

MARTIN MARIETTA MATERIALS INC

Form S-4

December 12, 2011

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As filed with the Securities and Exchange Commission on December 12, 2011

Registration Number 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form S-4**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**MARTIN MARIETTA MATERIALS, INC.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina  
(State or Other Jurisdiction of  
Incorporation or Organization)

1400  
(Primary Standard Industrial  
Classification Code Number)

56-1848578  
(IRS Employer  
Identification Number)

**2710 Wycliff Road**

**Raleigh, North Carolina 27607-3033**

**(919) 781-4550**

*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

**Roselyn R. Bar**

**Senior Vice President, General Counsel and Corporate Secretary**

**2710 Wycliff Road**

**Raleigh, North Carolina 27607-3033**

**(919) 781-4550**

*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

*Copies to:*

**Peter Allan Atkins**

**Eric L. Cochran**

**Ann Beth Stebbins**

**Skadden, Arps, Slate, Meagher & Flom LLP**

**Four Times Square**

**New York, New York 10036**

**(212) 735-3000**

Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after the effective date of this Registration Statement and all other conditions to the consummation of the offer described in this document have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering ..

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

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(2)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(4)
Common Stock, par value \$0.01 per share	68,243,137	N/A	\$4,536,121,283	\$519,839.50
Preferred Stock Purchase Rights				

- (1) Each share of Martin Marietta Materials, Inc. common stock includes a right to purchase one one-thousandth of a share of Martin Marietta Materials, Inc. Class B preferred stock pursuant to the Rights Agreement, dated as of September 27, 2006, between Martin Marietta Materials, Inc. and American Stock Transfer & Trust Company, Inc.
- (2) Represents the maximum number of shares of Martin Marietta Materials, Inc. common stock (together with the associated preferred stock purchase rights) that can be issued in the exchange offer and second-step merger.
- (3) Pursuant to Rule 457(c) and Rule 457(f) under the Securities Act, and solely for the purpose of calculating the registration fee, the market value of the securities to be received was calculated as the product of (i) 136,486,273 shares of Vulcan Materials Company common stock (the sum of (a) 129,232,664 shares of Vulcan Materials Company common stock outstanding, as of September 30, 2011 (as reported in Vulcan Materials Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011), and (b) 7,254,609 shares of Vulcan Materials Company common stock issuable upon the exercise of outstanding stock options and other awards under equity compensation plans, as of December 31, 2010 (as reported in Vulcan Materials Company's Annual Report on Form 10-K for the year ended December 31, 2010), less 1,000 shares of Vulcan Materials Company common stock owned by Martin Marietta Materials, Inc. and its affiliates), and (ii) the average of the high and low sales prices of Vulcan Materials Company common stock as reported on the New York Stock Exchange on December 8, 2011 (\$33.24).
- (4) Calculated as the product of the maximum aggregate offering price and 0.0001146.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information contained in this prospectus/offer to exchange may be changed. Martin Marietta Materials, Inc. may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus/offer to exchange is not an offer to sell these securities and Martin Marietta Materials, Inc. is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Offer to Exchange**

**Each Outstanding Share of Common Stock**

**of**

**VULCAN MATERIALS COMPANY**

**for**

**0.50 Shares of Common Stock of Martin Marietta Materials, Inc.**

**(together with the associated preferred stock purchase rights)**

**by**

**MARTIN MARIETTA MATERIALS, INC.**

Martin Marietta Materials, Inc. ( Martin Marietta ), a North Carolina corporation, is offering, upon the terms and subject to the conditions set forth in this prospectus/offer to exchange and in the accompanying letter of transmittal, to exchange each of the issued and outstanding shares of common stock, par value \$1.00 per share (the Vulcan common stock ), of Vulcan Materials Company ( Vulcan ), a New Jersey corporation, for 0.50 shares (the exchange ratio ) of the common stock, par value \$0.01 per share, of Martin Marietta (together with the associated preferred stock purchase rights) (the Martin Marietta common stock ). In addition, you will receive cash in lieu of any fractional shares of Martin Marietta common stock to which you may otherwise be entitled. We refer to this offer as the exchange offer or the offer.

Martin Marietta's obligation to accept for exchange, and to exchange, shares of Vulcan common stock for shares of Martin Marietta common stock is subject to a number of conditions which are described in the section of this prospectus/offer to exchange entitled The Exchange Offer Conditions of the Offer beginning on page 51.

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MAY 18, 2012, OR THE EXPIRATION DATE, UNLESS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE OFFER TO EXCHANGE, BUT NOT DURING ANY SUBSEQUENT OFFERING PERIOD.

Martin Marietta common stock trades on the New York Stock Exchange ( NYSE ) under the symbol MLM. Vulcan common stock trades on the NYSE under the symbol VMC.

**FOR A DISCUSSION OF RISKS AND OTHER FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION OF THIS PROSPECTUS/OFFER TO EXCHANGE ENTITLED RISK FACTORS BEGINNING ON PAGE 17.**

Martin Marietta has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by reference in this prospectus/offer to exchange, and if any person provides any of this information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Martin Marietta.

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As described in this prospectus/offer to exchange, Martin Marietta intends to solicit proxies through separate proxy solicitation materials in connection with Vulcan's 2012 annual meeting of shareholders. Any such proxy solicitation will be made only pursuant to separate proxy materials complying with the requirements of the rules and regulations of the Securities and Exchange Commission. **MARTIN MARIETTA IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY TO MARTIN MARIETTA.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus/offer to exchange. Any representation to the contrary is a criminal offense.**

The dealer managers for the offer are:

Deutsche Bank Securities Inc.  
Toll Free: (877) 492-8974

J.P. Morgan Securities LLC  
Toll Free: (877) 371-5947

**The date of this prospectus/offer to exchange is December 12, 2011**

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<b>THIS PROSPECTUS/OFFER TO EXCHANGE INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT MARTIN MARIETTA AND VULCAN FROM DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, THAT HAVE NOT BEEN INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS/OFFER TO EXCHANGE.</b>	

THIS INFORMATION IS AVAILABLE AT THE INTERNET WEBSITE THE SEC MAINTAINS AT [WWW.SEC.GOV](http://WWW.SEC.GOV), AS WELL AS FROM OTHER SOURCES. PLEASE SEE THE SECTION OF THIS PROSPECTUS/OFFER TO EXCHANGE ENTITLED WHERE YOU CAN FIND MORE INFORMATION. YOU ALSO MAY REQUEST COPIES OF THESE DOCUMENTS FROM MARTIN MARIETTA, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST TO MARTIN MARIETTA'S INFORMATION AGENT AT ITS ADDRESS OR TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROSPECTUS/OFFER TO EXCHANGE. IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS, YOU MUST MAKE YOUR REQUEST NO LATER THAN MAY 11, 2012, OR FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE OF THE OFFER, WHICHEVER IS LATER.

THIS OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES. ANY SOLICITATION OF PROXIES BY MARTIN MARIETTA WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY SOLICITATION MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, OR THE EXCHANGE ACT. MARTIN MARIETTA INTENDS TO SOLICIT PROXIES FROM VULCAN SHAREHOLDERS TO ELECT THE NOMINEES TO BE PROPOSED BY MARTIN MARIETTA FOR ELECTION AS DIRECTORS AT VULCAN'S 2012 ANNUAL MEETING OF SHAREHOLDERS. SHAREHOLDERS OF VULCAN ARE URGED TO READ THE PROXY STATEMENT AND OTHER RELEVANT MATERIALS CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. ANY SUCH PROXY STATEMENT WILL BE FILED WITH THE SEC. VULCAN SHAREHOLDERS WILL BE ABLE TO OBTAIN A COPY OF ANY PROXY STATEMENT, AS WELL AS OTHER FILINGS CONTAINING INFORMATION ABOUT THE PARTIES (INCLUDING INFORMATION REGARDING THE PARTICIPANTS (WHICH MAY INCLUDE MARTIN MARIETTA'S OFFICERS AND DIRECTORS AND OTHER PERSONS) IN THE PROXY SOLICITATION AND A DESCRIPTION OF THEIR DIRECT AND INDIRECT INTERESTS, BY SECURITY HOLDINGS OR OTHERWISE), FREE FROM THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV). FREE COPIES OF ANY SUCH DOCUMENTS CAN ALSO BE OBTAINED BY CALLING MORROW & CO., LLC TOLL-FREE AT (877) 757-5404.



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**QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER**

Below are some of the questions that you as a holder of shares of Vulcan Materials Company, or Vulcan, common stock may have regarding the exchange offer and answers to those questions. The answers to these questions do not contain all information relevant to your decision whether to tender your shares of Vulcan common stock. To better understand the offer, Martin Marietta Materials, Inc., or Martin Marietta, we, us or our, urges you to read carefully the remainder of this prospectus/offer to exchange and the accompanying letter of transmittal.

**Who is offering to buy my shares of Vulcan common stock?**

The offer is made by Martin Marietta, a North Carolina corporation. Martin Marietta is a leading producer of aggregates (crushed stone, sand and gravel) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural and chemical grade stone used in environmental applications. Martin Marietta 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 the steel industry.

**What are the classes and amounts of Vulcan securities Martin Marietta is offering to exchange in the offer?**

We are seeking to acquire all issued and outstanding shares of common stock, par value \$1.00, of Vulcan.

**What will I receive for my shares of Vulcan common stock?**

In exchange for each share of Vulcan common stock you validly tender and do not withdraw before the expiration date, you will receive 0.50 shares of Martin Marietta common stock, together with the associated preferred stock purchase rights (the exchange ratio). In addition, you will receive cash in lieu of any fractional shares of Martin Marietta common stock to which you may otherwise be entitled.

**What is the value per share of Vulcan common stock in the offer?**

Based on the closing prices of Martin Marietta common stock and Vulcan common stock on December 9, 2011, Martin Marietta's offer has a value of \$36.69 per share of Vulcan common stock. Please see the section of this prospectus/offer to exchange entitled Risk Factors for, among other things, the effect of fluctuations in the market prices of Martin Marietta common stock and Vulcan common stock.

The offer represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 (the last trading day before the printing of this prospectus/offer to exchange) and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

**Will I have to pay any fee or commission to exchange shares of Vulcan common stock?**

If you are the record owner of your shares and you tender your shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

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### **Why is Martin Marietta making this offer?**

The purpose of the offer is for Martin Marietta to acquire all of the outstanding shares of Vulcan common stock in order to combine the businesses of Martin Marietta and Vulcan. Unless we negotiate and enter into a merger agreement with Vulcan not involving an exchange offer, Martin Marietta intends, promptly after completion of the offer, to consummate a second-step merger of a wholly-owned subsidiary of Martin Marietta with and into Vulcan (the second-step merger). The purpose of the second-step merger is to acquire all of the issued and outstanding shares of Vulcan common stock not exchanged pursuant to the offer. Pursuant to the terms of the second-step merger, each remaining issued and outstanding share of Vulcan common stock (other than shares owned by Martin Marietta or any Vulcan or Martin Marietta wholly-owned subsidiary) will be converted into the same fraction of a share of Martin Marietta common stock as exchanged in the offer, plus cash in lieu of any fractional shares of Martin Marietta common stock.

Martin Marietta believes that the combination of the businesses of Martin Marietta and Vulcan will create significant value for Vulcan shareholders and give Vulcan shareholders a substantial ongoing equity interest in the combined company. The stock-for-stock exchange represents an immediate premium to Vulcan shareholders and an ability to participate in and benefit from the improved financial strength and flexibility of the combined company. We believe the combination of Martin Marietta and Vulcan is a compelling opportunity for Vulcan shareholders with numerous benefits, including the following:

*Global Leader in Aggregates* The combined company will be a U.S.-based company that is the global leader in aggregates, with significant presence in the fastest growing U.S. regions and an outstanding asset base. The greatly increased size, scale and geographic reach of the combined company will result in enhanced product offerings and service to customers. The combined company will be stronger and more competitive, with the financial flexibility to take advantage of opportunities for expansion and growth, and have the size and scale to more efficiently compete for new customers.

*Highly Complementary Businesses* Martin Marietta's and Vulcan's complementary footprints will give the combined company increased geographic reach. In addition, Martin Marietta's and Vulcan's highly complementary businesses and locations will allow the combined company to improve efficiency in production and distribution, and to better serve its customers.

*Improved Financial Strength* A combination of Martin Marietta and Vulcan will give Vulcan enhanced financial flexibility through deleveraging. After experiencing five recent downgrades in the ratings for its debt securities, Vulcan would benefit from the enhanced financial strength resulting from the combined company's balance sheet. Pro forma leverage of the combined company will be significantly reduced from the leverage of Vulcan on a stand-alone basis. Based on publicly available information, we estimate that the combined company's pro forma debt-to-adjusted EBITDA (excluding synergies) would be 5.9x for the twelve months ended September 30, 2011, as compared to Vulcan's pro forma debt-to-adjusted EBITDA for the same period, which was 9.4x (please see the section of this prospectus/offer to exchange entitled "Non-GAAP Financial Measures"). We expect that the debt ratings for the combined company will be better than the ratings for Vulcan debt on a stand-alone basis.

*Enhanced Ability to Withstand Challenging Economic Conditions* The aggregates industry has faced difficult economic conditions in recent years, and a sustained downturn in construction and infrastructure spending will present continuing challenges to both Vulcan and Martin Marietta. With the timing of an economic recovery uncertain, Vulcan shareholders will directly benefit from the cost savings created by a combination of Vulcan and Martin Marietta and the disciplined approach of Martin Marietta management to ongoing cost management. With a lower cost structure, the combined company will be better able to withstand difficult economic conditions, and will be well-positioned to achieve higher profitability sooner when a recovery occurs.

*Proven Management Team* Vulcan shareholders will benefit from the skills and experience of the respected Martin Marietta management team. Vulcan shareholders have experienced several years of

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disappointing Vulcan performance, as Vulcan management has not taken the difficult actions required in an economic downturn. Although Martin Marietta's operating performance and stock price have been affected by macroeconomic conditions, Martin Marietta has consistently outperformed Vulcan by containing costs, divesting less profitable assets, reinvesting in its own business to improve plant efficiencies and capacity limits, and focusing on strengthening its balance sheet. Martin Marietta management has followed a disciplined growth strategy, which in the downturn, has differentiated it from other companies in the industry that overpaid for assets in previous years. Vulcan shareholders will experience immediate benefits from the implementation of cost containment policies, and under the stewardship of Martin Marietta management, will benefit in the future from a rational and disciplined approach to acquisitions and business combinations.

*Value Creation Potential for All Shareholders* The all-stock nature of the offer will allow shareholders of Vulcan to participate in the growth and long-term value creation potential of the combined company. Although no assurance can be given that any particular level of cost savings and other synergies will be achieved, based on publicly available information, we anticipate significant annual cost synergies ranging from \$200 million to \$250 million, derived from a combination of operating efficiencies and the elimination of duplicative operational and corporate functions. Vulcan shareholders, through their ongoing equity ownership in the combined company, would benefit from the value created by these synergies.

*Continuing Substantial Equity Ownership by Vulcan Shareholders* Vulcan shareholders will have substantial ongoing equity ownership in the combined company. Vulcan shareholders would not be foregoing any opportunity for a future control premium, as the combined company will be stronger and more profitable than either Vulcan or Martin Marietta on a stand-alone basis.

*Receipt of Premium by Vulcan Shareholders* In addition to the long-term benefits arising out of ownership in the combined company, Vulcan shareholders will also be receiving a significant premium in the offer. Vulcan shareholders would receive a premium of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

*Restoration of a Meaningful Dividend* Vulcan has decreased its quarterly dividend and announced a dividend of only \$0.01 per share for the quarter ending December 31, 2011. Martin Marietta has maintained the level of its quarterly dividends to Martin Marietta shareholders. We expect that the combined company would have the cash flow and financial flexibility to pay a meaningful dividend to shareholders of the combined company, in line with Martin Marietta's historical practices. It is Martin Marietta's objective to maintain such dividend at Martin Marietta's current rate (\$1.60 per Martin Marietta share annually, equivalent to \$0.80 per Vulcan share annually, based on the exchange ratio).

