Common Stock”) since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Class A Preferred Stock. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Class A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Class A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Class A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Class A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Class A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Class A Preferred Stock in an amount less than the total amount of such

dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Class A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than thirty (30) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Class A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Class A Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Class A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Class A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Class A Preferred Stock shall be in arrears in an amount equal to four (4) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a “default period”) which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Class A Preferred Stock) with dividends in arrears in an amount equal to four (4) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Class A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other

series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in Person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Class A Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C) (iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than twenty (20) days and not later than sixty (60) days after such order or request or in default of the calling of such meeting within sixty (60) days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C) (iii), no such special meeting shall be called during the period within sixty (60) days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors

until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C) (ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the articles of incorporation or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C) (ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the articles of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Class A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Class A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Class A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Class A Preferred Stock, except dividends paid ratably on the Class A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Class A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Class A Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Class A Preferred Stock, or any shares of stock ranking on a parity with the Class A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Class A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class A Preferred Stock unless, prior thereto, the holders of shares of Class A Preferred Stock shall have received $10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment. Thereafter, the holders of the Class A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times

the aggregate amount to be distributed per share to holders of shares of Common Stock. Following the payment of the foregoing, holders of Class A Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Class A Preferred Stock liquidation preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Class A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock (by reclassification or otherwise), or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the aggregate amount to which holders of shares of the Class A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Class A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock (by reclassification or otherwise), or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Class A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Class A Preferred Stock shall not be redeemable.

Section 9. Ranking. The Class A Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Articles of incorporation, as amended, of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Class A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Class A Preferred Stock voting separately as a Class.

Section 11. Fractional Shares. Class A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Class A Preferred Stock.

3. The date on which the foregoing amendment to the Articles of Incorporation of the Corporation was adopted was July 23, 1996.

4. The foregoing amendment to the Articles of Incorporation was duly adopted by the Board of Directors of the Corporation, and shareholder action was not required to adopt such amendment because the Articles of Incorporation permit the Board of Directors to fix designations, preferences, limitations and relative rights of series of the Corporation's preferred stock without shareholder approval and Section 55-6-03 of the North Carolina Business Corporation Act provides that articles of amendment so establishing the preferences, limitations or relative rights of a class or series of stock are effective without shareholder action.

5. These Articles of Amendment shall be effective at 8:01 a.m. (EDT) on the date of filing of these Articles of Amendment with the Secretary of State of North Carolina.

IN WITNESS WHEREOF, the undersigned has executed and subscribed this Articles of Amendment on this the 18th day of October, 1996.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Bruce A. Deerson
Bruce A. Deerson
Vice President and General Counsel

C200629100007

SOSID: 0333756
Date Filed: 10/18/2006 10:21:00 AM
Elaine F. Marshall
North Carolina Secretary of State
C200629100007

ARTICLES OF AMENDMENT
WITH RESPECT TO THE
JUNIOR PARTICIPATING CLASS B PREFERRED STOCK OF
MARTIN MARIETTA MATERIALS, INC.

Pursuant to Sections 55-6-02 and 55-10-06
of the Business Corporation Act
of the State of North Carolina

Martin Marietta Materials, Inc., a corporation organized and existing under the Business Corporation Act of the State of North Carolina (the "Corporation"), does hereby submit these Articles of Amendment for the purpose of amending its Articles of Incorporation to fix the preferences, limitations and relative rights of a series of a class of its shares:

1. The name of the Corporation is MARTIN MARIETTA MATERIALS, INC.

2. Pursuant to the authority conferred upon the Board of Directors by Article 2 of the Articles of Incorporation of this Corporation and in accordance with the provisions of Section 55-6-02 of the North Carolina Business Corporation Act, the Board of Directors has duly adopted an amendment to the Articles of Incorporation of the Corporation determining certain preferences, privileges, limitations and relative rights (within the limits set forth in Section 55-6-01 of the North Carolina Business Corporation Act) of a new series of the Corporation's Junior Participating Class B Preferred Stock, par value $0.01, before the issuance of any shares of such series, the text of which amendment reads in full as follows:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Articles of Incorporation, as amended, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Class B Preferred Stock" and the number of shares constituting such series shall be 200,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Class B Preferred Stock with respect to dividends, the holders of shares of Class B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Class B Preferred Stock, in an amount per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1000 times the

aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $.01 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Class B Preferred Stock. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Class B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Class B Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Class B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Class B Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Class B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Class B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Class B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than thirty (30) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Class B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Class B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Class B Preferred Stock were entitled immediately prior to such event shall be adjusted

by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Class B Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) (i) If at any time dividends on any Class B Preferred Stock shall be in arrears in an amount equal to four (4) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a “default period”) which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class B Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Class B Preferred Stock) with dividends in arrears in an amount equal to four (4) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Class B Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in Person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Class B Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of

Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than twenty (20) days and not later than sixty (60) days after such order or request or in default of the calling of such meeting within sixty (60) days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within sixty (60) days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Articles of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Articles of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Class B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Class B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Class B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class B Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Class B Preferred Stock, except dividends paid ratably on the Class B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Class B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Class B Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Class B Preferred Stock, or any shares of stock ranking on a parity with the Class B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Class B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class B Preferred Stock unless, prior thereto, the holders of shares of Class B Preferred Stock shall have received $10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment. Thereafter, the holders of the Class B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock. Following the payment of the foregoing, holders of Class B Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Class B Preferred Stock liquidation preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Class B Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock (by reclassification or otherwise), or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the aggregate amount to which holders of shares of the Class B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Class B Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock (by reclassification or otherwise), or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Class B Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such *event* and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Class B Preferred Stock shall not be redeemable.

Section 9. Ranking. The Class B Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. The Articles of Incorporation, as amended, of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Class B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Class B Preferred Stock voting separately as a class.

Section 11. Fractional Shares. Class B Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Class B Preferred Stock.

3. The date on which the foregoing amendment to the Articles of Incorporation of the Corporation was adopted was September 27, 2006.

4. The foregoing amendment to the Articles of Incorporation was duly adopted by the Board of Directors of the Corporation, and shareholder action was not required to adopt such amendment because the Articles of Incorporation permit the Board of Directors to fix designations, preferences, limitations and relative rights of series of the Corporation's preferred stock without shareholder approval and Section 55-6-02 of the North Carolina Business Corporation Act provides that articles of amendment so establishing the preferences, limitations or relative rights of a class or series of stock are effective without shareholder action.

5. These Articles of Amendment shall be effective at 8:01 a.m. (EDT) on the date of filing of these Articles of Amendment with the Secretary of State of North Carolina.

IN WITNESS WHEREOF, the undersigned has executed and subscribed this Articles of Amendment on this 17 day of October 2006.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn Bar
Name: Roselyn Bar
Tittle: Senior Vice President and General Counsel

ARTICLES OF AMENDMENT
OF

MARTIN MARIETTA MATERIALS, INC.

The undersigned corporation, organized under Chapter 55 of the North Carolina General Statutes, hereby submits these Articles of Amendment for the purpose of amending its Articles of Incorporation:

1. The name of the corporation is Martin Marietta Materials, Inc.

2. The following amendments to the Articles of Incorporation of the corporation were adopted by its shareholders on the 23rd day of May, 2013.

(a) The following is added as new Article 5(b)(iv) immediately following Article 5(b)(iii):

"(iv) Except as otherwise provided in these Articles, for the election of directors, other than with respect to a Contested Election (as defined below), by the shareholders at any annual meeting, or special meeting called for that purpose, at which a quorum is present each director shall be elected by a vote of the majority of the votes cast with respect to the election of such director by the shares entitled to vote in the election of directors at such meeting. In a Contested Election, directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at such a meeting at which a quorum is present. For purposes of this Article 5(b)(iv), a "vote of the majority of the votes cast" means a shareholder vote in which the number of votes cast "for" the election of a director exceeds the number of votes cast "against" that director's election. A "Contested Election" means an election of directors at a meeting of shareholders for the election of directors for which there are more nominees for election to the Board of Directors than open directorships on the Board of Directors to be filled pursuant to that election. In the event that, other than in a Contested Election, a nominee is not elected by a vote of the majority of the votes cast with respect to that nominee's election, the Board of Directors may decrease the number of directors, fill any vacancy or take other appropriate action."

(b) The final sentence of Article 5(a) is amended and restated to read as follows:

"By vote of a majority of the Board of Directors or shareholders of the Corporation, the number of directors of the Corporation may be increased or decreased, from time to time, within the range above specified."

(c) The final sentence of Article 5(b)(i) is deleted in its entirety.

(d) The final sentence of Article 5(b)(ii) is amended and restated to read as follows:

"A director shall hold office until the annual meeting for the year in which his or her term expires, and shall continue to hold office after the expiration of such term only until his or her successor shall be elected and shall qualify or until there is a decrease in the number of directors, subject, in each instance, however, to prior death, resignation, retirement, disqualification or removal from office."

(e) The first sentence of Article 5(c) is amended and restated to read as follows:

"Except for vacancies resulting from an increase in the number of directors, vacancies in the Board of Directors, including vacancies resulting from the failure of the shareholders to elect the full authorized number of directors, shall be filled only by a majority vote of the directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the shareholders may be filled by the shareholders at the same meeting at which such removal occurs."

(f) The final sentence of Article 5(c) is amended and restated to read as follows:

"No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director."

3. Shareholder approval of each of the foregoing amendments was obtained as required by Chapter 55 of the North Carolina General Statutes.

4. These Articles of Amendment will become effective upon filing with the North Carolina Secretary of State.

This the 21st day of February, 2014.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn R. Bar
Roselyn R. Bar
Senior Vice President, General Counsel and Corporate Secretary

EXHIBIT 10.05

**AMENDED AND RESTATED
MARTIN MARIETTA MATERIALS, INC.
COMMON STOCK PURCHASE PLAN
FOR DIRECTORS**

SECTION 1. Purpose. The purpose of the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (the "Plan") is to provide to non-employee directors of Martin Marietta Materials, Inc. (the "Company") the opportunity to elect to receive all or a portion of their retainer fees in the form of common stock of the Company and to elect to defer payment of all or a portion of such retainer fees. The Plan was adopted by the Board of Directors and approved by the Company's shareholders at the shareholders meeting held on September 27, 1996 and was amended and restated by resolution of the Board of Directors at its meeting on November 7, 1996 and further amended and restated by resolution of the Management Development and Compensation Committee of the Board of Directors effective November 18, 2008. The Plan is further amended and restated by resolution of the Management Development and Compensation Committee effective November 14, 2013.

SECTION 2. Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Annual Fees" means the amount paid by the Company to a Non-Employee Director as annual fees for services to be rendered as a member of the Board of Directors during any Plan Year, including annual retainer, meeting attendance fees and fees otherwise payable for acting on or as a member, or Chairman, of the Board of Directors or any committee thereof, but not including reimbursements of expenses.

(b) "Beneficiary" means a person designated by a Participant in accordance with Section 9 to receive the benefits specified hereunder in the event of the Participant's death or, if there is no surviving designated Beneficiary, the Participant's estate.

(c) "Board of Directors" means the Board of Directors of the Company.

(d) "Cash Deferral Account" means the account established and maintained by the Company for each Participant, which is to be credited, as set forth in Section 7, with the portion of a Participant's Annual Fees which is payable in cash and deferred pursuant to the Plan. Amounts credited to a Participant's Cash Deferral Account will be expressed as a dollar amount. Cash Deferral Accounts will be maintained by the Company solely as bookkeeping entries.

(e) "Committee" means the Management Development and Compensation Committee of the Board of Directors.

(f) "Director Purchase Price" means, with respect to each Fee Payment Date, the Fair Market Value of one share of Stock on such Fee Payment Date; provided, however, that the Board of Directors, in its sole discretion, may provide that the Director Purchase Price, with respect to all or a portion of the shares of Stock purchased or credited in the form of Stock Equivalents under the Plan, includes a percentage discount from the Fair Market Value of one share of Stock on any specific Fee Payment Date.

(g) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

(h) “Fair Market Value” means the closing price of a share of Stock on the relevant date or, if no sale was made on such date, then on the next preceding day on which such a sale was made (a) if the Stock is listed on the New York Stock Exchange (“NYSE”), as reported in the Wall Street Journal, or (b) if the Stock is not listed on the NYSE but is listed on the NASDAQ National Market System, then as reported on such system, or (c) if not listed on either the NYSE or the NASDAQ National Market System, as determined by the Board of Directors or Committee.

(i) “Fee Payment Date” means each date on which all or any portion of the Annual Fees is scheduled to be paid.

(j) “Financial Hardship” means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute a Financial Hardship will depend upon the facts of each case and will be determined by the Committee in its sole discretion, but distributions may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise or (ii) by liquidation of the Participant’s assets, to the extent the liquidation of such assets would not itself cause severe financial hardship.

(k) “Non-Employee Director” means a member of the Board of Directors who, on the first day of any Plan Year (or such later date as he is first elected or appointed to the Board of Directors), is not an employee of the Company or any affiliate thereof.

(l) “Participant” means any Non-Employee Director who elects under the Plan to receive payment of all or a portion of his or her Annual Fees in the form of Stock or to defer payment of all or a portion of his or her Annual Fees.

(m) “Plan Year” means each year beginning on the first day of January and ending on the 31st day of December.

(n) “Stock” means the common stock of the Company, $.01 par value per share.

(o) “Stock Deferral Account” means the account established and maintained by the Company for each Participant, which is to be credited, as set forth in Section 6, with the portion of a Participant’s Annual Fees which is payable in Stock and deferred pursuant to the Plan. Amounts credited to a Participant’s Stock Deferral Account will be expressed as a number of Stock Equivalents. Stock Deferral Accounts will be maintained by the Company solely as bookkeeping entries.

(p) "Stock Equivalent" means a unit of measurement which, when credited to the Stock Deferral Account of a Participant, shall represent the right to receive one share of Stock upon payment of amounts credited to such Stock Deferral Account.

SECTION 3. Participation.

(a) Only Non-Employee Directors may participate in the Plan. Participation in the Plan is voluntary, except as may be determined in accordance with Section 5(b).

(b) Prior to the December 15 preceding a Plan Year, or such other date(s) as determined by the Committee (but in no event later than the December 31 preceding the applicable Plan Year), each Non-Employee Director may irrevocably elect to participate in the Plan for the Plan Year by a written notice to the Committee described in Section 5; provided, however, that the Committee may establish procedures and forms which are applicable to all Non-Employee Directors under which Non-Employee Directors may elect to participate in the Plan on a prospective basis as of some other date(s) specified in such procedures; further, provided, however, that a Participant's election to participate in the Plan for any Plan Year shall remain in effect for subsequent Plan Years unless revoked or changed by the Participant prior to the December 15 preceding the Plan Year with respect to which such revocation or change is effective, or otherwise in accordance with Section 5(b).

(c) Notwithstanding paragraph (b) of this Section, a Non-Employee Director who first becomes a Non-Employee Director during any Plan Year will have 30 days following the date he first becomes a Non-Employee Director to elect to participate in the Plan for such Plan Year by a written notice, to the Committee described in Section 5; provided, however, that such election shall apply only to the portion of the Annual Fees earned following the date on which the Committee receives such written notice.

(d) Each election made pursuant to this Section 3 is subject to the approval of the Committee unless the Committee determines that such approval is not necessary to enable transactions in Stock pursuant to the Plan to qualify for the exemption provided by Rule 16b-3 promulgated under the Securities Exchange Act of 1934.

(e) A Participant ceases to be a Participant on the date he ceases to be a Non-Employee Director.

SECTION 4. Administration.

(a) The Committee shall serve as the administrator of the Plan. The Committee shall administer and enforce the Plan in accordance with its terms, and shall have all powers necessary to accomplish those purposes, including but not limited to the following:

(1) To compute and certify the amounts payable to Participants and their Beneficiaries;

(2) To maintain or to designate any person or entity to maintain all records necessary for the administration of the Plan;

(3) To make and publish such rules for the Plan as are not inconsistent with the terms hereof; and

(4) To provide for disclosure of such information, including reports and statements to Participants or Beneficiaries, and to provide for the making of applications and elections by Participants under the Plan as may be required by the Plan or otherwise deemed appropriate by the Committee

Notwithstanding the above, no person who serves on the Committee shall participate in any matter which involves solely a determination of the benefits payable to him or her under the Plan. Any action of the Committee with respect to the Plan shall be conclusive and binding upon all Participants and Beneficiaries except to the extent otherwise specifically indicated herein. The Committee may appoint agents and delegate thereto such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe.

(b) Annual Statements. As soon as practicable following the end of each Plan Year, the Committee shall furnish to each Participant a statement indicating the number of Stock Equivalents and the amount of cash credited to his or her Stock Deferral Account and his or her Cash Deferral Account as of the end of such Plan Year.

SECTION 5. Elections by Participants.

(a) Each Participant must irrevocably elect, in accordance with the procedure set forth in Section 3, the following:

(1) The percentages (up to 100% and in 10% increments) of his or her Annual Fees to be received in the form of Stock (at the Director Purchase Price on the applicable Fee Payment Date) and in the form of cash;

(2) A percentage (up to 100% and in 10% increments) of his or her Annual Fees to be received in the form of Stock to be deferred under the Plan and credited as Stock Equivalents to his or her Stock Deferral Account in accordance with Section 6(a) and a percentage (up to 100% and in 10% increments) of his or her Annual Fees to be received in the form of cash to be deferred under the Plan and credited to his or her Cash Deferral Account, in accordance with Section 7(a);

(3) Whether to receive payment of his or her Stock Deferral Account and Cash Deferral Account in the form of (i) a single lump sum or (ii) substantially equal annual installments for a period not to exceed ten years, subject to the limitations described in Section 8; and

(4) Whether payment of his or her Stock Deferral Account and Cash Deferral Account shall be paid, or commence to be paid, on:

(i) the date he ceases to be a Non-Employee Director by reason of his or her "separation from service" (within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision) with the Company;

(ii) the date that is one month and one year following the date he ceases to be a Non-Employee Director by reason of his or her "separation from service" (within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision) with the Company, subject to the limitations described in Section 8;

(iii) effective for Annual Fees earned for services performed for any Plan Year beginning after 2013, the date elected by the Participant, provided that the earliest permissible Fee Payment Date is the first trading day of the third calendar year beginning after the date on which Annual Fees would have been paid but for the deferral of such Annual Fees under the Plan and the latest permissible Fee Payment Date is the first trading day of the tenth calendar year beginning after the calendar year in which Annual Fees would have been paid but for the deferral of such Annual Fees under the Plan; or

(iv) effective for Annual Fees earned for services performed for any Plan Year beginning after 2013, the earlier of (A) the date specified in Section 5(a)(4)(iii) or (B) one of the dates referenced in Section 5(a)(4)(i) or (ii).

A Participant who is in active service as a Non-Employee Director may also file a subsequent election to delay the previously-scheduled Fee Payment Date (and to change the form of such payment from lump sum to installments or from installments to a lump sum) with respect to Annual Fees deferred under this Section 5(a)(4) to a later Fee Payment Date that is not earlier than the fifth anniversary of the previously-scheduled Fee Payment Date or later than the 10th anniversary of the previously-scheduled Fee Payment Date, provided that such a subsequent deferral election shall only be honored and shall not be recognized unless the Committee receives such subsequent election more than one year before the scheduled or re-scheduled Fee Payment Date.

In the event the Annual Fees of a Participant are increased during any Plan Year, his or her elections in effect shall apply to the amount of such increase.

(b) Notwithstanding the Participant's elections made in accordance with Section 5(a), prior to the December 15 preceding a Plan Year, the Board of Directors may, in its sole discretion:

(i) determine the portion of each Non-Employee Director's Annual Fees which must be paid in Stock for the next following Plan Year; and

(ii) mandate that any or all Annual Fees paid in cash or Stock be deferred in accordance with the Participant's elections under Sections 5(a)(3) and (4);

provided, however, that the Board of Directors' determination for any Plan Year shall remain in effect for subsequent Plan Years unless changed by the Board of Directors prior to the December 15 preceding the Plan Year with respect to which such change is effective. If the Board of Directors makes such a determination, the Participant's election under Section 5(a)(1) and Section 5(a)(2) above with respect to all Plan Years shall be calculated only with respect to any excess amount of the Annual Fees remaining after payment or deferral is made in accordance with the Board of Directors' determination, and the Participant's election under Sections 5(a)(3) and (4) above shall remain in effect and apply to the amount of Annual Fees payable in cash and Stock after application of the previous sentence. In the event a Non-Employee Director has failed to make an election under Section 5(a)(3), he or she will automatically receive payment of his or her Stock Deferral Account and Cash Deferral Account in the form of a single lump sum. In the event a Non-Employee Director has failed to make an election under Section 5(a)(4), he or she will automatically receive payment of his or her Stock Deferral Account and Cash Deferral Account on the date he or she ceases to be a Non-Employee Director by reason of his or her "separation from service" (within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision) with the Company.

SECTION 6. Stock Deferral Accounts.

(a) Crediting of Annual Fees. The percentage of each Participant's Annual Fees which are to be received in the form of Stock and deferred with respect to a Plan Year in accordance with Section 5 shall be credited to the Participant's Stock Deferral Account on each Fee Payment Date during the Plan Year, and shall be converted into that number of Stock Equivalents (rounded up to the nearest whole share) equal to the amount so credited divided by the Director Purchase Price.

(b) Crediting of Dividend Equivalents. In the event a dividend is paid in respect of the Stock, an amount equal to such dividend multiplied by the number of Stock Equivalents credited to a Participant's Stock Deferral Account as of the record date for such dividend shall be credited to the Participant's Cash Deferral Account, effective as of the date such dividend is actually paid on the Stock.

(c) Adjustments to Deferral Accounts. The number of Stock Equivalents credited to each Participant's Stock Deferral Account shall be appropriately and equitably adjusted to reflect the occurrence of any merger, consolidation, recapitalization, stock split, reverse stock split, stock dividend or other non-cash distribution affecting the outstanding Stock. Such adjustments shall be made by the direction of the Committee.

(d) Effect of Payments. The number of Stock Equivalents credited to a Participant's Stock Deferral Account shall be reduced by the number of shares of Stock actually paid to such Participant or his or her Beneficiary under the Plan.

(e) Vesting. The interest of a Participant in any amounts payable with respect to a Stock Deferral Account shall be at all times fully vested and non-forfeitable.

SECTION 7. Cash Deferral Accounts.

(a) Crediting of Annual Fees and Dividend Equivalents. The percentage of each Participant's Annual Fees which are to be received in the form of cash and deferred with respect to a Plan Year in accordance with Section 5 shall be credited to the Participant's Cash Deferral Account on each Fee Payment Date during the Plan Year. Dividend Equivalents will be credited to a Participant's Cash Deferral Account in accordance with Section 6(b).

(b) Crediting of Interest. Interest shall be credited on and posted to each Cash Deferral Account as of the last day of each calendar month beginning the first calendar month following the effective date of the first deferral and ending the last calendar month immediately preceding the date on which such amounts are distributed to the Participant, at an annual rate as determined by the Committee.

(c) Effect of Payments. The amount of cash credited to a Participant's Cash Deferral Account shall be reduced by the amount of cash paid to such Participant or his or her Beneficiary under the Plan.

(d) Vesting. The interest of a Participant in any amounts payable with respect to a Cash Deferral Account shall be at all times fully vested and non-forfeitable.

SECTION 8. Payments.

(a) General. At each time payment of all or a portion of a Participant's Stock Deferral Account and/or Cash Deferral Account is due pursuant to an election made in accordance with Section 5 (or pursuant to the death of a Participant in accordance with Section 8(c)), the Company shall pay Stock and cash directly to such Participant or his or her Beneficiary in an amount equal to the portion of his or her Stock Deferral Account and/or Cash Deferral Account which is so payable. Payable amounts expressed in the form of Stock Equivalents shall be paid in Stock, and payable amounts expressed in the form of cash shall be paid in cash. The Company shall make such payment directly to the Participant from its general assets and authorized but unissued Stock.

(b) Timing and Form of Payment. The payment of a Participant's Stock Deferral Account and Cash Deferral Account shall commence on the date, and in the form, selected by the Participant in the election described in Section 5; provided, however, if, as a result of a failure of this Plan to meet the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, any portion of a Participant's Stock Deferral Account or Cash Deferral Account (or the value thereof) becomes taxable to such Participant prior to the time such Stock Deferral Account or Cash Deferral Account is actually distributed to such Participant, the Committee shall accelerate the payment of a portion of such Stock Deferral Account or Cash Deferral Account to such Participant in an amount equal to the amount that is required to be included in the income of such Participant as a result of such failure. This Section 8(b) is intended to comply with, and shall at all times be construed as complying with, Treas. Reg. 1.409A-3(j)(4)(vii).

(c) Payment Upon Death. If a Participant dies before payment of his or her Stock Deferral Account and Cash Deferral Account is completed, the balance remaining in such accounts shall be paid to the Participant's Beneficiary in one lump sum as soon as practicable following the Participant's death.

(d) Dividends. Stock Equivalents credited to a Participant's Stock Deferral Account shall continue to be credited with dividends as described in Section 6(b) notwithstanding that such Participant has ceased to be a Non-Employee Director.

(e) Interest. Cash credited to a Participant's Cash Deferral Account shall continue to be credited with interest as described in Section 7(b) notwithstanding that such Participant has ceased to be a Non-Employee Director.

(f) Financial Hardship. Notwithstanding anything herein to the contrary, a Participant may request and receive a hardship distribution, provided the Participant is able to demonstrate, to the satisfaction of the Committee, that he has suffered a Financial Hardship. A hardship distribution request must be made on the form provided by the Committee and is subject to the discretion of the Committee. The amount distributed cannot exceed the lesser of (a) the aggregate of the Participant's Cash Deferral Account and Stock Deferral Account, or (b) the amount necessary to satisfy the Participant's Financial Hardship. No distribution may be made prior to the time the Committee approves the distribution. This Section 8(f) is intended to comply with, and shall at all times be construed as complying with, Treas. Reg. 1.409A-3(i)(3).

SECTION 9. Designation of Beneficiaries. A Participant may designate one or more Beneficiaries to receive the amounts payable from the Participant's Stock Deferral Account and Cash Deferral Account under the Plan in the event of such Participant's death. Such designations shall be made on forms provided by the Committee. A Participant may from time to time change his or her designated Beneficiaries, without the consent of such Beneficiaries, by filing a new designation in writing with the Committee. The Company and Committee may rely conclusively upon the Beneficiary designation last filed in accordance with the terms of the Plan.

SECTION 10. Amendments to the Plan; Termination of the Plan. The Board of Directors or the Committee may amend, alter, suspend, discontinue or terminate the Plan without the consent of any Participant; provided, however, that no such amendment, alteration, suspension, discontinuation, or termination of the Plan shall materially and adversely affect the rights of such Participant with respect to payment of amounts previously credited to such Participant's Stock Deferral Account and Cash Deferral Account. The Plan has no fixed termination date. However, if the Plan is terminated in a manner consistent with the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix), the Committee may, in its sole discretion, accelerate the payment of Participants' Stock Deferral Accounts or Cash Deferral Accounts in the form of a single lump sum regardless of any elections made by such Participants pursuant to Section 5(a).

SECTION 11. General Provisions.

(a) Limits on Transfer of Rights; Beneficiaries. No right or interest of a Participant under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or his or her Beneficiary, or shall be transferable by a Participant otherwise than by will or the laws of descent and distribution; provided, however, that a Participant may designate a Beneficiary in accordance with Section 9 to receive any payment under the Plan in the event of death of the Participant. A Beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan applicable to such Participant.

(b) Status of the Plan. The Plan is intended to be "unfunded" for Federal income tax purposes. The Plan shall not cover any employee of the Company and is not intended to be subject to ERISA. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general creditor of the Company.

(c) No Rights of a Shareholder. No Participant shall have any of the rights or privileges of a shareholder of the Company as a result of the making of an election under Section 5 of the Plan, or as a result of the establishing of or crediting of any amounts to a Stock Deferral Account under the Plan, until Stock is actually distributed to the Participant pursuant to Section 8 of the Plan.

(d) No Right to Continued Election as a Director. Nothing contained in the Plan shall confer, and no establishment of or crediting of any amounts to a Stock Deferral Account or Cash Deferral Account shall be construed as conferring, upon any Participant, any right to continue as a member of the Board of Directors, or to interfere in any way with the right of the Company to increase or decrease the amount of the Annual Fees, or any other compensation payable to Non-Employee Directors.

(e) Plan Expenses. All expenses and costs incurred in connection with the operation of the Plan shall be borne by the Company.

(f) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of North Carolina, without giving effect to principles of conflicts of laws.

(g) Interpretation. Whenever necessary or appropriate in the Plan, where the context admits, the singular term and the related pronouns shall include the plural and the masculine gender shall include the feminine gender.

EXHIBIT 10.14

MARTIN MARIETTA MATERIALS, INC.

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (the “Award Agreement”), made as of , 20 , between Martin Marietta Materials, Inc., a North Carolina corporation (the “Corporation”), and «Name», «Address», «City_Zip» (the “Director”).

1. GRANT

Pursuant to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (the “Plan”), the Corporation hereby grants the Director Restricted Stock Units on the terms and conditions contained in this Award Agreement, and subject to the terms and conditions of the Plan. The term “Restricted Stock Unit” or “Unit(s)” as used in this Award Agreement refers only to the Restricted Stock Units awarded to the Director under this Award Agreement.

2. GRANT DATE

The Grant Date is , 20 .

3. RESTRICTION PERIOD

The Restricted Stock Units granted hereby shall vest immediately, but Common Stock issuable with respect to Restricted Stock Units shall be delivered as provided in Section 5.

4. DIVIDEND EQUIVALENTS

On each date that dividends are paid (each a “Dividend Payment Date”) on shares of the Corporation’s common stock, par value $0.01 per share (the “Common Stock”) with respect to which the record date (the “Record Date”) occurs before the conversion date, the Corporation will credit to an account for the Director an amount equal to the dividend paid on a share of the Common Stock multiplied by the number of Restricted Stock Units. These dividend equivalent amounts shall be paid (without interest) to the Director quarterly on each March 31, June 30, September 30 and December 31 during the period beginning on the date of this Award and ending on the conversion date; provided, however, that if any such date falls on a non-business day, such payment will be made on the business day immediately prior to such date. Any remaining dividend equivalent amounts credited to the account of the Director on the date that the Restricted Stock Units are converted to shares of Common Stock, or subsequently credited to such account with respect to a Record Date that occurs before the conversion date, shall be paid to the Director on the next successive Dividend Payment Date. The dividend equivalent amounts shall be paid from the general assets of the Corporation and shall be treated and reported as additional compensation for the year in which payment is made.

5. AWARD PAYOUT

(a) (i) Except as otherwise provided in an election form provided by the Director on or before December 15 of the calendar year preceding the calendar year in which this Award is granted (or, for a newly-elected director, before the effective date of the Director's commencement of service as a Director) (the "Election Form"), fifty percent (50%) of the Restricted Stock Units granted hereunder will be converted into shares of Common Stock and delivered to the Director as soon as practicable following termination of the Director's service on the Board (but in no event later than 60 days following such termination of service).

(ii) The other fifty percent (50%) (or, if the Director files an Election Form, the percentage not deliverable as provided in Section 5(a)(i)) of the Restricted Stock Units granted hereunder will be converted into shares of Common Stock and delivered to the Director as soon as practicable following the Grant Date.

(iii) The Director may file an Election Form to increase the percentage of Restricted Stock Units granted hereunder that are deliverable as provided in Section 5(a)(i) from fifty percent (50%) to any whole percentage greater than fifty percent (50%) and less than or equal to one hundred percent (100%).

(iv) For purposes of determining the number of shares of Common Stock deliverable to the Director under this Section 5, the conversion from Units to Common Stock will be one Unit for one share of Common Stock.

(b) Notwithstanding Section 5(a), if the Director dies while serving on the Board of the Corporation, then all outstanding Units shall be converted into shares of Common Stock and delivered to the Director's estate or beneficiary.

6. TRANSFERABLE ONLY UPON DEATH

This Restricted Stock Unit grant shall not be assignable or transferable by the Director except by will or the laws of descent and distribution.

7. TAX WITHHOLDING

Except as otherwise required by law, the Corporation will not withhold any taxes at the time of vesting or distribution in accordance with Section 5. The Director is responsible for the payment of any applicable taxes.

8. CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 11 of the Plan, all outstanding Units shall convert to shares of Common Stock. Such shares will be distributed no later than 2 $^{1}/_{2}$ months following the date of such change in control.

9. AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 8 of the Plan, subject to certain limitations contained within Section 8, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Management Development and Compensation Committee of the Board of Directors may at any time alter or amend all Award Agreements under the Plan. Notwithstanding Section 8 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of this Award Agreement shall accelerate any distribution under the Plan or, except with the Director's express written consent, adversely affect any Restricted Stock Unit granted under this Award Agreement; provided, however, that the Board of Directors or the Management Development and Compensation Committee may amend the Plan or this Award Agreement to the extent it deems appropriate to cause this Agreement or the Units hereunder to comply with Section 409A (including the distribution requirements thereunder) or be exempt from Section 409A or the tax penalty under Section 409A(a)(1)(B). If the Plan and the Award Agreement are terminated in a manner consistent with the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix), the Board of Directors may, in its sole discretion, accelerate the conversion of Units to shares of Common Stock and immediately distribute such shares of Common Stock to the Director.

10. EXECUTION OF AWARD AGREEMENT

No Restricted Stock Unit granted under this Award Agreement is distributable nor is this Award Agreement enforceable until this Award Agreement has been fully executed by the Corporation and the Director. By executing this Award Agreement, the Director shall be deemed to have accepted and consented to any action taken under the Plan by the Management Development and Compensation Committee, the Board of Directors or their delegates.

11. MISCELLANEOUS

(a) Nothing contained in the Award Agreement confers on the Director the rights of a shareholder with respect to this Restricted Stock Unit award.

(b) For purposes of this Award Agreement, the Director will be considered to be in the Service of the Corporation during an approved leave of absence unless otherwise provided in an agreement between the Director and the Corporation.

(c) Nothing contained in this Award Agreement or in any Restricted Stock Unit granted hereunder shall confer upon any Director any right of continued service by the Corporation, expressed or implied, nor limit in any way the right of the Corporation to terminate the Director's service on the board at any time.

(d) Except as provided under Section 6 herein, neither these Units nor any of the rights or obligations hereunder shall be assigned or delegated by either party hereto.

13. NOTICES

Notices and all other communications provided for in this Award Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight mail courier service, postage prepaid, addressed as follows:

If to the Director, to the address set forth
in the first paragraph in this Award Agreement.

If to the Corporation, to:

Martin Marietta Materials, Inc.
2710 Wycliff Road
Raleigh, NC 27607
Fax: (919) 783-4535
Attn: Corporate Secretary

or to such other address or such other person as the Director or the Corporation shall designate in writing in accordance with this Section 12, except that notices regarding changes in notices shall be effective only upon receipt.

14. GOVERNING LAW

This Award Agreement shall be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Corporation has caused this Award Agreement to be executed and the Director has hereunto set his hand as of the day and year first above written.

MARTIN MARIETTA MATERIALS, INC.

By: ______________________________
Corporate Secretary

DIRECTOR

By: ______________________________
«Name»

EXHIBIT 12.01

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

For the Year Ended December 31, 2013

(add 000, except ratio)

EARNINGS:	
Earnings before income taxes*	$ 166,131
Loss from less than 50%-owned associated companies, net	241
Interest expense**	53,467
Portion of rents representative of an interest factor	12,944
Adjusted Earnings and Fixed Charges	$ 232,783
FIXED CHARGES:	
Interest expense**	$ 53,467
Capitalized interest	1,792
Portion of rents representative of an interest factor	12,944
Total Fixed Charges	$ 68,203
Ratio of Earnings to Fixed Charges	3.41

* Represents earnings from continuing operations less net earnings attributable to noncontrolling interests.

** Interest expense excluded $1,446 accrued for the interest expense component associated with uncertain tax provisions.

STATEMENT OF FINANCIAL RESPONSIBILITY AND REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Martin Marietta Materials, Inc., is responsible for the consolidated financial statements, the related financial information contained in this 2013 Annual Report and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta Materials, Inc., at December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2013, include amounts based on estimates and judgments and have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, accountability for assets is maintained and financial statements are prepared and presented fairly in accordance with accounting principles generally accepted in the United States. Internal control systems over financial reporting have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

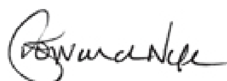
The Corporation operates in an environment that establishes an appropriate system of internal control over financial reporting and ensures that the system is maintained, assessed and monitored on a periodic basis. This internal control system includes examinations by internal audit staff and oversight by the Audit Committee of the Board of Directors.

The Corporation's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements that document the Corporation's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of the *Code of Ethics and Standards of Conduct* booklet and through ongoing education and review programs designed to create a strong commitment to ethical business practices.

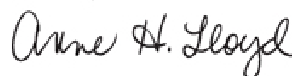
The Audit Committee of the Board of Directors, which consists of four independent, nonemployee directors, meets periodically and separately with management, the independent auditors and the internal auditors to review the activities of each. The Audit Committee meets standards established by the Securities and Exchange Commission and the New York Stock Exchange as they relate to the composition and practices of audit committees.

Management of Martin Marietta Materials, Inc., assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO). Based on management's assessment under the framework in *Internal Control — Integrated Framework*, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2013.

The consolidated financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm, whose reports appear on the following pages.



C. Howard Nye
President and Chief Executive Officer



Anne H. Lloyd
Executive Vice President
and Chief Financial Officer

February 24, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Martin Marietta Materials, Inc.

We have audited Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Martin Marietta Materials, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Statement of Financial Responsibility and Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

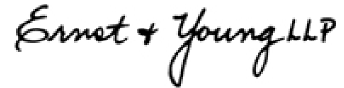
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Martin Marietta Materials, Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Martin Marietta Materials, Inc., as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2013, of Martin Marietta Materials, Inc., and our report dated February 24, 2014, expressed an unqualified opinion thereon.



Raleigh, North Carolina

February 24, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

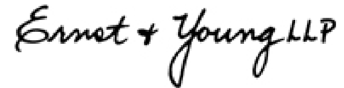
Board of Directors and Shareholders
Martin Marietta Materials, Inc.

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc., as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Marietta Materials, Inc., at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 24, 2014, expressed an unqualified opinion thereon.



Raleigh, North Carolina

February 24, 2014

CONSOLIDATED STATEMENTS OF EARNINGS *for years ended December 31*

(add 000, except per share)	**2013**	2012	2011
Net Sales	**$1,943,218**	$1,832,957	$1,519,754
Freight and delivery revenues	**212,333**	198,944	193,862
Total revenues	**2,155,551**	2,031,901	1,713,616
Cost of sales	**1,579,261**	1,505,823	1,217,752
Freight and delivery costs	**212,333**	198,944	193,862
Total cost of revenues	**1,791,594**	1,704,767	1,411,614
Gross Profit	**363,957**	327,134	302,002
Selling, general and administrative expenses	**150,091**	138,398	124,138
Business development costs	**671**	35,140	18,575
Other operating income, net	**(4,793)**	(2,574)	(1,720)
Earnings from Operations	**217,988**	156,170	161,009
Interest expense	**53,467**	53,339	58,586
Other nonoperating expenses and (income), net	**295**	(1,299)	1,834
Earnings from continuing operations before taxes on income	**164,226**	104,130	100,589
Taxes on income	**44,045**	17,431	21,003
Earnings from Continuing Operations	**120,181**	86,699	79,586
(Loss) gain on discontinued operations, net of related tax (benefit) expense of $(417), $(801) and $2,191, respectively	**(749)**	(1,172)	3,987
Consolidated net earnings	**119,432**	85,527	83,573
Less: Net (loss) earnings attributable to noncontrolling interests	**(1,905)**	1,053	1,194
Net Earnings Attributable to Martin Marietta Materials, Inc.	**$ 121,337**	$ 84,474	$ 82,379
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.			
Earnings from continuing operations	**$ 122,086**	$ 85,646	$ 78,392
Discontinued operations	**(749)**	(1,172)	3,987
	$ 121,337	$ 84,474	$ 82,379
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc. Per Common Share (see Note A)			
— Basic from continuing operations attributable to common shareholders	**$ 2.64**	$ 1.86	$ 1.70
— Discontinued operations attributable to common shareholders	**(0.02)**	(0.03)	0.09
	$ 2.62	$ 1.83	$ 1.79
— Diluted from continuing operations attributable to common shareholders	**$ 2.63**	$ 1.86	$ 1.69
— Discontinued operations attributable to common shareholders	**(0.02)**	(0.03)	0.09
	$ 2.61	$ 1.83	$ 1.78
Weighted-Average Common Shares Outstanding			
— Basic	**46,164**	45,828	45,652
— Diluted	**46,285**	45,970	45,793

The notes on pages 14 through 39 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS *for years ended December 31*

(add 000)	**2013**	2012	2011
Consolidated Net Earnings	**$119,432**	$ 85,527	$ 83,573
Other comprehensive earnings (loss), net of tax:			
Defined benefit pension and postretirement plans:			
Net gain (loss) arising during period, net of tax of $36,294, $(19,724) and $(21,911), respectively	**55,472**	(30,147)	(39,544)
Prior service credit arising during period, net of tax $4,112 in 2011	**—**	—	6,285
Amortization of prior service credit, net of tax of $(1,111), $(1,103) and $(477), respectively	**(1,696)**	(1,686)	(729)
Amortization of actuarial loss, net of tax of $6,211, $4,799 and $2,468, respectively	**9,493**	7,335	3,771
Amount recognized in net periodic pension cost due to settlement, net of tax of $289, $308 and $148, respectively	**440**	471	227
	63,709	(24,027)	(29,990)
Foreign currency translation (loss) gain	**(2,255)**	1,081	(853)
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of $438, $409 and $381, respectively	**670**	625	582
	62,124	(22,321)	(30,261)
Consolidated comprehensive earnings	**181,556**	63,206	53,312
Less: Comprehensive (loss) earnings attributable to noncontrolling interests	**(1,836)**	1,011	1,163
Comprehensive Earnings Attributable to Martin Marietta Materials, Inc.	**$183,392**	$ 62,195	$ 52,149

The notes on pages 14 through 39 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS *at December 31*

Assets (add 000)	**2013**	2012
Current Assets:		
Cash and cash equivalents	**$ 42,437**	$ 25,394
Accounts receivable, net	**245,421**	224,050
Inventories, net	**347,307**	332,311
Current deferred income tax benefits	**74,821**	77,716
Other current assets	**45,380**	40,930
Total Current Assets	**755,366**	700,401
Property, plant and equipment, net	**1,799,241**	1,753,241
Goodwill	**616,621**	616,204
Other intangibles, net	**48,591**	50,433
Other noncurrent assets	**40,007**	40,647
Total Assets	**$3,259,826**	$3,160,926

Liabilities and Equity (add 000, except parenthetical share data)		
Current Liabilities:		
Bank overdraft	**$ 2,556**	$ —
Accounts payable	**103,600**	83,537
Accrued salaries, benefits and payroll taxes	**18,114**	19,461
Pension and postretirement benefits	**2,026**	6,851
Accrued insurance and other taxes	**29,103**	28,682
Current maturities of long-term debt and short-term facilities	**12,403**	5,676
Other current liabilities	**42,747**	29,128
Total Current Liabilities	**210,549**	173,335
Long-term debt	**1,018,518**	1,042,183
Pension, postretirement and postemployment benefits	**78,489**	183,122
Noncurrent deferred income taxes	**279,999**	225,592
Other noncurrent liabilities	**97,352**	86,395
Total Liabilities	**1,684,907**	1,710,627
Equity:		
Common stock ($0.01 par value; 100,000,000 shares authorized; 46,261,000 and 46,002,000 shares outstanding at December 31, 2013 and 2012, respectively)	**461**	459
Preferred stock ($0.01 par value; 10,000,000 shares authorized; no shares outstanding)	**—**	—
Additional paid-in capital	**432,792**	414,657
Accumulated other comprehensive loss	**(44,114)**	(106,169)
Retained earnings	**1,148,738**	1,101,598
Total Shareholders' Equity	**1,537,877**	1,410,545
Noncontrolling interests	**37,042**	39,754
Total Equity	**1,574,919**	1,450,299
Total Liabilities and Equity	**$3,259,826**	$3,160,926

The notes on pages 14 through 39 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS *for years ended December 31*

(add 000)	**2013**	2012	2011
Cash Flows from Operating Activities:			
Consolidated net earnings	**$ 119,432**	$ 85,527	$ 83,573
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	**173,761**	177,211	173,407
Stock-based compensation expense	**7,008**	7,781	11,522
Gains on divestitures and sales of assets	**(2,265)**	(956)	(15,494)
Deferred income taxes	**24,113**	13,929	11,324
Excess tax benefits from stock-based compensation transactions	**(2,368)**	(777)	—
Other items, net	**(429)**	2,073	1,598
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	**(22,523)**	(20,302)	(19,375)
Inventories, net	**(11,639)**	(9,640)	(5,107)
Accounts payable	**20,063**	(8,673)	30,387
Other assets and liabilities, net	**3,798**	(23,484)	(12,741)
Net Cash Provided by Operating Activities	**308,951**	222,689	259,094
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	**(155,233)**	(151,023)	(155,363)
Acquisitions, net	**(64,478)**	(160)	(91,569)
Proceeds from divestitures and sales of assets	**8,564**	9,973	8,008
Loan to affiliate	**(3,402)**	(2,000)	—
Net Cash Used for Investing Activities	**(214,549)**	(143,210)	(238,924)
Cash Flows from Financing Activities:			
Borrowings of long-term debt	**604,417**	181,000	495,000
Repayments of long-term debt	**(621,142)**	(193,655)	(470,450)
Debt issuance costs	**(2,148)**	(621)	(3,329)
Change in bank overdraft	**2,556**	—	(2,123)
Payments on capital lease obligations	**(28)**	—	—
Dividends paid	**(74,197)**	(73,767)	(73,648)
Distributions to owners of noncontrolling interests	**(876)**	(800)	(1,000)
Purchase of remaining interest in existing subsidiaries	**—**	—	(10,394)
Issuances of common stock	**11,691**	6,959	1,473
Excess tax benefits from stock-based compensation transactions	**2,368**	777	—
Net Cash Used for Financing Activities	**(77,359)**	(80,107)	(64,471)
Net Increase (Decrease) in Cash and Cash Equivalents	**17,043**	(628)	(44,301)
Cash and Cash Equivalents, beginning of year	**25,394**	26,022	70,323
Cash and Cash Equivalents, end of year	**$ 42,437**	$ 25,394	$ 26,022
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	**$ 52,034**	$ 53,039	$ 60,740
Cash paid for income taxes	**$ 23,491**	$ 12,826	$ 13,889

The notes on pages 14 through 39 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(add 000, except per share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Total Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2010	45,579	$ 455	$ 396,485	$ (53,660)	$1,082,160	$ 1,425,440	$ 42,819	$1,468,259
Consolidated net earnings	—	—	—	—	82,379	82,379	1,194	83,573
Other comprehensive loss	—	—	—	(30,230)	—	(30,230)	(31)	(30,261)
Dividends declared ($1.60 per common share)	—	—	—	—	(73,648)	(73,648)	—	(73,648)
Issuances of common stock for stock award plans	147	1	(2,406)	—	—	(2,405)	—	(2,405)
Stock-based compensation expense	—	—	11,522	—	—	11,522	—	11,522
Distributions to owners of noncontrolling interests	—	—	—	—	—	—	(1,000)	(1,000)
Purchase of remaining interest in existing subsidiaries	—	—	(3,737)	—	—	(3,737)	(3,439)	(7,176)
Balance at December 31, 2011	45,726	456	401,864	(83,890)	1,090,891	1,409,321	39,543	1,448,864
Consolidated net earnings	—	—	—	—	84,474	84,474	1,053	85,527
Other comprehensive loss	—	—	—	(22,279)	—	(22,279)	(42)	(22,321)
Dividends declared ($1.60 per common share)	—	—	—	—	(73,767)	(73,767)	—	(73,767)
Issuances of common stock for stock award plans	276	3	5,012	—	—	5,015	—	5,015
Stock-based compensation expense	—	—	7,781	—	—	7,781	—	7,781
Distributions to owners of noncontrolling interests	—	—	—	—	—	—	(800)	(800)
Balance at December 31, 2012	46,002	459	414,657	(106,169)	1,101,598	1,410,545	39,754	1,450,299
Consolidated net earnings	**—**	**—**	**—**	**—**	**121,337**	**121,337**	**(1,905)**	**119,432**
Other comprehensive loss	**—**	**—**	**—**	**62,055**	**—**	**62,055**	**69**	**62,124**
Dividends declared ($1.60 per common share)	**—**	**—**	**—**	**—**	**(74,197)**	**(74,197)**	**—**	**(74,197)**
Issuances of common stock for stock award plans	**259**	**2**	**11,127**	**—**	**—**	**11,129**	**—**	**11,129**
Stock-based compensation expense	**—**	**—**	**7,008**	**—**	**—**	**7,008**	**—**	**7,008**
Distributions to owners of noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(876)**	**(876)**
Balance at December 31, 2013	**46,261**	**$ 461**	**$ 432,792**	**$ (44,114)**	**$1,148,738**	**$ 1,537,877**	**$ 37,042**	**$1,574,919**

The notes on pages 14 through 39 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note A: Accounting Policies

Organization. Martin Marietta Materials, Inc., (the "Corporation") is engaged principally in the construction aggregates business. The aggregates product line accounted for 69% of consolidated 2013 net sales and includes crushed stone, sand and gravel, and is used for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, agricultural, utility and environmental industries. These aggregates products, along with the Corporation's vertically-integrated operations, i.e., asphalt products, ready mixed concrete and road paving construction services (which accounted for 19% of consolidated 2013 net sales), are sold and shipped from a network of nearly 300 quarries, distribution facilities and plants to customers in 30 states, Canada, the Bahamas and the Caribbean Islands. The aggregates and vertically-integrated operations are reported collectively as the "Aggregates business". As of December 31, 2013, the Aggregates business contains the following reportable segments: Mid-America Group, Southeast Group and West Group. The Mid-America Group operates in Indiana, Iowa, Kentucky, Maryland, Minnesota, eastern Nebraska, North Carolina, North Dakota, Ohio, South Carolina, Virginia, Washington and West Virginia. The Southeast Group has operations in Alabama, Florida, Georgia, Mississippi, Tennessee, Nova Scotia and the Bahamas. The West Group operates in Arkansas, Colorado, Kansas, Louisiana, Missouri, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming. The following states accounted for 59% of the Aggregates business' 2013 net sales: Texas, North Carolina, Colorado, Iowa and Georgia.

In addition to the Aggregates business, the Corporation has a Specialty Products segment, accounting for 12% of consolidated 2013 net sales, that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

Use of Estimates. The preparation of the Corporation's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangible assets and other long-lived assets and assumptions used in the calculation of taxes on income and retirement and other postemployment benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. Changes in credit, equity and energy markets and changes in construction activity increase the uncertainty inherent in certain of these estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, are reflected in the financial statements for the period in which the change in estimate occurs.

Basis of Consolidation. The consolidated financial statements include the accounts of the Corporation and its wholly-owned and majority-owned subsidiaries. Partially-owned affiliates are either consolidated or accounted for at cost or as equity investments, depending on the level of ownership interest or the Corporation's ability to exercise control over the affiliates' operations. Intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition. Total revenues include sales of materials and services provided to customers, net of discounts or allowances, if any, and include freight and delivery costs billed to customers. Revenues for product sales are recognized when risks associated with ownership have passed to unaffiliated customers. Typically, this occurs when finished products are shipped. Revenues derived from the road paving business are recognized using the percentage completion method under the revenue-cost approach. Under the revenue-cost approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Recognized costs equal the total estimated contract cost multiplied by the percentage of completion.

Freight and Delivery Costs. Freight and delivery costs represent pass-through transportation costs incurred and paid by the Corporation to third-party carriers to deliver products to customers. These costs are then billed to the Corporation's customers.

Cash and Cash Equivalents. Cash equivalents are comprised of highly-liquid instruments with original maturities of three months or less from the date of purchase. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in operating cash through short-term borrowing facilities. The Corporation utilizes excess cash to either pay down short-term borrowings or invest in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to $250,000. The Corporation's deposits in bank funds generally exceed the $250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over $100,000,000 to be maintained at any one bank.

Customer Receivables. Customer receivables are stated at cost. The Corporation does not charge interest on customer accounts receivable. The Corporation records an allowance for doubtful accounts, which includes a provision for probable losses based on historical write offs and a specific reserve for accounts greater than $50,000 deemed at risk. The Corporation writes off customer receivables as bad debt expense when it becomes apparent based upon customer facts and circumstances that such amounts will not be collected.

Inventories Valuation. Inventories are stated at the lower of cost or market. Costs for finished products and in process inventories are determined by the first-in, first-out method. The Corporation records an allowance for finished product inventories in excess of sales for a twelve-month period, as measured by historical sales. The Corporation also establishes an allowance for expendable parts over five years old and supplies over one year old.

Post-production stripping costs, which represent costs of removing overburden and waste materials to access mineral deposits, are recorded as a component of inventory and recognized in cost of sales in the same period as the revenue from the sale of the inventory.

Properties and Depreciation. Property, plant and equipment are stated at cost. The estimated service lives for property, plant and equipment are as follows:

Class of Assets	Range of Service Lives
Buildings	2 to 30 years
Machinery & Equipment	2 to 30 years
Land Improvements	2 to 60 years

The Corporation begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Capitalized quarry development costs are classified as land improvements.

The Corporation reviews relevant facts and circumstances to determine whether to capitalize or expense pre-production stripping costs when additional pits are developed at an existing quarry. If the additional pit operates in a separate and distinct area of the quarry, these costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Additionally, a separate asset retirement obligation is created for additional pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.

Mineral reserves and mineral interests acquired in connection with a business combination are valued using an income approach over the life of the proven and probable reserves.

Depreciation is computed over estimated service lives, principally by the straight-line method. Depletion of mineral deposits is calculated over proven and probable reserves by the units-of-production method on a quarry-by-quarry basis.

Property, plant and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized if expected future undiscounted cash flows over the estimated remaining service life of the related asset are less than its carrying value.

Repair and Maintenance Costs. Repair and maintenance costs that do not substantially extend the life of the Corporation's plant and equipment are expensed as incurred.

Goodwill and Intangible Assets. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. The carrying value of goodwill is reviewed annually, as of October 1, for impairment. An interim review is performed between annual tests if facts or circumstances indicate potential impairment. If an impairment review indicates that the carrying value is impaired, a charge is recorded.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment, are based on its geographic regions. Goodwill is allocated to each reporting unit based on the location of acquisitions and divestitures at the time of consummation.

Other intangibles represent amounts assigned principally to contractual agreements and are amortized ratably over periods based on related contractual terms. The carrying value of other amortizable intangibles is reviewed if facts and circumstances indicate potential impairment. If this review determines that the carrying value is impaired, a charge is recorded.

Retirement Plans and Postretirement Benefits. The Corporation sponsors defined benefit retirement plans and also provides other postretirement benefits. The Corporation recognizes the funded status, defined as the difference between the fair value of plan assets and the benefit obligation, of its pension plans and other postretirement benefits as an asset or liability on the consolidated balance sheets. Actuarial gains or losses that arise during the year are not recognized as net periodic benefit cost in the same year, but rather are recognized as a component of accumulated other comprehensive earnings or loss. Those amounts are amortized over the participants' average remaining service period and recognized as a component of net periodic benefit cost.

Stock-Based Compensation. The Corporation has stock-based compensation plans for employees and its Board of Directors. The Corporation recognizes all forms of stock-based payments to employees, including stock options, as compensation expense. The compensation expense is the fair value of the awards at the measurement date and is recognized over the requisite service period.

The Corporation uses the accelerated expense recognition method for stock options. The accelerated recognition method requires stock options that vest ratably to be divided into tranches. The expense for each tranche is allocated to its particular vesting period.

The Corporation expenses the fair value of restricted stock awards, incentive compensation awards and Board of Directors' fees paid in the form of common stock based on the closing price of the Corporation's common stock on the awards' respective grant dates.

The Corporation uses the lattice valuation model to determine the fair value of stock option awards. The lattice valuation model takes into account employees' exercise patterns based on changes in the Corporation's stock price and other variables. The period of time for which options are expected to be outstanding, or expected term of the option, is a derived output of the lattice valuation model. The Corporation considers the following factors when estimating the expected term of options: vesting period of the award, expected volatility of the underlying stock, employees' ages and external data. Key assumptions used in determining the fair value of the stock options awarded in 2013, 2012 and 2011 were:

	2013	2012	2011
Risk-free interest rate	**1.70%**	1.38%	2.82%
Dividend yield	**1.80%**	2.10%	1.90%
Volatility factor	**35.40%**	37.50%	36.70%
Expected term	**8.6 years**	7.3 years	7.2 years

Based on these assumptions, the weighted-average fair value of each stock option granted was $36.48, $22.18 and $29.94 for 2013, 2012 and 2011, respectively.

The risk-free interest rate reflects the interest rate on zero-coupon U.S. government bonds available at the time each option was granted having a remaining life approximately equal to the option's expected life. The dividend yield represents the dividend rate expected to be paid over the option's expected life. The Corporation's volatility factor measures the amount by which its stock price is expected to fluctuate during the expected life of the option and is based on historical stock price changes. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Corporation estimates forfeitures and will ultimately recognize compensation cost only for those stock-based awards that vest.

The Corporation recognizes income tax benefits resulting from the payment of dividend equivalents on unvested stock-based payments as an increase to additional paid-in capital and includes them in the pool of excess tax benefits.

Environmental Matters. The Corporation records a liability for an asset retirement obligation at fair value in the period in which it is incurred. The asset retirement obligation is recorded at the acquisition date of a long-lived tangible asset if the fair value can be reasonably estimated. A corresponding amount is capitalized as part of the asset's carrying amount. The estimate of fair value is affected by management's assumptions regarding the scope of the work required, inflation rates and quarry closure dates.

Further, the Corporation records an accrual for other environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the appropriate amounts can be estimated reasonably. Such accruals are adjusted as further information develops or circumstances change. These costs are not discounted to their present value or offset for potential insurance or other claims or potential gains from future alternative uses for a site.

Income Taxes. Deferred income tax assets and liabilities on the consolidated balance sheets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, net of valuation allowances.

Uncertain Tax Positions. The Corporation recognizes a tax benefit when it is more-likely-than-not, based on the technical merits, that a tax position would be sustained upon examination by a taxing authority. The amount to be recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Corporation's unrecognized tax benefits are recorded in other current and other noncurrent liabilities, as appropriate, on the consolidated balance sheets.

The Corporation records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings.

Sales Taxes. Sales taxes collected from customers are recorded as liabilities until remitted to taxing authorities and therefore are not reflected in the consolidated statements of earnings.

Research and Development Costs. Research and development costs are charged to operations as incurred.

Start-Up Costs. Noncapital start-up costs for new facilities and products are charged to operations as incurred.

Warranties. The Corporation's construction contracts contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from nine months to one year after project completion. Because of the nature of its projects, including contract owner inspections of the work both during construction and prior to acceptance, the Corporation has not experienced material warranty costs for these short-term warranties and therefore does not believe an accrual for these costs is necessary. Certain construction contracts carry longer warranty periods, ranging from two to ten years, for which the Corporation has accrued an estimate of warranty cost based on experience with the type of work and any known risks relative to the project. These costs were not material to the Corporation's consolidated results of operations for the years ended December 31, 2013, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Consolidated Comprehensive Earnings and Accumulated Other Comprehensive Loss. Consolidated comprehensive earnings for the Corporation consist of consolidated net earnings; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Corporation's consolidated statements of comprehensive earnings.

Accumulated other comprehensive loss consists of unrealized gains and losses related to the funded status of pension and postretirement benefit plans; foreign currency translation; and the unamortized value of terminated forward starting interest rate swap agreements, and is presented on the Corporation's consolidated balance sheets.

The components of the changes in accumulated other comprehensive loss and related cumulative noncurrent deferred tax assets are as follows:

years ended December 31 (add 000)	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Rate Swap	Total
		2013		
Accumulated other comprehensive loss at beginning of period	**$ (108,189)**	**$ 6,157**	**$ (4,137)**	**$(106,169)**
Other comprehensive earnings (loss) before reclassifications, net of tax	**55,403**	**(2,255)**	**—**	**53,148**
Amounts reclassified from accumulated other comprehensive loss, net of tax	**8,237**	**—**	**670**	**8,907**
Other comprehensive earnings (loss), net of tax	**63,640**	**(2,255)**	**670**	**62,055**
Accumulated other comprehensive loss at end of period	**$ (44,549)**	**$ 3,902**	**$ (3,467)**	**$ (44,114)**
Cumulative noncurrent deferred tax assets at end of period	**$ 29,198**	**$ —**	**$ 2,269**	**$ 31,467**
		2012		
Accumulated other comprehensive loss at beginning of period	$ (84,204)	$ 5,076	$ (4,762)	$ (83,890)
Other comprehensive (loss) earnings before reclassifications, net of tax	(30,105)	1,081	—	(29,024)
Amounts reclassified from accumulated other comprehensive loss, net of tax	6,120	—	625	6,745
Other comprehensive (loss) earnings, net of tax	(23,985)	1,081	625	(22,279)
Accumulated other comprehensive loss at end of period	$ (108,189)	$ 6,157	$ (4,137)	$(106,169)
Cumulative noncurrent deferred tax assets at end of period	$ 70,881	$ —	$ 2,707	$ 73,588
		2011		
Accumulated other comprehensive loss at beginning of period	$ (54,245)	$ 5,929	$ (5,344)	$ (53,660)
Other comprehensive (loss) earnings before reclassifications, net of tax	(33,228)	(853)	—	(34,081)
Amounts reclassified from accumulated other comprehensive loss, net of tax	3,269	—	582	3,851
Other comprehensive (loss) earnings, net of tax	(29,959)	(853)	582	(30,230)
Accumulated other comprehensive loss at end of period	$ (84,204)	$ 5,076	$ (4,762)	$ (83,890)
Cumulative noncurrent deferred tax assets at end of period	$ 55,161	$ —	$ 3,116	$ 58,277

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Reclassifications out of accumulated other comprehensive loss are as follows:

years ended December 31 (add 000)	**2013**	2012	2011	**Affected line items in the consolidated statements of earnings**
Pension and postretirement benefit plans				
Settlement charge	**$ 729**	$ 779	$ 375	
Amortization of:				
Prior service credit	**(2,807)**	(2,789)	(1,206)	
Actuarial loss	**15,704**	12,134	6,239	
	13,626	10,124	5,408	Cost of sales; Selling, general & administrative expenses
Tax effect	**(5,389)**	(4,004)	(2,139)	Taxes on income
Total	**$ 8,237**	$ 6,120	$ 3,269	
Unamortized value of terminated forward starting interest rate swap				
Additional interest expense	**$ 1,108**	$ 1,034	$ 963	Interest expense
Tax effect	**(438)**	(409)	(381)	Taxes on income
Total	**$ 670**	$ 625	$ 582	

Earnings Per Common Share. The Corporation computes earnings per share ("EPS") pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. The Corporation pays nonforfeitable dividend equivalents during the vesting period on its restricted stock awards and incentive stock awards, which results in these being considered participating securities.

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta Materials, Inc., reduced by dividends and undistributed earnings attributable to the Corporation's unvested restricted stock awards and incentive stock awards. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive.

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

years ended December 31 (add 000)	**2013**	2012	2011
Net earnings from continuing operations attributable to Martin Marietta Materials, Inc.	**$122,086**	$85,646	$78,392
Less: Distributed and undistributed earnings attributable to unvested awards	**513**	500	657
Basic and diluted net earnings attributable to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	**121,573**	85,146	77,735
Basic and diluted net (loss) earnings attributable to common shareholders from discontinued operations	**(749)**	(1,172)	3,987
Basic and diluted net earnings attributable to common shareholders attributable to Martin Marietta Materials, Inc.	**$120,824**	$83,974	$81,722
Basic weighted-average common shares outstanding	**46,164**	45,828	45,652
Effect of dilutive employee and director awards	**121**	142	141
Diluted weighted-average common shares outstanding	**46,285**	45,970	45,793

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Reclassifications. Effective January 1, 2013, the Corporation reorganized the operations and management reporting structure of its Aggregates business, resulting in a change to its reportable segments. Segment information for prior years has been reclassified to conform to the presentation of the Corporation's current reportable segments.

Note B: Goodwill and Intangible Assets

The following table shows the changes in goodwill, all of which relate to the Aggregates business, by reportable segment and in total:

December 31 (add 000)	Mid-America Group	Southeast Group	West Group	Total
	2013			
Balance at beginning of period	**$263,868**	**$50,001**	**$302,335**	**$616,204**
Acquisitions	**99**	**345**	**—**	**444**
Amounts allocated to divestitures	**—**	**—**	**(27)**	**(27)**
Balance at end of period	**$263,967**	**$50,346**	**$302,308**	**$616,621**
	2012			
Balance at beginning of period	$263,868	$50,001	$302,802	$616,671
Adjustments to purchase price allocations	—	—	(467)	(467)
Balance at end of period	$263,868	$50,001	$302,335	$616,204

Intangible assets subject to amortization consist of the following:

December 31 (add 000)	Gross Amount	Accumulated Amortization	Net Balance
	2013		
Noncompetition agreements	**$ 6,274**	**$ (5,583)**	**$ 691**
Customer relationships	**20,660**	**(6,160)**	**14,500**
Use rights and other	**16,915**	**(7,550)**	**9,365**
Total	**$43,849**	**$ (19,293)**	**$24,556**
	2012		
Noncompetition agreements	$ 6,560	$ (5,476)	$ 1,084
Customer relationships	20,160	(4,100)	16,060
Use rights and other	15,865	(6,416)	9,449
Total	$42,585	$ (15,992)	$26,593

Intangible assets deemed to have an indefinite life and not being amortized consist of the following:

December 31 (add 000)	Aggregates Business	Specialty Products	Total
	2013		
Use rights	**$ 21,470**	**$ —**	**$21,470**
Trade name	**—**	**2,565**	**2,565**
Total	**$ 21,470**	**$ 2,565**	**$24,035**
	2012		
Use rights	$ 21,275	$ —	$21,275
Trade name	—	2,565	2,565
Total	$ 21,275	$ 2,565	$23,840

During 2013, the Corporation acquired $2,000,000 of other intangibles for its Aggregates business, consisting of the following:

(add 000)	Amount	Weighted-average amortization period
Subject to amortization:		
Customer relationships	$ 500	7.0 years
Use rights and other	1,050	63.4 years
	1,550	45.2 years
Not subject to amortization:		
Use right	450	N/A
Total	$ 2,000	

The Corporation did not acquire any intangibles in 2012.

Use rights include, but are not limited to, water rights, trade names and operating permits.

Total amortization expense for intangible assets for the years ended December 31, 2013, 2012 and 2011 was $3,587,000, $3,593,000 and $1,812,000, respectively.

The estimated amortization expense for intangible assets for each of the next five years and thereafter is as follows:

(add 000)	
2014	$ 3,370
2015	2,730
2016	2,424
2017	2,298
2018	2,166
Thereafter	11,568

Total	$24,556

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note C: Business Combinations and Discontinued Operations

Business Combinations. In 2013, the Corporation acquired three aggregates quarries in the greater Atlanta, Georgia area, providing over 800 million tons of permitted aggregates reserves. Additionally, the Corporation acquired an aggregates site in Iowa. In 2011, the Corporation acquired aggregates quarry sites and downstream ready mixed concrete, asphalt and road paving businesses in the metropolitan Denver, Colorado region and San Antonio, Texas.

Divestitures and Permanent Closures. Divestitures and permanent closures of underperforming operations represent discontinued operations; and therefore, the results of their operations through the dates of disposal and any gain or loss on disposals are included in discontinued operations in the consolidated statements of earnings. The results of operations for divestitures do not include corporate overhead allocations during the periods the Corporation owned these operations.

Discontinued operations, which all related to the Aggregates business, consist of the following:

years ended December 31 (add 000)	**2013**	2012	2011
Net sales	**$ 3,111**	$ 5,819	$64,774
Pretax loss on operations	**$(1,084)**	$(1,619)	$ (3,808)
Pretax (loss) gain on disposals	**(82)**	(354)	9,986
Pretax (loss) gain	**(1,166)**	(1,973)	6,178
Income tax (benefit) expense	**(417)**	(801)	2,191
Net (loss) earnings	**$ (749)**	$(1,172)	$ 3,987

In 2011, the Corporation divested its River District operations, which was part of the Southeast Group.

Note D: Accounts Receivable, Net

December 31 (add 000)	**2013**	2012
Customer receivables	**$246,528**	$226,577
Other current receivables	**2,974**	3,542
	249,502	230,119
Less allowances	**(4,081)**	(6,069)
Total	**$245,421**	$224,050

Of the total accounts receivable, net, balance, $3,192,000 and $2,090,000 at December 31, 2013 and 2012, respectively, were due from an unconsolidated affiliate.

Note E: Inventories, Net

December 31 (add 000)	**2013**	2012
Finished products	**$368,334**	$355,881
Products in process and raw materials	**16,077**	16,442
Supplies and expendable parts	**61,922**	56,805
	446,333	429,128
Less allowances	**(99,026)**	(96,817)
Total	**$347,307**	$332,311

Note F: Property, Plant and Equipment, Net

December 31 (add 000)	**2013**	2012
Land and land improvements	**$ 728,396**	$ 645,095
Mineral reserves and interests	**461,587**	430,884
Buildings	**118,655**	116,332
Machinery and equipment	**2,575,340**	2,511,222
Construction in progress	**92,906**	109,054
	3,976,884	3,812,587
Less allowances for depreciation, depletion and amortization	**(2,177,643)**	(2,059,346)
Total	**$ 1,799,241**	$ 1,753,241

The gross asset value and related allowance for amortization for machinery and equipment recorded under capital leases at December 31, 2013 were as follows:

(add 000)	**2013**
Machinery and equipment under capital leases	**$10,341**
Less allowance for amortization	**(104)**
Total	**$10,237**

The Corporation did not have any capital leases at December 31, 2012.

Depreciation, depletion and amortization expense related to property, plant and equipment was $168,333,000, $171,940,000 and $169,974,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Depreciation, depletion and amortization expense for 2013 includes amortization of machinery and equipment under capital leases.

Interest cost of $1,792,000, $2,537,000 and $1,816,000 was capitalized during 2013, 2012 and 2011, respectively.

At December 31, 2013 and 2012, $62,826,000 and $69,073,000, respectively, of the Aggregates business' net property, plant and equipment was located in foreign countries, namely the Bahamas and Canada.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note G: Long-Term Debt

December 31 (add 000)	2013	2012
6.6% Senior Notes, due 2018	**$ 298,893**	$ 298,677
7% Debentures, due 2025	**124,471**	124,443
6.25% Senior Notes, due 2037	**228,148**	228,114
Term Loan Facility, due 2018, interest rate of 1.67% and 2.21% at December 31, 2013 and 2012, respectively	**248,441**	245,000
Revolving Facility, interest rate of 1.91% at December 31, 2012	**—**	50,000
Trade Receivable Facility, interest rate of 0.77% at December 31, 2013	**130,000**	—
AR Credit Facility, interest rate of 1.00% at December 31, 2012	**—**	100,000
Other notes	**968**	1,625
Total	**1,030,921**	1,047,859
Less current maturities	**(12,403)**	(5,676)
Long-term debt	**$1,018,518**	$1,042,183

On November 29, 2013, the Corporation entered into a $600,000,000 credit agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A., Branch Banking and Trust Company and SunTrust Bank, as Co-Syndication Agents, and the lenders party thereto (the "Credit Agreement"). The Credit Agreement provides a $250,000,000 senior unsecured term loan (the "Term Loan Facility") and a $350,000,000 five-year senior unsecured revolving facility (the "Revolving Facility", and together with the Term Loan Facility, the "Senior Unsecured Credit Facilities") and extends their maturity dates to 2018. The Senior Unsecured Credit Facilities are syndicated with the following banks:

(add 000) Lender	Revolving Facility Commitment	Term Loan Facility Commitment
JPMorgan Chase Bank, N.A.	$ 46,667	$ 33,333
Wells Fargo Bank, N.A.	46,667	33,333
Branch Banking and Trust Company	46,667	33,333
SunTrust Bank	46,667	33,333
Deutsche Bank AG New York Branch	46,667	33,333
PNC Bank, National Association	29,167	20,833
Regions Bank	29,167	20,833
The Northern Trust Company	29,167	20,833
Comerica Bank	14,582	10,418
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,582	10,418
Total	$ 350,000	$ 250,000

Borrowings under the Senior Unsecured Credit Facilities bear interest, at the Corporation's option, at rates based upon the London Interbank Offered Rate ("LIBOR") or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid.

The Term Loan Facility replaced a previous term loan under which $240,000,000 was outstanding prior to entering into the Senior Unsecured Credit Facilities. In connection with closing the Term Loan Facility, the Corporation borrowed an additional $10,000,000, which resulted in total borrowings of $250,000,000 under the Term Loan Facility. The Corporation is required to make quarterly principal payments equal to 1.25% of the original principal balance during 2014 and 2015 and 1.875% of the remaining principal balance during the remaining years, with the remaining outstanding principal, together with interest accrued thereon, due in full on November 29, 2018.

The Revolving Facility expires on November 29, 2018, with any outstanding principal amounts, together with interest accrued thereon, due in full on that date. Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At December 31, 2013 and 2012, the Corporation had $2,507,000 of outstanding letters of credit issued under the Revolving Facility. The Corporation paid an upfront loan commitment fee to the bank group that is being amortized over the life of the Revolving Facility. Unused fees are paid on undrawn revolving balances.

The Corporation's $100,000,000 secured accounts receivable credit facility (the "AR Credit Facility") expired by its own terms on April 20, 2013.

On April 19, 2013, the Corporation, through a wholly-owned consolidated special purpose subsidiary, established a $150,000,000 trade receivable securitization facility with SunTrust Bank and certain other lenders that may become a party to the facility from time to time (the "Trade Receivable Facility"). The Trade Receivable Facility is backed by trade receivables of $234,101,000 at December 31, 2013, which are originated by the Corporation and sold to the wholly-owned consolidated special purpose subsidiary by the Corporation. Borrowings under the Trade Receivable Facility bear interest at a rate equal to one-month LIBOR plus 0.6% and are limited to

the lesser of the facility limit or of "eligible" receivables, as defined. The Corporation continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned consolidated special purpose subsidiary. The Corporation has the option to request an increase in the commitment amount by up to an additional $100,000,000, in increments of no less than $25,000,000, subject to receipt of lender commitments for the increased amount. The Trade Receivable Facility matures on April 19, 2014. At December 31, 2013, outstanding borrowings under the Trade Receivable Facility were classified as long-term on the consolidated balance sheet as the Corporation has the intent and ability to refinance amounts outstanding. The Trade Receivable Facility contains a cross-default provision to the Corporation's other debt agreements.

The Corporation has a $10,000,000 short-term line of credit. No amounts were outstanding under this line of credit at December 31, 2013 or 2012.

The Corporation's 6.6% Senior Notes due 2018 and 6.25% Senior Notes due 2037 (collectively, the "Senior Notes") are senior unsecured obligations of the Corporation, ranking equal in right of payment with the Corporation's existing and future unsubordinated indebtedness. Upon a change of control repurchase event and a resulting below-investment-grade credit rating, the Corporation would be required to make an offer to repurchase all outstanding Senior Notes at a price in cash equal to 101% of the principal amount of the Senior Notes, plus any accrued and unpaid interest to, but not including, the purchase date.

All Senior Notes and Debentures are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. Senior Notes are redeemable prior to their respective maturity dates. The principal amount, effective interest rate and maturity date for the Corporation's Senior Notes and Debentures are as follows:

	Principal Amount (add 000)	Effective Interest Rate	Maturity Date
6.6% Senior Notes	$300,000	6.81%	April 15, 2018
7% Debentures	$125,000	7.12%	December 1, 2025
6.25% Senior Notes	$230,000	6.45%	May 1, 2037

The Credit Agreement requires the Corporation's ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the trailing twelve months (the "Ratio") to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its rating on long-term unsecured debt fall below BBB by Standard & Poor's or Baa2 by Moody's and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Corporation is a co-borrower (see Note N), may be reduced by the Corporation's unrestricted cash and cash equivalents in excess of $50,000,000, such reduction not to exceed $200,000,000, for purposes of the covenant calculation. The Corporation was in compliance with the Ratio at December 31, 2013.

The Corporation's long-term debt maturities for the five years following December 31, 2013, and thereafter are:

(add 000)	
2014	$ 12,403
2015	12,390
2016	18,607
2017	18,480
2018	616,153
Thereafter	352,888
Total	$1,030,921

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the years ended December 31, 2013, 2012 and 2011, the Corporation recognized $1,108,000, $1,034,000 and $963,000, respectively, as additional interest expense. The ongoing amortization of the terminated value of the forward starting interest rate swap agreements will increase annual interest expense by approximately $1,200,000 until the maturity of the 6.6% Senior Notes in 2018.

Note H: Financial Instruments

The Corporation's financial instruments include temporary cash investments, accounts receivable, notes receivable, bank overdraft, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits with the following financial institutions: Branch Banking and Trust Company, Comerica Bank, Fifth Third Bank, JPMorgan Chase Bank, N.A., Regions Bank and Wells Fargo Bank, N.A. The Corporation's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Customer receivables are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in certain states, namely Texas, North Carolina, Colorado, Iowa and Georgia (see Note A). The estimated fair values of customer receivables approximate their carrying amounts.

Notes receivable are primarily promissory notes with customers and are not publicly traded. Management estimates that the fair value of notes receivable approximates its carrying amount.

The bank overdraft represents amounts to be funded to financial institutions for checks that have cleared the bank. The estimated fair value of the bank overdraft approximates its carrying value.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates its carrying amount due to the short-term nature of the payables.

The carrying values and fair values of the Corporation's long-term debt were $1,030,921,000 and $1,068,324,000, respectively, at December 31, 2013 and $1,047,859,000 and $1,105,650,000, respectively, at December 31, 2012. The estimated fair value of the Corporation's publicly-registered long-term debt was estimated based on Level 1 of the fair value hierarchy using quoted market prices. The estimated fair values of other borrowings, which primarily represent variable-rate debt, approximate their carrying amounts as the interest rates reset periodically.

Note I: Income Taxes

The components of the Corporation's tax expense (benefit) on income from continuing operations are as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Federal income taxes:			
Current	**$30,856**	$ (2,530)	$15,982
Deferred	**8,399**	12,581	4,080
Total federal income taxes	**39,255**	10,051	20,062
State income taxes:			
Current	**3,201**	458	2,829
Deferred	**478**	1,670	(882)
Total state income taxes	**3,679**	2,128	1,947
Foreign income taxes:			
Current	**972**	4,062	(1,006)
Deferred	**139**	1,190	—
Total foreign income taxes	**1,111**	5,252	(1,006)
Total taxes on income	**$44,045**	$17,431	$21,003

The Corporation entered into Advance Pricing Agreements ("APA") with the United States and Canadian taxing authorities covering intercompany shipments during the years 2005 through 2011. In August 2013, the Corporation filed the required amended returns and paid the taxes due to settle the Canadian APA, which increased the sales price charged for the intercompany shipments from Canada to the United States during the years 2005 through 2011. The Corporation also filed amended returns in the United States for the years 2005 through 2011 to request gross compensating refunds of $10,239,000 allowed pursuant to the corresponding APA with the United States. For the year ended December 31, 2012, the current federal tax benefit is primarily attributable to the estimated settlement of the APA and a refund related to the 2006 tax year.

For the years ended December 31, 2013 and 2012, excess tax benefits attributable to stock-based compensation transactions that were recorded to shareholders' equity amounted to $2,368,000 and $777,000, respectively. For the year ended December 31, 2011, the realized tax benefit for stock-based compensation transactions was less than the amounts estimated during the vesting periods. As a result, the Corporation reduced its pool of excess tax benefits by $966,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the years ended December 31, 2013, 2012 and 2011, foreign pretax loss was $10,227,000, $5,473,000 and $12,897,000, respectively. In 2013, current foreign tax expense was primarily attributable to the settlement of the Canadian APA. In 2012, current foreign tax expense primarily related to the estimated settlement of the APA offset by the reversal of the valuation allowance on deferred tax assets. In 2011, current foreign tax benefit included refunds for the double taxation resulting from the Canadian Revenue Authority's audit of the Corporation's Canadian subsidiary. The tax effect of currency translations included in foreign taxes was immaterial. No deferred tax asset was recognized on the loss of the Corporation's wholly-owned Bahamas subsidiary in 2013 and 2012 since the tax benefit is not expected to reverse in the foreseeable future.

The Corporation's effective income tax rate on continuing operations varied from the statutory United States income tax rate because of the following permanent tax differences:

years ended December 31	**2013**	2012	2011
Statutory tax rate	**35.0%**	35.0%	35.0%
Increase (reduction) resulting from:			
Effect of statutory depletion	**(12.0)**	(17.6)	(17.6)
State income taxes	**1.5**	1.3	1.3
Foreign valuation allowance	**—**	(3.4)	2.5
Foreign taxes, other	**1.7**	0.7	2.1
Domestic production deduction	**(2.1)**	0.1	(1.2)
Advanced pricing agreements	**0.9**	0.7	—
Medicare subsidy	**—**	—	(0.2)
Other items	**1.8**	(0.1)	(1.0)
Effective income tax rate	**26.8%**	16.7%	20.9%

For income tax purposes, the statutory depletion deduction is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, changes in sales volumes and earnings may not proportionately affect the Corporation's effective income tax rate on continuing operations.

The settlement of the APA allowed the Corporation's Canadian subsidiary to utilize certain net operating loss and tax credit carryforwards for which a valuation allowance was previously established. In 2013, the Corporation utilized net operating loss carryforwards of $16,840,000 and remaining tax credits of $1,370,000 of its Canadian subsidiary. The Corporation reversed a $3,644,000 valuation allowance in 2012 when the estimated effect of the APA was recorded. The Corporation increased its valuation allowance attributable to net operating loss carryforwards by $2,680,000 in 2011.

The Corporation is entitled to receive a nine percent tax deduction related to income from domestic (i.e., United States) production activities. The deduction reduced income tax expense and increased consolidated net earnings by $3,979,000, or $0.09 per diluted share, in 2013 and $2,035,000, or $0.04 per diluted share, in 2011. For 2012, no deduction was allowed due to the taxable income limitation.

During 2013, 2012 and 2011, several states in which the Corporation operates enacted changes to their respective tax rates which were deemed immaterial to the Corporation's overall effective income tax rate.

The principal components of the Corporation's deferred tax assets and liabilities are as follows:

December 31 (add 000)	**Deferred Assets (Liabilities)** **2013**	 2012
Deferred tax assets related to:		
Employee benefits	**$ 31,067**	$ 33,258
Inventories	**53,229**	54,555
Valuation and other reserves	**18,372**	17,753
Net operating loss carryforwards	**5,379**	8,891
Other items, net	**—**	1,511
Gross deferred tax assets	**108,047**	115,968
Valuation allowance on deferred tax assets	**(5,858)**	(6,572)
Total net deferred tax assets	**102,189**	109,396
Deferred tax liabilities related to:		
Property, plant and equipment	**(257,366)**	(260,191)
Goodwill and other intangibles	**(78,577)**	(70,669)
Other items, net	**(2,891)**	—
Total deferred tax liabilities	**(338,834)**	(330,860)
Net deferred tax liability	**$(236,645)**	$(221,464)

Additionally, the Corporation had deferred tax assets of $31,467,000 and $73,588,000 for certain items recorded in accumulated other comprehensive loss at December 31, 2013 and 2012, respectively.

Deferred tax assets and (liabilities) recognized on the Corporation's consolidated balance sheets are as follows:

December 31 (add 000)	**2013**	2012
Current deferred income tax benefits	**$ 74,821**	$ 77,716
Noncurrent deferred income taxes	**(279,999)**	(225,592)
Net deferred income taxes	**$(205,178)**	$(147,876)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Deferred tax assets for employee benefits result from the temporary differences between the deductions for pension and postretirement obligations and stock-based compensation transactions. For financial reporting purposes, such amounts are expensed based on authoritative accounting guidance. For income tax purposes, amounts related to pension and postretirement obligations are deductible as funded. Amounts related to stock-based compensation transactions are deductible for income tax purposes upon vesting or exercise of the underlying award. Deferred tax assets are carried on stock options with exercise prices in excess of the Corporation's stock price at December 31, 2013. If these options expire without being exercised, the deferred tax assets are written off by reducing the pool of excess tax benefits to the extent available and expensing any excess.

The Corporation had domestic net operating loss carryforwards of $121,977,000 and domestic and foreign net operating loss carryforwards of $179,029,000 at December 31, 2013 and 2012, respectively. These carryforwards have various expiration dates through 2033. At December 31, 2013 and 2012, deferred tax assets associated with these carryforwards were $5,379,000 and $8,891,000, respectively, for which valuation allowances of $5,006,000 and $5,185,000, respectively, were recorded. The Corporation also had domestic tax credit carryforwards of $2,354,000 and domestic and foreign tax credit carryforwards of $10,124,000 at December 31, 2013 and 2012, respectively, for which valuation allowances were recorded in the amount of $852,000 and $1,387,000 at December 31, 2013 and 2012, respectively. Tax credit carryforwards recorded at December 31, 2013 expire in 2018. The Corporation utilized its Alternative Minimum Tax ("AMT") credit from 2012; the Corporation does not expect to be subject to AMT for 2013.

Deferred tax liabilities for property, plant and equipment result from accelerated depreciation methods being used for income tax purposes as compared with the straight-line method for financial reporting purposes.

Deferred tax liabilities related to goodwill and other intangibles reflect the cessation of goodwill amortization for financial reporting purposes, while amortization continues for income tax purposes.

The Corporation provides deferred taxes, as required, on the undistributed net earnings of all non-U.S. subsidiaries for which the indefinite reversal criterion has not been met. The Corporation expects to reinvest permanently the earnings from its wholly-owned Canadian subsidiary and accordingly, has not provided deferred taxes on the subsidiary's undistributed net earnings. The APA settlement materially impacted the Canadian subsidiary's undistributed net earnings, estimated to be $27,000,000 for the year ended December 31, 2013. The determination of the unrecognized deferred tax liability for temporary differences related to the investment in the wholly-owned Canadian subsidiary is not practicable due to the complexities associated with the calculation of a hypothetical tax liability payable upon the repatriation of earnings.