*No Significant Regulatory Hurdles to Business Combination* Martin Marietta will file the required notification under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, with respect to the offer. Although there is some overlap in some regions served by Martin Marietta and Vulcan, we believe that such overlap is limited and that there would be numerous parties interested in purchasing any assets required to be divested. Martin Marietta expects that any asset divestitures supporting regulatory approvals in connection with a business combination of Vulcan and Martin Marietta would not present significant hurdles to completion of a transaction.

Please see the section of this prospectus/offer to exchange entitled "Background and Reasons for the Offer" and "Reasons for the Offer."

**Have you discussed this exchange offer with Vulcan?**

Martin Marietta has previously expressed a desire to enter into a negotiated business combination with Vulcan, and from time to time over the past several years they have discussed a potential business combination. Most recently, the parties had discussions which began approximately 18 months ago about the financial and

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strategic merits and potential terms of a business combination of Martin Marietta and Vulcan, and such discussions continued into mid 2011. However, despite Martin Marietta's continuing interest, Vulcan disengaged from discussions. Thereafter, Martin Marietta determined to commence this exchange offer. Concurrently with commencement of the exchange offer, Martin Marietta made a written proposal to Vulcan for a business combination between Vulcan and Martin Marietta, in which Martin Marietta informed Vulcan of its commencement of the exchange offer, advised Vulcan of its intention to submit five nominees for election as independent directors at Vulcan's 2012 annual meeting of shareholders and delivered to Vulcan a proposed form merger agreement.

Please see the section of this prospectus/offer to exchange entitled "Background and Reasons for the Offer" Background of the Offer.

**Will I be taxed on the Martin Marietta common stock and cash, if any, I receive?**

The offer and the second-step merger are intended to qualify as component parts of an integrated transaction that qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Provided that certain factual representations and assumptions are accurate, your receipt of shares of Martin Marietta common stock pursuant to the offer or the second-step merger will not be a taxable transaction for U.S. federal income tax purposes, except to the extent of any cash you receive in lieu of a fractional share of Martin Marietta common stock. It will be a condition to effecting the second-step merger that Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Martin Marietta, render an opinion to the effect that the offer and the second-step merger, taken together, will qualify as a reorganization. If, contrary to expectations, the offer is completed but the second-step merger does not occur for any reason, you will likely recognize a taxable gain or loss if you receive shares of Martin Marietta common stock in exchange for your shares of Vulcan common stock pursuant to the offer. It is not a condition to Martin Marietta's obligation to exchange shares pursuant to the offer that Skadden, Arps, Slate, Meagher & Flom LLP render the tax opinion referenced above.

For more information, please see the section of this prospectus/offer to exchange under the caption "The Exchange Offer" Material Federal Income Tax Consequences.

Martin Marietta urges you to contact your own tax advisor to determine the particular tax consequences to you as a result of the offer and/or the second-step merger.

**What are the conditions of the offer?**

The offer is conditioned upon, among other things, the following:

*Merger Agreement Condition* Vulcan shall have entered into a definitive merger agreement with Martin Marietta with respect to the proposed transaction that is reasonably satisfactory to Martin Marietta and Vulcan. Such merger agreement shall provide, among other things, that:

the board of directors of Vulcan has approved the proposed transaction and irrevocably exempted the transaction from the restrictions imposed by the New Jersey Shareholder Protection Act, if applicable; and

the board of directors of Vulcan has removed any other impediment to the consummation of the transaction.

Martin Marietta considers the proposed form merger agreement delivered to Vulcan on the date of this prospectus/offer to exchange to be reasonably satisfactory, and is prepared to enter into an agreement with Vulcan in substantially the form thereof.

For a summary of the proposed form merger agreement delivered to Vulcan on the date of this prospectus/offer to exchange, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer" Summary of the Form Merger Agreement.

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*Regulatory Condition* Any applicable waiting period under the HSR Act shall have expired or been terminated prior to the expiration of the offer.

*Minimum Tender Condition* Vulcan shareholders shall have validly tendered and not withdrawn prior to the expiration of the offer at least that number of shares of Vulcan common stock that, when added to the shares of Vulcan common stock then owned by Martin Marietta or any of its subsidiaries, shall constitute 80% of the voting power of Vulcan's outstanding capital stock entitled to vote on transactions covered under Article VIII, Section A of Vulcan's restated certificate of incorporation. If there is a favorable outcome in the New Jersey litigation with respect to this provision of Vulcan's Restated Articles of Incorporation as described in the section of this prospectus/offer to exchange entitled "The Exchange Offer Litigation," then we will amend this condition so as to require the minimum tender of a majority of the voting power of the outstanding Vulcan common stock (which would be sufficient voting power to approve the second-step merger without the affirmative vote of any other shareholder of Vulcan).

*Registration Statement Condition* The registration statement of which this prospectus/offer to exchange is a part shall have become effective under the Securities Act of 1933 (the "Securities Act"), no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC, and Martin Marietta shall have received all necessary state securities law or "blue sky" authorizations.

*Shareholder Approval Condition* The shareholders of Martin Marietta shall have approved (1) an amendment to Martin Marietta's Restated Articles of Incorporation to increase the number of authorized shares of Martin Marietta common stock and implement any change to the name of the combined company, and (2) the issuance of shares of Martin Marietta common stock pursuant to the offer and the second-step merger as required under the rules of the NYSE (together referred to as the "Martin Marietta shareholder approvals").

*NYSE Listing Condition* The shares of Martin Marietta common stock to be issued pursuant to the offer and the second-step merger shall have been approved for listing on the NYSE.

*Due Diligence Condition* Martin Marietta shall have completed to its reasonable satisfaction customary confirmatory due diligence of Vulcan's non-public information on Vulcan's business, assets and liabilities and shall have concluded, in its reasonable judgment, that there are no material adverse facts or developments concerning or affecting Vulcan's business, assets and liabilities that have not been publicly disclosed prior to the commencement of the offer.

The offer is subject to a number of additional conditions referred to below in the section entitled "The Exchange Offer Conditions of the Offer."

**How long will it take to complete your proposed transaction?**

The timing of completing the offer and the second-step merger will depend, among other things, on if and when Vulcan enters into a definitive merger agreement with us.

**Do you intend to replace Vulcan's board of directors or make any proposals at Vulcan's 2012 annual meeting of shareholders?**

Martin Marietta intends to submit a notice letter to Vulcan, nominating five persons to be considered for election to the board of directors of Vulcan at Vulcan's 2012 annual meeting of shareholders, which Martin Marietta expects, based on Vulcan's practice and Vulcan's by-laws, to be held in May 2012. Martin Marietta is requesting from the Vulcan secretary questionnaires and representation agreements in respect of Martin Marietta's five potential nominees, Edward A. Blechschmidt, Philip R. Lochner, Jr., Edward W. Moneypenny, Karen R. Osar and V. James Sardo. We are proposing to nominate and elect these individuals to give you another direct voice with respect to our offer. We believe that the election of our nominees will demonstrate that Vulcan

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shareholders support a combination with Martin Marietta. If our nominees are elected, they would be obligated to act in accordance with their duties as directors of Vulcan. If elected, our nominees could take steps to try to persuade Vulcan's other board members to support and facilitate the offer should the nominees, as new directors, deem it appropriate in the exercise of their duties to Vulcan and the Vulcan shareholders. Based on publicly available information, Vulcan's board of directors currently consists of 11 directors. The board is divided into three separate classes which are elected in staggered three-year terms. Only one class of directors is elected per year. As a result, if Martin Marietta's nominees are elected to Vulcan's board of directors, they will still not constitute a majority of Vulcan's board of directors. If a combination of the business of Martin Marietta and Vulcan has not occurred before then, Martin Marietta presently intends to nominate additional persons to be considered for election to Vulcan's board of directors at Vulcan's 2013 annual meeting of shareholders and to ultimately replace a majority of the directors of Vulcan with its own nominees.

Martin Marietta intends to solicit proxies from Vulcan shareholders (and, when permitted, to distribute definitive proxy materials and proxy cards to Vulcan shareholders) to vote in favor of the election of Martin Marietta's nominees at Vulcan's 2012 annual meeting of shareholders. This offer does not constitute a solicitation of proxies in connection with such matter. Any such solicitation will be made only pursuant to separate proxy materials complying with the requirements of the rules and regulations of the SEC.

### **Do I need to grant a proxy to Martin Marietta in connection with the proxy solicitations if I wish to accept the offer?**

No. Your ability to tender your shares of Vulcan common stock in the offer is not conditioned on Vulcan shareholders granting proxies to Martin Marietta in connection with its proxy solicitation discussed above. However, a tendering shareholder will irrevocably appoint designees of Martin Marietta as such shareholder's agents, attorneys-in-fact and proxies, effective as of and only to the extent that Martin Marietta accepts such tendered shares for exchange.

You may validly tender your shares of Vulcan common stock in the offer, regardless of whether or how you intend to vote for our nominees to Vulcan's board.

### **Do I have to vote to approve the offer or the second-step merger?**

No. Your vote is not required. You simply need to tender your shares if you choose to do so. However, Martin Marietta intends to complete the exchange offer only if a sufficient number of shares of Vulcan common stock are tendered in the exchange offer such that the minimum tender condition is satisfied.

Both the board of directors of Vulcan and Vulcan shareholders will be required to approve the second-step merger, unless Martin Marietta is able to consummate the second-step merger as a short-form merger pursuant to Section 14A:10-5.1 of the New Jersey Business Corporation Act, in which case neither the Vulcan board of directors nor the Vulcan shareholders will be required to approve the second-step merger. Such short-form merger may be accomplished if at least 90% of the then outstanding shares of Vulcan common stock are acquired. Any solicitation of proxies from Vulcan shareholders to approve the second-step merger will be made only pursuant to separate proxy materials complying with the requirements of the rules and regulations of the SEC.

### **Is Martin Marietta's financial condition relevant to my decision to tender shares of Vulcan common stock in the offer?**

Yes. Martin Marietta's financial condition is relevant to your decision to tender your shares of Vulcan common stock because shares of Vulcan common stock accepted in the offer will be exchanged for shares of Martin Marietta common stock. You should therefore consider Martin Marietta's financial condition before you decide to become one of Martin Marietta's shareholders through the offer. You also should consider the possible

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effect that the combination of the businesses of Martin Marietta and Vulcan will have on Martin Marietta's financial condition. This prospectus/offer to exchange contains financial information regarding Martin Marietta and Vulcan, as well as pro forma financial information (which does not reflect any of our expected synergies, or any divestitures which may be necessary to obtain regulatory approvals) for the proposed combination of Martin Marietta and Vulcan, all of which we encourage you to review.

### **Does Martin Marietta have the financial resources to complete the offer and the second-step merger?**

The offer is not subject to a financing condition. Martin Marietta is offering 0.50 shares of its common stock for each share of Vulcan common stock. Martin Marietta estimates that the total amount of cash required to pay all fees, expenses and other related amounts incurred in connection with the offer and the second-step merger will be approximately \$65 million (excluding any cash required to pay for any fractional shares in the offer and the second-step merger, which we expect will be a de minimis amount, and any litigation or refinancing expenses), which Martin Marietta expects to pay with cash on hand. The estimated amount of cash required is based on Martin Marietta's due diligence review of Vulcan's publicly available information to date and is subject to change. For a further discussion of the risks relating to Martin Marietta's limited due diligence review, please see [Risk Factors](#) [Risk Factors Relating to the Offer and the Second-Step Merger](#).

Vulcan had approximately \$2.8 billion aggregate principal amount of outstanding senior unsecured notes as of September 30, 2011. Martin Marietta does not presently intend to redeem or refinance any of Vulcan's senior unsecured notes in connection with the transactions contemplated by the offer. Completion of the offer may constitute a change of control under the terms of Vulcan's senior unsecured notes. If completion of the offer constitutes a change of control and if there is a downgrade of the credit rating of any series of Vulcan's senior unsecured notes by both Standard & Poor's Ratings Services (S&P) and Moody's Investors Service, Inc. (Moody's) to a rating below investment grade (regardless of whether the rating prior to such downgrade was investment grade or below investment grade) prior to 60 days following consummation of such change of control (which period may be extended for up to an additional 60 days in certain circumstances), Vulcan would be required to offer to repurchase each holder's notes of such series at a purchase price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest. We may elect to implement alternative structures pursuant to the merger agreement to effect the proposed transaction taking into account, among other things, any implications of the proposed transaction under Vulcan's senior unsecured notes. However, while certain transaction structures may not constitute a change of control of Vulcan's senior unsecured notes, it is possible that alternative structures may have other implications with respect to Vulcan, Martin Marietta and/or the combined company, including in certain circumstances potentially requiring an offer to repurchase certain of Martin Marietta's existing debt.

Martin Marietta may not be able to obtain sufficient capital to repurchase or refinance Vulcan's outstanding senior unsecured notes in these circumstances. Since August 2010, the credit rating of Vulcan's senior unsecured notes has been downgraded three times by Moody's and two times by S&P, and both Moody's and S&P currently have a negative credit outlook for Vulcan. For a further discussion of the risks relating to Vulcan's indebtedness, please see [Risk Factors](#) [Risk Factors Relating to the Offer and the Second-Step Merger](#). Following consummation of the transactions contemplated by the offer, the credit rating of Vulcan's indebtedness could be downgraded, which in certain circumstances could give rise to an obligation to redeem Vulcan's existing indebtedness.

In connection with the consummation of the proposed transaction, Martin Marietta expects to replace its existing \$600 million credit agreement dated March 31, 2011 and its existing \$100 million accounts receivable facility dated April 21, 2009, and refinance any amounts outstanding under such credit facilities. As of September 30, 2011, approximately \$370 million was outstanding under the credit facilities. No assurance can be given as to the terms or availability of refinancing capital.

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### **What percentage of Martin Marietta common stock will former holders of Vulcan common stock own after the offer?**

Martin Marietta estimates that if all shares of Vulcan common stock are exchanged pursuant to the offer and the second-step merger, former Vulcan shareholders would own, in the aggregate, approximately 58% of the outstanding shares of Martin Marietta common stock. For a detailed discussion of the assumptions on which this estimate is based, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer - Ownership of Martin Marietta After the Offer."

### **When does your offer expire? Can the offer be extended and, if so, under what circumstances?**

The offer is scheduled to expire at 5:00 p.m., New York City time, on May 18, 2012, which is the initial expiration date, unless further extended by Martin Marietta. When we make reference to the expiration of the offer anywhere in this prospectus/offer to exchange, this is the time to which we are referring, including, when applicable, any extension period that may apply. For more information, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer - Extension, Termination and Amendment."

Martin Marietta may, in its sole discretion, extend the offer at any time or from time to time until the expiration of the offer. For instance, the offer may be extended if any of the conditions specified in "The Exchange Offer - Conditions of the Offer" are not satisfied prior to the scheduled expiration date of the offer. Martin Marietta may also elect to provide a subsequent offering period for the offer. A subsequent offering period would not be an extension of the offer. Rather, a subsequent offering period would be an additional period of time, beginning after Martin Marietta has accepted for exchange all shares tendered during the offer, during which shareholders who did not tender their shares in the offer may tender their shares and receive the same consideration provided in the offer. We do not currently intend to include a subsequent offering period, although we reserve the right to do so.

The offer is conditioned upon, among other things, Vulcan entering into a merger agreement with Martin Marietta that is reasonably satisfactory to the parties, the receipt of the Martin Marietta shareholder approvals and the expiration or termination of any applicable waiting period under the HSR Act. We have not commenced the process of obtaining the approval of Martin Marietta shareholders by filing a preliminary proxy statement with the SEC, and therefore we may not be in a position to obtain the requisite approval of our shareholders prior to the current expiration date of the offer. Any decision to extend the offer, including for how long, will be made at such time. The expiration date may also be subject to multiple extensions. Any decision to extend the offer will be made public by an announcement regarding such extension as described under "The Exchange Offer - Extension, Termination and Amendment."