On September 13, 2013, the U.S. Treasury Department and Internal Revenue Service ("IRS") issued final regulations addressing costs incurred in acquiring, producing or improving tangible property (the "tangible property regulations"). The tangible property regulations are generally effective for tax years beginning on or after January 1, 2014, and may be adopted in earlier years. The Corporation is required to include the tax impact of regulatory changes in the period of enactment. The Corporation estimated the tax impact of these accounting method changes to increase noncurrent deferred tax liabilities in the amount of $1,334,000, with a corresponding reduction in current taxes payable. This estimate has been reflected in the consolidated balance sheet at December 31, 2013.

The following table summarizes the Corporation's unrecognized tax benefits, excluding interest and correlative effects:

years ended December 31 (add 000)	**2013**	2012	2011
Unrecognized tax benefits at beginning of year	**$15,380**	$ 9,288	$11,011
Gross increases – tax positions in prior years	**9,845**	19,434	1,217
Gross decreases – tax positions in prior years	**(5,121)**	(13,876)	(1,510)
Gross increases – tax positions in current year	**2,540**	1,555	6,274
Gross decreases – tax positions in current year	**(529)**	—	(4,625)
Settlements with taxing authorities	**(8,599)**	(1,021)	(3,079)
Lapse of statute of limitations	**(1,690)**	—	—
Unrecognized tax benefits at end of year	**$11,826**	$ 15,380	$ 9,288

For the year ended December 31, 2013, settlements with taxing authorities related to the Canadian APA settlement. No unrecognized tax benefits were included as of December 31, 2013 for the effect of the APA. For the year ended December 31, 2012, gross increases in tax positions in prior years included the estimated effect of the Canadian APA that increased the sales price charged for intercompany shipments during the settlement period. Upon final settlement, the Corporation was allowed a corresponding tax refund in the United States for the years 2005 through 2011, which was not included in unrecognized tax benefits at December 31, 2012.

At December 31, 2013, 2012 and 2011, unrecognized tax benefits of $6,301,000, $14,386,000 and $4,915,000, respectively, related to interest accruals and permanent income tax differences net of federal tax benefits, would have favorably affected the Corporation's effective income tax rate if recognized.

Unrecognized tax benefits are reversed as a discrete event if an examination of applicable tax returns is not begun by a federal or state tax authority within the statute of limitations or upon effective settlement with federal or state tax authorities. Management believes its accrual for unrecognized tax benefits is sufficient to cover uncertain tax positions reviewed during audits by taxing authorities. The Corporation anticipates that it is reasonably possible that its unrecognized tax benefits may decrease up to $6,447,000, excluding indirect benefits, during the twelve months ending December 31, 2014 due to expected settlements with taxing authorities and the expiration of the statute of limitations for the 2010 tax year.

For the year ended December 31, 2013, $1,368,000, or $0.03 per diluted share, was reversed into income upon the statute of limitations expiration for the 2009 tax year. For the year ended December 31, 2012, $1,617,000, or $0.04 per diluted share, was reversed into income resulting from a refund of federal tax and interest related to the 2006 tax year and the estimated effects of the APA. For the year ended December 31, 2011, $3,010,000, or $0.07 per diluted share, was reversed into income upon the favorable effective settlement of the IRS audit for the 2008 tax year.

For the years ended December 31, 2013, 2012 and 2011, total interest, net of tax, included in income tax expense in the consolidated statements of earnings was $1,446,000, $119,000 and $305,000, respectively. At December 31, 2013, accrued interest of $191,000, net of tax benefits of $125,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet; accrued interest of $227,000, net of tax benefits of $148,000, was recorded as a current liability, and interest receivable of $344,000, net of tax expense of $225,000, was recorded as a current asset. In addition, accrued interest of $1,548,000, for which there was no related tax benefit, was recorded as a current liability. At December 31, 2012, accrued interest of $156,000, net of tax benefits of $102,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet; and accrued interest of $179,000, for which there is no related tax benefit, was recorded as a current liability.

The Corporation's open tax years subject to federal, foreign or state examinations are 2009 through 2013.

Note J: Retirement Plans, Postretirement and Postemployment Benefits

The Corporation sponsors defined benefit retirement plans that cover substantially all employees. Additionally, the Corporation provides other postretirement benefits for certain employees, including medical benefits for retirees and their spouses and retiree life insurance. The Corporation also provides certain benefits, such as disability benefits, to former or inactive employees after employment but before retirement.

The measurement date for the Corporation's defined benefit plans, postretirement benefit plans and postemployment benefit plans is December 31.

Defined Benefit Retirement Plans. Retirement plan assets are held in the Corporation's Master Retirement Trust and are invested in listed stocks, bonds, hedge funds, real estate and cash equivalents. Defined retirement benefits for salaried employees are based on each employee's years of service and average compensation for a specified period of time before retirement. Defined retirement benefits for hourly employees are generally stated amounts for specified periods of service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Corporation sponsors a Supplemental Excess Retirement Plan ("SERP") that generally provides for the payment of retirement benefits in excess of allowable Internal Revenue Code limits. The SERP generally provides for a lump-sum payment of vested benefits. When these benefit payments exceed the sum of the service and interest costs for the SERP during a year, the Corporation recognizes a pro-rata portion of the SERP's unrecognized actuarial loss as settlement expense.

The net periodic retirement benefit cost of defined benefit plans includes the following components:

years ended December 31 (add 000)	**2013**	2012	2011
Components of net periodic benefit cost:			
Service cost	**$ 16,121**	$ 13,084	$ 11,270
Interest cost	**23,016**	23,653	23,178
Expected return on assets	**(26,660)**	(23,899)	(24,493)
Amortization of:			
Prior service cost	**449**	466	534
Actuarial loss	**15,679**	12,417	6,324
Transition asset	**(1)**	(1)	(1)
Settlement charge	**729**	779	375
Net periodic benefit cost	**$ 29,333**	$ 26,499	$ 17,187

The Corporation recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (add 000)	**2013**	2012	2011
Actuarial (gain) loss	**$ (90,755)**	$ 47,877	$65,334
Amortization of:			
Prior service cost	**(449)**	(466)	(534)
Actuarial loss	**(15,679)**	(12,417)	(6,324)
Transition asset	**1**	1	1
Settlement charge	**(729)**	(779)	(375)
Total	**$(107,611)**	$ 34,216	$58,102

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit cost:

December 31 (add 000)	**2013**		2012	
	Gross	**Net of tax**	Gross	Net of tax
Prior service cost	**$ 1,640**	**$ 992**	$ 2,089	$ 1,263
Actuarial loss	**84,512**	**51,087**	191,675	115,868
Transition asset	**(10)**	**(6)**	(11)	(7)
Total	**$86,142**	**$52,073**	$193,753	$117,124

The prior service cost, actuarial loss and transition asset expected to be recognized in net periodic benefit cost during 2014 are $445,000 (net of a deferred tax asset of $176,000), $3,900,000 (net of a deferred tax asset of $1,542,000) and $1,000, respectively. These amounts are included in accumulated other comprehensive loss at December 31, 2013.

The defined benefit plans' change in projected benefit obligation is as follows:

years ended December 31 (add 000)	**2013**	2012
Change in projected benefit obligation:		
Net projected benefit obligation at beginning of year	**$535,783**	$457,175
Service cost	**16,121**	13,084
Interest cost	**23,016**	23,653
Actuarial (gain) loss	**(57,533)**	61,286
Gross benefits paid	**(21,347)**	(19,415)
Net projected benefit obligation at end of year	**$496,040**	$535,783

The Corporation's change in plan assets, funded status and amounts recognized on the Corporation's consolidated balance sheets are as follows:

years ended December 31 (add 000)	**2013**	2012
Change in plan assets:		
Fair value of plan assets at beginning of year	**$376,443**	$325,150
Actual return on plan assets, net	**59,882**	37,308
Employer contributions	**28,995**	33,400
Gross benefits paid	**(21,347)**	(19,415)
Fair value of plan assets at end of year	**$443,973**	$376,443

December 31 (add 000)	**2013**	2012
Funded status of the plan at end of year	**$(52,067)**	$(159,340)
Accrued benefit cost	**$(52,067)**	$(159,340)

December 31 (add 000)	**2013**	2012
Amounts recognized on consolidated balance sheets consist of:		
Current pension and postretirement benefits	**$ (56)**	$ (2,871)
Noncurrent pension, postretirement and postemployment benefits	**(52,011)**	(156,469)
Net amount recognized at end of year	**$(52,067)**	$(159,340)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The accumulated benefit obligation for all defined benefit pension plans was $453,161,000 and $481,865,000 at December 31, 2013 and 2012, respectively.

Benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets are as follows:

December 31 (add 000)	**2013**	2012
Projected benefit obligation	**$495,180**	$535,783
Accumulated benefit obligation	**$452,449**	$481,865
Fair value of plan assets	**$443,211**	$376,443

Weighted-average assumptions used to determine benefit obligations as of December 31 are:

	2013	**2012**
Discount rate	**5.17%**	4.24%
Rate of increase in future compensation levels	**5.00%**	5.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31 are:

	2013	2012	2011
Discount rate	**4.24%**	5.14%	5.84%
Rate of increase in future compensation levels	**5.00%**	5.00%	5.00%
Expected long-term rate of return on assets	**7.00%**	7.25%	7.75%

The expected long-term rate of return on assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets.

For 2013, the Corporation estimated the remaining lives of participants in the pension plans using the RP 2000 Mortality Table projected to 2020 with no phased-out improvements (“RP 2000 Mortality Table”). The RP 2000 Mortality Table includes separate tables for blue-collar employees and white-collar employees. The Corporation used the blue-collar table for its hourly workforce and the white-collar table for its salaried employees. The RP 2000 Mortality Table projected to 2015 with no phased-out improvements was used in 2012 and 2011.

The target allocation for 2013 and the actual pension plan asset allocation by asset class are as follows:

	Percentage of Plan Assets		
	2013	December 31	
Asset Class	**Target Allocation**	**2013**	2012
Equity securities	56%	**57%**	56%
Debt securities	34%	**33%**	33%
Hedge funds	5%	**5%**	5%
Real estate	5%	**4%**	5%
Cash	—	**1%**	1%
Total	100%	**100%**	100%

The Corporation’s investment strategy is for approximately 65% of equity securities to be invested in mid-sized to large capitalization U.S. funds with the remaining to be invested in small capitalization, emerging markets and international funds. Approximately 85% of debt securities, or fixed income investments, are invested in funds with the objective of exceeding the return of the Barclays Capital Aggregate Bond Index, with the remaining invested in high-yield funds.

The fair values of pension plan assets by asset class and fair value hierarchy level are as follows:

December 31 (add 000)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
		2013		
Equity securities:				
Mid-sized to large cap	**$ —**	**$182,426**	**$ —**	**$182,426**
International and emerging growth funds	**—**	**71,662**	**—**	**71,662**
Debt securities:				
Core fixed income	**—**	**122,327**	**—**	**122,327**
High-yield bonds	**—**	**24,579**	**—**	**24,579**
Real estate	**—**	**—**	**19,357**	**19,357**
Hedge funds	**—**	**—**	**21,764**	**21,764**
Cash	**1,858**	**—**	**—**	**1,858**
Total	**$ 1,858**	**$400,994**	**$ 41,121**	**$443,973**
		2012		
Equity securities:				
Mid-sized to large cap	$ —	$148,880	$ —	$148,880
International and emerging growth funds	—	63,003	—	63,003
Debt securities:				
Core fixed income	—	105,972	—	105,972
High-yield bonds	—	19,487	—	19,487
Real estate	—	—	17,728	17,728
Hedge funds	—	—	19,252	19,252
Cash	2,121	—	—	2,121
Total	$ 2,121	$337,342	$ 36,980	$376,443

Real estate investments are stated at estimated fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of real estate investments generally do not reflect transaction costs which may be incurred upon disposition of the real estate investments and do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. An independent valuation consultant is employed to determine the fair value of the real estate investments. The value of hedge funds is based on the values of the sub-fund investments. In determining the fair value of each sub-fund's investment, the hedge funds' Board of Trustees uses the values provided by the sub-funds and any other considerations that may, in its judgment, increase or decrease such estimated value.

The change in the fair value of pension plan assets valued using significant unobservable inputs (Level 3) is as follows:

years ended December 31 (add 000)	Real Estate	Hedge Funds
	2013	
Balance at beginning of year	**$17,728**	**$19,252**
Purchases, sales, settlements, net	**706**	**—**
Realized gain	**11**	**—**
Unrealized gain	**912**	**2,512**
Balance at end of year	**$19,357**	**$21,764**
	2012	
Balance at beginning of year	$16,278	$12,979
Purchases, sales, settlements, net	690	5,500
Realized gain	8	—
Unrealized gain	752	773
Balance at end of year	$17,728	$19,252

In 2013 and 2012, the Corporation made pension contributions and SERP payments of $28,995,000 and $33,400,000, respectively. The Corporation currently estimates that it will contribute $20,715,000 to its pension and SERP plans in 2014.

The expected benefit payments to be paid from plan assets for each of the next five years and the five-year period thereafter are as follows:

(add 000)	
2014	$ 20,653
2015	$ 22,530
2016	$ 24,511
2017	$ 26,422
2018	$ 28,034
Years 2019 - 2023	$164,420

Postretirement Benefits. The net periodic postretirement benefit (credit) cost of postretirement plans includes the following components:

years ended December 31 (add 000)	**2013**	2012	2011
Components of net periodicbenefit (credit) cost:			
Service cost	**$ 227**	$ 227	$ 350
Interest cost	**1,013**	1,234	2,225
Amortization of:			
Prior service credit	**(3,255)**	(3,255)	(1,740)
Actuarial loss (gain)	**25**	(283)	(85)
Total net periodic benefit (credit) cost	**$(1,990)**	$(2,077)	$ 750

The Corporation recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (add 000)	**2013**	2012	2011
Actuarial (gain) loss	**$(1,011)**	$1,993	$ (3,884)
Prior service credit	**—**	—	(10,397)
Amortization of:			
Prior service credit	**3,255**	3,255	1,740
Actuarial (loss) gain	**(25)**	283	85
Total	**$ 2,219**	$5,531	$(12,456)

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit cost:

December 31 (add 000)	**2013**		2012	
	Gross	**Net of tax**	Gross	Net of tax
Prior service credit	**$ (10,343)**	**$ (6,252)**	$ (13,598)	$ (8,220)
Actuarial gain	**(1,970)**	**(1,192)**	(934)	(565)
Total	**$ (12,313)**	**$ (7,444)**	$ (14,532)	$ (8,785)

The prior service credit and actuarial gain expected to be recognized in net periodic benefit cost during 2014 is $3,255,000 (net of a deferred tax liability of $1,287,000) and $138,000 (net of a deferred tax liability of $55,000), respectively, and are included in accumulated other comprehensive loss at December 31, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The postretirement health care plans' change in benefit obligation is as follows:

years ended December 31 (add 000)	**2013**	2012
Change in benefit obligation:		
Net benefit obligation at beginning of year	**$29,095**	$29,635
Service cost	**227**	227
Interest cost	**1,013**	1,234
Participants' contributions	**1,370**	2,528
Actuarial (gain) loss	**(1,011)**	1,993
Gross benefits paid	**(3,342)**	(6,522)
Net benefit obligation at end of year	**$27,352**	$29,095

The Corporation's change in plan assets, funded status and amounts recognized on the Corporation's consolidated balance sheets are as follows:

years ended December 31 (add 000)	**2013**	2012
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ —**	$ —
Employer contributions	**1,972**	3,994
Participants' contributions	**1,370**	2,528
Gross benefits paid	**(3,342)**	(6,522)
Fair value of plan assets at end of year	**$ —**	$ —

December 31 (add 000)	**2013**	2012
Funded status of the plan at end of year	**$ (27,352)**	$(29,095)
Accrued benefit cost	**$ (27,352)**	$(29,095)

December 31 (add 000)	**2013**	2012
Amounts recognized on consolidated balance sheets consist of:		
Current pension and postretirement benefits	**$ (1,970)**	$ (3,980)
Noncurrent pension, postretirement and postemployment benefits	**(25,382)**	(25,115)
Net amount recognized at end of year	**$ (27,352)**	$(29,095)

Weighted-average assumptions used to determine the postretirement benefit obligations as of December 31 are:

	2013	2012
Discount rate	**4.42%**	3.54%

Weighted-average assumptions used to determine net postretirement benefit cost for the years ended December 31 are:

	2013	2012	2011
Discount rate	**3.54%**	4.44%	5.57%

The Corporation estimated the remaining lives of participants in the postretirement plan using the RP 2000 Mortality Table. The RP 2000 Mortality Table projected to 2015 with no phased-out improvements was used in 2012 and 2011.

Assumed health care cost trend rates at December 31 are:

	2013	2012
Health care cost trend rate assumed for next year	**7.5%**	8.0%
Rate to which the cost trend rate gradually declines	**5.0%**	5.0%
Year the rate reaches the ultimate rate	**2019**	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point	
(add 000)	Increase	(Decrease)
Total service and interest cost components	$ 53	$ (45)
Postretirement benefit obligation	$ 1,317	$ (1,132)

The Corporation estimates that it will contribute $1,970,000 to its postretirement health care plans in 2014.

The total expected benefit payments to be paid by the Corporation, net of participant contributions, for each of the next five years and the five-year period thereafter are as follows:

(add 000)	
2014	$ 1,970
2015	$ 2,685
2016	$ 2,680
2017	$ 2,627
2018	$ 2,527
Years 2019 - 2023	$10,852

Defined Contribution Plans. The Corporation maintains defined contribution plans that cover substantially all employees. These plans, qualified under Section 401(a) of the Internal Revenue Code, are retirement savings and investment plans for the Corporation's salaried and hourly employees. Under certain provisions of these plans, the Corporation, at established rates, matches employees' eligible contributions. The Corporation's matching obligations were $7,097,000 in 2013, $6,216,000 in 2012 and $5,554,000 in 2011.

Postemployment Benefits. The Corporation has accrued postemployment benefits of $1,096,000 and $1,538,000 at December 31, 2013 and 2012, respectively.

Note K: Stock-Based Compensation

The shareholders approved, on May 23, 2006, the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended from time to time (along with the Amended Omnibus Securities Award Plan, originally approved in 1994, the "Plans"). The Corporation has been authorized by the Board of Directors to repurchase shares of the Corporation's common stock for issuance under the Plans (see Note R).

Under the Plans, the Corporation grants options to employees to purchase its common stock at a price equal to the closing market value at the date of grant. The Corporation granted 58,207 employee stock options during 2013. Options granted in 2013 become exercisable in four annual installments beginning one year after date of grant and expire ten years from such date. Options granted in 2005 through 2012 expire in eight years from such date. Options granted prior to January 1, 2005 became exercisable in three equal annual installments beginning one year after date of grant and expire ten years from such date.

Prior to 2009, nonemployee Board of Directors received 3,000 non-qualified stock options annually. These options have an exercise price equal to the market value at the date of grant, vested immediately and expire ten years from the grant date.

The following table includes summary information for stock options as of December 31, 2013:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Outstanding at January 1, 2013	1,027,957	$ 96.10	
Granted	58,207	$108.24	
Exercised	(200,054)	$ 69.81	
Terminated	(3,694)	$125.33	
Outstanding at December 31, 2013	882,416	$102.74	3.0
Exercisable at December 31, 2013	732,015	$105.44	2.3

The weighted-average grant-date exercise price of options granted during 2013, 2012 and 2011 was $108.24, $69.12 and $86.90, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2013, 2012 and 2011 were $7,142,000, $7,176,000 and $1,621,000, respectively, and were based on the closing prices of the Corporation's common stock on the dates of exercise. The aggregate intrinsic values for options outstanding and exercisable at December 31, 2013 were $10,689,000 and $8,649,000, respectively, and were based on the closing price of the Corporation's common stock at December 31, 2013, which was $99.94.

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing shares of the Corporation's common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive stock plan at certain minimum levels. Participants earn the right to receive unrestricted shares of common stock in an amount equal to their respective units generally at the end of a 34-month period of additional employment from the date of award or at retirement beginning at age 62. All rights of ownership of the common stock convey to the participants upon the issuance of their respective shares at the end of the ownership-vesting period, with the exception of dividend equivalents that are paid on the units during the vesting period.

The Corporation grants restricted stock awards under the Plans to a group of executive officers, key personnel and nonemployee Board of Directors. Certain restricted stock awards are based on specific common stock performance criteria over a specified period of time. In addition, certain awards are granted to individuals to encourage retention and motivate key employees. These awards generally vest if the employee is continuously employed over a specified period of time and require no payment from the employee. Awards granted to nonemployee Board of Directors vest immediately.

The following table summarizes information for incentive compensation awards and restricted stock awards as of December 31, 2013:

	Incentive Compensation		Restricted Stock	
	Number of Awards	Weighted-Average Grant-Date Fair Value	Number of Awards	Weighted-Average Grant-Date Fair Value
January 1, 2013	27,727	$ 81.42	238,594	$ 81.19
Awarded	12,605	$ 99.23	46,376	$ 108.24
Distributed	(15,201)	$ 84.47	(86,179)	$ 80.26
Forfeited	—	$ —	(1,742)	$ 86.75
December 31, 2013	25,131	$ 88.51	197,049	$ 87.91

The weighted-average grant-date fair value of incentive compensation awards granted during 2013, 2012 and 2011 was $99.23, $81.41 and $84.71, respectively. The weighted-average grant-date fair value of restricted stock awards granted during 2013, 2012 and 2011 was $108.24, $69.12 and $86.90, respectively.

The aggregate intrinsic values for incentive compensation awards and restricted stock awards at December 31, 2013 were $732,000 and $19,693,000, respectively, and were based on the closing price of the Corporation's common stock at December 31, 2013, which was $99.94. The aggregate intrinsic values of incentive compensation awards distributed during the years ended December 31, 2013, 2012 and 2011 were $466,000, $375,000 and $165,000, respectively. The aggregate intrinsic values of restricted stock awards distributed during the years ended December 31, 2013, 2012 and 2011 were $9,413,000, $8,695,000 and $10,237,000, respectively. The aggregate intrinsic values for distributed awards were based on the closing prices of the Corporation's common stock on the dates of distribution.

At December 31, 2013, there are approximately 457,000 awards available for grant under the Plans.

In 1996, the Corporation adopted the Shareholder Value Achievement Plan to award shares of the Corporation's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 250,000 shares of common stock were reserved for issuance. Through December 31, 2013, 42,025 shares have been issued under this plan. No awards have been granted under this plan after 2000.

The Corporation adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, which provides nonemployee Board of Directors the election to receive all or a portion of their total fees in the form of the Corporation's common stock. Under the terms of this plan, 300,000 shares of common stock were reserved for issuance. In 2013, Board of Directors were required to defer at least 50% of their retainer in the form of the Corporation's common stock at a 20% discount to market value. Nonemployee Board of Directors elected to defer portions of their fees representing 6,583, 9,502 and 8,583 shares of the Corporation's common stock under this plan during 2013, 2012 and 2011, respectively.

The following table summarizes stock-based compensation expense for the years ended December 31, 2013, 2012 and 2011, unrecognized compensation cost for nonvested awards at December 31, 2013 and the weighted-average period over which unrecognized compensation cost is expected to be recognized:

(add 000, except year data)	**Stock Options**	**Restricted Stock**	**Incentive Compen-sation**	**Directors' Awards**	**Total**
Stock-based compensation expense recognized for years ended December 31:					
2013	**$1,734**	**$4,377**	**$229**	**$668**	**$7,008**
2012	$1,835	$4,980	$237	$729	$7,781
2011	$2,602	$7,929	$272	$719	$11,522
Unrecognized compensation cost at December 31, 2013:	**$1,853**	**$4,878**	**$195**	**$160**	**$7,086**
Weighted-average period over which unrecognized compensation cost will be recognized:	2.0 years	1.9 years	1.6 years	—	

For the years ended December 31, 2013, 2012 and 2011, the Corporation recognized a tax benefit related to stock-based compensation expense of $2,772,000, $3,077,000 and $4,557,000, respectively.

The following presents expected stock-based compensation expense in future periods for outstanding awards as of December 31, 2013:

(add 000)	
2014	$4,129
2015	2,263
2016	653
2017	41
Total	$7,086

Stock-based compensation expense is included in selling, general and administrative expenses in the Corporation's consolidated statements of earnings.

Note L: Leases

Total lease expense for operating leases was $45,093,000, $44,177,000 and $46,314,000 for the years ended December 31, 2013, 2012 and 2011, respectively. The Corporation's operating leases generally contain renewal and/or purchase options with varying terms. The Corporation has royalty agreements that generally require royalty payments based on tons produced or total sales dollars and also contain minimum payments. Total royalties, principally for leased properties, were $41,604,000, $43,445,000 and $36,333,000 for the years ended December 31, 2013, 2012 and 2011, respectively. The Corporation also has capital lease obligations for machinery and equipment.

Future minimum lease and royalty commitments for all noncancelable agreements and capital lease obligations as of December 31, 2013 are as follows:

(add 000)	Capital Leases	Operating Leases
2014	$ 1,525	$ 73,250
2015	1,806	53,949
2016	1,806	43,586
2017	1,806	34,677
2018	1,806	17,989
Thereafter	3,595	119,932
Total	12,344	$343,383
Less: imputed interest	(2,030)	
Present value of minimum lease payments	10,314	
Less: current capital lease obligations	(1,089)	
Long-term capital lease obligations	$ 9,225	

Of the total future minimum commitments, $81,525,000 relates to the Corporation's contracts of affreightment.

Note M: Shareholders' Equity

The authorized capital structure of the Corporation includes 100,000,000 shares of common stock, with a par value of $0.01 a share. At December 31, 2013, approximately 1,977,000 common shares were reserved for issuance under stock-based plans.

Pursuant to authority granted by its Board of Directors, the Corporation can repurchase common stock through open-market purchases (see Note R). The Corporation did not repurchase any shares of common stock during 2013, 2012 or 2011. At December 31, 2013, 5,041,900 shares of common stock were remaining under the Corporation's repurchase authorization.

In addition to common stock, the Corporation's capital structure includes 10,000,000 shares of preferred stock with a par value of $0.01 a share. On October 21, 2006, the Board of Directors adopted a Rights Agreement (the "Rights Agreement") and reserved 200,000 shares of Junior Participating Class B Preferred Stock for issuance. In accordance with the Rights Agreement, the Corporation issued a dividend of one right for each share of the Corporation's common stock outstanding as of October 21, 2006, and one right continues to attach to each share of common stock issued thereafter. The rights will become exercisable if any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock. Once exercisable and upon a person or group acquiring 15 percent or more of the Corporation's common stock, each right (other than rights owned by such person or group) entitles its holder to purchase, for an exercise price of $315 per share, a number of shares of the Corporation's common stock (or in certain circumstances, cash, property or other securities of the Corporation) having a market value of twice the exercise price, and under certain conditions, common stock of an acquiring company having a market value of twice the exercise price. If any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock, the Corporation may, at its option, exchange the outstanding rights (other than rights owned by such acquiring person or group) for shares of the Corporation's common stock or Corporation equity securities deemed to have the same value as one share of common stock or a combination thereof, at an exchange ratio of one share of common stock per right. The rights are subject to adjustment if certain events occur, and they will initially expire on October 21, 2016, if not terminated sooner. The Corporation's Rights Agreement provides that the Corporation's Board of Directors may, at its option, redeem all of the outstanding rights at a redemption price of $0.001 per right.

Note N: Commitments and Contingencies

Legal and Administrative Proceedings. The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, it is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters (see Note A), relating to the Corporation and its subsidiaries, will have a material adverse effect on the overall results of the Corporation's operations, its cash flows or its financial position.

Asset Retirement Obligations. The Corporation incurs reclamation costs as part of its mining process. Estimated future reclamation obligations are discounted to their present value and accreted to their projected future obligations via charges to operating expenses. Additionally, the fixed assets recorded concurrently with the liabilities are depreciated over the period until reclamation activities are expected to occur. Total accretion and depreciation expenses for 2013, 2012 and 2011 were $3,793,000, $3,743,000 and $3,892,000, respectively, and are included in other operating income and expenses, net, in the consolidated statements of earnings.

Projected estimated reclamation obligations should include a market risk premium representing the amount an external party would charge for bearing the uncertainty of guaranteeing a fixed price today for performance in the future. However, due to the average remaining quarry life exceeding 60 years at normalized production rates and the nature of quarry reclamation work, the Corporation believes that it is impractical for external parties to agree to a fixed price today. Therefore, a market risk premium has not been included in the estimated reclamation obligation.

The following shows the changes in the asset retirement obligations:

years ended December 31 (add 000)	**2013**	2012
Balance at beginning of year	**$46,173**	$43,233
Accretion expense	**2,777**	2,712
Liabilities incurred	**2,240**	204
Liabilities settled	**—**	(126)
Revisions in estimated cash flows	**(2,463)**	150
Balance at end of year	**$48,727**	$46,173

Other Environmental Matters. The Corporation's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Corporation's operations may, from time to time, involve the use of substances that are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Corporation's operations, and such permits are subject to modification, renewal and revocation. The Corporation regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental remediation liability is inherent in the operation of the Corporation's businesses, as it is with other companies engaged in similar businesses. The Corporation has no material provisions for environmental remediation liabilities and does not believe such liabilities will have a material adverse effect on the Corporation in the future.

The United States Environmental Protection Agency ("EPA") includes the lime industry as a national enforcement priority under the federal Clean Air Act ("CAA"). As part of the industry-wide effort, the EPA issued Notices of Violation/Findings of Violation ("NOVs") to the Corporation in 2010 and 2011 regarding its compliance with the CAA New Source Review ("NSR") program at its Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the EPA in response to these NOVs and has had several meetings with the EPA. The Corporation believes it is in substantial compliance with the NSR program. At this time, the Corporation cannot reasonably estimate what likely penalties or upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades to capital equipment will be spread over time and will not have a material adverse effect on the Corporation's results of operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment.

Insurance Reserves. The Corporation has insurance coverage for workers' compensation, automobile liability, marine liability and general liability claims. The Corporation is also self-insured for health claims. At December 31, 2013 and 2012, reserves of $25,529,000 and $21,773,000, respectively, were recorded for all such insurance claims. The Corporation carries various risk deductible workers' compensation policies related to its workers' compensation liabilities. The Corporation records the workers' compensation reserves based on an actuarial-determined analysis. This analysis calculates development factors, which are applied to total reserves within the workers' compensation program. While the Corporation believes the assumptions used to calculate these liabilities are appropriate, significant difference in actual experience and/or significant changes in these assumptions may materially affect workers' compensation costs.

Letters of Credit. In the normal course of business, the Corporation provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, utilities and property improvements. At December 31, 2013, the Corporation was contingently liable for $16,424,000 in letters of credit, of which $2,507,000 were issued under the Corporation's Revolving Facility. Certain of these underlying obligations are accrued on the Corporation's consolidated balance sheet.

Surety Bonds. In the normal course of business, at December 31, 2013, the Corporation was contingently liable for $322,946,000 in surety bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits guaranteeing the Corporation's own performance. Certain of these underlying obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's consolidated balance sheet. Five of these bonds total $72,673,000, or 23% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance company, Safeco Corporation, a subsidiary of Liberty Mutual Group, against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

Borrowing Arrangements with Affiliate. The Corporation is a co-borrower with an unconsolidated affiliate for a $24,000,000 revolving line of credit agreement with Fifth Third Bank. The line of credit expires in August 2015. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from this agreement. The Corporation holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

In 2013, the Corporation loaned $3,402,000 to this unconsolidated affiliate to repay in full the outstanding balance of the affiliate's loan with Bank of America, N.A. and entered into a loan agreement with the affiliate for monthly repayment of principal and interest of that loan amount through May 2016. The Corporation holds a lien on the affiliate's property as collateral for payment under the loan and security agreement. As of December 31, 2013, the amount due from the affiliate related to this loan was $2,984,000.

Prior to 2013, the Corporation loaned the unconsolidated affiliate a total of $6,000,000 as an interest-only note.

Purchase Commitments. The Corporation had purchase commitments for property, plant and equipment of $34,135,000 as of December 31, 2013. The Corporation also had other purchase obligations related to energy and service contracts of $37,309,000 as of December 31, 2013. The Corporation's contractual purchase commitments as of December 31, 2013 are as follows:

(add 000)	
2014	$46,594
2015	2,985
2016	2,756
2017	2,756
2018	2,690
Thereafter	13,663
Total	$71,444

Capital expenditures in 2013, 2012 and 2011 that were purchase commitments as of the prior-year end were $15,839,000, $33,654,000 and $24,434,000, respectively.

Employees. Approximately 15% of the Corporation's employees are represented by a labor union. All such employees are hourly employees. The Corporation maintains collective bargaining agreements relating to the union employees within the Aggregates business and Specialty Products segment. Of the Specialty Products segment, located in Manistee, Michigan and Woodville, Ohio, 100% of its hourly employees are represented by labor unions. The Woodville collective bargaining agreement expires in June 2014. Management does not anticipate any difficulties in renewing the Woodville labor contract.

Note O: Business Segments

The Aggregates business is comprised of divisions which represent operating segments. Disclosures for certain divisions are consolidated as reportable segments for financial reporting purposes as they meet the aggregation criteria. The Aggregates business contains three reportable segments: Mid-America Group, Southeast Group and West Group. The Corporation also has a Specialty Products segment. The accounting policies used for segment reporting are the same as those described in Note A.

The Corporation's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations equal net sales less cost of sales, selling, general and administrative expenses, and business development costs; include other operating income and expenses; and exclude interest expense, other nonoperating income and expenses, net, and taxes on income. Corporate consolidated earnings from operations primarily include depreciation on capitalized interest, expenses for corporate administrative functions, business development costs, unallocated corporate expenses and other nonrecurring and/or non-operational adjustments excluded from the Corporation's evaluation of business segment performance and resource allocation. All debt and related interest expense is held at Corporate.

Assets employed by segment include assets directly identified with those operations. Corporate assets consist primarily of cash and cash equivalents, property, plant and equipment for corporate operations and other assets not directly identifiable with a reportable business segment.

The following tables display selected financial data for the Corporation's reportable business segments.

Selected Financial Data by Business Segment
years ended December 31
(add 000)

Total revenues	**2013**	2012	2011
Mid-America Group	**$ 740,703**	$ 718,611	$ 691,397
Southeast Group	**245,340**	243,442	242,581
West Group	**924,691**	849,135	560,515
Total Aggregates Business	**1,910,734**	1,811,188	1,494,493
Specialty Products	**244,817**	220,713	219,123
Total	**$2,155,551**	$2,031,901	$1,713,616
Net sales			
Mid-America Group	**$ 678,502**	$ 658,930	$ 634,554
Southeast Group	**226,437**	226,232	224,728
West Group	**812,638**	745,578	459,897
Total Aggregates Business	**1,717,577**	1,630,740	1,319,179
Specialty Products	**225,641**	202,217	200,575
Total	**$1,943,218**	$1,832,957	$1,519,754
Gross profit (loss)			
Mid-America Group	**$ 191,765**	$ 180,069	$ 171,746
Southeast Group	**(3,515)**	(6,052)	1,082
West Group	**93,495**	81,335	57,164
Total Aggregates Business	**281,745**	255,352	229,992
Specialty Products	**83,703**	77,223	75,405
Corporate	**(1,491)**	(5,441)	(3,395)
Total	**$ 363,957**	$ 327,134	$ 302,002
Selling, general and administrative expenses			
Mid-America Group	**$ 49,962**	$ 53,003	$ 54,599
Southeast Group	**18,081**	18,250	22,165
West Group	**46,650**	45,171	31,750
Total Aggregates Business	**114,693**	116,424	108,514
Specialty Products	**10,165**	9,295	9,197
Corporate	**25,233**	12,679	6,427
Total	**$ 150,091**	$ 138,398	$ 124,138
Earnings (Loss) from operations			
Mid-America Group	**$ 146,916**	$ 131,398	$ 121,888
Southeast Group	**(19,850)**	(25,495)	(21,210)
West Group	**50,503**	38,847	26,783
Total Aggregates Business	**177,569**	144,750	127,461
Specialty Products	**73,507**	68,542	66,305
Corporate	**(33,088)**	(57,122)	(32,757)
Total	**$ 217,988**	$ 156,170	$ 161,009
Assets employed			
Mid-America Group	**$1,139,198**	$1,036,155	$1,062,209
Southeast Group	**611,906**	607,705	624,476
West Group	**1,133,795**	1,147,879	1,119,563
Total Aggregates Business	**2,884,899**	2,791,739	2,806,248
Specialty Products	**154,024**	157,673	120,305
Corporate	**220,903**	211,514	221,269
Total	**$3,259,826**	$3,160,926	$3,147,822

years ended December 31
(add 000)

Depreciation, depletion and amortization	2013	2012	2011
Mid-America Group	**$ 61,414**	$ 65,515	$ 68,369
Southeast Group	**32,556**	35,026	46,607
West Group	**60,971**	60,926	42,201
Total Aggregates Business	**154,941**	161,467	157,177
Specialty Products	**10,564**	7,838	7,075
Corporate	**8,256**	7,906	9,155
Total	**$173,761**	$177,211	$173,407
Total property additions			
Mid-America Group	**$ 82,061**	$ 46,861	$ 52,642
Southeast Group	**72,907**	22,594	29,531
West Group	**54,136**	39,498	230,057
Total Aggregates Business	**209,104**	108,953	312,230
Specialty Products	**4,700**	38,873	21,983
Corporate	**6,477**	3,887	6,340
Total	**$220,281**	$151,713	$340,553
Property additions through acquisitions			
Mid-America Group	**$ 244**	$ —	$ —
Southeast Group	**54,463**	—	—
West Group	**—**	690	185,190
Total Aggregates Business	**54,707**	690	185,190
Specialty Products	**—**	—	—
Corporate	**—**	—	—
Total	**$ 54,707**	$ 690	$185,190

Of the total property additions through acquisitions for the West Group in 2011, $144,961,000 related to capital assets acquired through an asset exchange with Lafarge North America Inc.

In 2013, the Mid-America and West Groups acquired machinery and equipment of $1,191,000 and $9,150,000, respectively, through capital leases.

The Aggregates business includes the aggregates product line and vertically-integrated operations, which include the asphalt, ready mixed concrete and road paving product lines. All vertically-integrated operations reside in the West Group. Total revenues, net sales and gross profit by product line for the Aggregates business, which are reconciled to consolidated amounts, are as follows:

years ended December 31
(add 000)

Total revenues	2013	2012	2011
Aggregates	**$1,527,986**	$1,470,953	$1,372,243
Asphalt	**78,863**	93,288	63,942
Ready Mixed Concrete	**146,085**	110,562	32,946
Road Paving	**157,800**	136,385	25,362
Total Aggregates Business	**1,910,734**	1,811,188	1,494,493
Specialty Products	**244,817**	220,713	219,123
Total	**$2,155,551**	$2,031,901	$1,713,616
Net sales			
Aggregates	**$1,347,486**	$1,303,975	$1,213,635
Asphalt	**66,216**	79,816	47,315
Ready Mixed Concrete	**146,079**	110,554	32,861
Road Paving	**157,796**	136,395	25,368
Total Aggregates Business	**1,717,577**	1,630,740	1,319,179
Specialty Products	**225,641**	202,217	200,575
Total	**$1,943,218**	$1,832,957	$1,519,754
Gross profit (loss)			
Aggregates	**$ 259,054**	$ 240,614	$ 223,275
Asphalt	**12,928**	12,099	5,836
Ready Mixed Concrete	**8,337**	59	(220)
Road Paving	**1,426**	2,580	1,101
Total Aggregates Business	**281,745**	255,352	229,992
Total Specialty Products	**83,703**	77,223	75,405
Corporate	**(1,491)**	(5,441)	(3,395)
Total	**$ 363,957**	$ 327,134	$ 302,002

Domestic and foreign total revenues are as follows:

years ended December 31
(add 000)

	2013	2012	2011
Domestic	**$2,113,068**	$1,987,228	$1,669,896
Foreign	**42,483**	44,673	43,720
Total	**$2,155,551**	$2,031,901	$1,713,616

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note P: Supplemental Cash Flow Information

The components of the change in other assets and liabilities, net, are as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Other current and noncurrent assets	**$ 1,186**	$ (2,354)	$ 2,439
Accrued salaries, benefits and payroll taxes	**(4,276)**	7	(4,722)
Accrued insurance and other taxes	**421**	2,274	2,873
Accrued income taxes	**3,889**	(13,343)	6,139
Accrued pension, postretirement and postemployment benefits	**(4,795)**	(13,904)	(16,378)
Other current and noncurrent liabilities	**7,373**	3,836	(3,092)
Change in other assets and liabilities	**$ 3,798**	$(23,484)	$(12,741)

The change in accrued salaries, benefits and payroll taxes from 2012 to 2013 was attributable to a decrease of year-end payroll accruals by $1,701,000 and a reduction in the severance accrual by $1,611,000 in 2013. The change in accrued income taxes was attributable to a decrease in prepaid income taxes and prepaid foreign and state income taxes of $1,521,000 in 2013 compared with an increase in prepaid income taxes of $12,500,000 in 2012. The change in other current and noncurrent liabilities in 2012 was due to an increase in unrecognized tax benefits related to the estimated settlement of the APA (see Note I).

Noncash investing and financing activities are as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Noncash investing and financing activities:			
Acquisition of assets through asset exchange	**$ —**	$690	$150,000
Acquisition of assets through capital lease	**$10,341**	$ —	$ —

Note Q: Other Expenses

In 2012, the Corporation incurred business development costs of $35,140,000, which decreased 2012 consolidated net earnings by $21,242,000, or $0.46 per diluted share. In 2011, the Corporation incurred business development costs of $18,575,000, which decreased consolidated net earnings for 2011 by $11,409,000, or $0.25 per diluted share.

The Corporation incurred early retirement and severance expenses totaling $3,885,000, or $0.05 per diluted share, in 2012 and $4,414,000, or $0.06 per diluted share, in 2011. These nonrecurring charges are included in selling, general and administrative expenses in the consolidated statements of earnings.

Note R: Subsequent Events

On January 28, 2014, the Corporation and Texas Industries Inc. ("TXI") announced that the Boards of Directors of both companies unanimously approved a definitive merger agreement under which the Corporation will acquire all of the outstanding shares of TXI common stock in a tax-free, stock-for-stock transaction. Under the terms of the merger agreement, TXI shareholders will receive 0.700 shares of the Corporation's common stock for each share of TXI common stock owned at closing. Pursuant to the terms of the proposed business combination with TXI, the Corporation's dividends will be limited to regular quarterly dividends of $0.40 per share until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement, with declaration, record and payment dates consistent with past practice. Additionally, repurchases of the Corporation's common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement. The combination, which is subject to regulatory approvals, is expected to close in the second quarter of 2014.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

INTRODUCTORY OVERVIEW

Martin Marietta Materials, Inc., (the "Corporation") is the nation's second largest producer of construction aggregates. The aggregates product line includes crushed stone, sand and gravel, and is used for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, agricultural, utility and environmental industries. These aggregates products, along with the Corporation's vertically-integrated operations (i.e., asphalt products, ready mixed concrete and road paving construction services), are reported collectively as the "Aggregates business."