### **How do I tender my shares?**

To tender shares into the offer, you must deliver the certificates representing your shares, together with a completed letter of transmittal and any other documents required by the letter of transmittal, to American Stock Transfer & Trust Company, LLC, the exchange agent for the offer, not later than the time the offer expires. The letter of transmittal is enclosed with this prospectus/offer to exchange. If your shares are held in street name (i.e., through a broker, dealer, commercial bank, trust company or other nominee), your shares can be tendered by your nominee by book-entry transfer through The Depository Trust Company.

If you are unable to deliver any required document or instrument to the exchange agent by the expiration of the offer, you may have a limited amount of additional time by having a broker, a bank or other fiduciary that is an eligible guarantor institution guarantee that the missing items will be received by the exchange agent by using the enclosed notice of guaranteed delivery. For the tender to be valid, however, the exchange agent must receive the missing items within three NYSE trading days after the date of execution of such notice of guaranteed delivery. If you cannot deliver all necessary documents to the exchange agent in time, you may be able to



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complete and deliver to the exchange agent, in lieu of the missing documents, the enclosed notice of guaranteed delivery, provided you are able to comply fully with its terms. In all cases, an exchange of tendered shares will be made only after timely receipt by the exchange agent of certificates for such shares (or a confirmation of a book-entry transfer of such shares) and a properly completed and duly executed letter of transmittal and any other required documents for such shares.

For a complete discussion on the procedures for tendering your shares, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Procedure for Tendering."

### **Until what time can I withdraw tendered shares?**

You may withdraw previously tendered shares at any time prior to the expiration of the offer and thereafter you may withdraw such shares at any time until Martin Marietta accepts such shares for exchange in the offer. Shares of Vulcan common stock tendered during the subsequent offering period, if any, may not be withdrawn. For a complete discussion on the procedures for withdrawing your shares, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Withdrawal Rights."

### **How do I withdraw previously tendered shares?**

To withdraw previously tendered shares, you must deliver a written or facsimile notice of withdrawal with the required information to the exchange agent while you still have the right to withdraw. If you tendered shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your shares. For a complete discussion on the procedures for withdrawing your shares, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Withdrawal Rights."

### **When and how will I receive the offer consideration in exchange for my tendered shares?**

Martin Marietta will exchange all validly tendered and not properly withdrawn shares promptly after the expiration date of the offer, subject to the terms thereof and the satisfaction or waiver of the conditions to the offer, as set forth in the section of this prospectus/offer to exchange entitled "The Exchange Offer Conditions of the Offer." We will deliver the consideration for your validly tendered and not properly withdrawn shares of Vulcan common stock by depositing the stock consideration therefor with the exchange agent, which will act as your agent for the purpose of receiving the offer consideration from us and transmitting such consideration to you. In all cases, an exchange of tendered shares of Vulcan common stock will be made only after timely receipt by the exchange agent of certificates for such shares (or a confirmation of a book-entry transfer of such shares as described in the section of this prospectus/offer to exchange entitled "The Exchange Offer Procedure for Tendering") and a properly completed and duly executed letter of transmittal and any other required documents for such shares.

### **Are dissenters' rights available in either the offer or the second-step merger?**

No appraisal or dissenters' rights are available in connection with the offer. For more information regarding dissenters' rights, including in connection with the second-step merger, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Appraisal/Dissenters' Rights."

### **What is the market value of my shares of Vulcan common stock as of a recent date?**

On December 9, 2011, the last trading day prior to the printing of this prospectus/offer to exchange, the closing price of a share of Vulcan common stock was \$33.55. Vulcan shareholders are encouraged to obtain a recent quotation for shares of Vulcan and Martin Marietta common stock before deciding whether or not to tender your shares.

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**Where can I find more information on Martin Marietta and Vulcan?**

You can find more information about Martin Marietta and Vulcan from various sources described in the section of this prospectus/offer to exchange entitled Where You Can Find More Information.

**Whom can I talk to if I have questions about the offer?**

You can call the information agent or the dealer managers for the offer.

The information agent for the offer is:

470 West Avenue

Stamford, CT 06902

(203) 658-9400

Shareholders May Call Toll Free: (877) 757-5404 Banks and Brokerage Firms May Call: (800) 662-5200 E-mail:  
exchangeofferinfo@morrowco.com

The dealer managers for the offer are:

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Deutsche Bank Securities Inc.

J.P. Morgan Securities LLC

Toll Free: (877) 492-8974

Toll Free: (877) 371-5947

**The date of this prospectus/offer to exchange is December 12, 2011**

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**NOTE ON VULCAN INFORMATION**

All information concerning Vulcan, its business, management and operations presented or incorporated by reference in this prospectus/offer to exchange is taken from publicly available information (primarily filings by Vulcan with the SEC). This information may be examined and copies may be obtained at the places and in the manner set forth in the section entitled "Where You Can Find More Information." Martin Marietta is not affiliated with Vulcan, and Martin Marietta has not had access to Vulcan's books and records in connection with the offer. Therefore, non-public information concerning Vulcan has not been used by Martin Marietta for the purpose of preparing this prospectus/offer to exchange. Although Martin Marietta has no knowledge that would indicate that statements relating to Vulcan contained or incorporated by reference in this prospectus/offer to exchange are inaccurate or incomplete, Martin Marietta was not involved in the preparation of those statements and cannot verify them.

Pursuant to Rule 409 under the Securities Act and Rule 12b-21 under the Exchange Act, Martin Marietta is requesting that Vulcan provide Martin Marietta with information required for complete disclosure regarding the businesses, operations, financial condition and management of Vulcan. Martin Marietta will amend or supplement this prospectus/offer to exchange to provide any and all information Martin Marietta receives from Vulcan, if Martin Marietta receives the information before Martin Marietta's offer to exchange expires and Martin Marietta considers it to be material, reliable and appropriate.

An auditor's report was issued on Vulcan's financial statements and included in Vulcan's filings with the SEC. Pursuant to Rule 439 under the Securities Act, Martin Marietta requires the consent of Vulcan's independent auditors to incorporate by reference their audit reports included in Vulcan's Annual Report on Form 10-K for the year ended December 31, 2010 into this prospectus/offer to exchange. Martin Marietta is requesting, and has, as of the date hereof, not received, such consent from Vulcan's independent auditors. If Martin Marietta receives this consent, Martin Marietta will promptly file it as an exhibit to Martin Marietta's registration statement of which this prospectus/offer to exchange forms a part.

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**SUMMARY OF THE OFFER**

This summary highlights selected information from this prospectus/offer to exchange and may not contain all of the information that is important to you. To obtain a better understanding of the offer to holders of shares of Vulcan common stock, you should read this entire prospectus/offer to exchange carefully, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this prospectus/offer to exchange by following the instructions in the section of this prospectus/offer to exchange entitled "Where You Can Find More Information."

**The Companies (See page 24)**

***Martin Marietta***

Martin Marietta is a North Carolina corporation with principal executive offices at 2710 Wycliff Road, Raleigh, North Carolina 27607. The telephone number of Martin Marietta's executive offices is (919) 781-4550, and our Internet website address is [www.martinmarietta.com](http://www.martinmarietta.com). Martin Marietta is a leading producer of aggregates (crushed stone, sand and gravel) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural and chemical grade stone used in environmental applications. Martin Marietta 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 the steel industry.

***Vulcan***

Vulcan is a New Jersey corporation with principal executive offices at 1200 Urban Center Drive, Birmingham, Alabama 35242. The telephone number of Vulcan's executive offices is (205) 298-3000, and Vulcan's Internet website address is [www.vulcanmaterials.com](http://www.vulcanmaterials.com). Vulcan provides infrastructure materials that are required by the American economy. Vulcan is the United States' largest producer of construction aggregates and a leader in the production of other construction materials. Vulcan's construction materials business produces and sells aggregates that are used in nearly all forms of construction.

**The Offer (See page 25)**

Martin Marietta is offering to exchange each outstanding share of Vulcan common stock that is validly tendered and not properly withdrawn prior to the expiration date for 0.50 shares of Martin Marietta common stock (together with the associated preferred stock purchase rights), upon the terms and subject to the conditions contained in this prospectus/offer to exchange and the accompanying letter of transmittal. In addition, you will receive cash in lieu of any fractional shares of Martin Marietta common stock to which you may be entitled.

**Reasons for the Offer (See page 34)**

Martin Marietta believes that the combination of the businesses of Martin Marietta and Vulcan will create significant value for Vulcan shareholders and give Vulcan shareholders a substantial ongoing equity interest in the combined company. The stock-for-stock exchange represents an immediate premium to Vulcan shareholders and an ability to participate in and benefit from the improved financial strength and flexibility of the combined company. We believe the combination of Martin Marietta and Vulcan is a compelling opportunity for Vulcan shareholders with numerous benefits, including the following:

*Global Leader in Aggregates* The combined company will be a U.S.-based company that is the global leader in aggregates, with significant presence in the fastest growing U.S. regions and an outstanding asset base. The greatly increased size, scale and geographic reach of the combined company will result in enhanced product offerings and service to customers. The combined company will be stronger and more competitive, with the financial flexibility to take advantage of opportunities for expansion and growth, and have the size and scale to more efficiently compete for new customers.

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*Highly Complementary Businesses* Martin Marietta's and Vulcan's complementary footprints will give the combined company increased geographic reach. In addition, Martin Marietta's and Vulcan's highly complementary businesses and locations will allow the combined company to improve efficiency in production and distribution, and to better serve its customers.

*Improved Financial Strength* A combination of Martin Marietta and Vulcan will give Vulcan enhanced financial flexibility through deleveraging. After experiencing five recent downgrades in the ratings for its debt securities, Vulcan would benefit from the enhanced financial strength resulting from the combined company's balance sheet. Pro forma leverage of the combined company will be significantly reduced from the leverage of Vulcan on a stand-alone basis. Based on publicly available information, we estimate that the combined company's pro forma debt-to-adjusted EBITDA (excluding synergies) would be 5.9x for the twelve months ended September 30, 2011, as compared to Vulcan's pro forma debt-to-adjusted EBITDA for the same period, which was 9.4x (please see the section of this prospectus/offer to exchange entitled "Non-GAAP Financial Measures"). We expect that the debt ratings for the combined company will be better than the ratings for Vulcan debt on a stand-alone basis.

*Enhanced Ability to Withstand Challenging Economic Conditions* The aggregates industry has faced difficult economic conditions in recent years, and a sustained downturn in construction and infrastructure spending will present continuing challenges to both Vulcan and Martin Marietta. With the timing of an economic recovery uncertain, Vulcan shareholders will directly benefit from the cost savings created by a combination of Vulcan and Martin Marietta and the disciplined approach of Martin Marietta management to ongoing cost management. With a lower cost structure, the combined company will be better able to withstand difficult economic conditions, and will be well-positioned to achieve higher profitability sooner when a recovery occurs.

*Proven Management Team* Vulcan shareholders will benefit from the skills and experience of the respected Martin Marietta management team. Vulcan shareholders have experienced several years of disappointing Vulcan performance, as Vulcan management has not taken the difficult actions required in an economic downturn. Although Martin Marietta's operating performance and stock price have been affected by macroeconomic conditions, Martin Marietta has consistently outperformed Vulcan by containing costs, divesting less profitable assets, reinvesting in its own business to improve plant efficiencies and capacity limits, and focusing on strengthening its balance sheet. Martin Marietta management has followed a disciplined growth strategy, which in the downturn, has differentiated it from other companies in the industry that overpaid for assets in previous years. Vulcan shareholders will experience immediate benefits from the implementation of cost containment policies, and under the stewardship of Martin Marietta management, will benefit in the future from a rational and disciplined approach to acquisitions and business combinations.

*Value Creation Potential for All Shareholders* The all-stock nature of the offer will allow shareholders of Vulcan to participate in the growth and long-term value creation potential of the combined company. Although no assurance can be given that any particular level of cost savings and other synergies will be achieved, based on publicly available information, we anticipate significant annual cost synergies ranging from \$200 million to \$250 million, derived from a combination of operating efficiencies and the elimination of duplicative operational and corporate functions. Vulcan shareholders, through their ongoing equity ownership in the combined company, would benefit from the value created by these synergies.

*Continuing Substantial Equity Ownership by Vulcan Shareholders* Vulcan shareholders will have substantial ongoing equity ownership in the combined company. Vulcan shareholders would not be foregoing any opportunity for a future control premium, as the combined company will be stronger and more profitable than either Vulcan or Martin Marietta on a stand-alone basis.

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*Receipt of Premium by Vulcan Shareholders* In addition to the long-term benefits arising out of ownership in the combined company, Vulcan shareholders will also be receiving a significant premium in the offer. Vulcan shareholders would receive a premium of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

*Restoration of a Meaningful Dividend* Vulcan has decreased its quarterly dividend and announced a dividend of only \$0.01 per share for the quarter ending December 31, 2011. Martin Marietta has maintained the level of its quarterly dividends to Martin Marietta shareholders. We expect that the combined company would have the cash flow and financial flexibility to pay a meaningful dividend to shareholders of the combined company, in line with Martin Marietta's historical practices. It is Martin Marietta's objective to maintain such dividend at Martin Marietta's current rate (\$1.60 per Martin Marietta share annually, equivalent to \$0.80 per Vulcan share annually, based on the exchange ratio).

*No Significant Regulatory Hurdles to Business Combination* Martin Marietta will file the required notification under the HSR Act with respect to the offer. Although there is some overlap in some regions served by Martin Marietta and Vulcan, we believe that such overlap is limited and that there would be numerous parties interested in purchasing any assets required to be divested. Martin Marietta expects that any asset divestitures supporting regulatory approvals in connection with a business combination of Vulcan and Martin Marietta would not present significant hurdles to completion of a transaction.

**Financing of the Offer; Source and Amount of Funds (See page 59)**

The offer is not subject to a financing condition. Martin Marietta is offering 0.50 shares of its common stock for each share of Vulcan common stock. Martin Marietta estimates that the total amount of cash required to pay all fees, expenses and other related amounts incurred in connection with the offer and the second-step merger will be approximately \$65 million (excluding any cash required to pay for fractional shares in the offer and the second-step merger, which we expect will be a de minimis amount, and any litigation or refinancing expenses), which Martin Marietta expects to pay with cash on hand. The estimated amount of cash required is based on Martin Marietta's due diligence review of Vulcan's publicly available information to date and is subject to change. For a further discussion of the risks relating to Martin Marietta's limited due diligence review, please see Risk Factors Risk Factors Relating to the Offer and the Second-Step Merger.

Vulcan had approximately \$2.8 billion aggregate principal amount of outstanding senior unsecured notes as of September 30, 2011. Martin Marietta does not presently intend to redeem or refinance any of Vulcan's senior unsecured notes in connection with the transactions contemplated by the offer. Completion of the offer may constitute a change of control under the terms of Vulcan's senior unsecured notes. If completion of the offer constitutes a change of control and if there is a downgrade of the credit rating of any series of Vulcan's senior unsecured notes by both S&P and Moody's to a rating below investment grade (regardless of whether the rating prior to such downgrade was investment grade or below investment grade) prior to 60 days following consummation of such change of control (which period may be extended for up to an additional 60 days in certain circumstances), Vulcan would be required to offer to repurchase each holder's notes of such series at a purchase price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest. We may elect to implement alternative structures pursuant to the merger agreement to effect the proposed transaction taking into account, among other things, any implications of the proposed transaction under Vulcan's senior unsecured notes. However, while certain transaction structures may not constitute a change of control of Vulcan's senior unsecured notes, it is possible that alternative structures may have other implications with respect to Vulcan, Martin Marietta and/or the combined company, including in certain circumstances potentially requiring an offer to repurchase certain of Martin Marietta's existing debt.