At December 31, 2013, the Aggregates business included the following reportable segments, operating locations, primary product lines, types of aggregates locations and transportation modes:

AGGREGATES BUSINESS

Reportable Segments	Mid-America Group	Southeast Group	West Group
Operating Locations	Indiana, Iowa, Kentucky, Maryland, Minnesota, eastern Nebraska, North Carolina, North Dakota, Ohio, South Carolina, Virginia, Washington and West Virginia	Alabama, Florida, Georgia, Mississippi, Tennessee, Nova Scotia and the Bahamas	Arkansas, Colorado, Kansas, Louisiana, Missouri, western Nebraska, Nevada, Oklahoma, Texas, Utah, and Wyoming
Primary Product Lines	Aggregates (crushed stone, sand and gravel)	Aggregates (crushed stone, sand and gravel)	Aggregates (crushed stone, sand and gravel), asphalt, ready mixed concrete and road paving
Primary Types of Aggregates Locations	Quarries and Distribution Yards	Quarries and Distribution Yards	Quarries and Distribution Yards
Primary Modes of Transportation for Aggregates Product Line	Truck and Rail	Truck, Rail and Water	Truck and Rail

The Specialty Products segment produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime used in the steel industry.

The Corporation's overall areas of focus include the following:

- Maximize long-term shareholder return by remaining disciplined in the pursuit of growth and earnings objectives;
- Conduct business in compliance with applicable laws, rules, regulations and the highest ethical standards;
- Provide a safe and healthy workplace for the Corporation's employees; and
- Reflect all aspects of good citizenship by being responsible neighbors.

Notable items regarding the Corporation's 2013 operating results, cash flows and operations include:

Operating Results:

- Earnings per diluted share of $2.61
- Return on shareholders' equity of 8.2% in 2013
- Aggregates product line pricing increase of 3.0% and volume growth of 0.1%
- Record financial results by the Specialty Products segment, which provided earnings from operations of $73.5 million
- Effective management of controllable production costs, as evidenced by a 90-basis-point expansion of consolidated gross margin (excluding freight and delivery revenues)
- Selling, general and administrative expenses of 7.7% as a percentage of net sales, up 10 basis points

Cash Flows:

- Ratio of consolidated debt-to-consolidated EBITDA of 2.67 times for the trailing twelve months ended December 31, 2013, in compliance with the covenant maximum of 3.50 times
- Cash dividends of $74.2 million, representing $1.60 per common share
- Capital expenditures of $155.2 million focused on preserving capital while maintaining safe, environmentally-sound operations, along with a continuing investment in land with long-term mineral reserves to serve high-growth markets

Operations:

- Improved employee safety performance as measured by the total injury incidence rate
- Successful integration of three aggregates operations acquired in July 2013 in Atlanta, Georgia

The Corporation's continued disciplined business approach and commitment to fundamentals and strategic vision, coupled with tactical execution, will enable management to prudently manage the business through the recovery stage of the construction cycle. Risks that are typical for the aggregates industry and the Corporation specifically become more pronounced during periods of economic uncertainty.

The Corporation continues to view its strategic objectives through the lens of building on the foundation of a world-class aggregates business. In the view of management, attractive aggregates markets exhibit population growth or population density, a driver of construction materials consumption or large-scale infrastructure networks; business and employment diversity, a driver of greater economic stability; and superior state financial position, a driver of public infrastructure growth. In light of these objectives, management intends to emphasize, among other things, the following strategic, financial and operational initiatives in 2014:

Strategic:

- Pursuing aggregates-led expansion through acquisitions that complement existing operations (i.e., bolt-on acquisitions) and acquisitions that provide entry into a new market (i.e., platform acquisitions)
- Leveraging competitive advantage from the Corporation's long-haul distribution network
- Rationalizing the Corporation's current asset base to continue to enhance shareholder value

Financial:

- Maintaining the Corporation's strong financial position while advancing strategic objectives
- Increasing the incremental gross margin of the aggregates product line toward management's targeted goal of an average of 60% over the course of a recovery in the business cycle
- Maximizing return on invested capital consistent with the successful long-term operation of the Corporation's business
- Returning cash to shareholders through sustainable dividends

Operational:

- Continuing to focus on improved safety performance
- Maintaining a focus on functional excellence leading to cost containment and operational efficiencies
- Investing in value-added growth initiatives and successfully integrating them with the Corporation's heritage operations
- Using best practices and information technology to drive improved cost performance
- Effectively serving high-growth markets
- Continuing the industry differentiating performance and operating results of the Specialty Products segment

Management considers each of the following factors in evaluating the Corporation's financial condition and operating results.

Aggregates Industry Economic Considerations

The construction aggregates industry is a mature, cyclical business dependent on activity within the construction marketplace. In 2013, the Corporation's overall aggregates shipments were relatively flat compared with 2012 levels. The Corporation's annual aggregates shipments have ranged from 125 million tons to 130 million tons over the past four years, indicative of a certain degree of volume stability, albeit at historically low levels, in a cyclical trough environment. Prior to 2010, the economic recession resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006.

The principal end-use markets of the aggregates industry are public infrastructure (i.e., highways; streets; roads; bridges; schools and prisons); nonresidential construction (i.e., manufacturing and distribution facilities; energy projects, including natural gas drilling; office buildings; large retailers and wholesalers; and malls); and residential construction (i.e., subdivision development; and single and multi-family housing). Aggregates products are also used in the railroad, agricultural, utility and environmental

industries. Ballast is an aggregates product used to line railroad track beds and, increasingly, concrete rail ties are being used as a substitute for wooden ties. Agricultural lime, a high-calcium carbonate material, is used as a supplement in animal feed, a soil acidity neutralizer and agricultural growth enhancer. High-calcium limestone is used as filler in glass, plastic, paint, rubber, adhesives, grease and paper. Chemical-grade high-calcium limestone is used as a desulfurization material in utility plants. Limestone can also be used to absorb moisture, particularly around building foundations. Stone is used as a stabilizing material to control erosion caused by water runoff or at ocean beaches, inlets, rivers and streams.

As discussed further under the section *Aggregates Industry and Corporation Trends* on pages 55 through 58, end-use markets respond to changing economic conditions in different ways. Public infrastructure construction has historically been more stable than nonresidential and residential construction due to typically stable and predictable funding from federal, state and local governments, with approximately half from the federal government and half from state and local governments. Recently, however, the construction aggregates industry has experienced unprecedented uncertainty as it relates to both the timing and amount of future long-term federal infrastructure funding. *Moving Ahead for Progress in the 21st Century Act*, or MAP-21, is the current two-year federal surface transportation bill that provides annual funding of approximately $40 billion. This bill expires September 30, 2014. Recently, the Senate Environment and Public Works Committee Chairman announced plans to advance a new, multi-year surface-transportation bill in April 2014. Furthermore, the Federal government shutdown in October 2013 and the general uncertainty over government spending policy have reduced confidence in long-term funding beyond the September 2014 expiration of MAP-21. As a result, some states and municipalities are reluctant to commit to large-scale, multi-year infrastructure projects. These factors led to a 7% decrease, as compared with 2012, in aggregates volumes to the Corporation's infrastructure construction market, which accounted for 45% of the Corporation's 2013 aggregates shipments. The anticipated impact of the *Transportation Infrastructure Finance and Innovation Act* (TIFIA) component of MAP-21, which has the ability to leverage up to $50 billion in financing for transportation projects of either national or regional significance, along with actions of the Corporation's key states to utilize various funding alternatives to support important infrastructure jobs, should provide an impetus for increased infrastructure spending in 2014 and beyond.

MARKETS
AGGREGATES PRODUCT LINE
(Estimated percentage of shipments)

	2009	2010	2011	2012	**2013**	**5-Year Average**
Infrastructure	51%	51%	50%	48%	**45%**	**49%**
Nonresidential	27%	27%	27%	29%	**31%**	**28%**
Residential	10%	10%	11%	12%	**14%**	**11%**
ChemRock/Rail	12%	12%	12%	11%	**10%**	**12%**

Source: Corporation data

Nonresidential and residential construction levels are interest rate-sensitive and typically move in direct correlation with economic cycles. In 2013, construction growth was driven by private-sector activity. The Corporation's aggregates volumes to the nonresidential construction market, which accounted for 31% of the Corporation's 2013 aggregates shipments, increased 8% in 2013. Aggregates shipments to the commercial component of the nonresidential market, namely office and retail, increased in certain of the Corporation's geographic markets in Colorado, Georgia, North Carolina and Texas. During 2013, a strengthened residential market precipitated nonresidential construction activities to serve increased populations. Specifically, the commercial component of nonresidential construction generally follows the residential construction market with a 12-to-18-month lag. The growth in commercial shipments was accompanied by stable aggregates shipments to the heavy industrial component of nonresidential, predominately the energy sector. Shale field activity remains strong, particularly at the Eagle Ford Shale field in south Texas as well as the Marcellus field in Pennsylvania. The Corporation should benefit from continued investment in shale energy

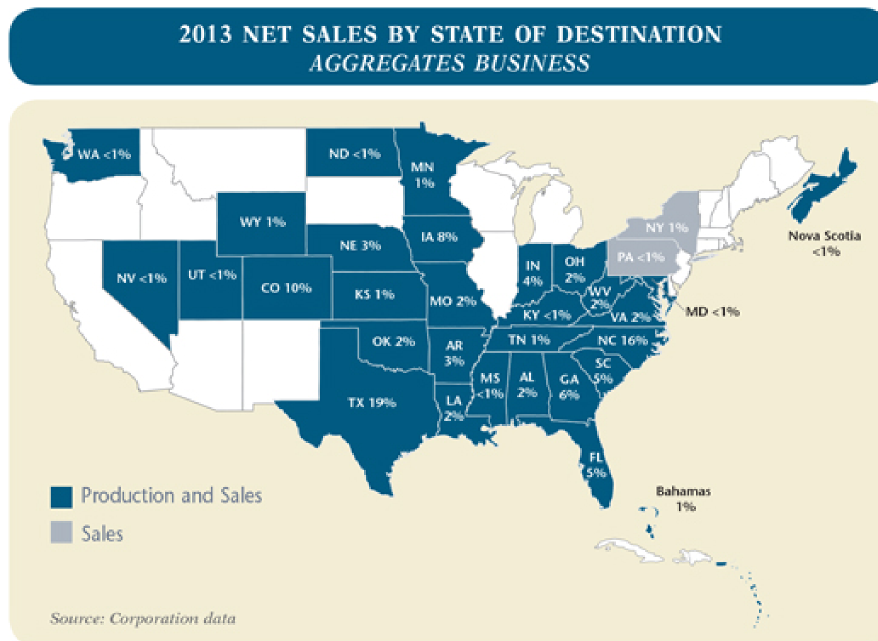
and anticipates additional shale-related opportunities as developmental activity moves into downstream projects, such as public infrastructure and industrial building. The nonresidential construction market is expected to increase notably in 2014. The Dodge Momentum Index, a 12-month leading indicator of construction spending for nonresidential building compiled by McGraw Hill Construction, reached 118.3 in December 2013, the highest reading since February 2009.

The residential construction market accounted for 14% of the Corporation's 2013 aggregates shipments, in line with the historical average, and aggregates volumes to this market increased 11% in 2013. Housing strength varies considerably in different areas of the United States. Notably, the Corporation's key geographic markets are showing significant residential growth, including Colorado, Florida, Georgia and North Carolina. As reported by the United States Census Bureau, the total value of private residential construction put in place increased 18% in 2013, helped by further gains in multi-family housing and a strengthening single-family market. Furthermore, housing permits and housing starts, key indicators for residential construction activity, continue to show year-over-year improvement, although starts are still below the 50-year historical annual average of 1.5 million. For 2013, annual housing starts were up 18.3% to an estimated 923,000, as reported by the United States Census Bureau, and the rate of housing starts significantly exceeded completions. This upward trend is expected to continue in 2014, with substantial expansion during the second half of the year. According to McGraw Hill Construction, for the first time since 2007, total housing starts are estimated to exceed one million units in 2014, bringing the level of construction closer to the demographic demand for single-family housing.

Shipments of chemical rock (comprised primarily of high-calcium carbonate material used for agricultural lime and flue gas desulfurization) and ballast products (collectively, referred to as "ChemRock/Rail") accounted for 10% of the Corporation's aggregates shipments and decreased 1% in 2013. Unfavorable weather conditions contributed to a decrease in agricultural lime shipments in 2013. Ballast shipments were flat compared with 2012 levels. Two of the Corporation's top ten customers in 2013 were Class I railroads, neither of which exceeded 5% of consolidated net sales.

Shipments of vertically-integrated products typically follow construction aggregates trends.

In 2013, the Corporation shipped 128.4 million tons of aggregates to customers in 30 states, Canada, the Bahamas and the Caribbean Islands from 260 aggregates quarries and distribution yards. The Corporation also shipped 3.1 million tons of asphalt and 1.7 million cubic yards of ready mixed concrete from 39 plants in Arkansas, Colorado, Texas and Wyoming. While the Aggregates business covers a wide geographic area, financial results depend on the strength of the applicable local economies because of the high cost of transportation relative to the price of the product. The Aggregates business' top five sales-generating states — Texas, North Carolina, Colorado, Iowa and Georgia — accounted for



59% of its 2013 net sales by state of destination, while the top ten sales-generating states accounted for 79% of its 2013 net sales. Management closely monitors economic conditions and public infrastructure spending in the market areas in the states where the Corporation's operations are located. Further, supply and demand conditions in these states affect their respective profitability.

Aggregates Industry Considerations

Since the construction aggregates business is conducted outdoors, erratic weather patterns, seasonal changes, precipitation and other weather-related conditions, such as snowstorms, droughts, flooding or hurricanes, can significantly affect production schedules, shipments and profitability of the aggregates industry. Generally, the financial results for the first and fourth quarters are significantly lower than the financial results of the other quarters due to winter weather.

While natural aggregates sources typically occur in relatively homogeneous deposits in certain areas of the United States, a significant challenge facing aggregates producers is locating suitable deposits that can be economically mined at locations that qualify for regulatory permits and are in close proximity to growing markets (or in close proximity to long-haul transportation corridors that economically serve growing markets). This objective becomes more challenging as residential expansion and other real estate development encroach on attractive quarrying locations, often triggering enhanced regulatory constraints or otherwise making these locations impractical for mining. The Corporation's management continues to meet this challenge through strategic planning to identify site locations in advance of economic expansion; land acquisition around existing quarry sites to increase mineral reserve capacity and lengthen quarry life or add a site buffer; underground mine development; and enhancing its competitive advantage with its long-haul distribution network. The Corporation's long-haul network moves aggregates materials from domestic and offshore sources, via rail and water, to markets that generally exhibit above-average growth characteristics driven by long-term population growth and density but lack a long-term indigenous supply of aggregates. The movement of aggregates materials through long-haul networks introduces risks to operating results as discussed more fully under the sections *Analysis of Aggregates Business Gross Margin* and *Transportation Exposure* on pages 54 and 55 and pages 68 through 70, respectively.

During the late 1990's and through the early 2000's, the aggregates industry experienced significant consolidation, and the Corporation actively participated in that industry consolidation. During this period, large, often public, companies acquired small-to-medium-sized businesses, primarily private companies. Thereafter, this consolidation trend slowed as the number of suitable small-to-midsized acquisition targets in high-growth markets declined. In the mid 2000's, at the apex of the most recent construction cycle, large public companies acquired other large public companies and paid peak multiples of peak EBITDA (earnings before interest expense, income tax expense, and depreciation and amortization expense), often stretching their financial capacity beyond investment-grade limits. The Corporation was not an active acquirer during this period, as management deemed the values of potential acquisitions to be significantly below the sellers' expectations. During the recent protracted recession in the construction industry, the Corporation has been successful in completing strategic acquisitions, including large private, family-owned businesses, as well as asset swaps and divestitures from companies rationalizing non-core assets and repairing financially-constrained balance sheets. As the economy slowly recovers, management anticipates the number of acquisition opportunities should increase as sellers view options for monetizing improving earnings. The Corporation pursues acquisitions that fit its strategic objectives as discussed more fully under the sections *Proposed Merger Considerations* and *Aggregates Industry and Corporation Trends* on pages 46 and 47 and pages 55 through 58, respectively. In July 2013, the Corporation acquired three aggregates quarries in the Atlanta, Georgia, market. This acquisition provided over 800 million tons of permitted aggregates reserves and enhanced the Corporation's existing long-term position in the north Georgia market. The Corporation also acquired an aggregates site in Iowa during 2013.

Aggregates Business Financial Considerations

The production of construction-related aggregates requires a significant capital investment resulting in high fixed and semi-fixed costs, as discussed more fully under the section *Cost Structure* on pages 66 through 68. Further, operating results and financial performance are sensitive to shipment volumes and changes in selling prices.

Average selling price for the aggregates product line increased 3.0% in 2013. As expected, this overall pricing increase was not uniform throughout the Corporation. Pricing growth was led by the Corporation's West Group, which reported an aggregates product line price increase of 3.9%, reflecting price increases implemented over the past year and favorable product mix. Of particular note, all geographic markets with a decline in shipments reported an increase in their 2013 average selling price, with one exception.

The production of construction-related aggregates also requires the use of various forms of energy, notably, diesel fuel. Therefore, fluctuations in diesel fuel pricing can significantly affect the Corporation's operating results. The Corporation's average price per gallon of diesel fuel in 2013 was 4% lower compared with 2012. The Corporation does not hedge its diesel fuel price risk, but instead focuses on volume-related price reductions, fuel efficiency, consumption and the natural hedge typically created by the ability to increase aggregates prices.

Vertically-integrated operations, which represented 22% of the Aggregates business' 2013 total net sales, have inherently lower gross margins (excluding freight and delivery revenues) than the aggregates product line. Market dynamics for these operations include a highly competitive environment and minimal barriers to entry. Liquid asphalt and cement are key raw materials in the production of hot mix asphalt and ready mix concrete, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Corporation's operating results. Prices for liquid asphalt and cement in 2013 were lower than 2012 prices.

Management evaluates financial performance in a variety of ways. In particular, gross margin (excluding freight and delivery revenues) is a significant measure of financial performance reviewed by management on a site-by-site basis. Management also reviews incremental gross margin, changes in average selling prices, costs per ton produced, tons produced per worked man hour and return on invested capital, along with other key financial and nonfinancial data. Changes in average selling prices demonstrate economic and competitive conditions, while incremental gross margin and changes in costs per ton produced and tons produced per worked man hour are indicative of operating leverage and efficiency and economic conditions.

Specialty Products Considerations

The Corporation, through its Specialty Products segment, also produces and sells dolomitic lime and magnesia-based chemicals. In 2013, this segment achieved record net sales and earnings from operations. For the year, net sales for the segment increased 11.6%, reflecting growth in both the chemicals and dolomitic lime product lines. In November 2012, the Specialty Products' new lime kiln became operational, providing 275,000 tons of additional annual capacity which is committed under a long-term contract. The dolomitic lime business, which represented 35% of Specialty Products' 2013 net sales, is dependent on the highly-cyclical steel industry and operating results are affected by changes in that industry. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 77% in 2013. The chemical products business focuses on higher-margin specialty chemicals that can be produced at volumes that support efficient operations.

A significant portion of costs related to the production of dolomitic lime and magnesia chemical products is of a fixed or semi-fixed nature. The production of dolomitic lime and certain magnesia chemical products also requires the use of natural gas, coal and petroleum coke. Therefore, fluctuations in their pricing directly affect operating results. The Corporation has entered into fixed-price supply contracts for natural gas, coal and petroleum coke to help mitigate this risk. During 2013, the Corporation's average cost per MCF (thousand cubic feet) for natural gas increased 18% from 2012.

Cash Flow Considerations

The Corporation's cash flows are generated primarily from operations. Operating cash flows generally fund working capital needs, capital expenditures, dividends, share repurchases and smaller acquisitions. The Corporation has a $600 million credit agreement (the "Credit Agreement"), as amended in November 2013, with a syndicate of banks. The Credit Agreement provides a $350 million unsecured revolving facility (the "Revolving Facility") and a $250 million senior unsecured term loan (the "Term Loan Facility"). The Corporation also has a $150 million trade receivable securitization facility (the "Trade Receivable Facility").

During 2013, the Corporation made net repayments of long-term debt of $16.7 million. Additionally, during 2013, the Corporation invested $155.2 million in capital expenditures, paid $74.2 million in dividends and made contributions of $29.0 million to its pension plans.

Cash on hand, $42.4 million at December 31, 2013, along with the Corporation's projected internal cash flows and its available financing resources, including access to debt and equity markets, as needed, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, satisfy noncancelable agreements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. At December 31, 2013, the Corporation had unused borrowing capacity of $347.5 million under its Revolving Facility and $20.0 million under its Trade Receivable Facility.

The Corporation's ability to borrow funds or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions. As of December 31, 2013, the Corporation had principal indebtedness of $1.031 billion and future minimum lease and mineral and other royalty commitments for all noncancelable agreements of $343.4 million. The Corporation's ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting its consolidated operations, many of which are beyond the Corporation's control. If the Corporation is unable to generate sufficient cash flow from operations in the future to satisfy its financial obligations, it may be required, among other things, to seek additional financing in the debt or equity markets; to refinance or restructure all or a portion of its indebtedness; to further reduce or delay planned capital or operating expenditures; and/or to suspend or reduce the amount of the cash dividend to shareholders.

An increase in leverage could lead to deterioration in the Corporation's credit ratings. A reduction in its credit ratings, regardless of the cause, could limit the Corporation's ability to obtain additional financing and/or increase its cost of obtaining financing.

Proposed Merger Considerations

On January 27, 2014, the Corporation entered into an Agreement and Plan of Merger (the "merger agreement") with Texas Industries, Inc., a Delaware corporation ("TXI"), and Project Holdings, Inc., a North Carolina corporation and a wholly-owned subsidiary of the Corporation ("Merger Sub"). Subject to the terms and conditions set forth in the merger agreement, Merger Sub will merge with and into TXI with TXI surviving the merger as a wholly-owned subsidiary of the Corporation (hereinafter referred to as the "proposed business combination with TXI"). Pursuant to the merger agreement, promptly after the effective time of the merger, each outstanding share of TXI common stock will be exchanged for 0.70 of a share of the Corporation's common stock. The proposed business combination with TXI was unanimously approved by the Boards of Directors of both the Corporation and TXI.

The closing of the proposed business combination with TXI is subject to customary closing conditions, including, among others, the adoption of the merger agreement by TXI's stockholders, approval by the Corporation's shareholders of the issuance of the Corporation's common stock in connection with the merger and expiration or termination of the applicable waiting period under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended. In addition, the merger agreement contains certain termination rights for both the Corporation and TXI and further provides for the payment of certain termination fees under certain specified circumstances. The Corporation currently anticipates the closing of the proposed business combination with TXI to be in the second quarter of 2014. However, the Corporation cannot assure the closing of the proposed business combination with TXI will occur by any particular date, if at all.

Pursuant to the terms of the merger agreement with TXI, the Corporation's dividends will be limited to regular quarterly dividends of $0.40 per share until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement, with declaration, record and payment dates consistent with past practice. Furthermore, under the terms of the merger agreement with TXI, repurchases of the Corporation's common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement.

The Corporation's future performance and results could be affected by the proposed business combination with TXI. Certain of the risks and uncertainties relating to the Corporation's proposed business combination with TXI are summarized under Item IA, Risk Factors, in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013. In addition, in connection with the proposed business combination with TXI, the Corporation and TXI intend to file relevant materials with the Securities Exchange Commission ("SEC"), including a Registration Statement on Form S-4 that will include a joint proxy statement of the Corporation and TXI and that will also constitute a prospectus of the Corporation. For additional information regarding the proposed business combination with TXI, including the risks and uncertainties related thereto, please see the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 (as may be amended from time to time) and the other relevant materials that will be filed with the SEC when they become available.

FINANCIAL OVERVIEW

Highlights of 2013 Financial Performance (all comparisons are versus 2012)

- *Earnings per diluted share of $2.61 compared with $1.83 (2012 includes business development costs of $0.46 per diluted share)*
- *Net sales of $1.943 billion, a 6.0% increase compared with net sales of $1.833 billion*
- *Aggregates product line pricing increase of 3.0% and volume growth of 0.1%*
- *Record financial results by the Specialty Products segment, which provided earnings from operations of $73.5 million*
- *Consolidated gross margin (excluding freight and delivery revenues) of 18.7%, up 90 basis points*
- *Consolidated earnings from operations of $218.0 million compared with $156.2 million (2012 includes business development costs of $35.1 million)*

Results of Operations

The discussion and analysis that follow reflect management's assessment of the financial condition and results of operations of the Corporation and should be read in conjunction with the audited consolidated financial statements on pages 6 through 39. As discussed in more detail herein, the Corporation's operating results are highly dependent upon activity within the construction marketplace, economic cycles within the public and private business sectors and seasonal and other weather-related conditions. Accordingly, the financial results for a particular year, or year-to-year comparisons of reported results, may not be indicative of future operating results. The Corporation's Aggregates business generated 88% of consolidated net sales and the majority of consolidated operating earnings during 2013. Furthermore, management presents certain key performance indicators for the Aggregates business. The following comparative analysis and discussion should be read within these contexts. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and are not intended to be indicative of management's judgment of materiality.

The Corporation's consolidated operating results and operating results as a percentage of net sales are as follows:

years ended December 31 (add 000, except for % of net sales)	**2013**	**% of Net Sales**	2012	% of Net Sales	2011	% of Net Sales
Net sales	**$1,943,218**	**100.0%**	**$1,832,957**	**100.0%**	**$1,519,754**	**100.0%**
Freight and delivery revenues	212,333		198,944		193,862	
Total revenues	2,155,551		2,031,901		1,713,616	
Cost of sales	1,579,261	81.3	1,505,823	82.2	1,217,752	80.1
Freight and delivery costs	212,333		198,944		193,862	
Total cost of revenues	1,791,594		1,704,767		1,411,614	
Gross profit	**363,957**	**18.7**	**327,134**	**17.8**	**302,002**	**19.9**
Selling, general and administrative expenses	150,091	7.7	138,398	7.6	124,138	8.2
Business development costs	671	—	35,140	1.9	18,575	1.2
Other operating (income) and expenses, net	(4,793)	(0.2)	(2,574)	(0.2)	(1,720)	(0.1)
Earnings from operations	**217,988**	**11.2**	**156,170**	**8.5**	**161,009**	**10.6**
Interest expense	53,467	2.8	53,339	2.9	58,586	3.9
Other nonoperating expenses and (income), net	295	—	(1,299)	(0.1)	1,834	0.1
Earnings from continuing operations before taxes on income	164,226	8.4	104,130	5.7	100,589	6.6
Taxes on income	44,045	2.3	17,431	1.0	21,003	1.4
Earnings from continuing operations	**120,181**	**6.1**	**86,699**	**4.7**	**79,586**	**5.2**
(Loss) Gain on discontinued operations, net of taxes	(749)	—	(1,172)	—	3,987	0.3
Consolidated net earnings	119,432	6.1	85,527	4.7	83,573	5.5
Less: Net (loss) earnings attributable to noncontrolling interests	(1,905)	(0.1)	1,053	0.1	1,194	0.1
Net Earnings Attributable to Martin Marietta Materials, Inc.	**$ 121,337**	**6.2%**	**$ 84,474**	**4.6%**	**$ 82,379**	**5.4%**

The comparative analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is based on net sales and cost of sales. However, gross margin as a percentage of net sales and operating margin as a percentage of net sales represent non-GAAP measures. The Corporation presents these ratios based on net sales, as it is consistent with the basis by which management reviews the Corporation's operating results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's operating results given that freight and delivery revenues and costs represent pass-throughs and have no profit mark-up. Gross margin and operating margin calculated as percentages of total revenues represent the most directly comparable financial measures calculated in accordance with generally accepted accounting principles ("GAAP"). The following tables present the calculations of gross margin and operating margin for the years ended December 31 in accordance with GAAP and reconciliations of the ratios as percentages of total revenues to percentages of net sales.

Gross Margin in Accordance with GAAP

years ended December 31 (add 000, except margin %)	**2013**	2012	2011
Gross profit	**$ 363,957**	$ 327,134	$ 302,002
Total revenues	**$2,155,551**	$2,031,901	$1,713,616
Gross margin	**16.9%**	16.1%	17.6%

Gross Margin (Excluding Freight and Delivery Revenues)

years ended December 31 (add 000, except margin %)	2013	2012	2011
Gross profit	**$ 363,957**	$ 327,134	$ 302,002
Total revenues	**$2,155,551**	$2,031,901	$1,713,616
Less: Freight and delivery revenues	**(212,333)**	(198,944)	(193,862)
Net sales	**$1,943,218**	$1,832,957	$1,519,754
Gross margin (excluding freight and delivery revenues)	**18.7%**	17.8%	19.9%

Operating Margin in Accordance with GAAP

years ended December 31 (add 000, except margin %)	2013	2012	2011
Earnings from operations	**$ 217,988**	$ 156,170	$ 161,009
Total revenues	**$2,155,551**	$2,031,901	$1,713,616
Operating margin	**10.1%**	7.7%	9.4%

Operating Margin (Excluding Freight and Delivery Revenues)

years ended December 31 (add 000, except margin %)	2013	2012	2011
Earnings from operations	**$ 217,988**	$ 156,170	$ 161,009
Total revenues	**$2,155,551**	$ 2031,901	$1,713,616
Less: Freight and delivery revenues	**(212,333)**	(198,944)	(193,862)
Net sales	**$1,943,218**	$1,832,957	$1,519,754
Operating margin (excluding freight and delivery revenues)	**11.2%**	8.5%	10.6%

Net Sales

Net sales by reportable segment are as follows:

years ended December 31 (add 000)	2013	2012	2011
Mid-America Group	**$ 678,502**	$ 658,930	$ 634,554
Southeast Group	**226,437**	226,232	224,728
West Group	**812,638**	745,578	459,897
Total Aggregates Business[1]	**1,717,577**	1,630,740	1,319,179
Specialty Products	**225,641**	202,217	200,575
Total	**$1,943,218**	$1,832,957	$1,519,754

1 Net sales reflect the elimination of intersegment sales.

Net sales by product line for the Aggregates business are as follows:

years ended December 31 (add 000)	2013	2012	2011
Aggregates	**$1,347,486**	$1,303,975	$1,213,635
Asphalt	**66,216**	79,816	47,315
Ready Mixed Concrete	**146,079**	110,554	32,861
Road Paving	**157,796**	136,395	25,368
Total Aggregates Business[1]	**$1,717,577**	$1,630,740	$1,319,179

1 Net sales reflect the elimination of inter-product line sales.

Aggregates Product Line. Heritage aggregates operations exclude acquisitions that were not included in prior-year operations for a full year and exclude divestitures. The Corporation's Colorado operations, which were acquired in December 2011, are now considered heritage aggregates operations. Aggregates product line pricing and volume data have been recast accordingly for 2012 and 2011.

Heritage and total aggregates product line average selling price increases are as follows:

years ended December 31	2013	2012	2011
Mid-America Group	**3.2%**	1.0%	2.3%
Southeast Group	**1.9%**	3.9%	5.0%
West Group	**3.9%**	1.5%	1.9%
Heritage Aggregates Operations	**2.9%**	0.5%	2.3%
Aggregates Product Line	**3.0%**	0.8%	2.7%

In 2013, the average selling price for the aggregates product line was $10.63 per ton, reflecting price increases implemented in both the current and past year, partially offset by the impact of product mix.

Aggregates pricing in 2012, in part, reflects the impact of increased demand, partially offset by product mix in the West Group. Aggregates pricing in 2011 increased after a certain degree of volume stability was achieved in 2010 and competitive and customer pricing pressures eased. For both 2012 and 2011, the average selling price increase for the Southeast Group was higher than the other reportable segments primarily due to product mix, which reflected a higher percentage of higher-priced products being sold. Product mix, principally energy-sector shipments, negatively affected West Group pricing in 2012 and 2011.

For comparison, the average annual aggregates product line price increase for the ten and twenty years ended December 31, 2013 was 4.7% and 3.7%, respectively.

The following presents heritage and total aggregates product line shipments for each reportable segment of the Aggregates business:

years ended December 31 Tons (add 000)	**2013**	2012	2011
Heritage Aggregates Product Line:			
Mid-America Group	**58,925**	59,180	57,630
Southeast Group	**16,575**	17,549	18,159
West Group	**52,204**	51,563	43,022
Heritage Aggregates Operations	**127,704**	128,292	118,811
Acquisitions	**726**	—	—
Divestitures[1]	**3**	39	6,263
Aggregates Product Line	**128,433**	128,331	125,074

1 Divestitures represent tons related to divested operations up to the date of divestiture.

Aggregates product line shipments are sold externally to customers and used in other product lines as follows:

years ended December 31 Tons (add 000)	**2013**	2012	2011
Aggregates Product Line:			
Tons to external customers	**123,792**	123,873	122,857
Internal tons used in other product lines	**4,641**	4,458	2,217
Total aggregates tons	**128,433**	128,331	125,074

Aggregates product line shipments in 2013 were flat compared with 2012 and reflect notable volume growth in the Corporation's nonresidential and residential end-use markets, offset by weak infrastructure demand. Aggregates product line shipments in 2012 increased 2.6% compared with 2011 due to increased energy-sector and residential construction shipments, coupled with shipments contributed by the Corporation's Colorado operations, which were acquired in December 2011. Aggregates product line shipments declined 3.8% in 2011 due to a reduction of stimulus projects, decreases in transportation spending and decreased energy-sector shipments.

Heritage and total aggregates product line volume variance by reportable segment is as follows:

years ended December 31	**2013**	2012	2011
Mid-America Group	**(0.4%)**	2.7%	(0.4%)
Southeast Group	**(5.6%)**	(3.4%)	(12.4%)
West Group	**1.2%**	19.9%	(0.9%)
Heritage Aggregates Operations	**(0.5%)**	8.0%	(2.6%)
Total Aggregates Product Line	**0.1%**	2.6%	(3.8%)

Aggregates product line shipments in 2013 for the Mid-America Group reflect the completion of several large road projects in Indiana, offset by residential and nonresidential growth particularly in North Carolina and Virginia.

The Southeast Group experienced volume declines due to lower aggregates demand and increased competition in Georgia and Florida. Although beginning to improve in 2013, economic growth in Georgia, Florida and Alabama markets has lagged national trends, principally due to weaker job growth and higher home foreclosure rates.

In 2012, the West Group benefited from a significant increase in shipments to the energy sector from shale field activity, primarily in the Eagle Ford Shale field in south Texas, improved residential construction activity in Texas and volume contribution from the Colorado operations.

Vertically-Integrated Operations. The Corporation's vertically integrated operations include asphalt, ready mixed concrete and road paving businesses in Arkansas, Colorado, Texas and Wyoming.

Average selling prices by product line for the Corporation's vertically-integrated operations are as follows:

years ended December 31	**2013**	2012	2011
Asphalt	**$ 42.09/ton**	$ 41.57/ton	$ 39.24/ton
Ready Mixed Concrete	**$83.73/yd3**	$77.24/yd3	$65.37/yd3

Unit shipments by product line for the Corporation's vertically-integrated operations are as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Asphalt Product Line:			
Tons to external customers	**1,361**	1,662	1,262
Internal tons used in road paving business	**1,728**	1,598	183
Total asphalt tons	**3,089**	3,260	1,445
Ready Mixed Concrete – cubic yards	**1,742**	1,481	502

Specialty Products. Specialty Products' 2013 net sales increased 11.6%, reflecting the Woodville, Ohio, kiln capacity expansion in the dolomitic lime business, marketing initiatives in the chemicals business and solid pricing gains in key product lines. Net sales of $202.2 million in 2012 increased slightly over 2011 net sales and included $3.1 million of incremental net sales from the capacity expansion in November 2012.

Freight and Delivery Revenues and Costs

Freight and delivery revenues and costs represent pass-through transportation costs incurred when the Corporation arranges for a third-party carrier to deliver aggregates products to customers (see section *Transportation Exposure* on pages 68 through 70). These third-party freight costs are then billed to the customer.

Cost of Sales

Cost of sales increased 4.9%, on an absolute dollar basis, in 2013 compared with 2012 due to inflation, production costs for quarries acquired in July 2013 and certain unplanned equipment repairs. Notably, the Corporation's disciplined management of its cost profile resulted in a 90-basis-point reduction of cost of sales to 81.3% of net sales. Cost of sales increased in 2012 compared with 2011 due to increased aggregates volumes, coupled with increased diesel expense and higher internal freight costs and resale material costs. Resale materials include the purchase of aggregates from third parties to supply customer's needs.

Gross Profit

Improved aggregates product line pricing and strong performance by the Specialty Products business contributed to consolidated gross profit improvement of $36.8 million, or 11%, in 2013. During 2012, consolidated gross profit increased $25.1 million, driven by pricing and volume strength in the aggregates product line and strong performance from the Corporation's vertically-integrated operations.

The following presents a reconciliation of the Corporation's consolidated gross profit:

years ended December 31 (add 000)	**2013**	2012
Consolidated Gross Profit, prior year	**$327,134**	$302,002
Aggregates Product Line:		
Pricing strength	**42,426**	21,023
Volume strength	**1,085**	69,317
Increase in production costs	**(33,567)**	(55,649)
Increase in resale materials	**(5,400)**	(12,820)
Increase in internal freight costs	**(1,846)**	(17,860)
Decrease in other costs	**15,742**	13,328
Increase in Aggregates Product Line Gross Profit	**18,440**	17,339
Vertically-Integrated Operations	**7,953**	8,021
Specialty Products	**6,480**	1,818
Corporate	**3,950**	(2,046)
Increase in Consolidated Gross Profit	**36,823**	25,132
Consolidated Gross Profit, current year	**$363,957**	$327,134

Production costs in 2013 include incremental costs for the quarries acquired in Georgia in July 2013, higher repair costs, increased workers compensation costs, nonrecurring costs related to the September 2013 flooding in Denver, Colorado, as well as increased production volume. Production costs in 2012 include incremental costs directly attributable to the Colorado aggregates operations that were acquired in December 2011, higher supply costs for conveyor belts, including both increased replacement and rising rubber prices, and higher diesel fuel costs all compared with 2011.

Resale material costs increased significantly during 2012 as the Corporation was unable to produce enough material to support well drilling for the oil and gas industry, particularly in the Mid-America Group, and purchased these products for its customers from third parties.

Internal freight costs represent freight expenses to transport materials from a producing quarry to a distribution yard. While higher diesel fuel costs experienced during 2012 contributed to the increase in internal freight costs, the rail component increased due to increased shipments to materials yards, particularly in the West Group.

Other costs, which include production overhead and inventory change, decreased in 2013 and 2012. In periods in which ending inventory levels increase, inventory change decreases costs of sales, as production costs are capitalized.

Gross profit (loss) by business is as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Aggregates	**$259,054**	$240,614	$223,275
Asphalt	**12,928**	12,099	5,836
Ready Mixed Concrete	**8,337**	59	(220)
Road Paving	**1,426**	2,580	1,101
Total Aggregates Business	**281,745**	255,352	229,992
Specialty Products	**83,703**	77,223	75,405
Corporate	**(1,491)**	(5,441)	(3,395)
Total	**$363,957**	$327,134	$302,002

Gross profit by reportable segment for the Aggregates business is as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Mid-America Group	**$191,765**	$180,069	$171,746
Southeast Group	**(3,515)**	(6,052)	1,082
West Group	**93,495**	81,335	57,164
Total Aggregates Business[1]	**$281,745**	$255,352	$229,992

1 Gross profit reflects the elimination of intersegment profit.

The Corporation's gross margin (excluding freight and delivery revenues) expanded 90 basis points compared with 2012. Consolidated gross margin (excluding freight and delivery revenues) decreased 210 basis points in 2012 due to the increased impact from vertically-integrated businesses and higher energy, resale material and internal freight costs (see sections *Analysis of Aggregates Business Gross Margin* on pages 54 and 55 and *Transportation Exposure* on pages 68 and 70).

Gross margin (excluding freight and delivery revenues) by reportable segment is as follows:

years ended December 31	**2013**	2012	2011
Mid-America Group	**28.3%**	27.3%	27.1%
Southeast Group	**(1.6%)**	(2.7%)	0.5%
West Group	**11.5%**	10.9%	12.4%
Total Aggregates Business	**16.4%**	15.7%	17.4%
Specialty Products	**37.1%**	38.2%	37.6%
Consolidated	**18.7%**	17.8%	19.9%

Gross margin (excluding freight and delivery revenues) for the Mid-America Group improved 100 basis points in 2013 to 28.3% as economic recovery began to take hold, particularly in North Carolina.

Gross margin (excluding freight and delivery revenues) for the Southeast Group improved 110 basis points in 2013, resulting from the contribution of the operations acquired in July 2013. Additionally, the Southeast Group's operations include both water distribution and rail distribution, which produces lower overall gross margins (excluding freight and delivery revenues) due to internal freight costs.

The West Group includes the Corporation's vertically-integrated operations. Vertically-integrated operations have inherently lower gross margins (excluding freight and delivery revenues) than the Corporation's aggregates product line due to competitive market dynamics and significant consumption of high-cost raw materials, namely liquid asphalt and cement. The West Group's operations also include rail distribution. Accordingly, gross margin (excluding freight and delivery revenues) for the West Group is below that of the overall Aggregates business.

The Specialty Products business' 2013 gross margin (excluding freight and delivery revenues) of 37.1% declined 110 basis points from 2012. During 2013, Specialty Products incurred higher coal and natural gas costs and lost higher-margin sales from a customer that filed for bankruptcy. Improvement in gross margin (excluding freight and delivery revenues) for 2012 was primarily due to favorable natural gas costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A expenses") for 2013 were 7.7% of net sales, an increase of 10 basis points compared with 2012. On an absolute basis, SG&A increased $11.7 million, as expected, due to incremental costs for the Corporation's information systems upgrade that was successfully completed in October 2013, as well as other costs related to productivity improvement initiatives. SG&A was 7.6% of net sales in 2012, a 60-basis-point improvement, compared with 2011. On an absolute basis, SG&A expenses increased $14.3 million in 2012 as the Corporation absorbed overhead for its Colorado operations and incurred information system upgrade-related costs, early retirement and severance costs and higher pension expense.

Business Development Costs

In 2012 and 2011, the Corporation incurred $35.1 million and $18.6 million, respectively, of business development costs, incurred principally as a result of the Corporation’s proposed business combination with Vulcan Materials Company that was not consummated.

Other Operating Income and Expenses, Net

Among other items, other operating income and expenses, net, include gains and losses on the sale of assets; gains and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense, and gains and losses related to asset retirement obligations; and research and development costs. Consolidated other operating income and expenses, net, was income of $4.8 million in 2013, $2.6 million in 2012 and $1.7 million in 2011. Operating income, net, in 2013 included higher bad debt recoveries and higher gains on the sales of assets, both compared with 2012. Operating income, net, in 2012 included higher rental and services income compared with 2011.

Earnings from Operations

Solid pricing for both the aggregates and ready mixed concrete product lines, coupled with record operating performance by the Specialty Products business and the absence of significant business development costs, contributed to an improvement in consolidated earnings from operations of $61.8 million in 2013. Furthermore, consolidated operating margin (excluding freight and delivery revenues) expanded 270 basis points in 2013. In 2012, consolidated earnings from operations decreased $4.8 million and operating margin (excluding freight and delivery revenues) decreased 210 basis points, both compared with 2011, reflecting lower gross margin (excluding freight and delivery revenues) for the Aggregates business resulting from the increased impact from vertically-integrated operations, as well as higher diesel, internal freight and resale material costs and $16.5 million of incremental business development costs, partially offset by strong operating results for the Specialty Products segment.

Interest Expense

Interest expense was flat in 2013. Interest expense decreased $5.2 million in 2012, primarily due to the low interest-rate environment and a higher mix of variable-rate debt which bears a lower interest rate compared with the Corporation’s fixed-rate debt.

Other Nonoperating Income and Expenses, Net

Other nonoperating income and expenses, net, are comprised generally of interest income, foreign currency transaction gains and losses, and net equity earnings from nonconsolidated investments. Consolidated other nonoperating income and expenses, net, was an expense of $0.3 million in 2013, income of $1.3 million in 2012 and an expense of $1.8 million in 2011. Nonoperating income for 2013 included a loss on foreign currency transactions, partially offset by higher earnings on nonconsolidated equity investments. Nonoperating income for 2012 included a gain on debt repurchased at a discount and a gain on foreign currency transactions (compared with a loss in 2011), which were partially offset by lower earnings on nonconsolidated equity investments.

Taxes on Income

Variances in the estimated effective income tax rates, when compared with the federal corporate tax rate of 35%, are due primarily to net permanent tax benefits associated with the statutory depletion deduction for mineral reserves, the effect of state income taxes, the domestic production deduction, the tax effect of nondeductibility of goodwill related to divestitures of businesses and the impact of foreign losses for which no tax benefit is recognized.

Permanent benefits associated with the statutory depletion deduction for mineral reserves are the significant driver of the estimated effective income tax rate. The statutory depletion deduction is calculated as a percentage of sales subject to certain limitations. Due to these limitations, changes in sales volumes and pretax earnings may not proportionately affect the depletion deduction. However, the impact of the depletion deduction on the estimated effective tax rate is inversely affected by increases or decreases in pretax earnings.

The estimated effective income tax rates for discontinued operations reflect the tax effects of individual operations’ transactions and are not indicative of the Corporation’s overall effective income tax rate.

The Corporation’s estimated effective income tax rates are as follows:

years ended December 31	**2013**	2012	2011
Continuing operations	**26.8%**	16.7%	20.9%
Overall	**26.8%**	16.3%	21.7%

In August 2013, the Corporation filed the required amended returns and paid the taxes due to settle the Advance Pricing Agreements ("APA") it has with Canada that increased the sales price charged for intercompany shipments from Canada to the United States during the years 2005 through 2011. The Corporation also filed amended returns in the United States for the years 2005 through 2011 to request the compensating refunds allowed pursuant to the corresponding APA with the United States. The effects of the APA increased the consolidated overall estimated effective income tax rate by 90 basis points for the year ended December 31, 2013.

Lower pretax earnings, coupled with the estimated effects of the APA, significantly lowered the consolidated overall estimated effective income tax rate for the year ended December 31, 2012.

Discontinued Operations

Operations that are disposed of or permanently shut down represent discontinued operations. The results of all divested operations through the dates of disposal and any gains or losses on disposals are included in discontinued operations in the consolidated statements of earnings. The results of operations for divestitures do not include corporate overhead allocated during the periods the Corporation owned these operations. All discontinued operations relate to the Aggregates business.

Discontinued operations included the following:

years ended December 31 (add 000)	**2013**	2012	2011
Net sales	**$ 3,111**	$ 5,819	$64,774
Pretax loss on operations	**$(1,084)**	$(1,619)	$ (3,808)
Pretax (loss) gain on disposals	**(82)**	(354)	9,986
Pretax (loss) gain	**(1,166)**	(1,973)	6,178
Income tax (benefit) expense	**(417)**	(801)	2,191
Net (loss) earnings	**$ (749)**	$(1,172)	$ 3,987

In 2011, the Corporation divested its River District operations in an asset exchange for Lafarge North America Inc.'s Denver, Colorado, Front Range business.

Net Earnings Attributable to Martin Marietta Materials, Inc. and Earnings Per Diluted Share

Net earnings attributable to Martin Marietta Materials, Inc., were $121.3 million, or $2.61 per diluted share, in 2013, an increase of 44% over 2012. In 2012, net earnings attributable to Martin Marietta Materials, Inc., were $84.5 million, or $1.83 per diluted share, inclusive of business development costs of $0.46 per diluted share, an increase of 3% compared with $82.4 million, or $1.78 per diluted share, inclusive of business development costs of $0.25 per diluted share, in 2011.

Analysis of Aggregates Business Gross Margin

- *Aggregates business 2013 gross margin (excluding freight and delivery revenues) reflects*
  - *a 70-basis point expansion from 2012,*
  - *a 260-basis-point negative impact from vertically- integrated operations, and*
  - *a 240-basis-point negative impact from internal freight*

Gross margin (excluding freight and delivery revenues) for the Aggregates business for the years ended December 31 was as follows:

2013	**16.4%**
2012	15.7%
2011	17.4%

The Aggregates business' operating leverage for the aggregates product line is substantial given its significant amount of fixed costs. The lean cost structure, coupled with aggregates volume recovery across the business and pricing increases, provides a significant opportunity to increase margins for the aggregates product line in the future. Management estimates that, subject to certain factors, including volume growth across the entire enterprise, the aggregates product line can earn $0.60 of additional gross profit with each incremental $1 of sales over the course of an upturn in the business cycle.

Vertically-integrated operations, which are included in the West Group, accounted for 22% of the Aggregates business' net sales in 2013. Market dynamics for these operations are highly competitive. In cyclical trough periods, average

selling prices for these product lines generally decline. Furthermore, vertically-integrated operations consume significant amounts of high-cost raw materials, namely, liquid asphalt and cement, for the production of hot mix asphalt and ready mix concrete, respectively. Gross margins (excluding freight and delivery revenues) for the Aggregates business' asphalt and ready mixed concrete product lines typically range from 10% to 12% as compared with the aggregates product line gross margin (excluding freight and delivery revenues), which generally ranges from 25% to 30%. The road paving product line typically yields gross margins (excluding freight and delivery revenues) ranging from 5% to 7%. The mix of vertically-integrated operations lowered the Aggregates business' gross margin (excluding freight and delivery revenues) by 260 basis points in 2013 and 2012 and by 95 basis points in 2011 and lowered the West Group's gross margins (excluding freight and delivery revenues).

The long-haul distribution network, which includes water and rail distribution yards, continues to be a key component of the Corporation's strategic growth plan. Most of this activity is located in areas of the Southeast and West Groups that generally lack a long-term indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population trends, including growth and density. Transportation freight costs from the production site to the distribution yards are included in the delivered price of aggregates products and reflected in the pricing structure at the distribution yards. Sales from rail and water distribution yards generally yield lower gross margins (excluding freight and delivery revenues) as compared with sales directly from quarry operations. Nonetheless, management expects that the distribution network currently in place will provide the Corporation solid growth opportunities, and gross margin (excluding freight and delivery revenues) should continue to improve, subject to the economic environment and other of the Corporation's risk factors (see *Aggregates Industry and Corporation Risks* on pages 58 through 74). In 2013, 16.7 million tons of aggregates were sold from distribution yards. Results from these distribution operations reduced the Aggregates business' gross margin (excluding freight and delivery revenues) by 240 basis points in 2013. In 2012 and 2011, the impact of internal freight on the Aggregates business' gross margin (excluding freight and delivery revenues) was comparable with 2013.

The Aggregates business' gross margin (excluding freight and delivery revenues) will continue to be adversely affected by lower gross margins for vertically-integrated operations and the long-haul distribution network.

BUSINESS ENVIRONMENT

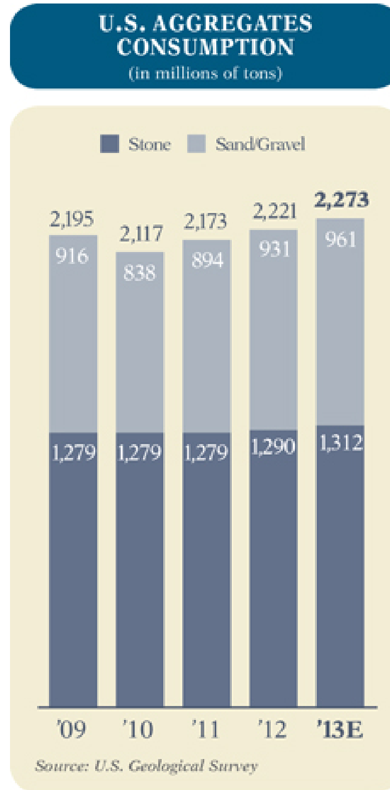
The sections on *Business Environment* on pages 55 through 76, and the disclosures therein, provide a synopsis of the business environment trends and risks facing the Corporation. However, no single trend or risk stands alone. The relationship between trends and risks is dynamic, and the current economic climate exacerbates this relationship. This discussion should be read in this context.

Aggregates Industry and Corporation Trends

- *According to the U.S. Geological Survey, estimated construction aggregates consumption in the United States increased 2.3% in 2013 compared with 2012*
- *Spending statistics, from 2012 to 2013, according to U.S. Census Bureau:*
  - *Total value of construction put in place increased 4.8%*
  - *Public-works construction spending decreased 2.8%*
  - *Private nonresidential construction market spending decreased 0.4%*
  - *Private residential construction market spending increased 18.0%*

The Corporation's principal business, the Aggregates business, serves customers in construction aggregates-related markets. This business is strongly affected by activity within the construction marketplace, which is cyclical in nature. Consequently, the Corporation's profitability is sensitive to national, regional and local economic conditions and especially to cyclical swings in construction spending. The cyclical swings in construction spending are in turn affected by fluctuations in interest rates, access to capital markets, levels of public-sector infrastructure funding, and demographic, geographic and population dynamics. In 2013, total construction aggregates consumption in the United States increased 2.3% to 2.3 billion tons, as estimated by the U.S. Geological Survey. Per the U.S. Census Bureau, total construction spending increased 4.8%, which implies a lower level of aggregates-intensive construction spending in 2013.

The Aggregates business sells its products principally to contractors in connection with highway and other public infrastructure projects as well as nonresidential and residential development. While construction spending in the public and private market sectors is affected by economic cycles, the historic level of spending on public infrastructure projects has been comparatively more stable as governmental appropriations and expenditures are typically less interest rate-sensitive than private-sector spending. Obligation of federal funds is a leading indicator of highway construction activity in the United States. Before a state or local department of transportation can bid an eligible construction project, it enters into an agreement with the Federal Highway Administration to obligate the federal government to pay its share of the project cost. Federal obligations are subject to annual funding appropriations by Congress. During 2013, Congress provided virtually no increase in federal transportation investment for highway, transit and runway construction, which negatively affected spending on these public infrastructure projects (see section *Federal and State Highway Transportation Funding* on pages 63 through 65). By way of example, while the total value of United States construction spending increased 4.8% in 2013 compared with 2012, overall public-works spending decreased 2.8% in 2013. As reported by The American Road and Transportation Builders Association ("ARTBA"), projected 2013 spending on highways, streets and bridges increased slightly from $80.5 billion in 2012 to $81.2 billion. ARTBA forecasts that the highway, roads and streets construction market will grow 2.6% in 2014; however, this growth will be uneven nationwide. Management believes public-works projects have historically accounted for 50% of the total annual aggregates consumption in the United States. Of the Corporation's total aggregates shipments in 2013, 45% were to the public sector; thus, the Aggregates business benefits from public-works construction projects. Accordingly, management believes exposure to fluctuations in nonresidential and residential, or private-sector, construction spending is lessened by the business' mix of public sector-related shipments.



Spending for the private nonresidential construction market decreased slightly in 2013 compared with 2012, according to the U.S. Census Bureau. The Corporation shipped 31% of its aggregates shipments to the nonresidential construction market in 2013. Historically, half of the Corporation's nonresidential construction shipments have been used for office and retail projects, while the remainder has been used for heavy industrial and capacity-related projects. Heavy industrial construction activity has been supported in recent years by expansion of the energy sector, namely development of shale-based natural gas fields.

The Corporation's exposure to residential construction is typically split evenly between aggregates used in the construction of subdivisions (including roads, sidewalks, and storm and sewage drainage) and aggregates used in home construction. Therefore, the timing of new subdivision starts, as well as new home starts, equally affects residential volumes. Private residential construction market spending increased 18.0% in 2013 from 2012, according to the U.S. Census Bureau. While the residential construction market has made significant strides toward recovery over the past two years, private residential construction spending remains below historical levels.

Gross margin on shipments transported by rail and water is lower as a result of the impact of internal freight. However, as demand increases in supply-constrained areas, additional pricing opportunities, along with improved distribution costs, may improve profitability and gross margin on transported material. Further, the long-haul transportation network can diversify market risk for locations that engage in long-haul transportation of their aggregates products. Many locations serve both a local market and transport products via rail and/or water to be sold in other markets. The risk of a downturn in one market may be somewhat mitigated by other markets served by the location.

Pricing on construction projects is generally based on terms committing to the availability of specified products at a specified price during a specified period. While residential and nonresidential construction jobs usually are completed within a year, infrastructure contracts can require several years to complete. Therefore, changes in prices can have a lag time before taking effect while the Corporation sells aggregates products under existing price agreements. Pricing escalators included in multi-year infrastructure contracts somewhat mitigate this effect. However, during periods of sharp or rapid increases in production costs, multi-year infrastructure contract pricing may provide only nominal pricing growth. The Corporation also implements mid-year price increases where appropriate. These mid-year price increases are typically realized over eighteen months, such that 25% of the total increase is realized in the year of announcement with the balance realized in the subsequent year.

In 2013, the average selling price for the aggregates product line increased 3.0% due to price increases implemented over the current and prior year, partially offset by the impact of product mix. Opportunities to increase pricing will occur on a market-by-market basis. Management believes pricing increases in 2013 and beyond will approximate the Corporation's 20-year annual average, 3.7%, and correlate, after consideration of a 6-to-12-month lag factor, with changes in demand. Pricing is determined locally and is affected by supply and demand characteristics of the local market.

The Aggregates business is subject to potential losses on customer accounts receivable in response to economic cycles. While a recessionary construction economy increases those risks, both lien rights and payment bonds help mitigate the risk of uncollectible receivables; however, the Corporation can experience delayed payments from certain of its customers, negatively affecting operating cash flows. Historically, the Corporation's bad debt write offs have not been significant to its operating results. Further, management considers the allowance for doubtful accounts adequate as of December 31, 2013.

Management expects the overall long-term trend of consolidation of the aggregates industry to continue. The Corporation's Board of Directors and management continue to review and monitor strategic long-term plans. These plans include assessing business combinations and arrangements with other companies engaged in similar or complementary businesses, increasing market share in the Corporation's strategic businesses and pursuing new opportunities that are related to markets that the Corporation views as attractive. During 2013, the Corporation reviewed multiple transaction opportunities as part of its long-term strategic plan, consummating an acquisition of three aggregates quarries in the Atlanta, Georgia market and an aggregates site in Iowa (see section *Internal Expansion and Integration of Acquisitions* on pages 70 and 71).

On January 27, 2014, the Corporation entered into a merger agreement with TXI whereby, promptly after the effective time of the merger, each outstanding share of TXI common stock will be exchanged for 0.70 of a share of the Corporation's common stock. The proposed business combination with TXI was unanimously approved by the Boards of Directors of both the Corporation and TXI.

The closing of the proposed business combination with TXI is subject to customary closing conditions, including, among others, the adoption of the merger agreement by TXI's stockholders, approval by the Corporation's shareholders of the issuance of the Corporation's common stock in connection with the merger and expiration or termination of the applicable waiting period under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended. In addition, the merger agreement contains certain termination rights for both the Corporation and TXI and further provides for the payment of certain termination fees under certain specified circumstances. The Corporation currently anticipates the closing of the proposed business combination with TXI to be in the second quarter of 2014. However, the Corporation cannot assure the closing of the proposed business combination with TXI will occur by any particular date, if at all.

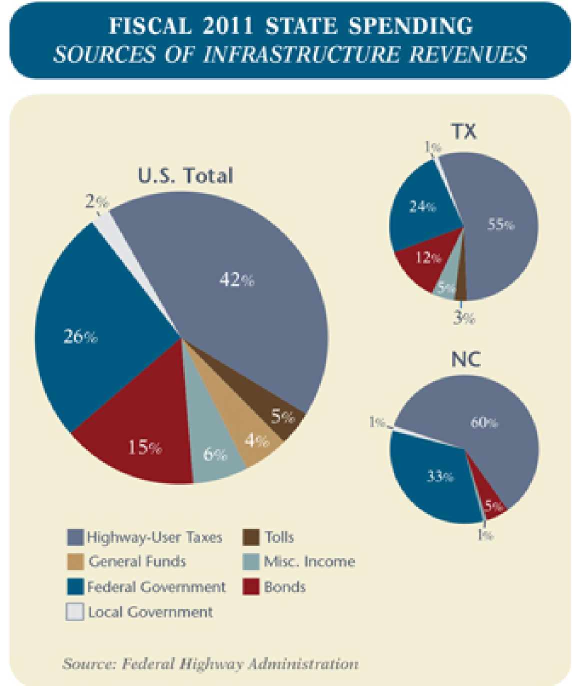
The Corporation's future performance and results could be affected by the proposed business combination with TXI. Certain of the risks and uncertainties relating to the Corporation's proposed business combination with TXI are summarized under Item IA, Risk Factors, in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013. In addition, in connection with the proposed business combination with TXI, the Corporation and TXI intend to file relevant materials with the SEC, including a

Registration Statement on Form S-4 that will include a joint proxy statement of the Corporation and TXI and that will also constitute a prospectus of the Corporation. For additional information regarding the proposed business combination with TXI, including the risks and uncertainties related thereto, please see the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 (as may be amended from time to time) and the other relevant materials that will be filed with the SEC when they become available.

Aggregates Industry and Corporation Risks

General Economic Conditions

The overall United States economy moved at a tepid pace during 2013. Economic and political uncertainty, including the prolonged Congressional impasse over the federal budget and national debt ceiling that resulted in the government shutdown and the pending impact of *The Patient Protection and Affordable Care Act,* eroded consumer confidence, impeding significant growth during 2013. On a positive note, the national unemployment rate fell from 7.8% in December 2012 to 6.7% in December 2013, the lowest rate since October 2008. However, the unemployment rate remains at a level notably higher than the prerecession rate of 4.4% at December 2006 as significant numbers of individuals remain unemployed or have stopped looking for employment altogether. According to the Bureau of Labor Statistics, unemployment in the construction industry fell from 13.5% in December 2012 to 11.4% in December 2013. Construction unemployment hit its lowest rate, 5.3%, in August 2007. In sum, U.S. construction employment remains 1.9 million jobs below peak. Further, despite the momentum of the residential recovery and the Federal Reserve keeping the federal funds rate near zero percent, housing permits remain significantly below normalized annual levels.



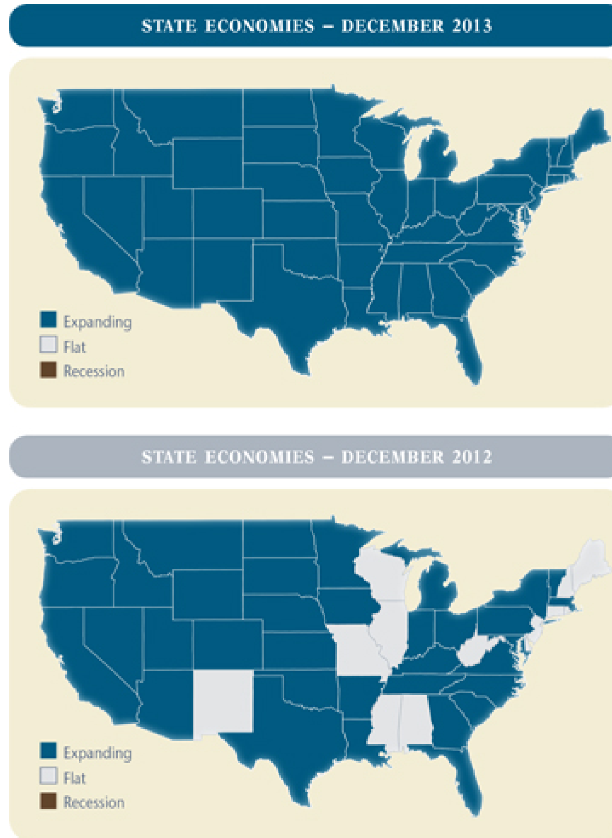
Public-sector construction projects are funded through a combination of federal, state and local sources (see section *Federal and State Highway Transportation Funding* on pages 63 through 65). The level of state public-works spending is varied across the nation and dependent upon individual state economies. In addition to federal appropriations, each state funds its infrastructure spending from specifically allocated amounts collected from various user taxes, typically gasoline taxes and vehicle fees. Based on national averages, user taxes represent the largest component of highway revenues, averaging 42% in fiscal year 2011, the latest available statistics. The use of general funds as a percentage of each state's highway revenues varies, with a national average of 4% in fiscal year 2011, the latest available statistics. Therefore, state budget spending cuts typically only affect a small percentage of a state's highway spending. Most state budgets began to improve in 2013 as states worked to resolve budget deficits and invest in economic development.

States have also taken on a larger role in funding sustained infrastructure investment. Management anticipates further growth in state-level funding initiatives, such as bond issues, toll roads and special-purpose taxes, as states address infrastructure needs, particularly in periods of federal funding uncertainty. For example, effective July 1, 2013, the state of Virginia enacted *Virginia's Road to the Future Plan,* the state's first comprehensive transportation funding plan in more than 25 years. The legislation provides over $3.4 billion in dedicated statewide transportation funding, over $1.5 billion in additional funding for northern Virginia and over $1 billion in additional funding for Hampton Roads, over the next five years. The transportation plan replaces the 17.5 cents per gallon excise tax on gasoline with a 3.5% sales tax on gasoline and imposes a 0.3% sales and use tax increase statewide that is dedicated

to funding transportation and highway maintenance, shifts a portion of general fund revenue to transportation and increases fees for vehicle registration and for alternative-fuel vehicles. According to ARTBA's *2013 Ballot Initiative Report,* public support for state and local transportation ballot investment initiatives remains strong. In the November 2013 elections, voters approved 86% of transportation funding measures that increase or extend funding for highways, bridges and transit. The total value of these approved measures was nearly $716 million, primarily in Colorado and Georgia. ARTBA reported that the approval rate for the November ballot measures was among the highest in the past ten years. In addition to the November ballot, voters also approved 82% of the 16 ballot measures proposed earlier in the year, including a $75 million bond referendum in Raleigh, North Carolina.

The impact of any economic improvement will vary by local market. Profitability of the Aggregates business by state is not proportional to net sales by state because certain of the Corporation's intrastate markets are more profitable than others. Further, while the Corporation's aggregates operations cover a wide geographic area, financial results depend on the strength of local economies, which may differ from the economic conditions of the state or region. This is particularly relevant given the high cost of transportation as it relates to the price of the product. The impact of local economic conditions is felt less by large fixed plant operations that serve multiple end-use markets through the Corporation's long-haul distribution network.

As of December 2013, as reported by Moody's *Economy.com Inc.* ("Moody's"), all state economies were expanding. For comparison, as of December 2012, as reported by Moody's, all state economies were flat or beginning to expand.



The Aggregates business' top five sales-generating states, namely Texas, North Carolina, Colorado, Iowa and Georgia, together accounted for 59% of its 2013 net sales by state of destination. The top ten sales-generating states, which also include Florida, South Carolina, Indiana, Nebraska and Arkansas, together accounted for 79% of the Aggregates business' 2013 net sales by state of destination.

Supported by business diversity, as well as employment and population growth, Texas continues to lead the United States in economic growth. Texas currently ranks first

in the nation in terms of absolute employment growth, adding 252,000 jobs in 2013. Furthermore, the state's population is expanding at more than twice the national rate. Texas is one of the Corporation's strongest aggregates markets driven by a robust state Department of Transportation program, growing residential and nonresidential activity and strong energy-sector activity. Funding for Texas highway construction comes from dedicated sources as opposed to the use of general funds. The Corporation's aggregates shipments in 2014 and beyond will benefit from $7.8 billion of projects awarded in fiscal year 2013 by the Texas Department of Transportation. For fiscal 2014, combined highway funding, including state Department of Transportation, local lettings and other obligations, is projected to be $5.6 billion. This projection excludes funding assistance for six projects costing $6.7 billion that the Texas Department of Transportation has applied for under the TIFIA component of MAP-21 (see section *Federal and State Highway Transportation Funding* on pages 63 through 65). On February 6, 2014, Texas received its first TIFIA award (under MAP-21) for the Grand Parkway project in Houston. The Texas Department of Transportation recently announced an $825 million plan to fund major road projects in San Antonio, including the area's first toll project. TIFIA awards are expected to fund a portion of this project which should commence by early 2015. Toll-financed transportation initiatives are already used extensively in Dallas/Ft. Worth and Houston, driving significant investment. Furthermore, Texas has a ballot initiative scheduled for November 2014 that, if passed, would provide up to $1.0 billion of additional annual funding for certain transportation infrastructure maintenance and construction projects by diverting surplus funds from the state's so-called "Rainy Day Fund". Based on current sentiment, management anticipates this ballot initiative will be passed. Nonresidential construction continues to benefit from general economic vitality and energy-sector projects. For example, industrial building vacancy rates in the Dallas/Ft. Worth market have reached a 20-year low at less than 6%, prompting developers to begin construction on over ten million square feet of additional space. Additionally, production at the Eagle Ford Shale field is expected to more than double over the next five years. The abundance of inexpensive natural gas will drive petrochemical investments, particularly in the Corpus Christi area where $5 billion of announced industrial projects are underway. Texas' residential construction market continues to gain momentum as the supply of available homes has fallen to its lowest level in nearly two decades and home valuations are at all-time highs. Management believes single-family permits will increase 10% to 20% in the Corporation's major Texas markets in 2014.

Having endured a more severe downturn during the Great Recession than the nation as a whole, the economic recovery in North Carolina is gaining momentum. Job growth accelerated in 2013, with particular strength seen in Charlotte, the second largest banking center in the United States. Furthermore, the seasonally-adjusted unemployment rate dipped to 6.9% in December 2013, only 20 basis points above the national rate and the first time that gap has fallen below 1.0 percent since 2010. Infrastructure construction activity will remain challenged in 2014, driven by project timing. For fiscal year 2014, construction and maintenance funding levels for the North Carolina Department of Transportation are $2.9 billion, down slightly from fiscal year 2013 levels. The state Department of Transportation recently adopted a more metro-centric approach to distributing transportation dollars, anticipated to positively impact the metro Raleigh, Greensboro and Charlotte areas. In October 2013, voters in Raleigh overwhelmingly approved a $75 million bond referendum to finance 18 local transportation projects. The transportation bond will be issued in 2014 and include a 1.12-cent property tax increase. Additionally, the Charlotte area will see two major projects begin in 2014; a $1.2 billion light rail extension project in downtown and a $92 million runway project at the Charlotte-Douglas International Airport. However, the North Carolina Turnpike Authority has temporarily stalled the bid for the $700 million Garden Parkway due to political opposition and environmental issues. The Garden Parkway, which was projected to be bid in the first half of 2013, may be funded through a budget provision providing money for the construction of four toll road projects for a total of $3.2 billion; the Corporation has quarries that are positioned for competitively bidding the jobs. North Carolina has applied for funding assistance under TIFIA, submitting a request for the Triangle Expressway project costing $1.2 billion; however, no North Carolina TIFIA awards have been approved to date. During 2013, North Carolina saw signs of nonresidential construction recovery as office and retail vacancy rates dropped and industrial absorption rates increased. Furthermore, growth in the state's housing

market translated into increased commercial construction spending. These trends are expected to continue in 2014. CBRE, a global leader in real estate services, recently reported that three major real estate developers have plans to begin new building construction in the Raleigh-Durham-Chapel Hill area. Furthermore, MetLife plans to invest $110 million to build an office campus in Cary in 2014, in addition to relocating its U.S. retail division headquarters to Charlotte. The residential market has also begun to experience growth in certain metro areas. Increases in building permits and home sales in several markets, as well as, a reduction in developed lots available, indicate a rebounding residential market in North Carolina. Beyond the near term, conditions in North Carolina are favorable for steady growth in the housing market as population and employment gains will support demand for new homes. According to McGraw Hill Construction's outlook, the value of residential construction in North Carolina is forecast to increase 13% in 2014. Historically, the Corporation's North Carolina operations have been above average in rate of pricing growth and profitability due to its quarry locations in growing market areas and their related transportation advantage.

The Colorado economy is among the healthiest in the United States, outperforming the nation in 2013 and forecasted to grow 4% in 2014. Colorado's jobs growth of 2.9% surpassed the national average. Furthermore, the state's seasonally-adjusted unemployment rate fell from 7.6% at December 31, 2012 to 6.2% in December 2013, the lowest rate since 2008. Additionally, Colorado posted the fifth-largest population gain in the country in 2013. The state of Colorado has a strong Department of Transportation program, and infrastructure construction projects starting in 2014 are likely to match or eclipse the already high level experienced in 2013. The *Responsible Acceleration of Maintenance and Partnerships*, or RAMP, program provides an additional $300 million per year of spending over a five-year period beginning in fiscal year 2014, allowing long-term financing of multi-year projects versus pay-as-you-go funding. Half of the RAMP funds will be used to leverage local dollars and public-private dollars to fund additional transportation projects. The balance of RAMP will fund significant projects currently underway. Further, the historic 500-year flooding in September 2013 will result in a significant reconstruction effort, the majority of which will take place in 2014. Colorado recently passed legislation to allocate $450 million for emergency road repairs, of which $110 million will be provided by the U.S. Department of Transportation. According to Department of Transportation officials, an estimated 200 miles of state highways and 50 bridges are in need of rebuilding and repairing as a result of the flood. Colorado continues to benefit from both the heavy industrial and commercial components of the nonresidential construction market. Denver continues to be a strong national commercial real estate target with its low vacancy rates and increasing office rents. Forecasts indicate growth in nonresidential building construction in 2014. Two major projects are expected to break ground in late 2014 – a $236 million on-campus football stadium at Colorado State University and the $735 million Gaylord Rockies Hotel and Conference Center. Additionally, favorable market conditions will keep energy sector activity strong, particularly at the Niobrara Shale formation. The residential end-use market gained momentum in 2013. Multi-family permits are currently at their highest level since 2002, surpassing their prerecession peak, with construction concentrated in the northern Front Range metropolitan area. Multi-family construction is forecast to increase again in 2014, but at a slower pace. Colorado also saw a solid increase in single-family housing permits, up more than 30%, in 2013. Continued recovery is anticipated in 2014, with a forecast of 20,000 single-family housing permits.

Iowa has been one of the Corporation's most consistently stable markets over the past five years and is the largest per capita consumer of crushed stone in the United States. Iowa's economy, which is highly dependent on agriculture and related manufacturing industries, continues to show signs of steady expansion. The state's seasonally-adjusted unemployment rate remains one of the lowest in the country, dropping to 4.2% at December 31, 2013, a five-year low. State highways maintained by the Iowa Department of Transportation are financed with federal funds and dedicated highway-user tax revenues; no state general fund revenue is used. Recently, Iowa's road construction lobby has pushed for a 10-cent increase in gasoline and diesel taxes to fund critical infrastructure needs; however, it is unlikely that the tax increase will be approved during the 2014 legislative session. Over the next five years, $2.6 billion is forecast to be available for highway right of way and con-

ESTIMATED POPULATION		
Top 10 Revenue-Generating States of Aggregates Business	**Percent Change in Population 2010 to 2013**	**Population Rank July 1, 2013**
Texas	5.2%	2
North Carolina	3.3%	10
Colorado	4.8%	22
Iowa	1.4%	30
Georgia	3.1%	8
Florida	4.0%	4
South Carolina	3.2%	24
Indiana	1.3%	16
Nebraska	2.3%	37
Arkansas	1.5%	32

Source: U.S. Census Bureau, Population Estimates Division

struction under the Iowa Transportation Commission’s FY 2014-2018 Iowa Transportation Improvement Program. In addition, $1.1 billion is targeted through fiscal year 2018 for modernizing and maintaining Iowa’s existing highway system. Iowa continues to see strong capital investment throughout the state. In 2013, Orascom Construction Industries began construction on a $1.8 billion fertilizer plant in southeast Iowa scheduled to open in 2015. Additionally, CF Industries recently broke ground on a $1.7 billion fertilizer complex near Sioux City scheduled to open in 2016. Microsoft Corporation also announced a $700 million expansion of its West Des Moines data center to be completed in early 2015. Iowa ranks third in the nation for both the number of utility-scale wind turbines and total wind energy installations. Recently, MidAmerican Energy Company, Iowa’s largest energy company, announced plans to invest $1.9 billion to expand its wind generation fleet by the end of 2015, making it the largest wind expansion project in Iowa’s history. Furthermore, Facebook Inc. began construction of a $300 million state-of-the-art data center in Altoona that will be 100% powered by wind energy and open by the end of 2014. Iowa’s residential construction market has also seen improvement, with housing permits increasing 10% over 2012 levels. During 2013, the Des Moines area experienced the highest number of home sales since 2005, bringing inventories to their lowest level in seven years. These trends are forecast to continue in 2014, generating continued residential growth. Iowa is the largest corn and pork-producing state in the nation. The Corporation’s agricultural lime volumes are dependent on, among other things, weather, demand for agricultural commodities, including corn and soybeans, commodity prices, farm and land values as well as funding from the *Agricultural Act of 2014*, the five-year domestic farm bill signed into law on February 7, 2014.

Georgia’s economy, which was hit much harder by the Great Recession than the nation as a whole, continues to make strides toward recovery. Georgia ranked fifth, as of December 2013, in terms of employment growth in the United States, up from 39th in December 2009. The seasonally-adjusted unemployment rate fell to a five-year low of 7.4% in December 2013; however, it remains above the national average. Forecasts indicate the state’s economy will increase 3% in 2014, outperforming the pace of growth of the nation. State Department of Transportation spending is expected to remain relatively flat at $2.1 billion for fiscal year 2014 compared with fiscal year 2013. Motor fuel tax revenues, which are dedicated to the state highway fund, are expected to decline 3% in fiscal year 2014 compared with actual tax collections in fiscal 2013, per the state Office of Planning and Budget. As part of the *Transportation Investment Act* (TIA), effective January 1, 2013, three regions in the southern part of Georgia began collecting a special-purpose local option sales tax. These monies, which are not included in the state Department of Transportation spending amount above, are earmarked for transportation improvements that either complement an existing project or jump-start a new phase of a transportation plan to enhance mobility. The Corporation maintains key positions to competitively bid on an estimated $1.3 billion of the $1.88 billion total TIA budget slated for these regions during the next ten years. Initial TIA project lettings began in late 2013 and the Corporation has been awarded a supply contract for the Riverwatch Extension project in Augusta. Management expects the pace of projects funded by this tax to accelerate in 2014. Port activity continues to remain strong — the Port of Brunswick is the second-busiest port for auto imports in the United States and the Port of Savannah boasts the largest single container terminal in

North America. In fact, the Georgia Ports Authority reported record tonnage in fiscal 2013 as several clients expanded or established docking and warehousing facilities. Recently, Georgia approved $231.1 million to fund the Savannah Harbor Expansion Project. This project, which began in 2013 and will be completed in 2016, will deepen the Savannah Harbor by five feet to accommodate the increase in the number of super-sized container vessels through the Panama Canal after its 2015 expansion. According to the Georgia Department of Economic Development, in fiscal 2013, the state successfully recruited 389 companies to either expand into or relocate to Georgia. This influx of development will generate $6.07 billion in investments and 31,656 new jobs. The Georgia World Congress Center Authority and the Atlanta Falcons announced plans to build a new $1.2 billion football stadium with construction expected to begin in early 2014 and be completed in 2017. Additionally, the Atlanta Braves announced plans to build a new $700 million baseball stadium in Cobb County, Georgia; construction will begin in 2014 and be complete in 2017. Lastly, Baxter International Inc. should complete construction of its $1 billion manufacturing facility near Covington, Georgia, in 2018. In addition to a one million square foot manufacturing facility, this development also includes office, retail and residential components. Georgia's economy is also supported by its significant military presence. Fort Gordon, located near Augusta, Georgia, was recently named the new Army Cyber Command Center headquarters. To serve an increased population of almost 20% by 2019, Fort Gordon will require $170 million of new construction and $56 million of renovation and modernization through 2020. Single-family housing permits in Georgia increased 40% over 2012 levels; however, these permits are still down 65% from the single-family average from 1998 to 2003. Rebounding home sales, increasing home prices and declining inventory of foreclosures should allow Georgia's housing market to gain strong momentum in 2014.

Federal and State Highway Transportation Funding

- *Federal highway bill provides funding for roadway construction through September 2014*
- *Incremental funding dollars supported by TIFIA range from $30 billion to $50 billion over the next three to four years*
- *Need for transportation improvements currently outpaces funding by almost 200%*

The federal highway bill provides annual funding for public-sector highway construction projects. Following a series of nine short-term continuing resolutions, on July 6, 2012, the President signed into law MAP-21, which provides annual funding for highway expenditures of approximately $40 billion through September 30, 2014.

MAP-21 also significantly expands TIFIA funding. TIFIA, a U.S. Department of Transportation alternative funding mechanism, provides three types of federal credit assistance for nationally or regionally significant surface transportation projects. TIFIA is designed to fill market gaps and leverage substantial private co-investment by providing projects with supplemental or subordinate debt which is not subject to national debt ceiling challenges or sequestration. Since its inception in 1998, TIFIA has provided credit assistance to 27 projects representing approximately $36 billion in infrastructure investment. Under MAP-21, TIFIA funding increased from $122 million per year to $750 million for fiscal year 2013 and $1.0 billion in fiscal year 2014. TIFIA does not require the 20% matching funds from state departments of transportation found under MAP-21. Consequently, states can advance construction projects immediately with potentially zero outlay of current department of transportation budget dollars. TIFIA requires projects to have a revenue source to pay back the credit assistance within a 30-40 year period. Moreover, TIFIA funds may represent up to 49% of total project costs (up from 33%). Therefore, the TIFIA program has the ability to significantly leverage construction dollars. Each dollar of federal funds can provide up to $10 in TIFIA credit assistance, leveraging an estimated $30 billion to $50 billion in new transportation infrastructure investment after consideration of the increased proportion of TIFIA dollars to total project costs and private investment. Private investment in

transportation projects funded through the TIFIA program is particularly attractive, in part due to the subordination of public investment to private. Management believes TIFIA could provide a substantial boost for state department of transportation construction programs well above what is currently budgeted. Through December 31, 2013, the U.S. Department of Transportation received TIFIA applications for $48.5 billion worth of projects, including $6.7 billion in Texas, $1.2 billion in North Carolina and $2.7 billion in Florida. On February 6, 2014, Texas received its first TIFIA award (under MAP-21), the first award approved in the Corporation's key geographic markets.

The federal highway bill provides spending authorizations, which represent the maximum financial obligation that will result from the immediate or future outlays of federal funds for highway and transit programs. The federal government's surface transportation programs are financed mostly through the receipts of highway user taxes placed in the Highway Trust Fund, which is divided into the Highway Account and the Mass Transit Account. Revenues credited to the Highway Trust Fund are primarily derived from a federal tax of $0.184 per gallon on gasoline, unchanged since 1993, a federal tax on certain other motor fuels and interest on the accounts' accumulated balances. MAP-21 extended federal motor fuel taxes through September 30, 2016 and truck excise taxes through September 30, 2017.

The Highway Trust Fund has experienced shortfalls since 2008 as improved automobile fuel efficiency and higher gas prices have both resulted in fewer miles driven. These shortfalls have created a significant decline in federal highway funding levels. In response, Congress enacted laws to transfer money from the Treasury's General Fund to the Highway Trust Fund to ensure it retains a positive balance. From 2008 through 2011, Congress transferred a total of $34.5 billion from the General Fund to the Highway Trust Fund. Furthermore, MAP-21 authorized the transfer of $2.4 billion from the Leaking Underground Storage Tank Trust Fund to the Highway Account upon enactment. MAP-21 also authorized $6.2 billion to the Highway Account in November 2012; $10.4 billion to the Highway Account in October 2013; and $2.2 billion to the Mass Transit Account in October 2013. All of these authorized transfers came from the General Fund, which was subject to sequestration.

Based on current spending and revenue trends, the U.S. Department of Transportation projects that the Highway Account of the Highway Trust Fund will encounter a shortfall before the end of fiscal 2014 (September 30), the same time MAP-21 expires by its own terms. Timely Congressional action is needed to address the funding mechanisms for the Highway Trust Fund and to enact a longer-term federal highway bill. Transportation investments generally boost the national economy by enhancing mobility and access and by creating jobs, which is a priority of many of the government's economic plans. According to the Federal Highway Administration, every $1 billion in federal highway investment creates approximately 28,000 jobs. The number of jobs created is dependent on the nature and aggregates intensity of the projects. Approximately half of the Aggregates business' net sales to the infrastructure market come from federal funding authorizations, including matching funds from the states.

Federal highway laws require Congress to annually appropriate funding levels for highways and other programs. Once the annual appropriation is passed, federal funds are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation. Most federal funds are available for four years. Once the federal government approves a state project, funds are committed and considered spent regardless of when the cash is actually spent by the state and reimbursed by the federal government. According to the Federal Highway Administration, funds are generally spent by the state over a period of years, with 27% in the year of funding authorization, 41% in the succeeding year, 16% in the third year and the remaining 16% is spent in the fourth year and beyond. From October 1, 2013, the beginning of fiscal year 2014, through January 15, 2014, the federal government operated under a continuing resolution that authorized government spending. Consequently, states were only permitted to obligate $10.1 billion of fiscal year 2014 MAP-21 funds for highway and related improvements. This obligation limit remained in effect until increased in either a new continuing resolution or a full-year transportation appropriations bill. On January 18, 2014, Congress approved the *Fiscal Year 2014 Omnibus Spending Bill*, providing almost $41 billion in MAP-21 obligation limitation funding, an increase of $0.6 million from the fiscal year 2013 level.

In order to receive federal funds for highways, states are required to match funds at a predetermined rate. Matching levels vary depending on the type of project. If a state is unable to match its allocated federal funds, funding is forfeited. Any forfeitures are reallocated to states providing the appropriate matching funds. While states rarely forfeit federal highway funds, the possibility of forfeiture increases when states struggle to balance budgets and face declining tax revenues.

Given that most states are required to balance their budgets, reductions in revenues generally require a reduction in states' expenditures. However, the impact of state revenue reductions on highway spending will vary depending on whether the spending comes from dedicated revenue sources, such as highway user fees, or whether portions are funded with general funds. Further, while state highway construction programs are primarily financed from highway user fees, significant increases in federal infrastructure funding typically require state governments to increase highway user fees to match federal spending.