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Martin Marietta may not be able to obtain sufficient capital to repurchase or refinance Vulcan's outstanding senior unsecured notes in these circumstances. Since August 2010, the credit rating of Vulcan's senior unsecured notes has been downgraded three times by Moody's and two times by S&P, and both Moody's and S&P currently have a negative credit outlook for Vulcan. For a further discussion of the risks relating to Vulcan's indebtedness, please see Risk Factors Risk Factors Relating to the Offer and the Second-Step Merger. Following consummation of the transactions contemplated by the offer, the credit rating of Vulcan's indebtedness could be downgraded, which in certain circumstances could give rise to an obligation to redeem Vulcan's existing indebtedness.

In connection with the consummation of the proposed transaction, Martin Marietta expects to replace its existing \$600 million credit agreement dated March 31, 2011 and its existing \$100 million accounts receivable facility dated April 21, 2009, and refinance any amounts outstanding under such credit facilities. As of September 30, 2011, approximately \$370 million was outstanding under the credit facilities. No assurance can be given as to the terms or availability of refinancing capital.

**Ownership of the Combined Company After the Offer (See page 43)**

Based on certain assumptions regarding the number of Vulcan shares to be exchanged, Martin Marietta estimates that if all shares of Vulcan common stock are exchanged pursuant to the offer and the second-step merger, former Vulcan shareholders would own, in the aggregate, approximately 58% of the outstanding shares of Martin Marietta common stock. For a detailed discussion of the assumptions on which this estimate is based, please see the section of this prospectus/offer to exchange entitled The Exchange Offer Ownership of Martin Marietta After the Offer.

**Comparative Market Prices and Share Information (See page 15)**

Martin Marietta common stock is listed on the NYSE under the symbol MLM. Vulcan common stock is listed on the NYSE under the symbol VMC. The following table sets forth the closing prices of Martin Marietta and Vulcan as reported on December 9, 2011, the last trading day prior to the printing of this prospectus/offer to exchange. The table also shows the implied value of one share of Vulcan common stock in the offer, which was calculated by multiplying the closing price for one share of Martin Marietta common stock by the exchange ratio of 0.50.

	<b>Martin Marietta Common Stock Closing Price</b>	<b>Vulcan Common Stock Closing Price</b>	<b>Implied Value of Vulcan Common Stock</b>
December 9, 2011	\$ 73.37	\$ 33.55	\$ 36.69

The offer represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 (the last trading day before the printing of this prospectus/offer to exchange) and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

The value of the offer will change as the market prices of Martin Marietta common stock and Vulcan common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Martin Marietta common stock. Please see the section of this prospectus/offer to exchange entitled Risk Factors. Shareholders are encouraged to obtain current market quotations for shares of Vulcan and Martin Marietta common stock prior to making any decision with respect to the offer.

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### **Interests of Executive Officers and Directors of Martin Marietta in the Offer (See page 64)**

Except as set forth in this prospectus/offer to exchange, neither we nor, to the best of our knowledge, any of our directors, executive officers or other affiliates has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Vulcan. The offer and the second-step merger generally will constitute a change of control of Martin Marietta for purposes of certain equity awards, benefit agreements and plans which generally will result in, among other things, the vesting of certain outstanding equity awards and/or rights to receive certain payments and benefits upon certain types of termination of employment following the change of control.

### **Appraisal/Dissenters' Rights (See page 48)**

No appraisal or dissenters' rights are available in connection with the offer.

### **Material Federal Income Tax Consequences (See page 44)**

The offer and the second-step merger are intended to qualify as component parts of an integrated transaction that qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Provided that certain factual representations and assumptions are accurate, your receipt of shares of Martin Marietta common stock pursuant to the offer or the second-step merger will not be a taxable transaction for U.S. federal income tax purposes, except to the extent of any cash you receive in lieu of a fractional share of Martin Marietta common stock. It will be a condition to effecting the second-step merger that Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Martin Marietta, render an opinion to the effect that the offer and the second-step merger, taken together, will qualify as a reorganization. If, contrary to expectations, the offer is completed but the second-step merger does not occur for any reason, you will likely recognize a taxable gain or loss if you receive shares of Martin Marietta common stock in exchange for your shares of Vulcan common stock pursuant to the offer. It is not a condition to Martin Marietta's obligation to exchange shares pursuant to the offer that Skadden, Arps, Slate, Meagher & Flom LLP render the tax opinion referenced above. For more information, please see the section of this prospectus/offer to exchange under the caption "The Exchange Offer Material Federal Income Tax Consequences."

THIS PROSPECTUS/OFFER TO EXCHANGE CONTAINS A GENERAL DESCRIPTION OF THE MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE OFFER AND THE SECOND-STEP MERGER. THIS DESCRIPTION DOES NOT ADDRESS ANY NON-U.S. TAX CONSEQUENCES, NOR DOES IT PERTAIN TO STATE, LOCAL OR OTHER TAX CONSEQUENCES. CONSEQUENTLY, MARTIN MARIETTA URGES YOU TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

### **Accounting Treatment (See page 67)**

Martin Marietta will account for the acquisition of shares of Vulcan common stock under the acquisition method of accounting for business combinations. In determining the acquirer for accounting purposes, Martin Marietta considered the factors required under Accounting Standards Codification 805, *Business Combinations*, which is referred to as ASC 805, and determined that Martin Marietta will be considered the acquirer of Vulcan for accounting purposes.

### **Regulatory Approval and Status (See page 59)**

#### *Antitrust Clearance*

The offer is subject to review by the Federal Trade Commission (which we refer to in this prospectus/offer to exchange as the "FTC") and the Antitrust Division of the U.S. Department of Justice (the "Antitrust").



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Division ). Under the HSR Act, the offer may not be completed until certain information has been provided to the FTC and the Antitrust Division and a required waiting period has expired or has been terminated.

Pursuant to the requirements of the HSR Act, Martin Marietta intends to file the required notification and report form with respect to the offer with the Antitrust Division and the FTC as soon as practicable. The applicable waiting period under the HSR Act for the consummation of the offer will expire at 11:59 p.m., New York City time, on the thirtieth day (or the next business day) after Martin Marietta files the required notification and report form, unless earlier terminated. However, prior to such time, the FTC or the Antitrust Division may extend the waiting period by requesting additional information and documentary material relevant to the offer from Martin Marietta and Vulcan. In the event of such a request, the waiting period would be extended until 11:59 p.m., New York City time, on the thirtieth day (or the next business day) after Martin Marietta has made a proper response to that request as specified by the HSR Act and the implementing rules. The FTC or Antitrust Division may seek to take action to enjoin or otherwise challenge the transaction at any time before or after the expiration of the waiting period.

### *Other Regulatory Approvals*

The offer and the second-step merger may also be subject to review by antitrust authorities in jurisdictions outside the U.S. Martin Marietta intends to identify such jurisdictions as soon as practicable and to file as soon as possible thereafter all notifications necessary or advisable (at Martin Marietta's sole discretion) under the competition laws of the respective identified jurisdictions for the consummation of the offer and/or the second-step merger and to file all necessary or advisable (at Martin Marietta's sole discretion) post-completion notifications as soon as possible after completion has taken place.

### **Listing of Martin Marietta Common Stock to be Issued Pursuant to the Offer and the Second-Step Merger (See page 49)**

Martin Marietta will submit the necessary applications to cause the shares of its common stock to be issued in the offer and the second-step merger to be approved for listing on the NYSE. Approval of this listing is a condition to the offer.

### **Conditions of the Offer (See page 51)**

The offer is conditioned upon, among other things, the following:

*Merger Agreement Condition* Vulcan shall have entered into a definitive merger agreement with Martin Marietta with respect to the proposed transaction that is reasonably satisfactory to Martin Marietta and Vulcan. Such merger agreement shall provide, among other things, that:

the board of directors of Vulcan has approved the proposed transaction and irrevocably exempted the transaction from the restrictions imposed by the New Jersey Shareholder Protection Act, if applicable; and

the board of directors of Vulcan has removed any other impediment to the consummation of the transaction.

Martin Marietta considers the proposed form merger agreement delivered to Vulcan on the date of this prospectus/offer to exchange to be reasonably satisfactory, and is prepared to enter into an agreement with Vulcan in substantially the form thereof.

For a summary of the proposed form merger agreement delivered to Vulcan on the date of this prospectus/offer to exchange, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Summary of the Form Merger Agreement."

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*Regulatory Condition* Any applicable waiting period under the HSR Act shall have expired or been terminated prior to the expiration of the offer.

*Minimum Tender Condition* Vulcan shareholders shall have validly tendered and not withdrawn prior to the expiration of the offer at least that number of shares of Vulcan common stock that, when added to the shares of Vulcan common stock then owned by Martin Marietta or any of its subsidiaries, shall constitute 80% of the voting power of Vulcan's outstanding capital stock entitled to vote on transactions covered under Article VIII, Section A of Vulcan's restated certificate of incorporation. If there is a favorable outcome in the New Jersey litigation with respect to this provision of Vulcan's Restated Articles of Incorporation as described in the section of this prospectus/offer to exchange entitled "The Exchange Offer - Litigation," then we will amend this condition so as to require the minimum tender of a majority of the voting power of the outstanding Vulcan common stock (which would be sufficient voting power to approve the second-step merger without the affirmative vote of any other shareholder of Vulcan).

*Registration Statement Condition* The registration statement of which this prospectus/offer to exchange is a part shall have become effective under the Securities Act, no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC, and Martin Marietta shall have received all necessary state securities law or "blue sky" authorizations.

*Shareholder Approval Condition* The Martin Marietta shareholder approvals shall have been obtained.

*NYSE Listing Condition* The shares of Martin Marietta common stock to be issued pursuant to the offer and the second-step merger shall have been approved for listing on the NYSE.

*Due Diligence Condition* Martin Marietta shall have completed to its reasonable satisfaction customary confirmatory due diligence of Vulcan's non-public information on Vulcan's business, assets and liabilities and shall have concluded, in its reasonable judgment, that there are no material adverse facts or developments concerning or affecting Vulcan's business, assets and liabilities that have not been publicly disclosed prior to the commencement of the offer.

### **Summary of the Form Merger Agreement (See page 56)**

Concurrently with the delivery of Martin Marietta's proposal to Vulcan with respect to a business combination of Martin Marietta and Vulcan on the date of this prospectus/offer to exchange, Martin Marietta delivered to Vulcan a proposed form merger agreement providing for the proposed transaction. Martin Marietta considers the proposed form merger agreement delivered to Vulcan on the date of this prospectus/offer to exchange to be reasonably satisfactory, and is prepared to enter into an agreement with Vulcan in substantially the form thereof. For a summary of the form merger agreement, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer - Summary of the Form Merger Agreement."

### **Comparison of Shareholders' Rights (See page 74)**

You will receive Martin Marietta common stock as part of the offer consideration if you tender your shares of Vulcan common stock in the offer. As Martin Marietta is incorporated under North Carolina law and Vulcan is incorporated under New Jersey law, there are a number of differences between the rights of a shareholder of Vulcan and the rights of a shareholder of Martin Marietta.

### **Expiration Date of the Offer (See page 37)**

The offer is scheduled to expire at 5:00 p.m., New York City time, on May 18, 2012, which is the initial expiration date, unless further extended by Martin Marietta.



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### **Extension, Termination and Amendment (See page 37)**

Martin Marietta reserves the right, in its sole discretion, at any time or from time to time until the expiration of the offer:

to extend, for any reason, the period of time during which the offer is open;

to delay acceptance for exchange of, or exchange of, any shares of Vulcan common stock in order to comply in whole or in part with applicable law;

to amend or terminate the offer without accepting for exchange, or exchanging, any shares of Vulcan common stock, if any of the individually subheaded conditions referred to in the section of this prospectus/offer to exchange entitled **The Exchange Offer Conditions of the Offer** have not been satisfied or if any event specified in the section of this prospectus/offer to exchange captioned **The Exchange Offer Conditions of the Offer Other Conditions** has occurred, including if we negotiate and enter into a merger agreement with Vulcan not involving an exchange offer; and

to waive any conditions to the offer or otherwise amend the offer in any respect; in each case, by giving oral or written notice of such delay, termination, waiver or amendment to the exchange agent and by making public announcement thereof.

In addition, even if Martin Marietta has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of Vulcan common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer. We also have not commenced the process of obtaining the approval of Martin Marietta shareholders by filing a preliminary proxy statement with the SEC, and therefore we may not be in a position to obtain the requisite approval of Martin Marietta shareholders prior to the current expiration date of the offer. Any decision to extend the offer, and if so, for how long, will be made at such time. The expiration date may also be subject to multiple extensions.

### **Procedure for Tendering (See page 40)**

The procedure for tendering shares of Vulcan common stock varies depending on whether you possess physical certificates or a nominee holds your certificates for you and on whether or not you hold your securities in book-entry form. In addition to the procedures outlined in this prospectus/offer to exchange, Martin Marietta urges you to read the accompanying transmittal materials, including the letter of transmittal.

### **Withdrawal Rights (See page 43)**

You can withdraw tendered shares at any time until the offer has expired, and thereafter you can withdraw such shares at any time until Martin Marietta accepts such shares for exchange in the offer. If Martin Marietta decides to provide a subsequent offering period, it will accept shares tendered during that period immediately, and you will not be able to withdraw shares tendered in the offer during any subsequent offering period.

### **Exchange of Shares of Vulcan Common Stock; Delivery of Shares of Martin Marietta Common Stock (See page 39)**

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Martin Marietta will accept for exchange, and will exchange for shares of Martin Marietta common stock and, as applicable, cash in lieu of fractional shares, all shares of Vulcan common stock validly tendered and not properly withdrawn promptly after the expiration date. If Martin Marietta elects to provide a subsequent offering period following the expiration of the offer, shares tendered during such subsequent offering period will be accepted for exchange immediately upon tender and will be promptly exchanged for the offer consideration.



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**Risk Factors (See page 17)**

The offer and the second-step merger are, and if the offer and the second-step merger are consummated, the combined company will be, subject to a number of risks which you should carefully consider prior to participating in the exchange offer.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR MARTIN MARIETTA**

The following table sets forth the selected historical consolidated financial and operating data for Martin Marietta, including the ratio of earnings to fixed charges. The selected consolidated financial and operating data as of and for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006 have been derived from Martin Marietta's audited consolidated financial statements. You should not take historical results as necessarily indicative of the results that may be expected for any future period. The selected consolidated financial and operating data as of and for the nine months ended September 30, 2011 and 2010 have been derived from Martin Marietta's unaudited consolidated condensed financial statements. The results for the nine months ended September 30, 2011 are not necessarily indicative of results that may be expected for the entire fiscal year. Martin Marietta's management believes that its unaudited consolidated interim financial statements reflect all adjustments that are necessary for a fair statement of the results for the interim periods presented.

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You should read this selected consolidated financial and operating data in conjunction with Martin Marietta's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Martin Marietta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011. Please see the section of this prospectus/offer to exchange entitled "Where You Can Find More Information."