States continue to play an expanding role in infrastructure funding. Management believes that innovative financing at the state level, such as bond issuances, toll roads and tax initiatives, will grow at a faster rate than federal funding. State spending on infrastructure generally leads to increased growth opportunity for the Corporation. The degree to which the Corporation could be affected by a reduction or slowdown in infrastructure spending varies by state. The state economies of the Aggregates business' five largest revenue-generating states may disproportionately affect performance.

The need for surface transportation improvements significantly outpaces the amount of funding available. A significant number of roads, highways and bridges, built following the establishment of the Interstate Highway System in 1956, are now in need of significant repair or reconstruction. According to The Road Information Program ("TRIP"), a national transportation research group, vehicle travel on United States highways increased 37% from 1990 to 2011, while new lane road mileage increased only 4 percent over the same period. TRIP also reports that 33% of the nation's major roads are in poor or mediocre condition and 25% of the nation's bridges are structurally deficient or functionally obsolete. Currently, the Federal Highway Administration estimates that $170 billion is needed in annual capital investment through 2028 to significantly improve the current conditions and performance of the nation's highways. During fiscal 2011, the latest data available from the Office of Highway Policy Information, $93.9 billion was spent for surface transportation projects by federal, state and local governments.

Other Public-Sector Construction Exposure

In addition to highways and bridges, transportation infrastructure includes aviation, mass transit and ports and waterways. Public-sector construction related to transportation infrastructure can be aggregates intensive.

The *Federal Aviation Administration Modernization and Reform Act of 2012* ("FAA Act") is a four-year bill that provides federal funding for airport improvements throughout the United States at $3.35 billion per year through September 2015. According to ARTBA, spending for airport runways and terminals increased 5% during 2013 and is forecast to increase 13% in 2014. Currently, the Corporation is positioned to competitively bid on a $92 million runway project at the Charlotte-Douglas International Airport in North Carolina.

Construction spending for mass transit projects, which include subways, light rail and railroads, increased almost 9% in 2013, according to ARTBA. Railroad construction continues to benefit from economic growth and energy-sector shipments, which generate a need for additional maintenance and improvements. According to ARTBA, subway and light rail work will grow 5% in 2014. Heavy rail investment, largely driven by Class I railroads, is forecast to increase 8% in 2014. Two of the Corporation's top ten customers in 2013 were Class I railroads.

Port and waterway construction experienced the strongest transportation modal growth in 2013 driven by the expansion of the Panama Canal and competition for the expected increase in traffic. According to ARTBA, port and waterway construction spending increased 22% in 2013 and is forecast to reach $3.0 billion in 2014.

In its *2013 Report Card for America's Infrastructure*, the American Society of Civil Engineers rated the nation's 16 major infrastructure categories as being in poor or mediocre condition, requiring a cumulative investment of $3.6 trillion by 2020 just to maintain the nation's infrastructure in a state of good repair.

Geographic Exposure and Seasonality

Erratic weather patterns, seasonal changes and other weather-related conditions significantly affect the construction aggregates industry. Production and shipment levels for aggregates, asphalt, ready mixed concrete and road paving materials correlate with general construction activity, most of which occurs in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the Southeast and Southwest.

Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Corporation.

The Corporation's operations in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity, most notably in August, September and October.

Cost Structure

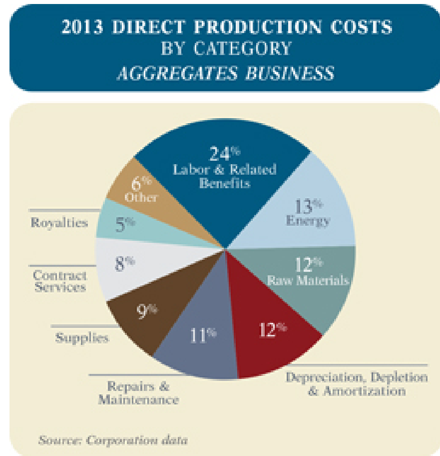
- *Top 8 cost categories represent 94% of the Aggregates business' direct production costs*
- *Underabsorption of fixed costs due to operating below capacity*
- *Health and welfare costs increased 1% to 2% per year over past ten years compared with national average of 7% over same period; Corporation's costs expected to increase 7% to 9% in 2014*
- *Pension expense increased from $26.5 million in 2012 to $29.3 million in 2013; pension costs expected to approximate $15.7 million in 2014*

Direct production costs for the Aggregates business are components of cost of sales incurred at the quarries, distribution yards, and asphalt and ready mixed concrete plants. These costs exclude resale materials, freight expenses to transport materials from a producing quarry to a distribution yard, inventory change and production overhead. Inventory change is the difference between the prior year's ending inventory and the current year's ending inventory. In periods in which inventory decreases, inventory change will increase cost of sales, as capitalized production costs are recognized into earnings. Conversely, in periods in which inventory increases, inventory change will reduce cost of sales.

Generally, the top eight categories of direct production costs for the Aggregates business are (1) labor and related benefits; (2) energy; (3) raw materials; (4) depreciation, depletion and amortization; (5) repairs and maintenance; (6) supplies; (7) contract services and (8) royalties. In 2013, these categories represented 94% of the Aggregates business' total direct production costs.

Fixed costs are expenses that do not vary based on production or sales volume. Management estimates that, under normal operating capacity, 40% of the Aggregates business' cost of sales is fixed, another 30% is semi-fixed and 30% is variable in nature. However, in 2013, fixed costs were near 60% of total production costs, higher than the historic average. For this reason, the Corporation's operating leverage can be substantial. Variable costs are expenses that fluctuate with the level of production volume. Production is the

key driver in determining the levels of variable costs, as it affects the number of hourly employees and related labor hours. Further, diesel, supplies, repairs and freight costs also increase in connection with higher production volumes.

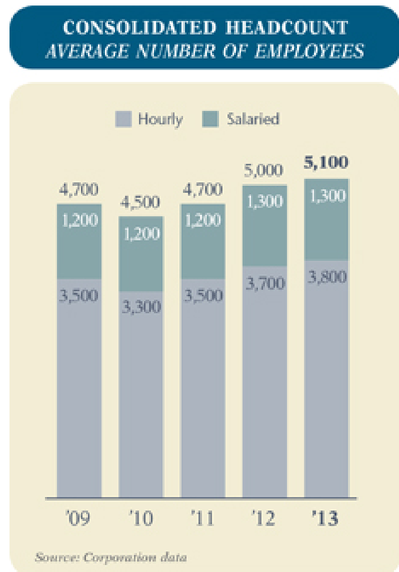


Generally, when the Corporation invests capital to replace facilities and equipment, increased capacity and productivity, along with reduced repair costs, can offset increased depreciation costs. However, when aggregates demand weakens, the increased productivity and related efficiencies may not be fully realized, resulting in underabsorption of fixed costs, including depreciation. Further, due to the current economic environment, the Aggregates business has operated at a level significantly below capacity, thereby, restricting the Corporation's ability to capitalize $50.7 million and $50.9 million of costs at December 31, 2013 and 2012, respectively, which could have been inventoried under normal operating conditions.

Diesel fuel, which averaged $2.98 per gallon in 2013 and $3.10 per gallon in 2012, represents the single largest component of energy costs for the Aggregates business. Changes in energy costs also affect the prices that the Corporation pays for supplies, including explosives, conveyor belting and tires. Further, the Corporation's contracts of affreightment for shipping aggregates on its rail and waterborne distribution network typically include provisions for escalations or reductions in the amounts paid by the Corporation if the price of fuel moves beyond a contractual range.

The Corporation also consumes natural gas, coal and petroleum coke in the Specialty Products manufacturing process. During 2013, the Corporation's average cost per MCF (thousand cubic feet) for natural gas increased 18% from 2012. Furthermore, the Corporation increased its coal consumption by 50% in 2013 due to the kiln capacity expansion. The Corporation has fixed price agreements for 50% of its 2014 coal needs.

The Corporation's vertically-integrated operations require the intersegment use of products as raw materials. Liquid asphalt and cement are key raw materials in the production of hot mix asphalt and ready mix concrete, respectively. Fluctuations in prices for these raw materials directly affect the Corporation's operating results.



Wage inflation and increases in labor costs may be somewhat mitigated by enhanced productivity in an expanding economy. Further, workforce reductions resulting from plant automation, mobile fleet right-sizing and the economic downturn have helped the Corporation control rising labor costs. The Corporation has been reviewing its operations during the recessionary construction economy and, where practical, has temporarily idled certain of its

quarries. The Corporation is able to serve these markets with other open quarries that are in close proximity. Further, in certain markets, management has created production "super crews" that work at various locations within a district. For example, within a market, a crew may work three days per week at one quarry and the other two workdays at another quarry within that market. This has allowed the Corporation to reduce headcount, as the number of full-time employees has been reduced or eliminated at locations that are not operating at full capacity.

Rising health care costs have affected total labor costs in recent years and are expected to continue to increase. Over the past ten years, national health care costs have increased 7% on average. The Corporation has experienced health care cost increases averaging 1% to 2% per year over the same period, driven in large part by favorable claims experience and design changes made to its health care plans, such as employee surcharges. In 2013, the Corporation's health and welfare costs per employee increased 7%, driven primarily by claims experience and health care reform required by *The Patient Protection and Affordable Care Act.* For 2014, health and welfare costs are expected to increase 7% to 9% as the Corporation has chosen not to pass health care reform cost increases on to its employees.

A higher discount rate is expected to decrease the Corporation's pension expense from $29.3 million in 2013 to $15.7 million in 2014 (see section *Critical Accounting Policies and Estimates — Pension Expense — Selection of Assumptions* on pages 78 through 80).

The impact of current inflation on the Corporation's businesses has been less significant due to moderate inflation rates. Historically, the Corporation has achieved real pricing growth in periods of inflation based on its ability to increase its selling prices in a normal economic environment.

Consolidated selling, general and administrative costs increased $11.7 million in 2013 compared with 2012. The increase reflects incremental costs for the Corporation's information systems upgrade that was successfully completed in October 2013, as well as costs incurred for productivity improvement initiatives. As a percentage of net sales, SG&A expenses declined 10 basis points to 7.7%.

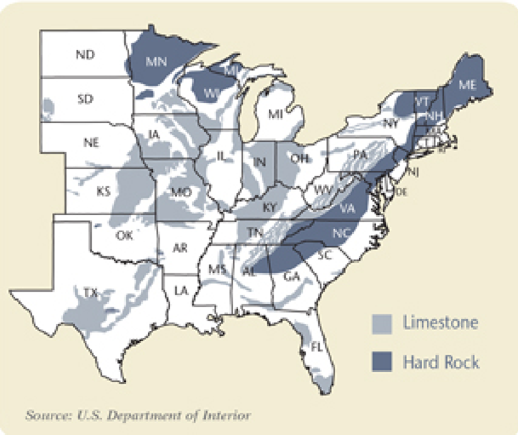
Shortfalls in federal, state and local revenues may result in increases in income taxes and other taxes. Federal and state governments may also increase tax rates or eliminate deductions in response to the federal deficit. The Corporation derives a significant tax benefit from the federal depletion deduction (see section *Critical Accounting Policies and Estimates — Estimated Effective Income Tax Rate* on pages 80 through 83). Effective January 1, 2014, the State of North Carolina reduced its corporate tax rate from 6.9% to 6.0%.

Transportation Exposure

The U.S. Department of the Interior's geological map of the United States shows the possible sources of indigenous surface rock and illustrates its limited supply in the coastal areas of the United States from Virginia to Texas.

With population migration into the southeastern and southwestern United States, local crushed stone supplies must be supplemented, or in most cases wholly supplied,

SOURCES OF AGGREGATES SUPPLY



Source: U.S. Department of Interior

from inland and offshore quarries. The Corporation's strategic focus includes expanding inland and offshore capacity and acquiring distribution yards and port locations to offload transported material. Accordingly, aggregates shipments are moved by rail or water through the

Corporation's long-haul distribution network. In 1994, the Corporation had 7 distribution yards. At December 31, 2013, the Corporation had 62 distribution yards. The Corporation's rail network serves its Texas, Florida and Gulf Coast markets. The Corporation's Bahamas and Nova Scotia locations transport materials via oceangoing ships. The Corporation is currently focusing a portion of its capital spending program on key distribution yards in the southeastern United States.

As the Corporation moves aggregates by rail and water, internal freight costs reduce profit margins when compared with aggregates moved by truck. Freight costs for aggregates products often equal or exceed the selling price of the underlying aggregates products. The Corporation administers freight costs principally in three ways:

Option 1:

The customer supplies transportation.

Option 2:

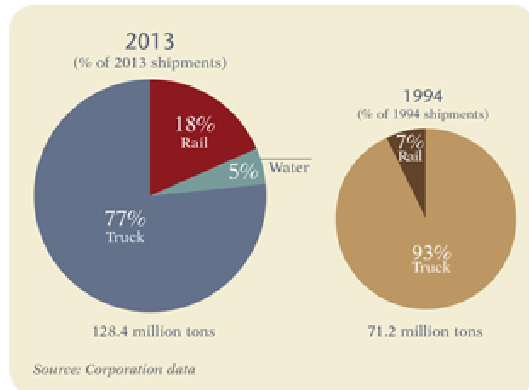
The Corporation directly ships aggregates products from a production location to a customer by arranging for a third-party carrier to deliver aggregates and then charging the freight costs to the customer. These freight and delivery revenues and costs are separately presented in the consolidated statements of earnings. Such revenues and costs for the Aggregates business were $192.8 million, $180.5 million and $175.5 million in 2013, 2012 and 2011, respectively.

Option 3:

The Corporation transports aggregates, either by rail or water, from a production location to a distribution yard at which the selling price includes the associated internal freight cost. These freight costs are included in the Aggregates business' cost of sales and were $136.8 million, $134.6 million and $116.8 million for 2013, 2012 and 2011, respectively. Transportation costs from the distribution yard to the customer are accounted for as described above in options 1 or 2, as applicable.

For analytical purposes, the Corporation eliminates the effect of freight on margins with the second option. When the third option is used, margins as a percentage of net sales are negatively affected because the customer does not typically pay the Corporation a profit associated with the transportation component of the selling price. For example, a customer in a local market picks up aggregates by truck at the quarry and pays $10.00 per ton. Assuming a $2.50 gross profit per ton, the Corporation would recognize a 25% gross margin. However, if a customer purchased a ton of aggregates transported to a distribution yard by the Corporation via rail or water, the selling price may be $16.00 per ton, assuming a $6.00 cost of freight. With the same $2.50 gross profit per ton and no profit associated with the transportation component, the gross margin would be reduced to 15% as a result of the internal freight cost.

In 1994, 93% of the Corporation's aggregates shipments were moved by truck and the remainder by rail. In contrast, the originating mode of transportation for the Corporation's aggregates product line shipments in 2013 was 77% by truck, 18% by rail and 5% by water (see section *Analysis of Aggregates Business Gross Margin* on pages 54 and 55).



The Corporation's increased dependence on rail shipments has made it more vulnerable to railroad performance issues, including track congestion, crew and power availability, and the ability to renegotiate favorable railroad shipping contracts. Further, in response to these issues, rail transportation providers have focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving

large tonnages of a single bulk product between two points without intermediate yarding and switching. Rail availability is seasonal and can impact aggregates shipments depending on other competing movements.

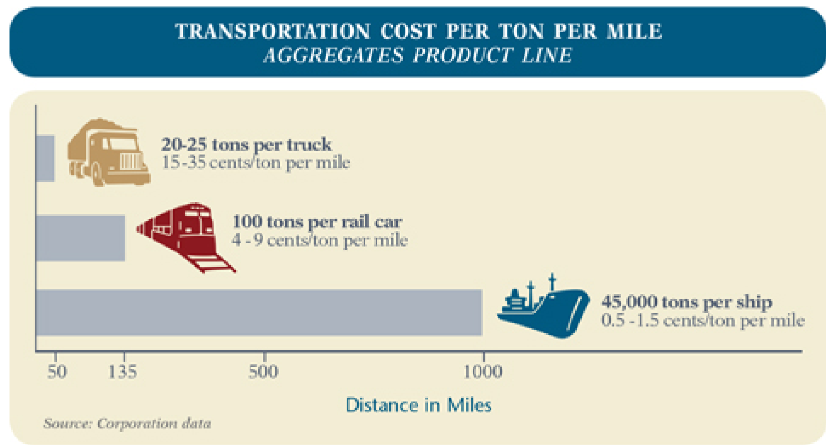
Generally, the Corporation does not buy railcars or ships, but instead supports its long-haul distribution network with leases and contracts of affreightment. However, the limited availability of water and rail transportation providers, coupled with limited distribution sites, can adversely affect lease rates for such services.

The waterborne distribution network increases the Corporation's exposure to certain risks, including, among other items, meeting minimum tonnage requirements of shipping contracts, demurrage costs, fuel costs, ship availability and weather disruptions. The Corporation's waterborne transportation is predominately via oceangoing vessels. The Corporation's average shipping distances from its Bahamas and Nova Scotia locations are 600 miles and 1,200 miles, respectively. Due to the majority of the shipments going to Florida, the weighted-average shipping distances are approximately 30 percent less than these averages. The Corporation has long-term agreements providing dedicated shipping capacity from its Bahamas and Nova Scotia operations to its coastal ports. These contracts of affreightment are take-or-pay contracts with minimum and maximum shipping requirements. If the Corporation fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. The Corporation did not incur any such charges in 2013; however, a charge is possible in 2014 if shipment volumes do not meet the contractually-stated minimums. The Corporation's contracts of affreightment have varying expiration dates ranging from 2014 to 2017 and generally contain renewal options. However, there can be no assurance that such contracts can be renewed upon expiration or that terms will continue without significant increases.

Management expects the multiple transportation modes that have been developed with various rail carriers and deepwater ships will provide the Corporation with the flexibility to effectively serve customers in the Southwest and Southeast coastal markets.

Internal Expansion and Integration of Acquisitions

The Corporation's capital expansion, acquisition and greensite programs are designed to take advantage of construction market growth through investment in both permanent and portable facilities at the Corporation's quarrying operations. However, during the trough period of the construction cycle, the Corporation set a priority of preserving capital while maintaining safe, environmentally-sound operations. Capital spending in excess of depreciation expense in previous years has allowed the Corporation to reduce capital spending during the trough period of the construction cycle without compromising the Corporation's commitment to safety, the environment, customer service and future growth. The Corporation has continued to opportunistically acquire land with long-term mineral reserves to expand its aggregates reserve base through the cyclical trough. As the Corporation returns to a more normalized operating environment, management expects to focus its capital spending program on expanding key operations.



The Corporation also acquires contiguous property around existing quarry locations. This property can serve as buffer property or additional mineral reserve capacity, assuming the underlying geology supports economical aggregates mining. In either instance, the acquisition of additional property around an existing quarry allows the expansion of the quarry footprint and extension of quarry life. Some locations having limited reserves may be unable to expand.

A long-term capital focus for the Corporation, primarily in the midwestern United States due to the nature of its indigenous aggregates supply, is underground limestone aggregates mines, which provide a neighbor-friendly alternative to surface quarries. The Corporation operates 14 active underground mines, located primarily in the Mid-America Group, and is the largest operator of underground aggregates mines in the United States. Production costs are generally higher at underground mines than surface quarries since the depth of the aggregates deposits and the access to the reserves result in higher development, explosives and depreciation costs. However, these locations often possess transportation advantages that can lead to value-added, higher average selling prices than more distant surface quarries.

On average, the Corporation's aggregates reserves exceed 60 years based on normalized production levels and 100 years at current production rates.

The Corporation has a successful history of business combinations and integration of these businesses into its heritage operations. The Corporation integrated three aggregates quarries in the Atlanta, Georgia, market, as well as a small operation in Iowa, into its disciplined cost structure during 2013.

Environmental Regulation and Litigation

The expansion and growth of the aggregates industry is subject to increasing challenges from environmental and political advocates hoping to control the pace and direction of future development. Certain environmental groups have published lists of targeted municipal areas, including areas within the Corporation's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Corporation's growth is typically localized. Further challenges are expected as the momentum of these initiatives ebb and flow across the United States. Rail and other transportation alternatives are being heralded by these special-interest groups as solutions to mitigate road traffic congestion and overcrowding.

The Clean Air Act, originally passed in 1963 and periodically updated by amendments, is the United States' national air pollution control program that granted the Environmental Protection Agency ("EPA") authority to set limits on the level of various air pollutants. To be in compliance with National Ambient Air Quality Standards ("NAAQS"), a defined geographic area must be below established limits for six pollutants. Environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, delaying highway construction in municipal areas not in compliance with the Clean Air Act. The EPA designates geographic areas as nonattainment areas when the level of air pollutants exceeds the national standard. Nonattainment areas receive deadlines to reduce air pollutants by instituting various control strategies or otherwise face fines or control by the EPA. Included as nonattainment areas are several major metropolitan areas in the Corporation's markets, such as Houston/Brazoria/Galveston, Texas; Dallas/Fort Worth, Texas; Charlotte/Gastonia, North Carolina; Denver, Colorado; Boulder, Colorado; Fort Collins/Greeley/Loveland, Colorado; Council Bluffs, Iowa; Atlanta, Georgia; Macon, Georgia; Rock Hill, South Carolina; Indianapolis, Indiana; Muncie, Indiana and Crittenden County, Arkansas. Federal transportation funding has been directly tied to compliance with the Clean Air Act.

The EPA includes the lime industry as a national enforcement priority under the Clean Air Act. As part of the industry-wide effort, the EPA issued notices of violation/ findings of violation ("NOVs") to the Corporation in 2010 and 2011 regarding its compliance with the Clean Air Act's New Source Review ("NSR") program at its Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the EPA in response to these NOVs and has had several meetings with the EPA. The Corporation believes it is in substantial compliance with the NSR program. At this time, the Corporation cannot reasonably estimate what likely penalties or upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades to capital equipment will be spread over time and will not have a material

adverse effect on the Corporation's results of operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment.

The Corporation's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Corporation's operations may occasionally use substances classified as toxic or hazardous. The Corporation regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Corporation's businesses, as it is with other companies engaged in similar businesses.

Environmental operating permits are, or may be, required for certain of the Corporation's operations; such permits are subject to modification, renewal and revocation. New permits are generally required for opening new sites or for expansion at existing operations and can take several years to obtain. In the area of land use, rezoning and special purpose permits are increasingly difficult to obtain. Once a permit is issued, the location is required to generally operate in accordance with the approved site plan.

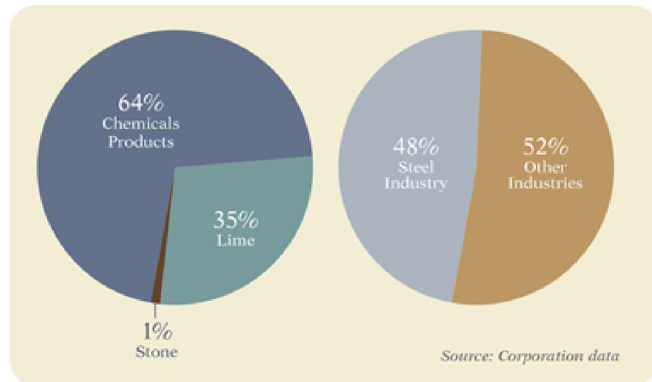
Large emitters (facilities that emit 25,000 metric tons or more per year) of greenhouse gases ("GHG") must report GHG generation to comply with the EPA's Mandatory Greenhouse Gases Reporting Rule ("GHG Rule"). The Corporation's Specialty Products facilities in Woodville, Ohio and Manistee, Michigan emit certain of the GHG, including carbon dioxide, methane and nitrous oxide, and are filing annual reports in accordance with the GHG Rule. Should Congress pass legislation on GHG, these operations will likely be subject to the new program. The Corporation believes that the EPA may impose additional regulatory restrictions on emissions of GHG. However, the Corporation also anticipates that any increased operating costs or taxes related to GHG emission limitations at its Woodville operation would be passed on to its customers. The Manistee facility may have to absorb extra costs due to the regulation of GHG emissions in order to maintain competitive pricing in its markets. The Corporation cannot reasonably predict how much those increased costs may be.

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently available facts, it is remote that the ultimate outcome of any litigation or other proceedings, including those pertaining to environmental matters, relating to the Corporation and its subsidiaries, will have a material adverse effect on the overall results of the Corporation's operations, cash flows or financial position.

Specialty Products Segment

Through its Specialty Products segment, the Corporation manufactures and markets magnesia-based chemicals products for industrial, agricultural and environmental applications and dolomitic lime for use primarily in the steel industry. In 2013, 64% of Specialty Products' net sales were attributable to chemicals products, 35% were attributable to lime and 1% was attributable to stone. Record net sales in 2013 reflected the kiln expansion in the dolomitic lime business, marketing initiatives in the chemicals business and solid pricing gains in key product lines.

In 2013, 81% of the lime produced was sold to third-party customers, while the remaining 19% was used internally as a raw material for the business' manufacturing of chemicals products. Dolomitic lime products



sold to external customers are primarily used by the steel industry, and overall, 48% of Specialty Products' 2013 net sales related to products used in the steel industry. Accordingly, a portion of the segment's revenues and profits is affected by production and inventory trends within the steel industry. These trends are guided by the rate of consumer consumption, the flow of offshore imports and other economic factors. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 77% in 2013. According to Moody's Credit Outlook, steel production in 2014 is forecast to increase modestly over 2013 levels and average capacity utilization is expected to be between 75% and 80%.

Of Specialty Products' 2013 total revenues, 11% came from foreign jurisdictions, including Canada, Mexico, Europe, South America and the Pacific Rim. As a result of foreign market sales, financial results could be affected by foreign currency exchange rates, increasing transportation costs or weak economic conditions in the foreign markets. To mitigate the short-term effect of currency exchange rates, the U.S. dollar is used as the functional currency in foreign transactions.

Given high fixed costs, low capacity utilization can negatively affect the segment's results of operations. Further, the production of certain magnesia chemical products and lime products requires natural gas, coal and petroleum coke to fuel kilns. Price fluctuations of these fuels affect the segment's profitability.

All of Specialty Products' hourly workforce belongs to a labor union. Union contracts cover hourly employees at the Manistee, Michigan magnesia-based chemicals plant and the Woodville, Ohio lime plant. The labor contract for the Woodville plant expires in June 2014 and management does not expect significant difficulties in renewing the contract. The labor contract for the Manistee location expires in August 2015.

The Specialty Products' operations are essentially running at capacity. Management expects future organic growth to result from increased pricing, rationalization of the current product portfolio and/or further cost reductions. In the current operating environment, any unplanned change in costs or customers introduces volatility to the earnings of the Specialty Products segment.

Current Market Environment and Related Risks

Management has considered the current economic environment and its potential impact to the Corporation's business. Demand for aggregates products, particularly in the infrastructure construction market, has already been negatively affected by federal and state budget and deficit issues and the uncertainty over future highway funding levels beyond the September 2014 expiration of MAP-21. Further, delays or cancellations to capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

While a recessionary construction economy can increase collectibility risks related to receivables, lien rights and payment bonds posted by some of the Corporation's customers help mitigate the risk of uncollectible accounts. The Corporation can experience a delay in payments from certain of its customers during the construction downturn, negatively affecting operating cash flows. Further, market performance and its impact on pension asset values may require increased cash contributions to the Corporation's plans in subsequent years. A higher discount rate is expected to decrease the Corporation's pension expense in 2014.

There is a risk of long-lived asset impairment at temporarily- idled locations. The timing of increased demand will determine when these locations are reopened. During the time that locations are temporarily idled, the locations' plant and equipment continue to be depreciated. When appropriate, mobile equipment is transferred to and used at an open location. As the Corporation continues to have long-term access to the supply of aggregates reserves and useful lives of equipment are extended, these locations are not considered to be impaired while temporarily idled. When temporarily-idled locations are reopened, it is not uncommon for repair costs to temporarily increase.

Increases in the Corporation's estimated effective income tax rate may negatively affect the Corporation's results of operations. A number of factors could increase the estimated effective income tax rate, including government authorities increasing taxes to fund deficits; the jurisdictions in which earnings are taxed; the resolution of issues arising from tax audits with various tax authorities; changes

in the valuation of deferred tax balances; adjustments to estimated taxes based upon the filing of the consolidated federal and individual state income tax returns; changes in available tax credits; changes in stock-based compensation; other changes in tax laws; and the interpretation of tax laws and/or administrative practices. The State of North Carolina reduced its corporate tax rate for years beginning January 1, 2014, which will positively impact the Corporation's effective income tax rate.

Internal Control and Accounting and Reporting Risk

Management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2013. Furthermore, the Corporation's independent registered public accounting firm issued an unqualified opinion on the effectiveness of the Corporation's internal controls as of December 31, 2013. A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, on the reliability of a company's financial reporting and the process for preparing and fairly presenting financial statements in accordance with generally accepted accounting principles. Further, a system of internal control over financial reporting, by its nature, should be dynamic and responsive to the changing risks of the underlying business. Changes in the system of internal control over financial reporting could increase the risk of occurrence of a significant deficiency or material weakness. *The Sarbanes-Oxley Act of 2002*, and other related rules and regulations, have increased the scope, complexity and cost of corporate governance. Reports from the Public Company Accounting Oversight Board's ("PCAOB") inspections of public accounting firms continue to outline findings and recommendations which could require these firms to perform additional work as part of their financial statement audits. The Corporation's efforts and costs to respond to these additional requirements and exposure to adverse findings by the PCAOB of the work performed may increase as to internal controls.

Accounting rulemaking, which may come in the form of updates to the Accounting Standards Codification and speeches by various rule-making bodies, has become increasingly complex and generally requires significant estimates and assumptions in its interpretation and application. Further, accounting principles generally accepted in the United States continue to be reviewed, updated and subject to change by various rule-making bodies, including the Financial Accounting Standards Board and SEC (section *Critical Accounting Policies and Estimates* on pages 76 through 84).

The FASB and the International Accounting Standards Board continue to work on several joint projects designed to improve both accounting standards under United States generally accepted accounting principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"), and ultimately make these standards comparable. Through these projects, the boards intend to improve financial reporting information for investors while also aligning U.S. and international accounting standards. Proposed accounting changes are being issued one topic at a time and include revenue recognition and lease accounting. The Corporation has not evaluated the potential impact for all of the topics. The impact of these potential changes could be material to the Corporation's consolidated financial statements.

The SEC has yet to make a decision whether to incorporate IFRS into the United States financial reporting system. To date, the SEC has received strong support for retaining U.S. GAAP as the statutory basis for U.S. financial reporting and for a gradual transition incorporating international accounting standards into U.S. GAAP.

For additional discussion on risks, see the Risk Factors section in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013.

2014 Outlook

Management is encouraged by positive trends in the Corporation's business and markets — especially in employment and private-sector construction. Nonresidential construction is expected to reflect growth in both the heavy industrial and commercial sectors. Shale development and related follow-on public and private construction activities are anticipated to remain strong. Furthermore, the commercial building sector is expected to benefit from improved market fundamentals, such as higher occupancies and rents, strengthened property values and increased real estate lending. Based on these factors, management anticipates that the nonresidential end-use market will increase in the mid-to-high single digits. Residential construction should continue to grow, driven by historically

low mortgage rates and rising housing prices. For the first time since 2007, total annual housing starts are expected to exceed one million units in 2014. Management believes these trends will lead to double-digit volume growth in residential end-use shipments. For the public sector, authorized highway funding from MAP-21 should increase slightly compared with 2013. Additionally, state initiatives to finance infrastructure projects are expected to grow and continue to play a more critical role in public-sector activity. Based on these trends and expectations, management expects aggregates shipments to the infrastructure end-use market to increase slightly. Finally, the ChemRock/Rail end-use market is expected to have low single-digit growth compared with 2013.

Cumulatively, management anticipates aggregates product line shipments will be up 4% to 5% compared with 2013 levels. Management currently expects aggregates product line pricing will increase 3% to 5% for the full year compared with 2013. A variety of factors beyond the Corporation's direct control may continue to exert pressure on volumes, and the forecasted pricing increase will not be uniform across the company.

Management expects production to increase and aggregates product line direct production cost per ton should decrease slightly compared with 2013.

Management expects its vertically-integrated businesses to generate between $385 million and $405 million of net sales and $40 million to $45 million of gross profit.

Net sales for the Specialty Products segment are expected to be between $225 million and $235 million, generating $85 million to $90 million of gross profit. Steel utilization and natural gas prices are two key factors for this segment.

SG&A expenses as a percentage of net sales are expected to decline compared with 2013, driven in part by $7.9 million of nonrecurring costs related primarily to the 2013 completion of the Corporation's information systems upgrade, as well as lower pension costs.

Interest expense is expected to remain relatively flat compared with 2013. The Corporation's estimated effective income tax rate is expected to approximate 29%, excluding discrete events. Capital expenditures are forecast at $155 million.

The Corporation's 2014 outlook assumes the Corporation on a stand-alone basis and does not give effect to the potential impact of the proposed business combination with TXI. Pursuant to the terms of the merger agreement with TXI, the Corporation's dividends will be limited to regular quarterly dividends of $0.40 per share until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement, with declaration, record and payment dates consistent with past practice. Furthermore, under the terms of the merger agreement with TXI, repurchases of the Corporation's common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement.

Risks To Outlook

The 2014 outlook includes management's assessment of the likelihood of certain risk factors that will affect performance and does not reflect the impact that would arise from the proposed business combination with TXI. The Corporation's future performance, including the 2014 outlook, could be affected by its proposed business combination with TXI. For additional information regarding the proposed business combination with TXI, including the risks and uncertainties related thereto, please see the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 (as may be amended from time to time) and other relevant materials that will be filed with the SEC when they become available.

The most significant risk to Corporation's 2014 performance will be Congress' actions and timing surrounding the expiration of MAP-21 in September and uncertainty over the funding mechanism for the Highway Trust Fund. Further, an additional government shutdown and the impact of *The Patient Protection and Affordable Care Act* may further erode consumer confidence, which may negatively impact investment in construction projects. While both MAP-21 and TIFIA credit assistance are excluded from federal budget sequester and the U.S. debt ceiling limit, the ultimate resolution of these issues may have a significant impact on the economy and, consequently, construction activity. Other risks related to the Corporation's future performance include, but are not limited to, both price and volume and include a recurrence

of widespread decline in aggregates volume negatively affecting aggregates price; the termination, capping and/or reduction of the federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; a significant change in the funding patterns for traditional federal, state and/or local infrastructure projects; a reduction in defense spending, and the subsequent impact on construction activity on or near military bases; a decline in nonresidential construction, a decline in energy-related drilling activity resulting from certain regulatory or economic factors, a slowdown in the residential construction recovery, or some combination thereof; and a continued reduction in ChemRock/Rail shipments resulting from reduced funding levels provided by the *Agricultural Act of 2014* and declining coal traffic on the railroads. Further, increased highway construction funding pressures resulting from either federal or state issues can affect profitability. If these pressures negatively affect transportation budgets more than in the past, construction spending could be reduced. However, recent statistics indicate that state transportation budgets and tax revenues are increasing. The Specialty Products business essentially runs at capacity; therefore any unplanned changes in costs or realignment of customers introduce volatility to the earnings of this segment.

The Corporation's principal business serves customers in aggregates-related construction markets. This concentration could increase the risk of potential losses on customer receivables; however, payment bonds normally posted on public projects, together with lien rights on private projects, help to mitigate the risk of uncollectible receivables. The level of aggregates demand in the Corporation's end-use markets, production levels and the management of production costs will affect the operating leverage of the Aggregates business and, therefore, profitability. Production costs in the Aggregates business are also sensitive to energy and raw materials prices, both directly and indirectly. Diesel fuel and other consumables change production costs directly through consumption or indirectly by increased energy-related input costs, such as, steel, explosives, tires and conveyor belts. Fluctuating diesel fuel pricing also affects transportation costs, primarily through fuel surcharges in the Corporation's long-haul distribution network. The Specialty Products business is sensitive to changes in domestic steel capacity utilization and the absolute price and fluctuations in the cost of natural gas.

Transportation in the Corporation's long-haul network, particularly rail cars and locomotive power to move trains, affects its ability to efficiently transport material into certain markets, most notably Texas, Florida and the Gulf Coast. The availability of trucks to transport the Corporation's product, particularly in markets experiencing increased demand due to energy sector activity, is also a risk. The Aggregates business is also subject to weather-related risks that can significantly affect production schedules and profitability. The first and fourth quarters are most adversely affected by winter weather. Hurricane activity in the Atlantic Ocean and Gulf Coast generally is most active during the third and fourth quarters.

Risks to the 2014 outlook include shipment declines as a result of economic events beyond the Corporation's control. In addition to the impact on nonresidential and residential construction, the Corporation is exposed to risk in its 2014 outlook from credit markets and the availability of and interest cost related to its debt.

The Corporation's future performance is also exposed to risk from tax reform at the federal and state levels.

For a discussion of additional risks, see *Forward-Looking Statements — Safe Harbor Provisions* on pages 91 to 92.

OTHER FINANCIAL INFORMATION

Critical Accounting Policies and Estimates

The Corporation's audited consolidated financial statements include certain critical estimates regarding the effect of matters that are inherently uncertain. These estimates require management's subjective and complex judgments. Amounts reported in the Corporation's consolidated financial statements could differ materially if management used different assumptions in making these estimates, resulting in actual results differing from those estimates. Methodologies used and assumptions selected by management in making these estimates, as well as the related disclosures, have been reviewed by and discussed with the Corporation's Audit Committee. Management's determination of the critical nature of accounting estimates and judgments may change from time to time depending on facts and circumstances that management cannot currently predict.

Impairment Review of Goodwill

Goodwill is required to be tested at least annually for impairment. The impairment evaluation of goodwill is a critical accounting estimate because goodwill represents 19% of the Corporation's total assets at December 31, 2013, the evaluation requires the selection of assumptions that are inherently volatile and an impairment charge could be material to the Corporation's financial condition and its results of operations. The Corporation performs its impairment evaluation as of October 1, which represents the ongoing annual evaluation date.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment, are based on its geographic regions. The Corporation has no goodwill related to its Specialty Products segment. As of October 1, 2013, the reporting units for the Aggregates business were as follows:

- *Mid-Atlantic Division*, which includes North Carolina, South Carolina, Maryland and Virginia;
- *Mideast Division*, which includes Indiana, Kentucky, Ohio and West Virginia;
- *Midwest Division*, which includes Iowa, Minnesota, eastern portion of Nebraska, North Dakota and Washington;
- *Southeast Division*, which includes Alabama, Florida, Georgia, Mississippi, Tennessee and offshore operations in the Bahamas and Nova Scotia;
- Midsouth Division, which includes Arkansas, Kansas, Louisiana and Missouri;
- *Rocky Mountain Division*, which includes Colorado, western portion of Nebraska, Nevada, Utah and Wyoming; and
- *Southwest Division*, which includes Oklahoma and Texas.

Any impact on reporting units resulting from organizational changes made by management is reflected in the succeeding evaluation. Effective January 1, 2013, the Corporation reorganized the operations and management reporting structure of its Aggregates business, thereby creating seven reporting units. This change was reflected in the Corporation's 2013 evaluation. Disclosures for certain of the aforementioned reporting units are consolidated as reportable segments for financial reporting purposes as they meet the aggregation criteria.

Goodwill is allocated to each reporting unit based on the location of acquisitions and divestitures at the time of consummation. Goodwill is tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents Step 1 of a two-step approach. If the reporting unit's fair value exceeds its carrying value, no further calculation is necessary. A reporting unit with a carrying value in excess of its fair value constitutes a Step 1 failure and leads to a Step 2 evaluation to determine the goodwill write off. If a Step 1 failure occurs, the excess of the carrying value over the fair value does not equal the amount of the goodwill write off. Step 2 requires the calculation of the implied fair value of goodwill by allocating the fair value of the reporting unit to its tangible and intangible assets, other than goodwill, similar to the purchase price allocation performed for an acquisition of a business. The remaining unallocated fair value represents the implied fair value of the goodwill. If the implied fair value of goodwill exceeds its carrying amount, there is no impairment. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded for the difference. When performing Step 2 and allocating a reporting unit's fair value, assets having a higher fair value as compared to book value increase any possible write off of impaired goodwill.

The Corporation has the option of performing a qualitative assessment before calculating the fair values of its reporting units in Step 1. As part of the qualitative assessment, the Corporation considers, among other things, the following events and circumstances: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business- or reporting unit-specific events. Based on the qualitative assessment, the Corporation determines whether it is "more likely than not" (i.e., a likelihood of more than 50%) that the reporting unit's fair value is higher than its carrying amount. If the Corporation concludes that this is the case, the Corporation does not perform any further goodwill impairment testing for that reporting unit. Otherwise, it proceeds to Step 1 of its goodwill impairment analysis. This qualitative assessment is optional and the Corporation may bypass it for any reporting unit in any period and proceed directly with the quantitative calculation in Step 1. When the Corporation validates its conclusion by measuring fair value, it may resume performing a qualitative assessment for a reporting unit in any subsequent period.

For the 2013 annual impairment evaluation, the Corporation performed qualitative assessments of the Mid-Atlantic, Mideast, Midwest, Midsouth and Southwest reporting units. Based on the totality of relevant drivers of fair value and relevant facts and circumstances, the Corporation determined that it is more likely than not that the fair values of each of these reporting units exceed their respective carrying amounts. The Southwest reporting unit is most significant to the impairment evaluation with $211.9 million, or 34%, of the Corporation's total goodwill at December 31, 2013 attributable to this reporting unit.

The Corporation performed a Step 1 analysis for its Southeast and Rocky Mountain reporting units. The fair values for these reporting units were calculated using a 15-year discounted cash flow model. Key assumptions included management's estimates of future profitability, capital requirements, a reporting unit-specific discount rate, and terminal growth rate of 3.5%. Using a discount rate of 11.5%, the 2013 fair value of the Southeast reporting unit exceeded its carrying value by 15%, or $78 million. For sensitivity purposes, a 100-basis-point increase in the discount rate would result in the Southeast reporting unit failing the Step 1 analysis. The Southeast reporting unit had $50.3 million of goodwill at October 1, 2013. Using a discount rate of 12.0%, the fair value of the Rocky Mountain reporting unit exceeded its carrying value by 67%, or $146 million, in 2013. The Rocky Mountain reporting unit had $26.9 million of goodwill at October 1, 2013.

The term of the discounted cash flow model is a significant factor in determining the fair value of the reporting units. A 15-year term was selected based on management's judgment supported by quantitative factors, including the Corporation's strong financial position, long history of earnings growth and the remaining life of underlying mineral reserves, estimated at over 60 years based on normalized production levels. Additional consideration was given to qualitative factors, including the Corporation's industry leadership position and the lack of obsolescence risks related to the Aggregates business.

Price, cost and volume changes, profitability, efficiency improvements, the discount rate and the terminal growth rate are significant assumptions in performing the impairment test. These assumptions are interdependent and have a significant impact on the results of the test.

Future profitability and capital requirements are, by their nature, estimates. The profitability estimates utilized in the evaluation were consistent with the five-year operating plan prepared by management and reviewed by the Board of Directors. The succeeding ten years of profitability were estimated using assumptions for price, cost and volume changes. Future price, cost and volume assumptions were based on current forecasts and market conditions. Capital requirements were estimated based on expected recapi-talization needs of the reporting unit.