	Unaudited and as of and for the nine months ended September 30,			As of and for year ended December 31,			
	2011	2010	2010	2009	2008	2007	2006
(add 000, except per share and ratio)							
<b>Consolidated Operating Results</b>							
Net sales	\$ 1,196,931	\$ 1,182,054	\$ 1,550,895	\$ 1,496,640	\$ 1,859,697	\$ 1,950,396	\$ 1,911,164
Freight and delivery revenues	187,284	172,920	231,962	205,963	256,724	238,852	259,277
<b>Total revenues</b>	<b>1,384,215</b>	<b>1,354,974</b>	<b>1,782,857</b>	<b>1,702,603</b>	<b>2,116,421</b>	<b>2,189,248</b>	<b>2,170,441</b>
Cost of sales, other costs and expenses	1,062,261	1,029,420	1,362,327	1,298,680	1,541,126	1,538,246	1,535,934
Freight and delivery costs	187,284	172,920	231,962	205,963	256,724	238,852	259,277
Cost of operations	1,249,545	1,202,340	1,594,289	1,504,643	1,797,850	1,777,098	1,795,211
Other operating (income) and expenses, net	(1,213)	(9,030)	(7,786)	10,383	(4,815)	(18,077)	(12,640)
<b>Earnings from Operations</b>	<b>135,883</b>	<b>161,664</b>	<b>196,354</b>	<b>187,577</b>	<b>323,386</b>	<b>430,227</b>	<b>387,870</b>
Interest expense	45,284	51,540	68,456	73,460	74,299	60,893	40,359
Other nonoperating expenses and (income), net	2,220	189	202	(1,145)	1,958	(7,291)	(4,980)
Earnings from continuing operations before taxes on income	88,379	109,935	127,696	115,262	247,129	376,625	352,491
Taxes on income	20,080	26,615	29,217	27,375	72,088	115,360	107,298
<b>Earnings from Continuing Operations</b>	<b>68,299</b>	<b>83,320</b>	<b>98,479</b>	<b>87,887</b>	<b>175,041</b>	<b>261,265</b>	<b>245,193</b>
Less: Net earnings attributable to noncontrolling interests	949	1,246	1,652	2,705	3,494	590	1,758
<b>Net Earnings From Continuing Operations Attributable to Controlling Interests</b>	<b>\$ 67,350</b>	<b>\$ 82,074</b>	<b>\$ 96,827</b>	<b>\$ 85,182</b>	<b>\$ 171,547</b>	<b>\$ 260,675</b>	<b>\$ 243,435</b>
<b>Earnings Per Common Share Attributable to Controlling Interests:</b>							
Basic earnings per common share from continuing operations attributable to common shareholders	\$ 1.47	\$ 1.79	\$ 2.11	\$ 1.91	\$ 4.09	\$ 6.04	\$ 5.31
Diluted earnings per common share from continuing operations attributable to common shareholders	\$ 1.46	\$ 1.78	\$ 2.10	\$ 1.90	\$ 4.07	\$ 5.98	\$ 5.23
<b>Cash Dividends Per Common Share</b>	<b>\$ 1.20</b>	<b>\$ 1.20</b>	<b>\$ 1.60</b>	<b>\$ 1.60</b>	<b>\$ 1.49</b>	<b>\$ 1.24</b>	<b>\$ 1.01</b>
<b>Total assets</b>	<b>\$ 3,158,558</b>	<b>\$ 3,115,783</b>	<b>\$ 3,074,743</b>	<b>\$ 3,239,283</b>	<b>\$ 3,032,502</b>	<b>\$ 2,683,805</b>	<b>\$ 2,506,421</b>
Current liabilities other	\$ 190,596	\$ 181,412	\$ 136,779	\$ 147,434	\$ 146,109	\$ 230,480	189,116
Current debt maturities	7,150	245,423	248,714	226,119	202,530	276,136	125,956
Long-term debt	1,038,335	785,706	782,045	1,023,492	1,152,414	848,186	579,308
Other noncurrent liabilities	436,926	446,014	438,946	435,827	464,189	337,015	310,611
Shareholders' equity	1,446,220	1,414,808	1,425,440	1,365,240	1,021,704	945,991	1,253,972



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Noncontrolling interests	39,331	42,420	42,819	41,171	45,556	45,997	47,458
<b>Total liabilities and equity</b>	<b>\$ 3,158,558</b>	<b>\$ 3,115,783</b>	<b>\$ 3,074,743</b>	<b>\$ 3,239,283</b>	<b>\$ 3,032,502</b>	<b>\$ 2,683,805</b>	<b>\$ 2,506,421</b>
<b>Ratio of earnings to fixed charges</b>	2.40	2.58	2.40	2.23	3.46	5.25	7.01

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR VULCAN**

The following table sets forth the selected historical consolidated financial and operating data for Vulcan. The selected consolidated financial and operating data as of and for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006 have been derived from Vulcan's Annual Report on Form 10-K for the year ended December 31, 2010. You should not take historical results as necessarily indicative of the results that may be expected for any future period. The selected consolidated financial and operating data as of and for the nine months ended September 30, 2011 and 2010 have been derived from Vulcan's unaudited consolidated condensed financial statements. The results for the nine months ended September 30, 2011 are not necessarily indicative of results that may be expected for the entire fiscal year.

You should read this selected consolidated financial and operating data in conjunction with Vulcan's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Vulcan's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011. Please see the section of this prospectus/offer to exchange entitled "Where You Can Find More Information."

An auditor's report was issued on Vulcan's financial statements and included in Vulcan's filings with the SEC. Pursuant to Rule 439 under the Securities Act, Martin Marietta requires the consent of Vulcan's independent auditors to incorporate by reference their audit reports included in Vulcan's Annual Report on Form 10-K for the year ended December 31, 2010 into this prospectus/offer to exchange. Martin Marietta is requesting, and has, as of the date hereof, not received, such consent from Vulcan's independent auditors. If Martin Marietta receives this consent, Martin Marietta will promptly file it as an exhibit to Martin Marietta's registration statement of which this prospectus/offer to exchange forms a part.

	Unaudited and as of and for the nine months ended			As of and for year ended December 31,			
	September 30, 2011	2010	2010	2009	2008	2007	2006
<b>(in millions, except per share data and ratio)</b>							
Net sales	\$ 1,828.7	\$ 1,857.1	\$ 2,405.9	\$ 2,543.7	\$ 3,453.1	\$ 3,090.1	\$ 3,041.1
Gross profit	\$ 209.5	\$ 250.0	\$ 300.7	\$ 446.0	\$ 749.7	\$ 950.9	\$ 931.9
<b>(Loss) Earnings from continuing operations</b>	\$ (49.3)	\$ (56.4)	\$ (102.5)	\$ 18.6	\$ 3.4	\$ 463.1	\$ 480.2
Earnings (Loss) on discontinued operations, net of tax	6.4	6.9	6.0	11.7	(2.5)	(12.2)	(10.0)
<b>Net (loss) earnings</b>	\$ (42.9)	\$ (49.5)	\$ (96.5)	\$ 30.3	\$ 0.9	\$ 450.9	\$ 470.2
<b>Basic (loss) earnings per share:</b>							
(Loss) Earnings from continuing operations	\$ (0.38)	\$ (0.44)	\$ (0.80)	\$ 0.16	\$ 0.03	\$ 4.77	\$ 4.92
Earnings (Loss) from discontinued operations	0.05	0.05	0.05	0.09	(0.02)	(0.12)	(0.10)
<b>Basic net (loss) earnings per share</b>	\$ (0.33)	\$ (0.39)	\$ (0.75)	\$ 0.25	\$ 0.01	\$ 4.65	\$ 4.82
<b>Diluted (loss) earnings per share:</b>							
(Loss) Earnings from continuing operations	\$ (0.38)	\$ (0.44)	\$ (0.80)	\$ 0.16	\$ 0.03	\$ 4.66	\$ 4.81
Earnings (Loss) from discontinued operations	0.05	0.05	0.05	0.09	(0.02)	(0.12)	(0.10)
<b>Diluted net (loss) earnings per share</b>	\$ (0.33)	\$ (0.39)	\$ (0.75)	\$ 0.25	\$ 0.01	\$ 4.54	\$ 4.71
Total assets	\$ 8,381.9	\$ 8,521.5	\$ 8,337.9	\$ 8,524.9	\$ 8,916.6	\$ 8,936.4	\$ 3,427.8
Long-term debt	\$ 2,816.2	\$ 2,432.5	\$ 2,427.5	\$ 2,116.1	\$ 2,153.6	\$ 1,529.8	\$ 322.1
Shareholders' equity	\$ 3,876.1	\$ 4,024.1	\$ 3,965.0	\$ 4,037.2	\$ 3,553.8	\$ 3,785.6	\$ 2,036.9
Cash dividends declared per share	\$ 0.75	\$ 0.75	\$ 1.00	\$ 1.48	\$ 1.96	\$ 1.84	\$ 1.48
<b>Ratio of earnings to fixed charges<sup>(1)</sup></b>					1.3	9.2	12.9

- (1) Vulcan's ratio of earnings to fixed charges for the years ended December 31, 2006, December 31, 2007 and December 31, 2008 are as presented in Vulcan's Annual Report on Form 10-K for the year ended December 31, 2008. Vulcan has not presented a ratio of earnings to fixed charges in its public filings for the years ended December 31, 2009 and December 31, 2010 and for the nine months ended September 30, 2009 and September 30, 2010.

**Table of Contents****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED****CONSOLIDATED FINANCIAL DATA**

The unaudited pro forma condensed combined consolidated statements of earnings information for the nine months ended September 30, 2011, and the year ended December 31, 2010, gives effect to the acquisition as if it had occurred on January 1, 2010. The unaudited pro forma condensed combined consolidated balance sheet information as of September 30, 2011 gives effect to the acquisition as if it had occurred on September 30, 2011.

We present the unaudited pro forma condensed combined consolidated financial statements for illustrative purposes only, and they are not necessarily indicative of the results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of the combined company. Future results may vary significantly from the results reflected because of various factors, including those discussed in this document under the heading Risk Factors beginning on page 17. You should read the following selected unaudited pro forma condensed combined consolidated financial information in conjunction with the section of this prospectus/offer to exchange entitled Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes included in this document beginning on page 87.

	<b>Nine Months Ended September 30, 2011 (in thousands, except per share data)</b>	<b>Year Ended December 31, 2010</b>
<b>Pro Forma Condensed Combined Consolidated Statements of Earnings Information:</b>		
Net Sales	\$ 3,021,499	\$ 3,952,729
Earnings (Loss) from Continuing Operations	\$ 896	\$ (27,899)
Net Loss from Continuing Operations Attributable to Common Shareholders	\$ (53)	\$ (29,551)
Basic Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders <sup>(1)</sup>	\$	\$ (0.27)
Diluted Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders <sup>(1)</sup>	\$	\$ (0.27)
Ratio of Earnings to Fixed Charges <sup>(2)</sup>	\$	\$
		<b>As of September 30, 2011 (in thousands)</b>
<b>Pro Forma Condensed Combined Consolidated Balance Sheet Information:</b>		
Cash and Cash Equivalents		\$ 209,300
Total Assets		\$ 12,339,571
Long-Term Debt <sup>(3)</sup>		\$ 3,699,907
Total Liabilities		\$ 6,156,911
Total Equity		\$ 6,182,660

(1) Assuming exchange ratio of 0.50

(2) Vulcan does not present in its public filings a ratio of earnings to fixed charges for the years ended December 31, 2009 and December 31, 2010 and for the nine months ended September 30, 2011.

(3) Includes long-term debt due within one year

**Table of Contents****COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE FINANCIAL DATA**

The following tables present: (1) historical per share information for Martin Marietta; (2) pro forma per share information of the combined company after giving effect to the acquisition; and (3) historical and equivalent pro forma per share information for Vulcan.

We derived the combined company pro forma per share information primarily by combining information from the historical consolidated financial statements of Martin Marietta and Vulcan. You should read these tables together with the historical consolidated financial statements of Martin Marietta and Vulcan that are filed with the SEC and incorporated by reference into this document. You should not rely on the pro forma per share information as being necessarily indicative of actual results had the acquisition occurred on January 1, 2010 (for statement of earnings purposes) or September 30, 2011 (for book value per share data purposes).

	<b>For the nine months ended September 30, 2011</b>		
	<b>Martin Marietta Historical</b>	<b>Vulcan Historical</b>	<b>Pro Forma Combined</b>
Basic Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders	\$ 1.47	\$ (0.38)	\$
Diluted Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders	\$ 1.46	\$ (0.38)	\$
Cash Dividends Declared Per Share	\$ 1.20	\$ 0.75	\$ 1.20 <sup>(1)</sup>
Book Value Per Common Share	\$ 31.65	\$ 29.99	\$ 55.55 <sup>(2)</sup>
	<b>For the year ended December 31, 2010</b>		
	<b>Martin Marietta Historical</b>	<b>Vulcan Historical</b>	<b>Pro Forma Combined</b>
Basic Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders	\$ 2.11	\$ (0.80)	\$ (0.27)
Diluted Earnings (Loss) Per Share From Continuing Operations Attributable to Common Shareholders	\$ 2.10	\$ (0.80)	\$ (0.27)
Cash Dividends Declared Per Share	\$ 1.60	\$ 1.00	\$ 1.60 <sup>(1)</sup>
Book Value Per Common Share	\$ 31.27	\$ 30.84	

(1) Assumes the dividend rate for the combined companies is equal to Martin Marietta's historical dividend rate

(2) Assuming exchange ratio of 0.50

**Table of Contents****COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION**

Shares of Martin Marietta common stock are listed on the NYSE under the symbol MLM, and shares of Vulcan common stock are listed on the NYSE under the symbol VMC.

The following table sets forth the high and low closing sales prices per share of Martin Marietta and Vulcan common stock for the periods indicated, in each case as reported on the consolidated tape of the NYSE, as well as cash dividends per share of common stock, as reported in Martin Marietta's and Vulcan's respective Annual Reports on Form 10-K for the year ended December 31, 2010 with respect to the years 2009 and 2010, and thereafter as reported in publicly available sources.

	Martin Marietta Common Stock Market Price			Vulcan Common Stock Market Price		
	High	Low	Dividend	High	Low	Dividend
<b>2009</b>						
First Quarter	\$ 105.49	\$ 67.25	\$ 0.40	\$ 71.26	\$ 34.30	\$ 0.49
Second Quarter	96.70	75.72	0.40	53.94	39.65	0.49
Third Quarter	103.44	73.78	0.40	62.00	39.14	0.25
Fourth Quarter	96.87	77.36	0.40	54.37	44.70	0.25
<b>2010</b>						
First Quarter	\$ 93.43	\$ 74.00	\$ 0.40	\$ 54.36	\$ 41.80	\$ 0.25
Second Quarter	100.33	83.53	0.40	59.90	43.60	0.25
Third Quarter	88.89	71.50	0.40	48.04	35.61	0.25
Fourth Quarter	95.00	76.94	0.40	48.26	35.40	0.25
<b>2011</b>						
First Quarter	\$ 93.00	\$ 81.62	\$ 0.40	\$ 46.98	\$ 40.37	\$ 0.25
Second Quarter	92.06	79.07	0.40	46.28	36.97	0.25
Third Quarter	81.37	61.89	0.40	39.72	31.90	0.25
Fourth Quarter (through December 9)	78.26	61.62	0.40	34.63	26.19	0.01

The following table sets forth the closing prices of Martin Marietta and Vulcan as reported on Friday, December 9, 2011, the last trading day prior to the printing of this prospectus/offer to exchange. The table also shows the implied value of one share of Vulcan common stock, which was calculated by multiplying the closing price for one share of Martin Marietta common stock by the exchange ratio of 0.50.

	Martin Marietta Common Stock Closing Price	Vulcan Common Stock Closing Price	Implied Value of Vulcan Common Stock
December 9, 2011	\$ 73.37	\$ 33.55	\$ 36.69

The offer represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 (the last trading day before the printing of this prospectus/offer to exchange) and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

**The value of the offer will change as the market prices of Martin Marietta common stock and Vulcan common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Martin Marietta common stock. You are encouraged to obtain current market quotations for Martin Marietta and Vulcan common stock prior to making any decision with respect to the offer.**

Please also see the section of this prospectus/offer to exchange entitled "The Exchange Offer Effect of the Offer on the Market for Shares of Vulcan Common Stock; NYSE Listing; Registration Under the Exchange Act; Margin Regulations" for a discussion of the possibility that Vulcan's shares will cease to be listed on the NYSE.



**Table of Contents****NON-GAAP FINANCIAL MEASURES**

The ratios of the combined company's pro forma debt-to-adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, as adjusted as further described below) and Vulcan's pro forma debt-to-adjusted EBITDA for the twelve months ended September 30, 2011 are non-GAAP financial measures. These ratios are presented in this prospectus/offer to exchange, as Martin Marietta's management believes these ratios represent measures of an entity's ability to service indebtedness. Adjusted EBITDA excludes income and expenses that are not considered recurring or representative of the ongoing operations of the business. The information related to Vulcan and the adjustments to Vulcan's EBITDA are contained in the historical consolidated financial statements of Vulcan that are filed with the SEC. The following reconciles net earnings (loss) to adjusted EBITDA and presents the calculation of pro forma debt-to-adjusted EBITDA for the pro forma combined company and for Vulcan on a stand-alone basis for the twelve months ended September 30, 2011:

(dollars in millions)	<b>Martin Marietta</b>	<b>Vulcan</b>	<b>Pro Forma Combined</b>
Net Earnings (Loss) Attributable to Entity	\$ 82.3	\$ (89.9)	\$ (7.6)
Add back:			
Interest Expense	62.2	210.0	272.2
Income Tax Expense (Benefit) for Controlling Interests	22.9	(72.6)	(49.7)
Depreciation, Depletion and Amortization Expense <sup>(1)</sup>	173.7	366.6	540.3
<b>EBITDA</b>	<b>341.1</b>	<b>414.1</b>	<b>755.2</b>
Adjusted for:			
Charge for early-retirement benefit	2.8		2.8
Gains on sales of assets	(4.1)	(53.9)	(58.0)
Recovery for legal settlement		(46.4)	(46.4)
Legal expense		3.0	3.0
Transaction costs	4.1		4.1
Settlement expense for pension plan	2.8		2.8
Accretion expense for asset retirement obligations		(8.3)	(8.3)
Other nonoperating (income) expense	2.2	1.1	3.3
Pretax gain on discontinued operations	(0.4)	(9.1)	(9.5)
Income attributable to noncontrolling interests	1.4		1.4
<b>Adjusted EBITDA</b>	<b>\$ 349.9</b>	<b>\$ 300.5</b>	<b>\$ 650.4</b>
<b>Book Value of Debt of Combined Companies at September 30, 2011</b>			<b>\$ 3,866.9</b>
Combined Companies' Pro Forma Debt-to-Adjusted EBITDA			5.9 times
<b>Book Value of Debt at September 30, 2011</b>		<b>\$ 2,821.4</b>	
Vulcan's Debt-to-Adjusted EBITDA			9.4 times

(1) Vulcan data includes accretion expense related to its asset retirement obligations.



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**RISK FACTORS**

In addition to the other information included and incorporated by reference in this prospectus/offer to exchange (please see the section entitled "Where You Can Find More Information"), including the matters addressed in the section entitled "Forward-Looking Statements," you should carefully consider the following risks before deciding whether to tender your shares of Vulcan common stock in the offer.

**Risk Factors Relating to the Offer and the Second-Step Merger**

*The exchange ratio of the offer is fixed and will not be adjusted. Because the market price of shares of Martin Marietta common stock may fluctuate, Vulcan shareholders cannot be sure of the market value of the shares of Martin Marietta common stock that will be issued in connection with the offer*

Each outstanding share of Vulcan common stock will be exchanged for the right to receive 0.50 shares of Martin Marietta common stock (together with the associated preferred stock purchase rights) upon consummation of the offer. This exchange ratio is fixed and will not be adjusted in case of any increases or decreases in the price of Martin Marietta common stock or Vulcan common stock. If the price of Martin Marietta common stock declines (which may occur as the result of a number of reasons (many of which are out of our control), including as a result of the risks described in this section entitled "Risk Factors"), Vulcan shareholders will receive less value for their shares upon exchange of tendered shares in the offer or consummation of the second-step merger than the value calculated pursuant to the exchange ratio on the date the offer was announced. Because the offer and the second-step merger may not be completed until certain conditions have been satisfied or waived (please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Conditions of the Offer"), a significant period of time may pass between the commencement of the offer and the time that Martin Marietta accepts shares of Vulcan common stock for exchange. Therefore, at the time you tender your shares pursuant to the offer, you will not know the exact market value of the shares of Martin Marietta common stock that will be issued if Martin Marietta accepts such shares for exchange. However, tendered shares of Vulcan common stock may be withdrawn at any time prior to the time they are accepted for exchange pursuant to the offer. Please see the section entitled "Comparative Market Price and Dividend Information" for the historical high and low sales prices per share of Martin Marietta and Vulcan common stock, as well as cash dividends per share of Martin Marietta and Vulcan common stock respectively.

Vulcan shareholders are urged to obtain current market quotations for Martin Marietta and Vulcan common stock when they consider whether to tender their shares of Vulcan common stock pursuant to the offer.

*The offer may adversely affect the liquidity and value of non-tendered shares of Vulcan common stock*

In the event that not all of the shares of Vulcan common stock are tendered in the offer and we accept for exchange those shares tendered in the offer, the number of shareholders and the number of shares of Vulcan common stock held by individual holders will be greatly reduced. As a result, Martin Marietta's acceptance of shares for exchange in the offer could adversely affect the liquidity and could also adversely affect the market value of the remaining shares of Vulcan common stock held by the public. Subject to the rules of the NYSE, Martin Marietta may also seek to cause Vulcan to delist the shares of Vulcan common stock on the NYSE. As a result of such delisting, shares of Vulcan common stock not tendered pursuant to the offer may become illiquid and may be of reduced value. Please see the section of this prospectus/offer to exchange entitled "The Exchange Offer Plans for Vulcan."

*Martin Marietta has not negotiated the price or terms of the offer or the second-step merger with Vulcan's board of directors*

In evaluating this offer, you should be aware that Martin Marietta has not negotiated the price or terms of this offer or the second-step merger with Vulcan or its board of directors. Neither Vulcan nor its board of directors has approved this offer or the second-step merger. Vulcan, however, is required under the rules of the

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SEC to either make a recommendation, or state that it is neutral or is unable to take a position with respect to the offer, and file with the SEC a solicitation/recommendation statement on Schedule 14D-9 describing its position, if any, and certain related information, no later than 10 business days from the date this offer was first published, sent or given to holders of Vulcan common stock. Martin Marietta recommends that you review this document when it becomes available.

***In connection with the offer, Martin Marietta has only conducted a review of Vulcan's publicly available information and has not had access to Vulcan's non-public information. Therefore, Martin Marietta may be subject to unknown liabilities of Vulcan which may have a material adverse effect on Martin Marietta's profitability, financial condition and results of operations***

While Vulcan and Martin Marietta are in the same industry, to date, Martin Marietta has only conducted a due diligence review of Vulcan's publicly available information in connection with the offer. The consummation of the offer may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the termination, cancellation, acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of Vulcan that are not publicly available. As a result, after the consummation of the offer, Martin Marietta may be subject to unknown liabilities of Vulcan, which may have a material adverse effect on Martin Marietta's profitability, financial condition and results of operations.

In respect of all information relating to Vulcan presented in, incorporated by reference into or omitted from, this prospectus/offer to exchange, Martin Marietta has relied upon publicly available information, including information publicly filed by Vulcan with the SEC. Although Martin Marietta has no knowledge that would indicate that any statements contained herein regarding Vulcan's condition, including its financial or operating condition, based upon such publicly filed reports and documents are inaccurate, incomplete or untrue, Martin Marietta was not involved in the preparation of such information and statements. For example, Martin Marietta has made adjustments and assumptions in preparing the pro forma financial information presented in this prospectus/offer to exchange that have necessarily involved Martin Marietta's estimates with respect to Vulcan's financial information. Any financial, operating or other information regarding Vulcan that may be detrimental to Martin Marietta following the combination of the businesses of Martin Marietta and Vulcan that has not been publicly disclosed by Vulcan, or errors in Martin Marietta's estimates due to the lack of cooperation from Vulcan, may have an adverse effect on Martin Marietta's financial condition or the benefits Martin Marietta expects to achieve through the consummation of the offer.

***Uncertainties exist in integrating the business and operations of Martin Marietta and Vulcan***

Martin Marietta intends, to the extent possible, to integrate Vulcan's operations with those of Martin Marietta. Although Martin Marietta believes that the integration of the operations of Martin Marietta and Vulcan (and the resulting benefits and synergies) will be achievable, there can be no assurance that Martin Marietta will not encounter difficulties integrating Vulcan's operations with Martin Marietta's operations, which could result in Martin Marietta achieving less than the anticipated benefits and synergies of the combination and, therefore, less than the expected cost savings. The difficulties of combining the operations of the companies include, among other things:

possible inconsistencies in standards, controls, procedures and policies, and compensation structures between Vulcan and Martin Marietta;

the complexities of integrating the business and operations of Vulcan with those of Martin Marietta;

the retention of existing customers and attraction of new customers;

the retention of key employees, and attraction of new employees, if necessary;

the consolidation of corporate and administrative infrastructures;

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the minimization of the diversion of management's attention from ongoing business concerns; and

the possibility of tax costs or inefficiencies associated with the integration of the operations of the combined company.

Also, our proposal is not dependent upon the retention or cooperation of Vulcan's senior management. There can be no assurance that there will not be some lack of cooperation on the part of Vulcan's senior executive management and/or its other employees which could adversely affect the integration process.

***Martin Marietta must obtain governmental and regulatory consents to consummate the offer, which, if delayed, not granted or granted with unacceptable conditions, may jeopardize or delay the offer, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the combination contemplated by the offer***

The offer is conditioned on the receipt of all necessary or advisable (at Martin Marietta's sole discretion) governmental and regulatory authorizations, consents, orders and approvals or the termination of any necessary or advisable (at Martin Marietta's sole discretion) waiting periods, including the expiration or termination of the applicable waiting periods under the HSR Act. If Martin Marietta does not receive these approvals, or does not receive them on terms that satisfy the conditions set forth in this prospectus/offer to exchange, then Martin Marietta will not be obligated to accept shares of Vulcan common stock for exchange in the offer.

The governmental agencies from which Martin Marietta will seek these approvals, or which may otherwise review the transaction, including, in particular, the FTC and the United States Department of Justice, have broad discretion in administering the governing regulations. As a condition to their approval of the transactions contemplated by this prospectus/offer to exchange, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the offer or may reduce the anticipated benefits of the combination contemplated by the offer. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to the offer will be satisfied, and, if all required consents and approvals are obtained and the conditions to the consummation of the offer are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals. If Martin Marietta agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any approvals required to consummate the offer, these requirements, limitations, additional costs or restrictions could adversely affect the two companies' ability to integrate their operations or reduce the anticipated benefits of the combination contemplated by the offer. This could result in a failure to complete the offer and the second-step merger or have a material adverse effect on the business and results of operations of the combined company. Please see the section entitled "The Exchange Offer - Conditions of the Offer" for a discussion of the conditions to the offer and the section entitled "The Exchange Offer - Certain Legal Matters; Regulatory Approvals" for a description of the regulatory approvals necessary in connection with the offer and the second-step merger.

Although there is some overlap in some regions served by Martin Marietta and Vulcan, we believe that such overlap is limited and that there would be numerous parties interested in purchasing any assets required to be divested. Martin Marietta expects that any asset divestitures that may be required in connection with a business combination of Vulcan and Martin Marietta would not present significant hurdles to completion of a transaction.

***Upon your receipt of shares of Martin Marietta common stock in the offer, you will become a shareholder in Martin Marietta, a North Carolina corporation, which may change certain shareholder rights and privileges you hold as a shareholder of Vulcan, a New Jersey corporation***

Martin Marietta is a North Carolina corporation and is governed by the laws of the State of North Carolina and by its certificate of incorporation and bylaws. North Carolina corporation law extends to shareholders certain rights and privileges that may not exist under New Jersey law and, conversely, does not extend certain rights and

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privileges that you may have as a shareholder of Vulcan, which is governed by New Jersey law and its charter and by-laws. For a detailed discussion of the rights of Martin Marietta shareholders versus the rights of Vulcan shareholders, please see the section entitled "Comparison of Shareholders' Rights."

### ***The market for Martin Marietta common stock may be adversely affected by the issuance of shares pursuant to the offer and the second-step merger***

In connection with the completion of the offer and the second-step merger, and as described in the section of this prospectus/offer to exchange entitled "The Exchange Offer: Ownership of Martin Marietta After the Offer," Martin Marietta estimates it will issue approximately 64,905,000 shares of Martin Marietta common stock. The increase in the number of shares of Martin Marietta common stock may lead to sales of such stock or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Martin Marietta common stock.

### ***Following consummation of the transactions contemplated by the offer, the credit rating of Vulcan's indebtedness could be downgraded, which in certain circumstances could give rise to an obligation to redeem Vulcan's existing indebtedness***

Vulcan had approximately \$2.8 billion aggregate principal amount of outstanding senior unsecured notes as of September 30, 2011. Martin Marietta does not presently intend to redeem or refinance any of Vulcan's senior unsecured notes in connection with the transactions contemplated by the offer.

Completion of the offer may constitute a "change of control" under the terms of each series of Vulcan's senior unsecured notes. If completion of the offer constitutes a change of control and if there is a downgrade of the credit rating of any series of Vulcan's senior unsecured notes by both S&P and Moody's to a rating that, in the case of S&P, is below BBB- and, in the case of Moody's Investors Service, Inc., is below Baa3 (in each case, regardless of the credit rating prior to the downgrade), during the period commencing 60 days prior to the first public announcement by Vulcan of any change of control (or pending change of control) continuing until 60 days following consummation of such change of control (which period will be extended following consummation of a change of control for up to an additional 60 days for so long as either of these rating agencies has publicly announced that it is considering a possible ratings change), this would constitute a "change of control repurchase event" under the terms of the applicable notes. In the event of a change of control repurchase event with respect to any series of Vulcan's senior unsecured notes, Vulcan would be required to offer to repurchase each holder's notes of such series at a purchase price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest.

We may elect to implement alternative structures pursuant to the merger agreement to effect the proposed transaction taking into account, among other things, any implications of the proposed transaction under Vulcan's senior unsecured notes. However, while certain transaction structures may not constitute a change of control of Vulcan's senior unsecured notes, it is possible that alternative structures may have other implications with respect to Vulcan, Martin Marietta and/or the combined company, including in certain circumstances potentially requiring an offer to repurchase certain of Martin Marietta's existing debt.

Martin Marietta may not be able to obtain sufficient capital to repurchase or refinance Vulcan's outstanding senior unsecured notes in these circumstances. Failure to repurchase the notes as required would result in an event of default under the terms of the notes, which could put Vulcan in default under agreements governing its other indebtedness, including the acceleration of the payment of any borrowings thereunder, and may have an adverse effect on the value of the stock of Vulcan and, indirectly, on the value of the stock of Martin Marietta. Since August 2010, the credit rating of Vulcan's senior unsecured notes has been downgraded three times by Moody's and two times by S&P, and both Moody's and S&P currently have a "negative" credit outlook for Vulcan.

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In connection with the consummation of the proposed transaction, Martin Marietta expects to replace its existing \$600 million credit agreement dated March 31, 2011 and its existing \$100 million accounts receivable facility dated April 21, 2009, and refinance any amounts outstanding under such credit facilities. As of September 30, 2011, approximately \$370 million was outstanding under the credit facilities. No assurance can be given as to the terms or availability of refinancing capital.

***The combination of the businesses of Martin Marietta and Vulcan may result in one or more ratings organizations taking actions which may adversely affect the combined companies' business, financial condition and operating results, as well as the market price of Martin Marietta common shares***

Ratings with respect to financial strength are important factors in maintaining customer confidence in Martin Marietta and its ability to market its products and compete with other construction materials companies. Rating organizations regularly analyze the financial performance and condition of companies and will likely reevaluate the ratings of Martin Marietta following the consummation of the second-step merger, if applicable. Although S&P or Moody's may not take any formal action with respect to modifying Martin Marietta's ratings or Vulcan's ratings following the announcement of the exchange offer or second-step merger, following the closing of the exchange offer, any ratings downgrades, or the potential for ratings downgrades, of Martin Marietta could adversely affect Martin Marietta's ability to market and distribute products and services and successfully compete in the marketplace, which could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of shares of Martin Marietta common stock after the combination of the businesses of Martin Marietta and Vulcan.