A discount rate was calculated for each reporting unit and represents its weighted average cost of capital. The calculation of the discount rate includes the following components, which are primarily based on published sources: equity risk premium, historical beta, risk-free interest rate, small-stock premium, company-specific premium, and borrowing rate.

The terminal growth rate was based on the projected annual increase in Gross Domestic Product.

Management believes that all assumptions used were reasonable based on historical operating results and expected future trends. However, if future operating results are unfavorable as compared with forecasts, the results of future goodwill impairment evaluations could be negatively affected. Further, mineral reserves, which represent the underlying assets producing the reporting units' cash flows, are depleting assets by their nature. The reporting units' future cash flows will be updated as required based on expected future cash flow trends. The potential write off of goodwill from future evaluations represents a risk to the Corporation.

Pension Expense-Selection of Assumptions

The Corporation sponsors noncontributory defined benefit retirement plans that cover substantially all employees and a Supplemental Excess Retirement Plan ("SERP") for certain retirees (see Note J to the audited consolidated financial statements on pages 27 through 32). Annual pension expense (inclusive of SERP expense) consists of several components:

- *Service Cost*, which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels.
- *Interest Cost*, which represents the accretion cost on the liability that has been discounted to its present value.

- *Expected Return on Assets*, which represents the expected investment return on pension fund assets.
- *Amortization of Prior Service Cost and Actuarial Gains and Losses*, which represents components that are recognized over time rather than immediately. Prior service cost represents credit given to employees for years of service prior to plan inception. Actuarial gains and losses arise from changes in assumptions regarding future events or when actual returns on assets differ from expected returns. At December 31, 2013, unrecognized actuarial loss and unrecognized prior service cost were $84.5 million and $1.6 million, respectively. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10 percent of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the $84.5 million unrecognized actuarial loss consists of $34.9 million that is currently subject to amortization in 2014 and $49.6 million that is not subject to amortization in 2014. Assuming the December 31, 2013 projected benefit obligation and an average remaining service life of 9.0 years, $3.9 million of amortization of the actuarial loss will be a component of 2014 annual pension expense.

These components are calculated annually to determine the pension expense that is reflected in the Corporation's results of operations.

Management believes the selection of assumptions related to the annual pension expense is a critical accounting estimate due to the high degree of volatility in the expense dependent on selected assumptions. The key assumptions are as follows:

- The *discount rate* is the rate used to present value the pension obligation and represents the current rate at which the pension obligations could be effectively settled.
- The *rate of increase in future compensation levels* is used to project the pay-related pension benefit formula and should estimate actual future compensation levels.
- The *expected long-term rate of return on pension fund assets* is used to estimate future asset returns and should reflect the average rate of long-term earnings on assets already invested or to be invested to provide for the benefits included in the projected benefit obligation.
- The *mortality table* represents published statistics on the expected lives of people.

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high-quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Corporation selected a hypothetical portfolio of Moody's Aa bonds with maturities that mirror the benefit obligations to determine the discount rate. At December 31, 2013, the Corporation selected a discount rate assumption of 5.17%, a 93-basis-point increase over the prior-year assumption. Of the four key assumptions, the discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the annual pension expense.

Management's selection of the rate of increase in future compensation levels is generally based on the Corporation's historical salary increases, including cost of living adjustments and merit and promotion increases, giving consideration to any known future trends. A higher rate of increase results in higher pension expense. The actual rate of increase in compensation levels in 2013 was lower than the assumed long-term rate of increase of 5.0%.

In 2013, the Corporation invested approximately 10% of its pension assets in alternative investment vehicles chosen, in part, to help mitigate the volatility of plan asset returns. Management's selection of the expected long-term rate of return on pension fund assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets. Given that these returns are long-term, there are generally not significant fluctuations in the expected rate of return from year to year. Based on the currently projected returns on these assets, the Corporation selected an expected return on assets of 7.0%, consistent with the prior-year

rate. The following table presents the expected return on pension assets as compared with the actual return on pension assets:

(add 000)	Expected Return on Pension Assets	Actual Return on Pension Assets
2013	**$26,660**	**$59,882**
2012	$23,899	$37,308
2011	$24,493	$ 1,129

The difference between expected return on pension assets and the actual return on pension assets is not immediately recognized in the consolidated statements of earnings. Rather, pension accounting rules require the difference to be included in actuarial gains and losses, which are amortized into annual pension expense as previously described.

The Corporation estimates the remaining lives of participants in the pension plans using the RP 2000 Mortality Table projected to 2020 with no phase-out improvements ("RP 2000 Mortality Table"). The Corporation uses the blue-collar table for its hourly workforce and the white-collar table for its salaried employees.

Assumptions are selected on December 31 to calculate the succeeding year's expense. For the 2013 pension expense, assumptions selected at December 31, 2012 were as follows:

Discount rate	4.24%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	7.00%
Average remaining service period for participants	9.0 years
RP 2000 Mortality Table projected to 2015 with no phase-out improvements	

Using these assumptions, 2013 pension expense was $29.3 million. A change in the assumptions would have had the following impact on 2013 expense:

- A change of 25 basis points in the discount rate would have changed 2013 expense by approximately $2.1 million.
- A change of 25 basis points in the expected long-term rate of return on assets would have changed the 2013 expense by approximately $1.0 million.

For 2014 pension expense, assumptions selected at December 31, 2013 were as follows:

Discount rate	5.17%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	7.00%
Average remaining service period for participants	9.0 years
RP 2000 Mortality Table	

Using these assumptions, 2014 pension expense is expected to be approximately $15.7 million based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the 2014 expected expense:

- A change of 25 basis points in the discount rate would change the 2014 expected expense by approximately $2.1 million.
- A change of 25 basis points in the expected long-term rate of return on assets would change the 2014 expected expense by approximately $1.1 million.

The Corporation made pension plan contributions of $29.0 million in 2013 and $157.8 million for the five-year period ended December 31, 2013. Despite these contributions, the Corporation's pension plans are underfunded (projected benefit obligation exceeds the fair value of plan assets) by $52.1 million at December 31, 2013. The Corporation's projected benefit obligation decreased $39.7 million from December 31, 2012 primarily due to the 93-basis-point increase in the discount rate assumption. The Corporation expects to make pension plan and SERP contributions of $20.7 million in 2014.

Estimated Effective Income Tax Rate

The Corporation uses the liability method to determine its provision for income taxes. Accordingly, the annual provision for income taxes reflects estimates of the current liability for income taxes, estimates of the tax effect of financial reporting versus tax basis differences using statutory income tax rates and management's judgment with respect to any valuation allowances on deferred tax assets. The result is management's estimate of the annual effective tax rate (the "ETR").

Income for tax purposes is determined through the application of the rules and regulations under the United States Internal Revenue Code and the statutes of various foreign, state and local tax jurisdictions in which the Corporation conducts business. Changes in the statutory tax rates and/ or tax laws in these jurisdictions can have a material effect on the ETR. The effect of these changes, if any, is recognized when the change is effective.

As prescribed by these tax regulations, as well as generally accepted accounting principles, the manner in which revenues and expenses are recognized for financial reporting and income tax purposes is not always the same. Therefore, these differences between the Corporation's pretax income for financial reporting purposes and the amount of taxable income for income tax purposes are treated as either temporary or permanent, depending on their nature.

Temporary differences reflect revenues or expenses that are recognized in financial reporting in one period and taxable income in a different period. An example of a temporary difference is the use of the straight-line method of depreciation of machinery and equipment for financial reporting purposes and the use of an accelerated method for income tax purposes. Temporary differences result from differences between the financial reporting basis and tax basis of assets or liabilities and give rise to deferred tax assets or liabilities (i.e., future tax deductions or future taxable income). Therefore, when temporary differences occur, they are offset by a corresponding change in a deferred tax account. As such, total income tax expense as reported in the Corporation's consolidated statements of earnings is not changed by temporary differences.

The Corporation has deferred tax liabilities, primarily for property, plant and equipment and goodwill. The deferred tax liabilities attributable to property, plant and equipment relate to accelerated depreciation and depletion methods used for income tax purposes as compared with the straight-line and units of production methods used for financial reporting purposes. These temporary differences will reverse over the remaining useful lives of the related assets. The deferred tax liabilities attributable to goodwill arise as a result of amortizing goodwill for income tax purposes but not for financial reporting purposes. This temporary difference reverses when goodwill is written off for financial reporting purposes, either through divestitures or an impairment charge. The timing of such events cannot be estimated.

The Corporation has deferred tax assets, primarily for unvested stock-based compensation awards, employee pension and postretirement benefits, valuation reserves, inventories, net operating loss carryforwards and tax credit carryforwards. The deferred tax assets attributable to unvested stock-based compensation awards relate to differences in the timing of deductibility for financial reporting purposes versus income tax purposes. For financial reporting purposes, the fair value of the awards is deducted ratably over the requisite service period. For income tax purposes, no deduction is allowed until the award is vested or no longer subject to substantial risk of forfeiture. Deferred tax assets are carried on stock options that had exercise prices in excess of the closing price of the Corporation's common stock at December 31, 2013. If these options expire without being exercised, the deferred tax assets are written off by reducing the pool of excess tax benefits to the extent available and expensing any excess. The deferred tax assets attributable to employee pension and postretirement benefits relate to deductions as plans are funded for income tax purposes as compared with deductions for financial reporting purposes that are based on accounting standards. The reversal of these differences depends on the timing of the Corporation's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax assets attributable to valuation reserves and inventories relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences depends on facts and circumstances, including the timing of deduction for income tax purposes for reserves previously established and the establishment of additional reserves for financial reporting purposes. At December 31, 2013, the Corporation had domestic net operating loss carryforwards of $122.0 million with varying expiration dates through 2033 and related deferred tax assets of $5.4 million. The Corporation established a reserve of $5.0 million for these deferred tax assets based on the uncertainty of generating future taxable income in the respective jurisdictions during the limited period that the net operating loss carryforwards and tax credit carryfor-

wards can be utilized under state statutes. Additionally, the Corporation had domestic tax credit carryforwards of $2.4 million, for which a valuation allowance of $0.9 million was recorded at December 31, 2013.

The Corporation's estimated ETR reflects adjustments to financial reporting income for permanent differences, which are revenues or expenses that are recognized in determining either financial reporting income or taxable income, but not both. Permanent differences either increase or decrease income tax expense with no offset in deferred tax balances. An example of a material permanent difference that affects the Corporation's estimated ETR is tax depletion in excess of basis for mineral reserves. For income tax purposes, the depletion deduction is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, changes in sales volumes and earnings may not proportionately affect the permanent depletion deduction included in the ETR. As a result, the Corporation may continue to claim tax depletion deductions exceeding the cost basis of the mineral reserves, whereas the depletion expense for financial reporting purposes ceases once the value of the mineral reserves is fully amortized. The continuing depletion for tax purposes is treated as a permanent difference. Another example of a permanent difference is goodwill established for financial reporting purposes from an acquisition of another company's stock. This goodwill has no basis for income tax purposes. If the goodwill is subsequently written off as a result of divestitures or impairment losses, the financial reporting deduction is treated as a permanent difference.

Tax depletion in excess of book basis for mineral reserves is the single largest recurring permanent deduction for the Corporation in calculating taxable income. Therefore, a significant amount of the financial reporting risk related to the estimated ETR is based on this estimate. Estimates of the percentage depletion allowance are based on other accounting estimates such as profitability by tax unit, which compound the risk related to the estimated ETR. Further, the percentage depletion allowance may not increase or decrease proportionately to a change in pretax earnings. However, the impact of the depletion deduction on the effective tax rate is inversely affected by increases or decreases in pretax earnings. In 2013, tax depletion in excess of book basis positively affected the estimated effective income tax rate by 1,200 basis points.

To calculate the estimated ETR for any year, management uses actual information where practical. Certain permanent and temporary differences, including deductions for percentage depletion allowances, are estimated at the time the provision for income taxes is calculated. After estimating amounts that management considers reasonable under the circumstances, a provision for income taxes is recorded.

Each quarter, management updates the estimated ETR for the current year based on events that occur during the quarter. For example, changes to forecasts of annual sales and related earnings, purchases and sales of business units and product mix subject to different percentage depletion rates are reflected in the quarterly estimate of the annual ETR. Some events may be treated as discrete events and the tax impact is fully recorded in the quarter in which the discrete event occurs. For example, the estimated ETR for the third quarter reflects the filing of the prior year federal and state income tax returns that adjust prior estimates of permanent and temporary differences and the evaluation of the deferred tax balances and the related valuation allowances. Historically, the Corporation's adjustment of prior estimates of permanent and temporary differences has not been material to its results of operations or total tax expense.

For 2013, an overall estimated ETR of 26.8% was used to calculate the provision for income taxes, a portion of which was allocated to discontinued operations. The estimated ETR is sensitive given that changes in the rate can have a significant impact on annual earnings. A change of 100 basis points in the estimated ETR would affect 2013 income tax expense by $1.6 million.

All income tax filings are subject to examination by federal, state and local regulatory agencies, generally within three years of the filing date. The Corporation recognizes a tax benefit when it is more likely than not, based on the technical merits, that a tax position would be sustained upon examination by a taxing authority. The Corporation has established reserves of $11.8 million, excluding interest and correlative effects, for uncertain tax positions at December 31, 2013. The Corporation analyzes the reserves quarterly and, if necessary, makes adjustments based on changes in underlying facts and circumstances. The Corporation expects unrecognized tax benefits up to $6.5 million, excluding indirect benefits, may decrease during 2014

due to the expiration of the statute of limitations for the 2010 federal tax year and expected settlements with various taxing authorities. The Corporation's open tax years that are subject to federal examination are 2010 to 2013. Further, certain state and foreign tax jurisdictions have open tax years from 2009 to 2013.

Property, Plant and Equipment

Property, plant and equipment represent 55% of total assets at December 31, 2013. Accordingly, accounting for these assets represents a critical accounting policy. Useful lives of the assets can vary depending on factors, including production levels, geographic location, portability and maintenance practices. Additionally, climate and inclement weather can reduce the useful life of an asset. Historically, the Corporation has not recognized significant losses on the disposal or retirement of fixed assets.

The Corporation evaluates aggregates reserves in several ways, depending on the geology at a particular location and whether the location is a potential new site (greensite), an acquisition or an existing operation. Greensites require an extensive drilling program before any significant investment is made in terms of time, site development or efforts to obtain appropriate zoning and permitting (see section *Environmental Regulation and Litigation* on pages 71 and 72). The depth of overburden and the quality and quantity of the aggregates reserves are significant factors in determining whether to pursue opening the site. Further, the estimated average selling price for products in a market is also a significant factor in concluding that reserves are economically mineable. If the Corporation's analysis based on these factors is satisfactory, the total aggregates reserves available are calculated and a determination is made whether to open the location. Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties, for quality control, calculating overburden volumes and for mine planning. Reserve evaluation of acquisitions may require a higher degree of sampling to locate any problem areas that may exist and to verify the total reserves.

Well-ordered subsurface sampling of the underlying deposit is basic to determining reserves at any location. This subsurface sampling usually involves one or more types of drilling, determined by the nature of the material to be sampled and the particular objective of the sampling. The Corporation's objectives are to ensure that the underlying deposit meets aggregates specifications and the total reserves on site are sufficient for mining and economically recoverable. Locations underlain with hard rock deposits, such as granite and limestone, are drilled using the diamond core method, which provides the most useful and accurate samples of the deposit. Selected core samples are tested for soundness, abrasion resistance and other physical properties relevant to the aggregates industry. The number and depth of the holes are determined by the size of the site and the complexity of the site-specific geology. Some geological factors that may affect the number and depth of holes include faults, folds, chemical irregularities, clay pockets, thickness of formations and weathering. A typical spacing of core holes on the area to be tested is one hole for every four acres, but wider spacing may be justified if the deposit is homogeneous.

Despite previous drilling and sampling, once accessed, the quality of reserves within a deposit can vary. Construction contracts, for the infrastructure market in particular, include specifications related to the aggregates material. If a flaw in the deposit is discovered, the aggregates material may not meet the required specifications. This can have an adverse effect on the Corporation's ability to serve certain customers or on the Corporation's profitability. In addition, other issues can arise that limit the Corporation's ability to access reserves in a particular quarry, including geological occurrences, blasting practices and zoning issues.

Locations underlain with sand and gravel are typically drilled using the auger method, whereby a 6-inch corkscrew brings up material from below the ground which is then sampled. Deposits in these locations are typically limited in thickness, and the quality and sand-to-gravel ratio of the deposit can vary both horizontally and vertically. Hole spacing at these locations is approximately one hole for every acre to ensure a representative sampling.

The geologist conducting the reserve evaluation makes the decision as to the number of holes and the spacing in accordance with standards and procedures established by the Corporation. Further, the anticipated heterogeneity of the deposit, based on U.S. geological maps, also dictates the number of holes used.

The generally accepted reserve categories for the aggregates industry and the designations the Corporation uses for reserve categories are summarized as follows:

Proven Reserves — These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is relatively homogeneous based on the drilling results and exploration data provided in U.S. geologic maps, the U.S. Department of Agriculture soil maps, aerial photographs and/or electromagnetic, seismic or other surveys conducted by independent geotechnical engineering firms. The proven reserves that are recorded reflect reductions incurred as a result of quarrying that result from leaving ramps, safety benches, pillars (underground), and the fines (small particles) that will be generated during processing. Proven reserves are further reduced by reserves that are under the plant and stockpile areas, as well as setbacks from neighboring property lines. The Corporation typically assumes a loss factor of 25%. However, the assumed loss factor at coastal operations is approximately 40% due to the nature of the material. The assumed loss factor for underground operations is 35% due to pillars.

Probable Reserves — These reserves are inferred utilizing fewer drill holes and/or assumptions about the economically recoverable reserves based on local geology or drill results from adjacent properties.

The Corporation's proven and probable reserves reflect reasonable economic and operating constraints as to maximum depth of overburden and stone excavation, and also include reserves at the Corporation's inactive and undeveloped sites, including some sites where permitting and zoning applications will not be filed until warranted by expected future growth. The Corporation has historically been successful in obtaining and maintaining appropriate zoning and permitting (see section *Environmental Regulation and Litigation* on pages 71 and 72).

Mineral reserves and mineral interests, when acquired in connection with a business combination, are valued using an excess earnings approach for the life of the proven and probable reserves.

The Corporation uses proven and probable reserves as the denominator in its units-of-production calculation to record depletion expense for its mineral reserves and mineral interests. During 2013, depletion expense was $5.7 million.

The Corporation begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Quarry development costs are classified as land improvements.

New pits may be developed at existing quarries in order to access additional reserves. When this occurs, management reviews the facts and circumstances of each situation in making a determination as to the appropriateness of capitalizing or expensing the related pre-production development costs. If the additional pit operates in a separate and distinct area of a quarry, the costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Further, a separate asset retirement obligation is created for additional pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.

Inventory Standards

The Corporation values its finished goods inventories under the first-in, first-out methodology using standard costs. For quarries, standards are developed using production costs for a twelve-month period, in addition to complying with the principle of lower of cost or market, and adjusting, if necessary, for normal capacity levels and abnormal costs. In addition to production costs, standards for distribution yards include a freight component for the cost of transporting the inventory from a quarry to the distribution yard and materials handling costs. Preoperating start-up costs are expensed as incurred and not capitalized as part of inventory costs.

Standard costs for the Aggregates business are updated on a quarterly basis to match finished goods inventory values with changes in production costs and production volumes. In periods in which production costs, in particular energy costs, and/or production volumes have changed significantly from the prior period, the revision of standards can have a significant impact on the Corporation's operating results (see section *Cost Structure* on pages 66 through 68).

Liquidity and Cash Flows

Operating Activities

The Corporation's primary source of liquidity during the past three years has been cash generated from its operating activities. Operating cash flow is substantially derived from consolidated net earnings, before deducting depreciation, depletion and amortization, and offset by working capital requirements. Cash provided by operations was $309.0 million in 2013, $222.7 million in 2012 and $259.1 million in 2011. The 2013 improvement is attributable to growth in earnings due in part to the absence of significant business development costs incurred during 2012 related to the proposed business combination with Vulcan Materials Company that was not consummated. The reduction in cash provided by operating activities in 2012 compared with 2011 is primarily due to a $38 million cash outlay for the aforementioned business development costs and $23 million in cash used to finance the net working capital requirements of the acquired businesses in Denver, Colorado.

Depreciation, depletion and amortization were as follows:

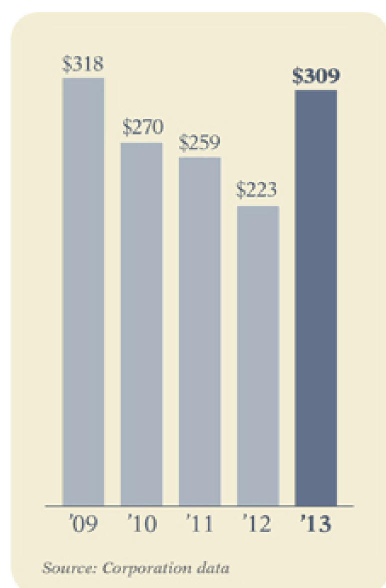
years ended December 31 (add 000)	**2013**	2012	2011
Depreciation	**$162,638**	$166,912	$166,225
Depletion	**5,695**	5,028	3,749
Amortization	**5,428**	5,271	3,433
Total	**$173,761**	$177,211	$173,407

Investing Activities

Net cash used for investing activities was $ 214.5 million in 2013, $143.2 million in 2012 and $238.9 million in 2011.

Capital spending by reportable segment, excluding acquisitions, was as follows:

years ended December 31 (add 000)	**2013**	2012	2011
Mid-America Group	**$ 80,626**	$ 46,861	$ 52,642
Southeast Group	**18,444**	22,594	29,531
West Group	**44,986**	38,808	44,867
Total Aggregates Business	**144,056**	108,263	127,040
Specialty Products	**4,700**	38,873	21,983
Corporate	**6,477**	3,887	6,340
Total	**$155,233**	$151,023	$155,363



Capital spending in 2013 for the Mid-America Group included a $14 million land purchase and $10 million for dragline improvements. In 2012, the Specialty Products business completed construction of a $53 million dolomitic lime kiln in Woodville, Ohio.

The Corporation paid $64.5 million, $0.2 million and $91.6 million for acquisitions in 2013, 2012 and 2011, respectively.

Proceeds from divestitures and sales of assets include the cash from the sales of surplus land and equipment and the divestitures of several Aggregates operations. These proceeds provided pretax cash of $8.6 million in 2013, $10.0 million in 2012 and $8.0 million in 2011.

In 2013 and 2012, the Corporation loaned $3.4 million and $2.0 million, respectively, to an unconsolidated affiliate.

Financing Activities

The Corporation used $77.4 million, $80.1 million and $64.5 million of cash for financing activities during 2013, 2012 and 2011, respectively.

Net repayments of long-term debt were $16.7 million in 2013 and $12.7 million in 2012. The Corporation had net borrowings of long-term debt of $24.6 million in 2011.

In 2013, the Board of Directors approved total cash dividends on the Corporation's common stock of $1.60 per share. Total cash dividends were $74.2 million in 2013, $73.8 million in 2012 and $73.6 million in 2011. Under the merger agreement with TXI, dividends will be limited to regular quarterly dividends of $0.40 per share, with

declaration, record and payment dates consistent with past practice, until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement.

Cash provided by issuances of common stock, which represents the exercises of stock options, was $11.7 million, $7.0 million and $1.5 million in 2013, 2012 and 2011, respectively.

Excess tax benefits from stock-based compensation transactions were $2.4 million in 2013 and $0.8 million in 2012.

In 2011, the Corporation purchased the remaining interest in an existing subsidiary for $10.4 million.

Capital Structure and Resources

Long-term debt, including current maturities, decreased from $1.048 billion at the end of 2012 to $1.031 billion at the end of 2013. The Corporation’s debt was principally in the form of publicly-issued long-term notes and debentures and $378.4 million of borrowings under variable-rate credit facilities at December 31, 2013.

The Corporation’s $100 million secured accounts receivable credit facility expired by its own terms on April 20, 2013.

On April 19, 2013, the Corporation, through a wholly-owned consolidated special purpose subsidiary, established a $150 million Trade Receivable Facility, a securitization facility with SunTrust Bank and certain other lenders that may become a party to the facility from time to time. The Trade Receivable Facility is backed by trade receivables originated by the Corporation, the balance of which was $234.1 million at December 31, 2013. The Corporation then sells these trade receivables to the wholly-owned consolidated special purpose subsidiary. Borrowings under the Trade Receivable Facility are limited to the lesser of the facility limit or of “eligible” receivables, as defined, and bear interest at a rate equal to the one-month London Interbank Offered Rate (“LIBOR”) plus 0.6%. The Corporation has the option to request an increase in the commitment amount by up to an additional $100 million in increments of no less than $25 million, subject to receipt of lender commitments for the increased amount. The Corporation has the intent and ability to refinance amounts outstanding when the Trade Receivable Facility matures on April 19, 2014.

On November 29, 2013, the Corporation modified its $600 million Credit Agreement to extend the maturity dates of both the Revolving Facility and Term Loan Facility to November 29, 2018. In connection with the modification, the Revolving Facility’s borrowing base remains $350 million. Additionally, the Corporation borrowed an additional $10.0 million on the Term Loan Facility, resulting in total borrowings of $250.0 million at December 31, 2013. The Term Loan Facility requires quarterly principal payments equal to 1.25% of the original principal balance for years 2014 and 2015 and 1.875% of the remaining principal balance during 2016, 2017 and 2018. Borrowings under the Credit Agreement bear interest, at the Corporation’s option, at rates based upon LIBOR or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid.

The Credit Agreement requires the Corporation’s ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the trailing twelve month period (the “Ratio”) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its ratings on long-term unsecured debt fall below BBB by Standard & Poor’s or Baa2 by Moody’s and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Corporation is a co-borrower, will be reduced for purposes of the covenant calculation by the Corporation’s unrestricted cash and cash equivalents in excess of $50 million, such reduction not to exceed $200 million.

The Ratio is calculated as total debt, including debt for which the Corporation is a co-borrower, divided by consolidated EBITDA, as defined, for the trailing twelve months. Consolidated EBITDA is generally defined as earnings before interest expense, income tax expense, and depreciation, depletion and amortization expense, all for continuing operations and attributable to Martin Marietta Materials Inc. Additionally, stock-based compensation expense is added back and interest income is deducted in the calculation of consolidated EBITDA. Certain other nonrecurring noncash items, if they occur, can affect the calculation of consolidated EBITDA.

At December 31, 2013, the Corporation's ratio of consolidated debt to consolidated EBITDA, as defined, for the trailing twelve month EBITDA was 2.67 times and was calculated as follows (dollars in thousands):

	Twelve-Month Period January 1, 2013 to December 31, 2013
Net earnings from continuing operations attributable to Martin Marietta Materials Inc.	$ 122,086
Add back:	
Interest expense	53,467
Income tax expense	43,913
Depreciation, depletion and amortization expense	168,673
Stock-based compensation expense	7,008
Deduct:	
Interest income	(393)
Consolidated EBITDA, as defined	$ 394,754
Consolidated debt, including debt for which the Corporation is a co-borrower, at December 31, 2013	$ 1,053,289
Consolidated debt-to-consolidated EBITDA, as defined, at December 31, 2013 for trailing twelve-month EBITDA	2.67 x

The Trade Receivable Facility contains a cross-default provision to the Corporation's other debt agreements. In the event of a default on the Ratio, the lenders can terminate the Credit Agreement and Trade Receivable Facility and declare any outstanding balances as immediately due.

Total equity increased from $1.450 billion at December 31, 2012 to $1.574 billion at December 31, 2013. At December 31, 2013, the Corporation had an accumulated other comprehensive loss of $44.1 million, resulting from unrecognized actuarial losses and prior service costs related to pension and postretirement benefits, foreign currency translation gains and the unamortized loss on terminated forward starting interest rate swap agreements. Total equity at December 31, 2013 also included $37.0 million of noncontrolling interests.

The Corporation may repurchase shares of its common stock through open-market purchases pursuant to authority granted by its Board of Directors or through private transactions at such prices and upon such terms as the Chief Executive Officer deems appropriate. During 2013, the Corporation did not repurchase any shares of common stock. At December 31, 2013, 5.0 million shares of common stock were remaining under the Corporation's repurchase authorization. Under the merger agreement with TXI, repurchases of the Corporation's common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement.

At December 31, 2013, the Corporation had $42.4 million in cash and short-term investments that are considered cash equivalents. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in operating cash through short-term borrowing facilities. The Corporation utilizes excess cash to either pay-down short-term borrowings or invest in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to $250,000. The Corporation's investments in bank funds generally exceed the $250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over $100 million to be maintained at any one bank. The reduction of short-term borrowings may increase interest expense based on currently favorable short-term interest rates.

Cash on hand, along with the Corporation's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. Borrowings under the Credit Agreement are unsecured and may be used for general corporate purposes. The Corporation's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions (see section *Current Market Environment and Related Risks* on pages

73 and 74). At December 31, 2013, the Corporation had $347.5 million of unused borrowing capacity under its Revolving Facility and $20.0 million of available borrowings under its Trade Receivable Facility, subject to complying with the related leverage covenant. The Revolving Facility expires on November 29, 2018 and the Trade Receivable Facility matures on April 19, 2014.

The Corporation may be required to obtain financing in order to fund certain strategic acquisitions, if any such opportunities arise, or to refinance outstanding debt. Any strategic acquisition of size would likely require an appropriate balance of newly-issued equity with debt in order to maintain a composite investment-grade credit rating. Furthermore, the Corporation is exposed to credit markets, through the interest cost related to its variable-rate debt, which includes borrowings under its Revolving Facility, Term Loan Facility and Trade Receivable Facility. The Corporation is currently rated by three credit rating agencies; two of those agencies' credit ratings are investment-grade level and the third agency's credit rating is one level below investment-grade. The Corporation's composite credit rating remains at investment-grade level, which facilitates obtaining financing at lower rates than noninvestment-grade ratings. As a result of the Corporation's proposed business combination with TXI, two of its credit rating agencies placed the Corporation's credit ratings under review for possible downgrade. While management believes its composite credit ratings will remain at an investment-grade level, no assurance can be given that these ratings will remain at current levels, particularly if any opportunities arise to consummate strategic acquisitions.

Contractual and Off Balance Sheet Obligations

Postretirement medical benefits will be paid from the Corporation's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan. At December 31, 2013, the Corporation's recorded benefit obligation related to these benefits totaled $27.4 million.

The Corporation has other retirement benefits related to the qualified pension plan and the SERP. At December 31, 2013, the qualified pension plan is underfunded by $41.7 million. Inclusive of required amounts, the Corporation estimates that it will make contributions of $20.7 million in 2014. Any contributions beyond 2014 are currently undeterminable and will depend on the investment return on the related pension assets. However, management's practice is to fund at least the normal service cost annually. At December 31, 2013, the Corporation had a total obligation of $10.3 million related to the SERP.

At December 31, 2013, the Corporation had $11.8 million of reserves for uncertain tax positions. Such accruals may become payable if the tax positions are not sustained upon examination by a taxing authority.

In connection with normal, ongoing operations, the Corporation enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land. Additionally, the Corporation enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs. At December 31, 2013, the Corporation had $10.3 million in capital lease obligations. Amounts due for operating leases and royalty agreements are expensed in the period incurred. Management anticipates that, in the ordinary course of business, the Corporation will enter into additional royalty agreements for land and mineral reserves during 2014.

The Corporation has purchase commitments for property, plant and equipment of $34.1 million as of December 31, 2013. The Corporation also has other purchase obligations related to energy and service contracts which totaled $37.3 million as of December 31, 2013.

The Corporation's contractual commitments as of December 31, 2013 are as follows:

(add 000)	Total	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years
ON BALANCE SHEET:					
Long-term debt	$1,030,921	$ 12,403	$ 30,997	$634,633	$352,888
Postretirement benefits	27,352	1,970	5,365	5,154	14,863
Qualified pension plan contributions[1]	20,715	20,715	—	—	—
SERP	10,326	56	1,740	2,530	6,000
Uncertain tax positions	11,826	6,447	5,379	—	—
Capital leases	10,314	1,089	2,770	3,083	3,372
Other commitments	691	64	128	128	371
OFF BALANCE SHEET:					
Interest on noncallable publicly-tradedlong-term debt	526,217	42,925	85,850	72,650	324,792
Operating leases[2]	249,196	60,647	78,669	36,114	73,766
Royalty agreements[2]	94,187	12,603	18,866	16,552	46,166
Purchase commitments — capital	34,135	25,523	1,600	1,600	5,412
Other commitments — energy and services	37,309	21,071	4,141	3,846	8,251
Total	$2,053,189	$205,513	$235,505	$776,290	$835,881

1 Qualified pension plan contributions beyond 2014 are not determinable at this time

2 Represents future minimum payments

Notes A, G, I, J, L and N to the audited consolidated financial statements on pages 14 through 20; 22 and 23; 24 through 27; 27 through 32; 34; and 35 through 37, respectively, contain additional information regarding these commitments and should be read in conjunction with the above table.

Contingent Liabilities and Commitments

The Corporation has a $10 million short-term line of credit. No amounts were outstanding under this line of credit at December 31, 2013.

The Corporation has entered into standby letter of credit agreements relating to certain insurance claims, utilities and property improvements. At December 31, 2013, the Corporation had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of $16.4 million, of which $2.5 million were issued under the Corporation's Revolving Facility. Certain of these underlying obligations are accrued on the Corporation's balance sheet.

In the normal course of business at December 31, 2013, the Corporation was contingently liable for $322.9 million in surety bonds underwritten by Safeco Corporation, a subsidiary of Liberty Mutual Group, which guarantee its own performance and are required by certain states and municipalities and their related agencies. Certain of the bonds guaranteeing performance of obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's balance sheet. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits. Five of these bonds total $72.7 million, or 23% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance companies against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

The Corporation is a co-borrower with an unconsolidated affiliate for a $24.0 million revolving line of credit agreement with Fifth Third Bank. The line of credit expires in August 2015. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from this agreement. The Corporation holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

In 2013, the Corporation loaned $3.4 million to this affiliate due May 2016. The Corporation holds a lien on the affiliate's property as collateral for payment under the loan and security agreement. Prior to 2013, the Corporation loaned the unconsolidated affiliate $6.0 million as an interest-only note.

Quantitative and Qualitative Disclosures about Market Risk

As discussed earlier, the Corporation's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs (see section *Business Environment* on pages 55 through 76).

Management has considered the current economic environment and its potential impact to the Corporation's business. Demand for aggregates products, particularly in the infrastructure construction market, has already been negatively affected by federal and state budget and deficit issues and the uncertainty over future highway funding levels beyond the September 2014 expiration of MAP-21. Further, delays or cancellations to capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty. Demand in the residential construction market is affected by interest rates. During 2013, the Federal Reserve kept the federal funds rate near zero percent, unchanged since 2008. The residential construction market accounted for 14% of the Corporation's aggregates product line shipments in 2013.

Aside from these inherent risks from within its operations, the Corporation's earnings are also affected by changes in short-term interest rates. However, rising interest rates are not necessarily predictive of weaker operating results. In fact, since 2007, the Corporation's profitability increased when interest rates rose, based on the last twelve months quarterly historical net income regression versus a 10-year U.S. government bond. In essence, the Corporation's underlying business generally serves as a natural hedge to rising interest rates.

Changes in short-term interest rates affect the Corporation's temporary cash investments, including money market funds, money market demand deposit accounts and Eurodollar time deposit accounts, any outstanding variable-rate facility borrowings and defined benefit pension plans. As 2014 pension expense is based on assumptions selected at December 31, 2013, interest rate risk in 2014 will be limited to the potential effect of variable-rate borrowings.

Additionally, the Corporation's earnings are affected by energy sector inflation. The Corporation has no material counterparty risk or foreign currency risk.

Variable-Rate Borrowing Facilities

The Corporation has a $600 million Credit Agreement, comprised of a $350 million Revolving Facility and $250 million Term Loan Facility, and a $150 million Trade Receivable Facility. Borrowings under these facilities bear interest at variable rates. A hypothetical 100-basis-point increase in interest rates on borrowings of $378.4 million, which was the collective outstanding balance at December 31, 2013, would increase interest expense by $3.8 million on an annual basis. The reduction of short-term borrowings may increase interest expense based on currently favorable short-term interest rates.

Pension Expense

The Corporation's results of operations are affected by its pension expense. Assumptions that affect pension expense include the discount rate and, for the defined benefit pension plans only, the expected long-term rate of return on assets. Therefore, the Corporation has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Corporation's annual pension expense is discussed in the section *Critical Accounting Policies and Estimates — Pension Expense — Selection of Assumptions* on pages 78 through 80.

Energy Costs

Energy costs, including diesel fuel, natural gas, coal and liquid asphalt, represent significant production costs of the Corporation. The Corporation does not hedge its diesel fuel price risk. The Specialty Products business has fixed price agreements covering half of its 2014 coal requirements. A hypothetical 10% change in the Corporation's energy prices in 2014 as compared with 2014, assuming constant volumes, would change 2014 pretax earnings by $19.9 million.

Forward-Looking Statements — Safe Harbor Provisions

If you are interested in Martin Marietta Materials, Inc. stock, management recommends that, at a minimum, you read the Corporation's current annual report and Forms 10-K, 10-Q and 8-K reports to the SEC over the past year. The Corporation's recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Corporation's website at www.martinmarietta.com and are also available at the SEC's website at www.sec.gov. You may also write or call the Corporation's Corporate Secretary, who will provide copies of such reports.

Investors are cautioned that all statements in this Annual Report that relate to the future involve risks and uncertainties, and are based on assumptions that the Corporation believes in good faith are reasonable but which may be materially different from actual results. Forward-looking statements give the investor the Corporation's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only historical or current facts. They may use words such as "anticipate," "expect," "should be," "believe," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of the Corporation's forward-looking statements here and in other publications may turn out to be wrong.

Factors that the Corporation currently believes could cause actual results to differ materially from the forward-looking statements in this Annual Report include, but are not limited to, Congress' actions and timing surrounding the September 2014 expiration of MAP-21 and uncertainty over the funding mechanism for the Highway Trust Fund; the performance of the United States economy and the resolution and impact of the debt ceiling and sequestration issues; widespread decline in aggregates pricing; the termination, capping and/or reduction of federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; the level and timing of federal and state transportation funding, most particularly in North Carolina, one of the Corporation's largest and most profitable states, and Texas, Iowa, Colorado and Georgia, which when coupled with North Carolina, represented 59% of 2013 net sales of the Aggregates business; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets the Corporation serves; a reduction in defense spending, and the subsequent impact on construction activity on or near military bases; a decline in the commercial component of the nonresidential construction market, notably office and retail space; a slowdown in energy-related drilling activity; a slowdown in residential construction recovery; a reduction of ChemRock/Rail shipments due to a decline in funding under the *Agricultural Act of 2014*, the domestic farm bill; unfavorable weather conditions, particularly Atlantic Ocean hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Corporation; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost of other consumables, namely steel, explosives, tires, conveyor belts, and with respect to the Specialty Products segment, natural gas; continued increases in the cost of other repair and supply parts; transportation availability, notably the availability of railcars and locomotive power to move trains to supply the Corporation's Texas, Florida and Gulf Coast markets; increased transportation costs, including increases from higher passed-through energy and other costs to comply with tightening regulations as well as higher volumes of rail and water shipments; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Corporation's dolomitic lime products; inflation and its effect on both production and interest costs; reduction of the Corporation's composite credit rating to noninvestment-grade resulting from strategic acquisitions; ability to

successfully integrate acquisitions quickly and in a cost-effective manner and achieve anticipated profitability to maintain compliance with the Corporation's leverage ratio debt covenant; changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Corporation's tax rate; violation of the Corporation's debt covenant if price and/or volumes returns to previous levels of instability; downward pressure on the Corporation's common stock price and its impact on goodwill impairment evaluations; and other risk factors listed from time to time found in the Corporation's filings with the SEC. Other factors besides those listed here may also adversely affect the Corporation, and may be material to the Corporation. The Corporation assumes no obligation to update any such forward-looking statements.

In connection with the proposed business combination with TXI, the Corporation and TXI intend to file relevant materials with the SEC, including a Registration Statement on Form S-4 that will include a joint proxy statement of the Corporation and TXI and that will also constitute a prospectus of the Corporation relating to the proposed transaction. The Corporation encourages investors and securityholders to read the joint proxy statement/prospectus and any other relevant documents when they become available as they contain important information about the Corporation, TXI and the proposed business combination with TXI.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's SEC filings including, but not limited to, the discussion of "Competition" in the Corporation's Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 40 through 92 of the 2013 Annual Report and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 14 through 20 and 35 through 37, respectively, of the audited consolidated financial statements included in the 2013 Annual Report.

QUARTERLY PERFORMANCE
(unaudited)

(add 000, except per share and stock prices)

Quarter	Total Revenues[1] 2013	Total Revenues[1] 2012	Net Sales[1] 2013	Net Sales[1] 2012	Gross Profit[1] 2013	Gross Profit[1] 2012	Consolidated Net Earnings (Loss) 2013[3]	Consolidated Net Earnings (Loss) 2012[4,5,6,7]	Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc. 2013[3]	Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc. 2012[4,5,6,7]
First	**$ 383,908**	$ 393,289	**$ 344,058**	$ 349,848	**$ 12,821**	$ 24,054	**$ (29,329)**	$ (37,673)	**$ (27,839)**	$ (36,732)
Second	**561,327**	544,086	**507,333**	489,588	**106,997**	102,336	**41,567**	37,808	**41,308**	36,751
Third	**665,320**	592,267	**600,457**	537,507	**143,108**	124,021	**72,038**	63,669	**71,836**	62,922
Fourth	**544,996**	502,259	**491,370**	456,014	**101,031**	76,723	**35,156**	21,723	**36,032**	21,533
Totals	**$2,155,551**	$2,031,901	**$1,943,218**	$1,832,957	**$363,957**	$327,134	**$119,432**	$ 85,527	**$121,337**	$ 84,474

	Per Common Share						Stock Prices			
	Basic Earnings (Loss)[2]		Diluted Earnings (Loss)[2]		Dividends Paid		High	Low	High	Low
Quarter	2013[3]	2012[4,5,6,7]	2013[3]	2012[4,5,6,7]	2013	2012	2013	2013	2012	2012
First	**$ (0.61)**	$ (0.81)	**$ (0.61)**	$ (0.81)	**$0.40**	$0.40	**$106.57**	**$93.99**	$90.57	$74.05
Second	**0.89**	0.80	**0.89**	0.80	**0.40**	0.40	**$113.65**	**$93.03**	$86.09	$63.64
Third	**1.55**	1.36	**1.54**	1.36	**0.40**	0.40	**$106.98**	**$94.25**	$93.71	$71.93
Fourth	**0.78**	0.47	**0.77**	0.46	**0.40**	0.40	**$106.48**	**$94.01**	$95.93	$80.42
Totals	**$ 2.62**	$ 1.83	**$ 2.61**	$ 1.83	**$1.60**	$1.60				

[1] Amounts may not equal amounts previously reported in the Corporation's Forms 10-Q, as amounts have been recast to reflect discontinued operations.

[2] The sum of per-share earnings by quarter may not equal earnings per share for the year due to changes in average share calculations. This is in accordance with prescribed reporting requirements.