Additionally, if a ratings downgrade were to occur in connection with the offer or the second-step merger, or Martin Marietta fails to maintain an investment grade rating, Martin Marietta could experience higher borrowing costs in the future and more restrictive covenants which would reduce profitability and diminish operational flexibility.

***Future results of the combined company may differ materially from the Selected Unaudited Pro Forma Combined Consolidated Financial Information of Martin Marietta and Vulcan presented in this prospectus/offer to exchange***

The future results of Martin Marietta following the consummation of the exchange offer may be materially different from those shown in the Selected Unaudited Pro Forma Combined Consolidated Financial Information presented in this prospectus/offer to exchange, which show only a combination of Martin Marietta's and Vulcan's historical results after giving effect to the exchange offer. Martin Marietta has estimated that it will record approximately \$65 million in transaction expenses (excluding any amounts in respect of fractional shares in the offer and the second-step merger, which we expect will be a de minimis amount, and any litigation or refinancing expenses), as described in the notes to the Selected Unaudited Condensed Consolidated Pro Forma Financial Information included in this prospectus/offer to exchange. In addition, the final amount of any charges relating to acquisition accounting adjustments that Martin Marietta may be required to record will not be known until following the consummation of exchange offer and second-step merger. These and other expenses and charges may be higher or lower than estimated.

***The offer and second-step merger will trigger certain provisions contained in Martin Marietta's employee benefit plans or agreements that will require Martin Marietta to make change of control payments or permit a counter-party to an agreement with Martin Marietta to terminate that agreement. In addition, the offer and second-step merger could trigger certain provisions contained in Vulcan's employee benefit plans or agreements that could require Vulcan to make change in control payments or permit a counter-party to an agreement with Vulcan to terminate that agreement***

For a description of the change of control provisions that will be triggered in Martin Marietta's benefit plans and agreements with respect to Martin Marietta's executive officers and directors in connection with the

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transaction, please see the section of this prospectus/offer to exchange entitled "The Exchange Offer - Certain Relationships with Vulcan and Interests of Martin Marietta and Martin Marietta's Executive Officers and Directors in the Offer."

Certain of Vulcan's employee benefit plans or agreements contain change in control clauses providing for compensation to be granted to certain members of Vulcan senior management either upon a change in control, or if following a change in control, Vulcan terminates the employment relationship between Vulcan and these employees, or if these employees terminate the employment relationship for good reason (as defined in the applicable plan or agreement). If successful, the offer and the second-step merger could constitute a change in control of Vulcan, thereby giving rise to potential change in control payments. Because Martin Marietta has not had the opportunity to review Vulcan's non-public information in connection with the offer, there may be other agreements that require payments or permit a counter-party to terminate an agreement because the offer or the second-step merger would cause a default or violate an anti-assignment, change in control or similar clause. If this happens, Martin Marietta may have to seek to replace that agreement with a new agreement. Martin Marietta cannot assure you that it will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to Vulcan's business, failure to replace that agreement on similar terms or at all may increase the costs to Martin Marietta of operating Vulcan's business or prevent Martin Marietta from operating part or all of Vulcan's business.

### ***The combined companies' aggregates business is dependent on funding from a combination of federal, state and local sources***

Martin Marietta's aggregates products are used in public infrastructure projects, which include the construction, maintenance, and improvement of highways, bridges, schools, prisons, and similar projects. Accordingly, Martin Marietta's business is dependent on the level of federal, state, and local spending on these projects. Martin Marietta cannot be assured of the existence, amount, and timing of appropriations for spending on future projects.

Annual highway funding for public-sector construction projects is typically provided by a multi-year federal highway bill. The most recent federal highway bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), approved in 2005 provided funding of \$286.4 billion for highway, transit, and highway safety programs through September 30, 2009. While a multi-year successor federal highway bill has not been approved, Congress has extended the provisions of the 2005 law under continuing resolutions through March 31, 2012. Given the record level of national debt and the resulting pressure on all government spending, Martin Marietta cannot be assured that Congress will pass a multi-year successor federal highway bill or will continue to extend the provisions of the most recent law at the same levels. In fact, Martin Marietta expects the federal highway program to operate under continuing resolution until after the 2012 Presidential elections.

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 three years. Presently, the Congressional Budget Office 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 sometime during 2012. Martin Marietta cannot be assured of the existence, timing or amount of federal highway funding levels in the future.

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At the state level, each state funds 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 spending on state infrastructure projects, even below amounts awarded under legislative bills. Delays in state infrastructure spending can hurt our business. Historically, states have been reluctant to commit to long-term projects while under continuing resolutions.

### ***The combined company's business could be affected by exposure to residential construction markets and unfavorable macroeconomic and business conditions***

Unfavorable macroeconomic and business conditions could adversely affect our business. In particular, Vulcan's sales and volumes in Florida and California have been negatively impacted by foreclosures and a decline in residential construction. Vulcan's sales volumes and earnings could continue to be depressed and negatively impacted by this segment of the market until there is a recovery in residential construction.

### **Risk Factors Relating to Martin Marietta's Business**

You should read and consider risk factors specific to Martin Marietta's businesses that will also affect the combined company after the merger, described in Part I, Item 1A of Martin Marietta's annual report on Form 10-K for the year ended December 31, 2010 which has been filed by Martin Marietta with the SEC and all of which are incorporated by reference into this document.

### **Risk Factors Relating to Vulcan's Business**

You should read and consider risk factors specific to Vulcan's businesses that Martin Marietta believes would be applicable to the combined company after the merger, described in Part I, Item 1A of Vulcan's annual report on Form 10-K for the year ended December 31, 2010, and Part II, Item 1A of Vulcan's quarterly report on Form 10-Q for the quarter ended September 30, 2011, each of which has been filed by Vulcan with the SEC and all of which are incorporated by reference into this document. In connection with the offer, Martin Marietta has not had the opportunity to conduct comprehensive due diligence on Vulcan and to evaluate fully the extent to which these risk factors will affect the combined company.

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**THE COMPANIES**

**Martin Marietta**

Martin Marietta is a leading producer of aggregates (crushed stone, sand and gravel) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural and chemical grade stone used in environmental applications. Martin Marietta conducts its operations through four reportable business segments: Mideast Group, Southeast Group, West Group (collectively, the Aggregates business) and Specialty Products. Martin Marietta's annual net sales and earnings are predominately derived from our Aggregates business, which processes and sells granite, limestone, and other aggregates products from a network of 315 quarries, distribution facilities and plants to customers in 31 states, Canada, the Bahamas and the Caribbean Islands. The Aggregates business products are used primarily by commercial customers principally in domestic construction of highways and other infrastructure projects and for nonresidential and residential building development. Aggregates products are also used in the railroad, environmental, utility and agricultural industries. The Specialty Products segment produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

Martin Marietta is a North Carolina corporation with principal executive offices at 2710 Wycliff Road, Raleigh, North Carolina 27607. The telephone number of Martin Marietta's executive offices is (919) 781-4550, and our Internet website address is [www.martinmarietta.com](http://www.martinmarietta.com).

**Vulcan**

Vulcan is the United States largest producer of construction aggregates and a leader in the production of other construction materials. Vulcan's construction materials business produces and sells aggregates that are used in nearly all forms of construction. Vulcan has four reporting segments organized around its principal product lines: aggregates, concrete, asphalt mix and cement.

Vulcan is a New Jersey corporation with principal executive offices at 1200 Urban Center Drive, Birmingham, Alabama 35242. The telephone number of Vulcan's executive offices is (205) 298-3000, and Vulcan's Internet website address is [www.vulcanmaterials.com](http://www.vulcanmaterials.com).



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**BACKGROUND AND REASONS FOR THE OFFER**

**Background of the Offer**

In considering whether to make an offer to enter into a business combination with Vulcan, the Martin Marietta board of directors believed, based on the prior discussions between the parties, that further efforts would not likely lead to a definitive agreement within a reasonable period of time. For this reason, as well as our belief in the significant value enhancement potential of the combination for Vulcan and Martin Marietta shareholders, on December 12, 2011, Martin Marietta commenced the exchange offer by filing the registration statement of which this prospectus/offer to exchange is a part with the SEC, delivering a request to Vulcan pursuant to Rule 14d-5 of the Exchange Act and issuing a press release regarding the commencement of the exchange offer.

During the late 1990 s and through the early 2000 s, the aggregates industry experienced significant consolidation. Martin Marietta actively participated in this industry consolidation, acquiring more than 60 small to mid-size businesses from 1995 through 2005. Since that time, Martin Marietta management has focused on returning value to shareholders through stock repurchases and dividends, investing in upgrades and expansions to its plants and properties and divesting under-performing assets. The actions and decisions taken by management have enabled Martin Marietta to control production costs and selling, general and administrative expenses, and achieve solid and profitable financial performance during the recessionary economy that has impacted the construction aggregates industry since 2008. Martin Marietta s board of directors and management regularly review business strategy and growth opportunities, and from time to time have received advice from outside financial and legal advisors in connection with its reviews.

On several occasions beginning in 2002, senior executives of Martin Marietta and Vulcan have discussed a possible business combination transaction involving the two companies. In August 2002, at the request of Donald M. James, Vulcan s chairman and chief executive officer, Stephen P. Zelnak, Jr., then chairman, president and chief executive officer of Martin Marietta, met with Mr. James at Martin Marietta s headquarters in Raleigh, North Carolina, and discussed the benefits of a potential combination of Martin Marietta and Vulcan. The discussion did not progress beyond initial conversations.

In early 2005, Mr. James called Mr. Zelnak and proposed a combination of Martin Marietta and Vulcan, in which Vulcan would exchange stock and cash for Martin Marietta stock. Mr. James again reiterated that the combination rationale for the two companies would be strong and would present meaningful synergies and value for both sets of shareholders. Mr. Zelnak and Mr. James met in Charlotte, North Carolina to discuss the potential terms and structure of a business combination transaction, as well as governance and employment issues related to the combined company. Although Mr. Zelnak and Mr. James agreed that a business combination would result in benefits to both companies and their shareholders, the discussions did not progress beyond initial conversations.

In August 2006, Martin Marietta hired C. Howard Nye as president and chief operating officer. Shortly after he assumed his new position, Mr. James saw Mr. Nye at an industry trade association meeting, and suggested that a combination of Martin Marietta and Vulcan would have substantial benefits and should be discussed by them in the future. In the intervening period, Martin Marietta continued to consider potential opportunities relating to Vulcan, although during such time there were no discussions or other contacts with Vulcan regarding such potential opportunities. In September 2009, Mr. Nye received a call from Mr. James, who suggested to Mr. Nye that they discuss a possible combination of Martin Marietta and Vulcan. In response, Mr. Nye indicated that he would be interested in discussing with Mr. James a potential stock-for-stock merger of the companies. The discussion did not progress beyond initial conversations.

In early 2010, Mr. Nye was elected chief executive officer of Martin Marietta. At the time, Martin Marietta and the construction materials industry globally were experiencing recessionary economic conditions, and the company s sales volumes had decreased by approximately 40% since peak volumes in 2006. Mr. Nye implemented cost-cutting measures and took steps to strengthen Martin Marietta s balance sheet which allowed

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Martin Marietta to maintain its investment grade debt rating and its dividend levels. In addition, Mr. Nye initiated a strategic review of Martin Marietta's operations and potential growth opportunities. In connection with this review, Martin Marietta's senior management had discussions with several outside advisory firms (including Deutsche Bank Securities Inc., or Deutsche Bank, and J.P. Morgan Securities LLC, or J.P. Morgan) regarding strategic opportunities for long-term growth and began to assess a strategic business combination with Vulcan as a means to enhance Martin Marietta shareholder value.

On April 22, 2010, Mr. Nye and Mr. James met while attending an industry trade association meeting. Mr. James suggested to Mr. Nye that they discuss a possible combination of Martin Marietta and Vulcan. In response, Mr. Nye indicated that he would be interested in discussing with Mr. James a potential stock-for-stock merger of the companies. They discussed their preliminary views on potential overlaps in the businesses, the expected level of cost synergies, the structure of the transaction as a stock-for-stock merger, the importance of a short timeline for completing a transaction, the location of headquarters for the combined company and continuing roles for the chief executive officers of both companies. Mr. Nye and Mr. James agreed that the parties should continue their discussions and agreed to meet again to discuss a potential business combination in more detail, including the structure of a possible transaction, impediments to the combination of the companies and potential synergies that could result from a combination. Mr. James and Mr. Nye agreed to schedule a subsequent meeting to discuss the possibility of a combination of the two companies, and had several telephone conversations in late April 2010 in which they discussed the substantial value creation that a combination would present to both sets of shareholders. In connection with these discussions, the parties entered into a confidentiality agreement on May 3, 2010, which did not contain a standstill provision.

On May 5, 2010, Mr. James and Mr. Nye spoke by telephone, and agreed to schedule a meeting between their respective general counsels, chief financial officers and external legal advisors to discuss the structure of a business combination, possible divestitures that could be required by antitrust regulators, the potential synergies to be realized from a combination and tax matters. Mr. James and Mr. Nye agreed to speak again the following week, and agreed that they would discuss social issues at that time.

On May 11, 2010, Mr. Nye and Mr. James spoke further by telephone about a possible business combination transaction. Mr. James suggested that the transaction be structured as a merger of equals without a premium to shareholders of Martin Marietta or Vulcan. Mr. Nye told Mr. James that the exchange ratio in any transaction should reflect the relative contributions of the two companies and the corporate governance of the combined company going forward. They also discussed the roles of each of Mr. James and Mr. Nye in the combined company, and corporate governance of the combined company, in general. Mr. James and Mr. Nye discussed blending the boards of directors of the two companies to create the board of directors of the combined company, and filling senior management positions with the best candidates from each of Martin Marietta and Vulcan. They also discussed possible names of the combined company. Mr. James and Mr. Nye then discussed potential synergies, and Mr. Nye expressed his view that, based on the cost savings measures he had implemented at Martin Marietta, he believed that as chief executive officer of the combined company, he could extract similar cost synergies at the combined company. Mr. Nye also presented to Mr. James his view of an operating structure for the combined company. Mr. James indicated that he would consider Mr. Nye's views as to potential synergies and how to most effectively realize synergies in a business combination. Mr. James suggested a structure in which assets required to be divested to satisfy regulatory requirements would be put into a separate company and spun off to shareholders in a tax-free transaction, and noted that management that did not remain with the combined company could have continuing roles with the new entity. Mr. Nye and Mr. James agreed to update their respective boards of directors and continue their discussions if appropriate.

On May 17, 2010, Mr. Nye and Mr. James spoke by telephone, and each indicated that he had been instructed by his board of directors to continue discussions in order to determine whether a transaction in the best interests of shareholders of both companies was achievable. Mr. Nye and Mr. James agreed to meet again after their legal and financial teams had met. Mr. James also requested that Mr. Nye send him a proposal for the organizational structure of the combined company in advance of the meeting of the financial teams.

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On May 19, 2010, Roselyn Bar, general counsel of Martin Marietta, Robert Wason, general counsel of Vulcan, and representatives of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Martin Marietta, McDermott Will & Emery LLP, antitrust counsel to Martin Marietta, and Wachtell, Lipton, Rosen & Katz, counsel to Vulcan, met in New York City and discussed possible transaction structures, potential impediments to a business combination transaction, tax matters and potential business overlaps that could require divestitures. The legal teams did not identify any significant impediments to a business combination transaction, and agreed to report their conclusions to their respective chief executive officers.