[3] Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the fourth quarter of 2013 were decreased by $2.3 million, or $0.05 per basic and diluted share, for the increase in insurance reserves in the ordinary course of business and increased by $1.4 million, or $0.03 per basic and diluted share, for the reversal into income for the expiration of the statute of limitations for the 2009 tax year.

[4] Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the first quarter of 2012 were decreased by $15.7 million, or $0.34 per basic and diluted share, for business development costs.

[5] Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the second quarter of 2012 were decreased by $5.6 million, or $0.12 per basic and diluted share, for business development costs.

[6] Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the third quarter of 2012 were increased by $3.6 million, or $0.08 per basic and diluted share, for the reversal of a deferred tax asset valuation allowance resulting from a transfer pricing agreement.

[7] Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the fourth quarter of 2012 were decreased by $2.3 million, or $0.05 per basic and diluted share, for early retirement.

At February 14, 2014, there were 680 shareholders of record.

The following presents total revenues, net sales, net loss and loss per diluted share attributable to discontinued operations:

(add 000, except per share) Quarter	Total Revenues[1] 2013	Total Revenues[1] 2012	Net Sales[1] 2013	Net Sales[1] 2012	Net (Loss) Earnings[1] 2013	Net (Loss) Earnings[1] 2012	(Loss) Earnings per Diluted Share[1,2] 2013	(Loss) Earnings per Diluted Share[1,2] 2012
First	**$1,102**	$ 652	**$1,061**	$ 333	**$ (234)**	$ (545)	**$ 0.00**	$ (0.02)
Second	**1,385**	1,669	**1,385**	1,936	**75**	56	**0.00**	0.00
Third	**649**	1,653	**649**	1,653	**(293)**	(410)	**(0.01)**	(0.01)
Fourth	**16**	1,877	**16**	1,897	**(297)**	(273)	**(0.01)**	0.00
Totals	**$3,152**	$5,851	**$ 3,111**	$5,819	**$ (749)**	$ (1,172)	**$ (0.02)**	$ (0.03)

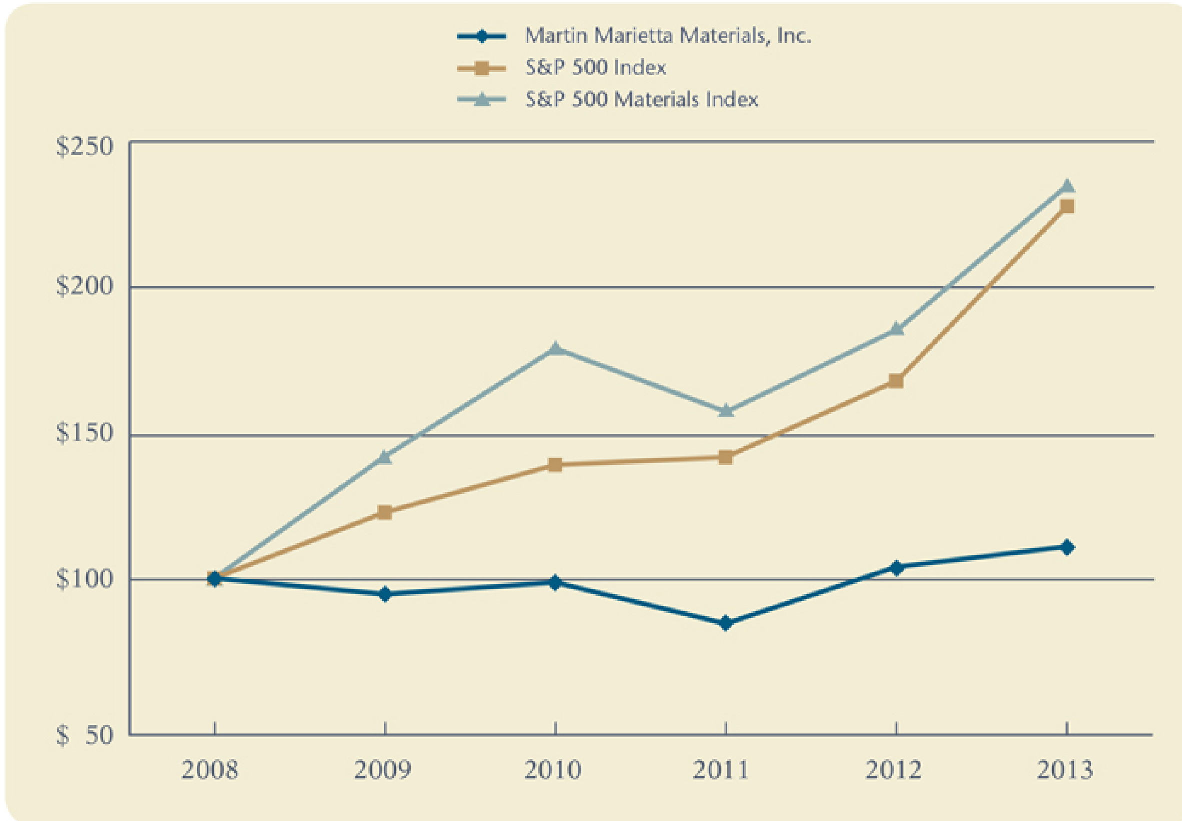
FIVE YEAR SELECTED FINANCIAL DATA
(add 000, except per share)

	2013	2012	2011	2010	2009
Consolidated Operating Results[1]					
Net sales	**$1,943,218**	$1,832,957	$1,519,754	$1,475,638	$1,419,604
Freight and delivery revenues	**212,333**	198,944	193,862	177,168	153,648
Total revenues	**2,155,551**	2,031,901	1,713,616	1,652,806	1,573,252
Cost of sales	**1,579,261**	1,505,823	1,217,752	1,153,987	1,088,091
Freight and delivery costs	**212,333**	198,944	193,862	177,168	153,648
Total cost of revenues	**1,791,594**	1,704,767	1,411,614	1,331,155	1,241,739
Gross Profit	**363,957**	327,134	302,002	321,651	331,513
Selling, general and administrative expenses	**150,091**	138,398	124,138	130,422	135,881
Business development costs	**671**	35,140	18,575	1,220	2,199
Other operating (income) and expenses, net	**(4,793)**	(2,574)	(1,720)	(8,298)	10,586
Earnings from Operations	**217,988**	156,170	161,009	198,307	182,847
Interest expense	**53,467**	53,339	58,586	68,440	73,455
Other nonoperating expenses and (income), net	**295**	(1,299)	1,834	198	(1,165)
Earnings from continuing operations before taxes on income	**164,226**	104,130	100,589	129,669	110,557
Taxes on income	**44,045**	17,431	21,003	30,913	25,981
Earnings from Continuing Operations	**120,181**	86,699	79,586	98,756	84,576
Discontinued operations, net of taxes	**(749)**	(1,172)	3,987	(92)	3,588
Consolidated net earnings	**119,432**	85,527	83,573	98,664	88,164
Less: Net (loss) earnings attributable to noncontrolling interests	**(1,905)**	1,053	1,194	1,652	2,705
Net Earnings Attributable to Martin Marietta Materials, Inc.	**$ 121,337**	$ 84,474	$ 82,379	$ 97,012	$ 85,459
Basic Earnings Attributable to Martin Marietta Materials, Inc. Per Common Share (see Note A):					
Earnings from continuing operations attributable to common shareholders[1]	**$ 2.64**	$ 1.86	$ 1.70	$ 2.11	$ 1.84
Discontinued operations attributable to common shareholders[1]	**(0.02)**	(0.03)	0.09	—	0.08
Basic Earnings Per Common Share	**$ 2.62**	$ 1.83	$ 1.79	$ 2.11	$ 1.92
Diluted Earnings Attributable to Martin Marietta Materials, Inc. Per Common Share (see Note A):					
Earnings from continuing operations attributable to common shareholders[1]	**$ 2.63**	$ 1.86	$ 1.69	$ 2.10	$ 1.83
Discontinued operations attributable to common shareholders[1]	**(0.02)**	(0.03)	0.09	—	0.08
Diluted Earnings Per Common Share	**$ 2.61**	$ 1.83	$ 1.78	$ 2.10	$ 1.91
Cash Dividends Per Common Share	**$ 1.60**	$ 1.60	$ 1.60	$ 1.60	$ 1.60
Condensed Consolidated Balance Sheet Data					
Current deferred income tax benefits	**$ 74,821**	$ 77,716	$ 80,674	$ 83,380	$ 60,303
Current assets — other	**680,545**	622,685	577,176	612,831	796,557
Property, plant and equipment, net	**1,799,241**	1,753,241	1,774,291	1,687,830	1,692,905
Goodwill	**616,621**	616,204	616,671	626,527	624,224
Other intangibles, net	**48,591**	50,433	54,133	17,548	12,469
Other noncurrent assets	**40,007**	40,647	44,877	46,627	52,825
Total Assets	**$3,259,826**	$3,160,926	$3,147,822	$3,074,743	$3,239,283
Current liabilities — other	**$ 198,146**	$ 167,659	$ 166,530	$ 136,779	$ 147,434
Current maturities of long-term debt and short-term facilities	**12,403**	5,676	7,182	248,714	226,119
Long-term debt	**1,018,518**	1,042,183	1,052,902	782,045	1,023,492
Pension, postretirement and post employment benefits, noncurrent	**78,489**	183,122	158,101	127,671	160,354
Noncurrent deferred income taxes	**279,999**	225,592	222,064	228,698	195,946
Other noncurrent liabilities	**97,352**	86,395	92,179	82,577	79,527
Shareholders' equity	**1,537,877**	1,410,545	1,409,321	1,425,440	1,365,240
Noncontrolling interests	**37,042**	39,754	39,543	42,819	41,171
Total Liabilities and Equity	**$3,259,826**	$3,160,926	$3,147,822	$3,074,743	$3,239,283

[1] Amounts may not equal amounts reported in the Corporation's prior years' Forms 10-K, as amounts have been recast to reflect discontinued operations.

COMMON STOCK PERFORMANCE GRAPH

The following graph compares the performance of the Corporation's common stock to that of the Standard and Poor's ("S&P") 500 Index and the S&P 500 Materials Index.



Cumulative Total Return[1]

(as of December 31)

	2008	2009	2010	2011	2012	2013
Martin Marietta Materials, Inc.	$100.00	$ 93.75	$ 98.39	$ 82.15	$104.45	$112.49
S&P 500 Index	$100.00	$125.92	$144.58	$147.60	$171.04	$225.85
S&P 500 Materials Index	$100.00	$147.86	$180.11	$162.74	$186.85	$234.01

[1] Assumes that the investment in the Corporation's common stock and each index was $100, with quarterly reinvestment of dividends.

EXHIBIT 21.01

SUBSIDIARIES OF MARTIN MARIETTA MATERIALS, INC.
AS OF JANUARY 31, 2014

Name of Subsidiary	Percent Owned
Alamo Gulf Coast Railroad Company, a Texas corporation	99.5%[1]
Alamo North Texas Railroad Company, a Texas corporation	99.5%[2]
American Aggregates Corporation, a North Carolina corporation	100%
American Materials Technologies, LLC, a Tennessee limited liability company	100%[3]
American Stone Company, a North Carolina corporation	50%[4]
Bahama Rock Limited, a Bahamas corporation	100%
Campbell's C-Ment Contracting, Inc., a Colorado corporation	100%[5]
FRI Ready Mix of Tennessee, LLC, a Florida limited liability company	100%[6]
Granite Canyon Quarry, a Wyoming joint venture	100%
Harding Street Corporation, a North Carolina corporation	100%
HSMM LLC, a North Carolina limited liability company	100%
Hunt Martin Materials, LLC, a Delaware limited liability company	50%[7]
Martin Bauerly Materials, LLC, a Delaware limited liability company	67%[8]

[1] Alamo Gulf Coast Railroad Company is owned by Martin Marietta Materials Southwest, Inc. (99.5%) and certain individuals (0.5%).

[2] Alamo North Texas Railroad Company is owned by Martin Marietta Materials Southwest, Inc. (99.5%) and certain individuals (0.5%).

[3] American Materials Technologies, LLC is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

[4] Martin Marietta Materials, Inc. owns a 50% interest in American Stone Company.

[5] Campbell's C-Ment Contracting, Inc. is a wholly-owned subsidiary of Suburban Acquisition Company.

[6] FRI Ready Mix of Tennessee, LLC is a wholly owned subsidiary of American Materials Technologies, LLC.

[7] Hunt Martin Materials, LLC is owned 45% by Martin Marietta Materials, Inc. and 5% by Martin Marietta Materials of Missouri, Inc., a wholly owned subsidiary of Martin Marietta Materials, Inc.

[8] Martin Bauerly Materials, LLC is owned 67% by Martin Marietta Materials, Inc. and 33% by Knife River Corporation – North Central

Martin Marietta Composites, Inc., a Delaware corporation	100%
Martin Marietta Employee Relief Foundation, a Delaware Not for Profit corporation	100%
Martin Marietta Funding LLC, a Delaware limited liability company	100%
Martin Marietta Magnesia Specialties, LLC, a Delaware limited liability company	100%
Martin Marietta Materials Canada Limited, a Nova Scotia, Canada corporation	100%
Martin Marietta Materials of Missouri, Inc., a Delaware corporation	100%
Martin Marietta Materials Real Estate Investments, Inc., a North Carolina corporation	100%
Martin Marietta Materials Southwest, Inc., a Texas corporation	100%
Material Producers, Inc., an Oklahoma corporation	100%[9]
Meridian Aggregates Company, a Limited Partnership, a North Carolina limited partnership	100%[10]
Meridian Aggregates Company Northwest, LLC, a North Carolina limited liability company	100%[11]
Meridian Aggregates Company Southwest, LLC, a North Carolina limited liability	100%[12]
Meridian Aggregates Investments, LLC, a North Carolina limited liability company	100%[13]
Meridian Granite Company, a North Carolina corporation	100%[14]

[9] Material Producers, Inc. is a wholly owned subsidiary of Martin Marietta Materials Southwest, Inc.

[10] Meridian Aggregates Company, a Limited Partnership is owned 98% by Meridian Aggregates Investments, LLC. The remaining 2% is owned by Martin Marietta Materials, Inc.

[11] Martin Marietta Materials, Inc. is the sole member of Meridian Aggregates Company Northwest, LLC.

[12] Martin Marietta Materials Southwest, Inc. is the sole member of Meridian Aggregates Company Southwest, LLC.

[13] Meridian Aggregates Investments, LLC is owned 99% by Martin Marietta Materials, Inc. and 1% by Martin Marietta Materials Real Estate Investments, Inc.

[14] Meridian Granite Company is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

Mid South-Weaver Joint Venture, a North Carolina joint venture	50%[15]
Mid-State Construction & Materials, Inc., an Arkansas corporation	100%
MTD Pipeline LLC, a Delaware limited liability company	50%[16]
Powderly Transportation, Inc., a North Carolina corporation	100%[17]
Project Holdings, Inc., a North Carolina corporation	100%
R&S Sand & Gravel, LLC, a North Carolina limited liability company	100%[18]
Rocky Mountain Ready Mix Concrete, Inc., a Colorado corporation	100%[19]
Suburban Acquisition Company, a Colorado corporation	100%
Theodore Holding, LLC, a Delaware limited liability company	60.7%[20]
Valley Stone LLC, a Virginia limited liability company	50%[21]

[15] Mid South-Weaver Joint Venture is owned 50% by Martin Marietta Materials, Inc.

[16] Martin Marietta Magnesia Specialties, LLC, a wholly owned subsidiary of Martin Marietta Materials, Inc., owns a 50% interest in MTD Pipeline LLC.

[17] Powderly Transportation, Inc. is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

[18] Martin Marietta Materials, Inc. is the manager of and owns a 90% interest in R&S Sand & Gravel, LLC. The other 10% is owned by Harding Street Corporation, a wholly owned subsidiary of Martin Marietta Materials, Inc.

[19] Rocky Mountain Ready Mix Concrete, Inc. is a wholly-owned subsidiary of Campbell’s C-Ment Contracting, Inc.

[20] Martin Marietta Materials, Inc. is the manager of and owns a 60.7% interest in Theodore Holding, LLC.

[21] Martin Marietta Materials, Inc. is the manager of and owns a 50% interest in Valley Stone LLC.

EXHIBIT 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. of our reports dated February 24, 2014, with respect to the consolidated financial statements of Martin Marietta Materials, Inc., and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., included in the 2013 Annual Report to Shareholders of Martin Marietta Materials, Inc.

Our audits also included the financial statement schedule of Martin Marietta Materials, Inc. listed in Item 15(a). This schedule is the responsibility of Martin Marietta Materials, Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 24, 2014, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-115918) pertaining to the Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees,

(2) Registration Statement (Form S-8 No. 333-85608) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors,

(3) Registration Statement (Form S-8 No. 33-83516) pertaining to the Martin Marietta Materials, Inc. Omnibus Securities Award Plan, as amended,

(4) Registration Statement (Form S-8 No. 333-15429) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees, and

(5) Registration Statement (Form S-8 No. 333-79039) pertaining to the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended.

of our reports dated February 24, 2014, with respect to the consolidated financial statements of Martin Marietta Materials, Inc. and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., incorporated by reference in this Annual Report (Form 10-K), and our report included in the preceding paragraph with respect to the financial statement schedule of Martin Marietta Materials, Inc. included in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. for the year ended December 31, 2013.

/s/ Ernst & Young LLP

Raleigh, North Carolina
February 24, 2014

EXHIBIT 31.01

CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934 RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, C. Howard Nye, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2014

By: /s/ C. Howard Nye
C. Howard Nye
President and Chief Executive Officer

EXHIBIT 31.02

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934
RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

CERTIFICATIONS

I, Anne H. Lloyd, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2014

By: /s/ Anne H. Lloyd
Anne H. Lloyd
Chief Financial Officer

EXHIBIT 32.01

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the 2013 Annual Report on Form 10-K (the “Report”) of Martin Marietta Materials, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission, I, C. Howard Nye, the Chief Executive Officer of the Registrant, certify that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ C. Howard Nye
C. Howard Nye
Chief Executive Officer

Date: February 24, 2014

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.02

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the 2013 Annual Report on Form 10-K (the “Report”) of Martin Marietta Materials, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission, I, Anne H. Lloyd, the Chief Financial Officer of the Registrant, certify that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Anne H. Lloyd
Anne H. Lloyd
Chief Financial Officer

Date: February 24, 2014

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 95

MINE SAFETY DISCLOSURE EXHIBIT

The operation of the Company's U.S. aggregate quarries and mines is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA inspects the Company's quarries and mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Company is required to present information regarding certain mining safety and health citations which MSHA has issued with respect to its aggregates mining operations in its periodic reports filed with the Securities and Exchange Commission (the "SEC"). In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry or mine and type of operations (underground or surface), (ii) the number of citations issued will vary from inspector to inspector and location to location, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

We have provided information below in response to the rules and regulations of the SEC issued under Section 1503(a) of the Dodd-Frank Act. The disclosures reflect U.S. mining operations only, as the requirements of the Dodd-Frank Act and the SEC rules and regulations thereunder do not apply to our quarries and mines operated outside the United States.

The Company presents the following items regarding certain mining safety and health matters for the year ended December 31, 2013 (Appendix 1):

- Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which the Company received a citation from MSHA (hereinafter, "Section 104 S&S Citations"). If MSHA determines that a violation of a mandatory health or safety standard is reasonably likely to result in a reasonably serious injury or illness under the unique circumstance contributed to by the violation, MSHA will classify the violation as a "significant and substantial" violation (commonly referred to as a "S&S" violation). MSHA inspectors will classify each citation or order written as a "S&S" violation or not.
- Total number of orders issued under section 104(b) of the Mine Act (hereinafter, "Section

104(b) Orders”). These orders are issued for situations in which MSHA determines a previous violation covered by a Section 104(a) citation has not been totally abated within the prescribed time period, so a further order is needed to require the mine operator to immediately withdraw all persons (except certain authorized persons) from the affected area of a quarry or mine.

- Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act (hereinafter, “Section 104(d) Citations and Orders”). These violations are similar to those described above, but the standard is that the violation could significantly and substantially contribute to the cause and effect of a safety or health hazard, but the conditions do not cause imminent danger, and the MSHA inspector finds that the violation is caused by an unwarranted failure of the operator to comply with the health and safety standards.
- Total number of flagrant violations under section 110(b)(2) of the Mine Act (hereinafter, “Section 110(b)(2) Violations”). These violations are penalty violations issued if MSHA determines that violations are “flagrant”, for which civil penalties may be assessed. A “flagrant” violation means a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- Total number of imminent danger orders issued under section 107(a) of the Mine Act (hereinafter, “Section 107(a) Orders”). These orders are issued for situations in which MSHA determines an imminent danger exists in the quarry or mine and results in orders of immediate withdrawal of all persons (except certain authorized persons) from the area of the quarry or mine affected by its condition until the imminent danger and the underlying conditions causing the imminent danger no longer exist.
- Total Dollar Value of MSHA Assessments Proposed. These are the amounts of proposed assessments issued by MSHA with each citation or order for the time period covered by the report. Penalties are assessed by MSHA according to a formula that considers a number of factors, including the mine operator’s history, size, negligence, gravity of the violation, good faith in trying to correct the violation promptly, and the effect of the penalty on the operator’s ability to continue in business.
- Total Number of Mining-Related Fatalities. Mines subject to the Mine Act are required to report all fatalities occurring at their facilities unless the fatality is determined to be “non-chargeable” to the mining industry. The final rules of the SEC require disclosure of mining-related fatalities at mines subject to the Mine Act. Only fatalities determined by MSHA not to be mining-related may be excluded.
- Receipt of written notice from MSHA of a pattern (or a potential to have such a pattern) of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of other mine health or

safety hazards under section 104(e) of the Mine Act. If MHSA determines that a mine has a “pattern” of these types of violations, or the potential to have such a pattern, MSHA is required to notify the mine operator of the existence of such a thing.

- Legal Actions Pending as of the Last Day of Period.
- Legal Actions Initiated During Period.
- Legal Actions Resolved During Period.

The Federal Mine Safety and Health Review Commission (the “Commission”) is an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act. The cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA, or complaints of discrimination by miners under Section 105 of the Mine Act. Appendix 1 shows, for each of the Company’s quarries and mines identified, as of December 31, 2013, the number of legal actions pending before the Commission, along with the number of legal actions initiated before the Commission during the year as well as resolved during the year. In addition, Appendix 1 includes a footnote to the column for legal actions before the Commission pending as of the last day of the period, which footnote breaks down that total number of legal actions pending by categories according to the type of proceeding in accordance with various categories established by the Procedural Rules of the Commission.

Appendix 1 attached

Appendix 1

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
American Stone Quarry	3100189	0	0	0	0	0	$ 200	0	no	no	0	0	0
Anderson Creek	4402963	2	0	0	0	0	$ 570	0	no	no	0	0	0
Arrowood Quarry	3100059	0	0	0	0	0	$ 1,576	0	no	no	0	0	0
Asheboro Quarry	3100066	1	0	0	0	0	$ 512	0	no	no	0	0	0
Bakers Quarry	3100071	0	0	0	0	0	$ 0	0	no	no	0	0	0
Belgrade Quarry	3100064	1	0	0	0	0	$ 1,203	0	no	no	0	0	0
Benson Quarry	3101979	1	0	0	0	0	$ 512	0	no	no	1	1	0
Berkeley Quarry	3800072	0	0	0	0	0	$ 400	0	no	no	0	0	0
Bessemer City Quarry	3101105	0	0	0	0	0	$ 0	0	no	no	0	0	0
Black Ankle Quarry	3102220	0	0	0	0	0	$ 0	0	no	no	0	0	0
Bonds Gravel Pit	3101963	0	0	0	0	0	$ 0	0	no	no	0	0	0
Boonsboro Quarry	1800024	0	0	0	0	0	$ 117	0	no	no	0	0	1
Burlington Quarry	3100042	0	0	0	0	0	$ 200	0	no	no	0	0	0
Caldwell Quarry	3101869	2	0	0	0	0	$ 0	0	no	no	0	0	0
Carmel Church Quarry	4405633	0	0	0	0	0	$ 0	0	no	no	0	0	0
Castle Hayne Quarry	3100063	1	0	0	0	0	$ 2,748	0	no	no	0	0	0
Cayce Quarry	3800016	1	0	0	0	0	$ 17,940	0	no	no	0	1	3
Central Rock Quarry	3100050	0	0	0	0	0	$ 176	0	no	no	0	0	0
Charlotte Quarry	3100057	0	0	0	0	0	$ 100	0	no	no	0	0	0
Chesterfield Quarry	3800682	0	0	0	0	0	$ 0	0	no	no	0	0	0
Clarks Quarry	3102009	0	0	0	0	0	$ 350	0	no	no	0	0	0
Cumberland Quarry	3102237	0	0	0	0	0	$ 0	0	no	no	0	0	0
Denver	3101971	0	0	0	0	0	$ 100	0	no	no	0	0	0
Doswell Quarry	4400045	3	0	0	0	0	$ 1,419	0	no	no	0	0	1
East Alamance	3102021	2	0	0	0	0	$ 4,122	0	no	no	0	0	0
Fountain Quarry	3100065	0	0	0	0	0	$ 334	0	no	no	0	0	0
Franklin Quarry	3102130	0	0	0	0	0	$ 0	0	no	no	0	0	0
Fuquay Quarry	3102055	0	0	0	0	0	$ 351	0	no	no	0	0	0
Garner Quarry	3100072	2	0	1	0	0	$ 5,308	0	no	no	6	2	0
Georgetown ll Quarry	3800525	0	0	0	0	0	$ 300	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
Hickory Quarry	3100043	0	0	0	0	0	$ 308	0	no	no	0	0	0
Hicone Quarry	3102088	0	0	0	0	0	$ 0	0	no	no	0	0	0
Jamestown Quarry	3100051	0	0	0	0	0	$ 0	0	no	no	0	0	0
Kannapolis Quarry	3100070	0	0	0	0	0	$ 0	0	no	no	0	0	0
Kings Mountain Quarry	3100047	1	0	0	0	0	$ 545	0	no	no	0	0	0
Lemon Springs Quarry	3101104	0	0	0	0	0	$ 524	0	no	no	0	0	0
Loamy Sand and Gravel	3800721	1	0	0	0	0	$ 308	0	no	no	0	0	0
Maiden Quarry	3102125	0	0	0	0	0	$ 100	0	no	no	0	0	0
Mallard Creek Quarry	3102006	0	0	0	0	0	$ 100	0	no	no	0	0	0
Matthews Quarry	3102084	0	0	0	0	0	$ 100	0	no	no	0	0	0
Midlothian Quarry	4403767	0	0	0	0	0	$ 138	0	no	no	0	0	0
North Columbia Quarry	3800146	0	0	0	0	0	$ 714	0	no	no	0	0	0
Onslow Quarry	3102120	1	0	0	0	0	$ 308	0	no	no	0	0	0
Pinesburg	1800021	0	0	0	0	0	$ 476	0	no	no	0	0	0
Pomona Quarry	3100052	2	0	0	0	0	$ 3,258	0	no	no	0	0	0
Raleigh Durham Quarry	3101941	2	0	0	0	0	$ 2,678	0	no	no	0	0	1
Red Hill Quarry	4400072	0	0	0	0	0	$ 0	0	no	no	0	0	0
Reidsville Quarry	3100068	0	0	0	0	0	$ 316	0	no	no	0	0	0
Rock Hill Quarry	3800026	2	0	0	0	1	$ 1,689	0	no	no	3	0	0
Rocky River Quarry	3102033	0	0	0	0	0	$ 0	0	no	no	0	0	0
Salem Stone Company	3102038	0	0	0	0	0	$ 100	0	no	no	0	0	0
Siler City Quarry	3100044	0	0	0	0	0	$ 0	0	no	no	0	0	0
Statesville Quarry	3100055	0	0	0	0	0	$ 0	0	no	no	0	0	0
Thomasville Quarry	3101475	0	0	0	0	0	$ 0	0	no	no	0	0	0
Wilson Quarry	3102230	0	0	0	0	0	$ 0	0	no	no	0	0	0
Woodleaf Quarry	3100069	0	0	0	0	0	$ 0	0	no	no	0	0	0
(45) North Indianapolis SURFACE	1200002	0	0	0	0	0	$ 300	0	no	no	0	0	0
Apple Grove	3301676	0	0	0	0	0	$ 127	0	no	no	0	0	0
Belmont Sand	1201911	1	0	0	0	0	$ 802	0	no	no	0	0	0
Blue Rock	3300016	0	0	0	0	0	$ 0	0	no	no	0	0	0
Burning Springs	4608862	2	0	0	0	0	$ 1,779	0	no	no	4	4	4
Carmel SandG	1202124	0	0	0	0	0	$ 0	0	no	no	0	0	0
Cedarville	3304072	0	0	0	0	0	$ 0	0	no	no	0	0	0
Clinton County	3304546	0	0	0	0	0	$ 0	0	no	no	0	0	0
Cloverdale	1201744	0	0	0	0	0	$ 100	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
Cook Road	3304534	0	0	0	0	0	$ 0	0	no	no	0	0	0
Dredge Lucas	4603800	0	0	0	0	0	$ 0	0	no	no	0	0	0
E-Town SandG	3304279	0	0	0	0	0	$ 0	0	no	no	0	0	0
Fairborn Gravel	3301388	1	0	0	0	0	$ 217	0	no	no	0	0	0
Fairfield	3301396	0	0	0	0	0	$ 0	0	no	no	0	0	0
Franklin Gravel	3302940	0	0	0	0	0	$ 0	0	no	no	0	0	0
Hamilton Gravel	3301394	0	0	0	0	0	$ 0	0	no	no	0	0	0
Harrison	3301395	0	0	0	0	0	$ 0	0	no	no	0	0	0
Kentucky Ave Mine	1201762	0	0	0	0	0	$ 500	0	no	no	0	0	0
Kokomo Mine	1202105	0	0	0	0	0	$ 100	0	no	no	0	0	0
Kokomo Sand	1202203	0	0	0	0	0	$ 0	0	no	no	0	0	0
Kokomo Stone	1200142	0	0	0	0	0	$ 100	0	no	no	0	0	0
Lynchburg Quarry	3304281	0	0	0	0	0	$ 0	0	no	no	0	0	0
Noblesville SandG	1201994	0	0	0	0	0	$ 0	0	no	no	0	0	0
Noblesville Stone	1202176	2	0	0	0	0	$ 307	0	no	no	0	0	0
North Indianapolis	1201993	0	0	0	0	0	$ 100	0	no	no	0	0	0
Ohio Recycle	3304394	0	0	0	0	0	$ 0	0	no	no	0	0	0
Ohio Stripping	N354	0	0	0	0	0	$ 0	0	no	no	0	0	0
Petersburg	1516895	0	0	0	0	0	$ 500	0	no	no	0	1	1
Phillipsburg	3300006	0	0	0	0	0	$ 0	0	no	no	0	0	0
Ross Gravel	3301587	0	0	0	0	0	$ 0	0	no	no	0	0	0
Troy Gravel	3301678	0	0	0	0	0	$ 200	0	no	no	0	0	0
Waverly Sand	1202038	1	0	0	0	0	$ 100	0	no	no	0	0	0
Xenia	3301393	0	0	0	0	0	$ 100	0	no	no	0	0	0
Alabaster Quarry	103068	0	0	0	0	0	$ 0	0	no	no	0	0	0
Appling Quarry	901083	0	0	0	0	0	$ 0	0	no	no	0	0	0
Auburn, Al Quarry	100006	0	0	0	0	0	$ 0	0	no	no	0	1	4
Auburn, GA Quarry	900436	0	0	0	0	0	$ 0	0	no	no	0	0	0
Augusta Quarry-GA	900065	0	0	0	0	0	$ 0	0	no	no	1	0	1
Birmingham Shop	102096	0	0	0	0	0	$ 0	0	no	no	0	0	0
Cabbage Grove Quarry	800008	0	0	0	0	0	$ 0	0	no	no	0	0	0
Camak Quarry	900075	0	0	0	0	0	$ 300	0	no	no	0	0	0
Chattanooga Quarry	4003159	1	0	0	0	0	$ 3,493	0	no	no	2	1	0
Forsyth Quarry	901035	0	0	0	0	0	$ 100	0	no	no	0	0	0
Jefferson Quarry	901106	0	0	0	0	0	$ 0	0	no	no	0	0	0
Junction City Quarry	901029	0	0	0	0	0	$ 0	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
Lithonia Quarry	900023	1	0	0	0	0	$ 176	0	no	no	0	0	0
Maylene Quarry	100634	0	0	0	0	0	$ 327	0	no	no	0	0	0
Morgan Co Quarry	901126	0	0	0	0	0	$ 0	0	no	no	0	0	0
Newton Quarry	900899	1	0	0	0	0	$ 438	0	no	no	0	0	0
Paulding Quarry	901107	3	0	0	0	0	$ 728	0	no	no	0	0	0
Perry Quarry	801083	0	0	0	0	0	$ 0	0	no	no	0	0	0
Red Oak Quarry	900069	0	0	0	0	0	$ 127	0	no	no	0	0	0
R-S Sand and Gravel	2200381	0	0	0	0	0	$ 354	0	no	no	1	0	0
Ruby Quarry	900074	0	0	0	0	0	$ 100	0	no	no	0	0	0
Shorter Sand and Gravel	102852	0	0	0	0	0	$ 0	0	no	no	0	0	0
Six Mile Quarry	901144	0	0	0	0	0	$ 100	0	no	no	0	0	0
Tyrone Quarry	900306	0	0	0	0	0	$ 200	0	no	no	0	0	0
Vance Quarry Co19	103022	0	0	0	0	0	$ 0	0	no	no	1	0	0
Warrenton Quarry	900580	0	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Portable Sand	1302037	0	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Portable Plant 1	1302031	0	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Portable Plant 2	1302033	0	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Portable Wash	1302122	0	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Quarry	1300228	1	0	0	0	0	$ 0	0	no	no	0	0	0
Alden Shop	1302320	0	0	0	0	0	$ 0	0	no	no	0	0	0
Ames Mine	1300014	2	0	0	0	0	$ 0	0	no	no	0	0	0
Beaver Lake Quarry	4503347	0	0	0	0	0	$ 0	0	no	no	0	0	0
Cedar Rapids Quarry	1300122	0	0	0	0	0	$ 100	0	no	no	0	0	0
Colfax Sand and Gravel	1300814	0	0	0	0	0	$ 0	0	no	no	0	0	0
Des Moines Portable	1300150	0	0	0	0	0	$ 0	0	no	no	0	0	0
Des Moines Shop	1300932	0	0	0	0	0	$ 0	0	no	no	0	0	0
Dubois Quarry	2501046	0	0	0	0	0	$ 0	0	no	no	0	0	0
Durham Mine	1301225	1	0	0	0	0	$ 882	0	no	no	0	0	0
Earlham Quarry	1302123	1	0	0	0	0	$ 0	0	no	no	0	0	0
Ferguson Quarry	1300124	0	0	0	0	0	$ 0	0	no	no	0	0	0
Fort Calhoun	2500006	0	0	0	0	0	$ 0	0	no	no	0	0	0
Fort Dodge Mine	1300032	1	0	0	0	0	$ 0	0	no	no	0	0	0
Greenwood	2300141	2	0	0	0	0	$ 3,227	0	no	no	4	4	2
Iowa Grading	1302316	0	0	0	0	0	$ 0	0	no	no	1	0	0
Iowa Grading 26810 (Plant #854)	1302126	0	0	0	0	0	$ 0	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
LeGrand Portable	1302317	0	0	0	0	0	$ 0	0	no	no	0	0	0
Linn County Sand	1302208	0	0	0	0	0	$ 0	0	no	no	1	1	0
Malcom Mine	1300112	0	0	0	0	0	$ 0	0	no	no	0	0	0
Marshalltown Sand	1300718	0	0	0	0	0	$ 0	0	no	no	0	0	0
Moore Quarry	1302188	0	0	0	0	0	$ 0	0	no	no	0	0	0
New Harvey Sand	1301778	0	0	0	0	0	$ 0	0	no	no	0	0	0
Northwest Division OH	A2354	0	0	0	0	0	$ 0	0	no	no	0	0	0
Ottawa Quarry	1401590	0	0	0	0	0	$ 0	0	no	no	0	0	0
Pacific Quarry	4500844	1	0	0	0	0	$ 0	0	no	no	0	0	0
Parkville Mine	2301883	0	0	0	0	0	$ 0	0	no	no	2	2	1
Pederson Quarry	1302192	0	0	0	0	0	$ 0	0	no	no	0	0	0
Raccoon River Sand	1302315	0	0	0	0	0	$ 0	0	no	no	0	0	0
Randolph Deep Mine	2302308	3	0	0	0	0	$ 0	0	no	no	0	0	0
Saylorville Sand	1302290	0	0	0	0	0	$ 200	0	no	no	0	0	0
Springfield Quarry	2501103	0	0	0	0	0	$ 0	0	no	no	0	0	0
St Cloud Quarry	2100081	1	0	0	0	0	$ 0	0	no	no	0	0	0
Stamper Mine	2302232	3	0	0	0	0	$ 0	0	no	no	0	0	0
Sully Mine	1300063	0	0	0	0	0	$ 363	0	no	no	0	0	0
Sunflower	1401556	0	0	0	0	0	$ 100	0	no	no	1	0	1
Weeping Water Mine	2500998	16	0	5	0	0	$ 247,581	0	no	no	10	10	5
Yellow Medicine Quarry	2100033	0	0	0	0	0	$ 0	0	no	no	0	0	0
211 Quarry	4103829	3	0	2	0	0	$ 380	0	no	no	0	1	1
Augusta Quarry-KS	1400126	2	0	0	0	0	$ 1,468	0	no	no	0	0	0
Beckman Quarry	4101335	1	0	0	0	0	$ 2,255	0	no	no	0	0	1
Bedrock Plant	4103283	1	0	0	0	0	$ 417	0	no	no	0	0	0
Bird Hill Quarry	4104159	0	0	0	0	0	$ 0	0	no	no	0	0	0
Black Rock Quarry	300011	0	0	0	0	0	$ 200	0	no	no	0	0	0
Black Spur Quarry	4104159	3	1	0	0	0	$ 2,392	0	no	no	0	1	1
Blake Quarry	1401584	0	0	0	0	0	$ 0	0	no	no	0	0	0
Broken Bow SandG	3400460	1	0	0	0	0	$ 407	0	no	no	1	1	0
Chico	4103360	1	0	0	0	0	$ 408	0	no	no	0	2	2
Cobey	4104140	0	0	0	0	0	$ 0	0	no	no	0	0	0
Davis	3401299	2	0	0	0	0	$ 374	0	no	no	0	0	0
Garwood	4102886	0	0	0	0	0	$ 300	0	no	no	0	0	0
Hatton Quarry	301614	0	0	0	0	0	$ 400	0	no	no	0	0	0
Helotes	4103137	0	0	0	0	0	$ 117	0	no	no	0	0	0

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Hondo	4104708	1	0	0	0	0	$ 0	0	no	no	0	0	0
Hondo-1	4104090	0	0	0	0	0	$ 0	0	no	no	0	0	0
Hugo	3400061	0	0	0	0	0	$ 0	0	no	no	0	0	0
Idabel	3400507	0	0	0	0	0	$ 100	0	no	no	0	0	0
Jones Mill Quarry	301586	0	0	0	0	0	$ 300	0	no	no	0	0	0
Kansas Portable	1401659	0	0	0	0	0	$ 0	0	no	no	0	0	0
Mill Creek	3401285	0	0	0	0	0	$ 250	0	no	no	0	0	0
New Braunfels Quarry	4104264	0	0	0	0	0	$ 100	0	no	no	0	0	2
North Marion Quarry	1401506	0	0	0	0	0	$ 0	0	no	no	0	0	0
North Troy	3401905	2	0	0	0	0	$ 1,132	0	no	no	0	0	0
North Troy Portable	3401949	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Crushing	4104204	1	0	0	0	0	$ 2,524	0	no	no	0	2	3
Poteet (Sand Plant)	4101342	0	0	0	0	0	$ 0	0	no	no	0	0	0
Rio Medina	4103594	0	0	0	0	0	$ 0	0	no	no	0	0	2
S.T. Porter Pit	4102673	0	0	0	0	0	$ 0	0	no	no	0	0	0
San Pedro Quarry	4101337	0	0	0	0	0	$ 100	0	no	no	0	0	1
Sawyer	3401634	0	0	0	0	0	$ 250	0	no	no	0	0	0
Snyder	3401651	4	0	0	0	0	$ 1,611	0	no	no	0	0	0
Cottonwood Sand and Gravel	504418	0	0	0	0	0	$ 200	0	no	no	0	0	0
Fountain Sand and Gravel	503821	0	0	0	0	0	$ 0	0	no	no	0	0	0
Granite Canyon Quarry	4800018	1	0	0	0	0	$ 2,926	0	no	no	1	1	0
Greeley 35th Ready Mix	503215	0	0	0	0	0	$ 317	0	no	no	0	0	0
Greeley 35th Sand and Gravel	504613	0	0	0	0	0	$ 100	0	no	no	0	0	0
Guernsey	4800004	0	0	0	0	0	$ 616	0	no	no	0	0	0
Gypsum Portable #4 & #11	504320	0	0	0	0	0	$ 100	0	no	no	0	0	0
Mamm Creek Portable #15	504647	1	0	0	0	0	$ 0	0	no	no	0	0	0
Milford	4202177	2	0	0	0	0	$ 1,750	0	no	no	0	0	0
Mustang Quarry	2602484	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Crushing	503984	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Plant 10	503984	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Recycle 18	501057	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Recycle 2	504360	0	0	0	0	0	$ 0	0	no	no	0	0	0
Portable Recycle 21	504520	0	0	0	0	0	$ 0	0	no	no	0	0	0

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Powers Portable	504531	0	0	0	0	0	$ 200	0	no	no	0	0	0
Riverbend Sand and Gravel	504841	0	0	0	0	0	$ 200	0	no	no	0	0	0
Sievers Portable #19 & #20	504531	0	0	0	0	0	$ 0	0	no	no	0	0	0
Spanish Springs Co 2	2600803	3	0	0	0	0	$ 3,994	0	no	no	0	0	2
Spec Agg Sand and Gravel	500860	0	0	0	0	0	$ 300	0	no	no	0	0	0
Table Mountain Quarry	404847	0	0	0	0	0	$ 0	0	no	no	0	0	0
Taft Sand and Gravel	504526	1	0	0	0	0	$ 200	0	no	no	0	0	0
Taft Shop	504735	0	0	0	0	0	$ 0	0	no	no	0	0	0
Salisbury Shop	3101235	0	0	0	0	0	$ 414	0	no	no	0	0	0
Woodville	3300156	7	0	0	0	0	$ 0	0	no	no	0	0	0
TOTALS		**107**	**1**	**8**	**0**	**1**	**$ 341,230**	**0**	**0**	**0**	**40**	**36**	**40**

* Of the 40 legal actions pending on December 31, 2013, 21 were contests of citations or orders referenced in Subpart B of CFR Part 2700, which includes contests of citations and orders issued under Section 104 of the Mine Act and contests of imminent danger orders under Section 107 of the Mine Act and 19 were contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700, which are administrative proceedings before the Commission challenging a civil penalty that MSHA has proposed for the violation contained in a citation or order.