On May 21, 2010, as requested by Mr. James, Mr. Nye sent Mr. James a proposed organizational structure to support Martin Marietta's view of achievable cost synergies for the combined company. Mr. Nye and Mr. James spoke by telephone later that day, and agreed the organizational structure proposed by Mr. Nye was a viable framework for the financial teams to discuss potential cost synergies resulting from a business combination. Mr. Nye instructed the Martin Marietta financial team to continue working on an analysis of potential cost synergies within the framework of the organizational structure proposed by Mr. Nye to Mr. James.

On May 25, 2010, Anne Lloyd, the chief financial officer of Martin Marietta and Dana Guzzo, then the controller and chief accounting officer of Martin Marietta, met with Dan Sansone, the chief financial officer of Vulcan and Ejaz Khan, the controller, chief accounting officer and chief information officer of Vulcan in Atlanta and discussed potential synergies resulting from, and transaction costs associated with, a business combination. Ms. Lloyd indicated that a reconciliation of the tax bases of the two companies would be required to determine the tax leakage that could result from a business combination, and to develop a strategy for selling or spinning-off assets that would be divested to satisfy regulatory requirements. Ms. Lloyd presented Martin Marietta's work with regard to synergies, including an organizational chart and potential cost synergies relating to the elimination of overhead and duplicative services. Mr. Sansone indicated that he was not prepared or authorized to discuss synergies at that time, but that he would review any information that Martin Marietta provided. The financial teams of the two companies agreed that Martin Marietta would provide to Vulcan further information and data to support its estimates of synergies.

On June 16, 2010, Mr. Nye and Mr. James met in New York City. At the meeting, Mr. Nye and Mr. James discussed the location of the headquarters of the combined company and several possible names for the combined company, and were in substantial agreement with respect to those matters. Mr. James and Mr. Nye also discussed potential synergies resulting from a business combination. Mr. James indicated that he believed a combination of the two companies would result in approximately \$100 million in synergies, and that he did not believe that the combination would result in synergies at the \$175 million to \$200 million levels that Mr. Nye believed were achievable. Mr. James requested that Mr. Nye give further consideration to an appropriate exchange ratio for a stock-for-stock merger of the two companies. Mr. James also stated Vulcan's position that Mr. James be chief executive officer of the combined company for a period of three years, followed by an additional period of three years in which he would serve as executive chairman of the board of directors. Mr. Nye responded that the Martin Marietta board of directors had confidence in its current management team and had recently transitioned management responsibilities to Mr. Nye after the retirement of Mr. Zelnak pursuant to a succession plan, noting that Martin Marietta's board of directors believed that there was inadequate succession planning at Vulcan. Mr. Nye informed Mr. James that the Martin Marietta board of directors would not agree to a transaction pursuant to which Mr. James would manage the combined assets for six years, and that Mr. Nye's appointment as the chief executive officer of the combined company was an important term of any transaction to be considered by the Martin Marietta board.

On August 24, 2010, Mr. Nye and Mr. James spoke by telephone. They both agreed that the financial management teams of each of the companies should continue discussions in an effort to reach agreement on the level of synergies that could be achieved in a combination.

Between August 2010 and September 2010, Martin Marietta's financial management team continued to provide information to Vulcan's financial management team on cost savings and synergies that Martin Marietta

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believed could be achieved in a business combination. Ms. Lloyd and Ms. Guzzo of Martin Marietta and Mr. Sansone and Mr. Khan of Vulcan met in October 2010, and again discussed potential synergies in a business combination, however, Vulcan continued to disagree with the level of cost synergies Martin Marietta believed could be achieved by the combined company.

On October 1, 2010, Mr. Nye and Mr. James spoke by telephone and scheduled a meeting in San Diego for October 3, 2010. At that meeting, Mr. Nye indicated that he thought the financial management teams had made progress in estimating synergies, however, Mr. James disagreed with Mr. Nye's conclusion. Mr. James requested that Mr. Nye suggest dates in the future for another meeting. A meeting between Mr. Nye and Mr. James was subsequently scheduled for November 3, 2010.

On November 3, 2010, Mr. Nye and Mr. James met in Raleigh, North Carolina and discussed, among other matters, the corporate governance of the combined company, potential divestitures and estimates of synergies. Mr. James indicated that he believed that he should have the role of Executive Chairman and Mr. Nye should have the role of President, with no chief executive officer of the combined company. They also discussed the composition of the board of directors of the combined company and the location of the combined company's headquarters. Mr. James requested that Mr. Nye give further consideration to an appropriate exchange ratio for a stock-for-stock merger of the two companies. Mr. Nye suggested that there would likely be buyers for assets that the combined company would be required to divest to support regulatory requirements, to which Mr. James agreed. Mr. Nye also told Mr. James that Martin Marietta continued to believe cost synergies of \$175 million to \$200 million could be achieved for the combined company. Mr. James suggested that their teams continue to discuss potential synergies and that he and Mr. Nye should continue their discussions after the financial teams completed additional work.

In November 2010, at a meeting of the Martin Marietta board of directors, Mr. Nye updated the Martin Marietta board on the status of discussions between Mr. Nye and Mr. James, and summarized for the board the matters on which Mr. Nye and Mr. James had been unable to reach agreement, including the level of projected synergies and who would be the chief executive officer of the combined company. Mr. Nye described the projected cost synergies for the combined company developed by the Martin Marietta management team from Vulcan's publicly available information and based on the cost savings achieved at Martin Marietta under the stewardship of Mr. Nye. The board of directors reiterated their support for Mr. Nye as chief executive officer of the combined company.

On November 23, 2010, Mr. Nye and Mr. James spoke by telephone. Mr. Nye asked Mr. James if he thought Ms. Lloyd and Mr. Sansone should continue discussions regarding synergies and Mr. James responded that the financial teams should continue their discussions.

In February 2011, at a meeting of the Martin Marietta board of directors, representatives of Deutsche Bank presented several strategic alternatives to the Martin Marietta board, including a possible combination with Vulcan. The board and senior management of Martin Marietta again discussed the advantages and disadvantages of a combination with Vulcan. At this meeting, the members of the Martin Marietta board and representatives of Deutsche Bank discussed that a significant percentage of the holders of Martin Marietta's shares also own shares of Vulcan, and various reasons why the transaction should be value enhancing to shareholders of both Martin Marietta and Vulcan.

On March 8, 2011, at the initiation of Martin Marietta, Ms. Lloyd and Ms. Guzzo of Martin Marietta met with Mr. Sansone and Mr. Khan of Vulcan in Atlanta. At the meeting, the financial teams of Martin Marietta and Vulcan discussed potential cost savings from elimination of duplicative functions, production costs and selling, general and administrative expenses. Ms. Lloyd told the Vulcan representatives that Martin Marietta's preliminary estimate of projected overhead cost synergies resulting from a business combination was approximately \$170 million. Ms. Lloyd also indicated that Martin Marietta believed additional opportunities existed to achieve greater cost synergies and efficiencies over the longer term. Throughout the course of the discussions, Martin Marietta's management presented Vulcan's management with synergy estimates which

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Martin Marietta's management believed Vulcan's management would find acceptable, even though Martin Marietta's management believed that higher synergies were achievable. The Vulcan representatives stated that they were not prepared to discuss their view of production cost synergies, which Martin Marietta management believed would have resulted in more than \$70 million of additional synergies.

On March 18, 2011, Mr. James called Mr. Nye suggesting that they meet again to discuss a potential business combination. Mr. James and Mr. Nye met in New York City on April 5, 2011. Mr. James stated that he continued to believe that the combination of Vulcan and Martin Marietta would provide significant and attractive cost synergies, but Vulcan did not share Martin Marietta's views as to the level of synergies. Mr. James also told Mr. Nye that a continuing and significant presence of the combined entity in Birmingham, Alabama was important to Vulcan. In addition, Mr. James stated Vulcan's position on management and board issues, including a requirement that Mr. James' role in the combined company include reporting responsibility for senior staff functions and a requirement that the composition of the combined board of directors be proportionate with Martin Marietta and Vulcan shareholders' relative ownership in the combined company. Mr. James stated that a discussion of one time costs to be incurred in connection with a business combination would also be relevant to assessing the viability of a transaction, and suggested that the two chief executive officers speak again later in the month.

On April 25 and 26, 2011, Mr. Nye and Mr. James spoke by telephone and discussed management roles and responsibilities, and the timeline for management succession. Mr. James proposed that he manage the combined operations with direct responsibility for legal, finance, government affairs, strategic planning and Board management functions, with investor relations, human resources, business development, and operations functions reporting to Mr. Nye. Mr. James proposed that after an agreed-upon transition period, Mr. Nye would become chief executive officer of the combined company. Mr. James also proposed that a dedicated integration team be formed to remain in place for the 24-month period following closing. Mr. James reiterated his proposal that the composition of the board of directors of the combined company be proportionate to Martin Marietta and Vulcan shareholders' relative ownership in the combined company. Mr. Nye responded that in his view the board of directors should be combined, and include the existing directors of each company. Mr. Nye also noted that the Martin Marietta board of directors would be opposed to any structural impediments that would prevent the Martin Marietta management team from achieving projected synergies. In order to assure that synergies are achieved, Mr. Nye stated that the Martin Marietta board of directors would require that Mr. Nye be the chief executive officer of the combined company. Mr. Nye and Mr. James also discussed corporate governance structures designed to achieve the maximum amount of synergies in the combination. Mr. Nye and Mr. James again discussed the appropriate exchange ratio, as well as the process for effectuating any required divestitures. Mr. James reiterated his view that the combination of Martin Marietta and Vulcan would benefit both companies and their respective shareholders, allowing the assets of the two companies to be managed together in a more efficient organization than either alone, and that he and Mr. Nye should continue their discussions.

On May 26, 2011, Mr. Nye and Mr. James met in Atlanta. Mr. James told Mr. Nye that Vulcan would only be interested in a business combination with Martin Marietta at the market exchange rate without any premium to Martin Marietta, in which Mr. James would be chairman of the board of directors and chief executive officer, with a majority of senior management positions held by Vulcan personnel for a transition period. Mr. James also stated that he did not believe that the cost synergies to be achieved in a combination would be greater than \$50 million, and that he believed that potential tax leakage and the ability to divest overlap businesses were significant impediments to a transaction. Mr. Nye responded that he did not share Mr. James' views with respect to cost synergies and impediments to the transaction. Mr. Nye also told Mr. James that the terms presented by Mr. James with respect to corporate governance and the relative values of the two companies were not acceptable to Martin Marietta. Mr. Nye asked Mr. James if the position stated by Mr. James was Vulcan's final position with respect to a combination with Martin Marietta. Mr. James indicated that he would call Mr. Nye to discuss the matter further.

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In August 2011, at a meeting of the Martin Marietta board of directors, Mr. Nye updated the board on the status of discussions between Mr. Nye and Mr. James, including the last conversation between Mr. Nye and Mr. James on May 26, 2011, the positions taken by Mr. James during such discussions, and the fact that Mr. James had not called to further discuss the potential transaction as Mr. James indicated he would. Mr. Nye described the strategic benefits of a business combination transaction with Vulcan, including Martin Marietta's estimates of potential cost savings and savings resulting from a business combination transaction with Vulcan, based on publicly available information and Martin Marietta's own cost-control platform. Mr. Nye also reviewed the overlap of shareholders and their potential reaction to a business combination, the estimated value enhancement to Martin Marietta shareholders from a business combination, and the potential impact of a business combination on the balance sheet of Martin Marietta. Mr. Nye also reported on the business challenges faced by each company from the economic recession and uncertainty in long-term federal highway funding legislation. The Martin Marietta board discussed the strategic benefits of a business combination with Vulcan, and the lack of progress achieved through the discussions between Mr. Nye and Mr. James. Mr. Nye told the Martin Marietta board that, in his view, it was unlikely that Mr. James would agree to terms that would be in the best interests of Martin Marietta shareholders. The Martin Marietta board authorized senior management to explore with its legal, financial, and other professional advisors the viability of moving forward unilaterally with a proposal for a combination with Vulcan.

During the period from August 2011 through December 2011, Martin Marietta senior management worked with its legal and financial advisors in assessing and structuring a unilateral exchange offer to Vulcan shareholders. On November 9, 2011, the Martin Marietta board of directors met in Raleigh, North Carolina at a meeting attended by senior management of Martin Marietta, representatives of Deutsche Bank, Skadden, Arps, Slate, Meagher & Flom LLP, McDermott, Will & Emery LLP and Kekst & Company, communications advisors to Martin Marietta. At the meeting the Martin Marietta board discussed the unilateral proposal for a combination with Vulcan, including, among other things, a review of the strategic benefits of the combination, the structure for implementing a unilateral transaction and the potential uncertainties associated with an unsolicited approach. The Martin Marietta board stated their support for exploring the proposed transaction.

On December 7, 2011, the Martin Marietta board of directors convened a special meeting with representatives of senior management of Martin Marietta and representatives of Deutsche Bank, Skadden, Arps, Slate, Meagher & Flom LLP, McDermott, Will & Emery LLP, Kekst & Company and Morrow & Co., LLC, information agent to Martin Marietta. The Martin Marietta board of directors again discussed the proposal for a combination with Vulcan, and reviewed with its advisors, among other things, financial and legal considerations in respect of such proposal.

On December 11, 2011, the Martin Marietta board of directors convened a special meeting with representatives of senior management of Martin Marietta and representatives of Deutsche Bank, J.P. Morgan, Skadden, Arps, Slate, Meagher & Flom LLP, McDermott, Will & Emery LLP, Kekst & Company, Morrow & Co., LLC and Joele Frank, Wilkinson Brimmer Katcher, a communications advisor to Martin Marietta. The Martin Marietta board of directors reviewed with its advisors, among other things, financial and legal considerations in respect of the proposal for a combination with Vulcan and certain updates since their meeting on December 7, 2011. The Martin Marietta board of directors unanimously determined to proceed with sending a proposal letter to Vulcan, and authorized the commencement of the offer and proceeding with the other matters described herein.

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On December 12, 2011, Mr. Nye delivered a letter to Mr. James. The letter read as follows:

December 12, 2011

Mr. Donald M. James

Chairman and Chief Executive Officer

Vulcan Materials Company

1200 Urban Center Drive

Birmingham, Alabama 35242

Dear Don:

More than a year and a half ago, you and I (and, on several occasions, members of our senior management teams) began to explore the financial and strategic merits and potential terms of a business combination of Vulcan Materials Company ( "Vulcan" ) and Martin Marietta Materials, Inc. ( "Martin Marietta" ). Despite Martin Marietta's clear, continuing interest, some months ago Vulcan disengaged from discussions. Martin Marietta continues to believe that a strategic combination of our two companies is compelling financially and operationally, and that such a combination presents our respective shareholders with a significant value creation opportunity and brings great benefits to our respective customers and employees.

Recent events, including the fragile state of the U.S. economy, the lack of visibility as to when a sustainable recovery will take place, and the uncertainty surrounding government spending on infrastructure projects, only strengthen the rationale behind a combination. Combining our two complementary companies makes excellent industrial sense and establishes a U.S.-based company that is the global leader in our industry. The continued uncertainty regarding the timing and level of recovery in the macroeconomic environment underscores the immediate value your shareholders would receive in a business combination with Martin Marietta, through the conversion of their Vulcan investment into the stock of a more stable and financially sound combined company that pays a meaningful dividend equivalent to 20 times Vulcan's current dividend per share. In addition, we believe your shareholders would realize long-term value in a business combination with Martin Marietta from the anticipated improvement in share price derived from the expected significant synergies resulting from the combination of our companies.

Martin Marietta's Board of Directors is, and I personally am, disappointed that despite these substantial benefits, Vulcan has been unwilling to move ahead towards a definitive agreement. We believe our proposal is compelling and transformative for the stakeholders of both Vulcan and Martin Marietta. In light of Vulcan's reluctance to consider further this value-enhancing opportunity, Martin Marietta's Board of Directors has unanimously concluded that the time has come to take steps intended to result in prompt and fair consideration of our proposal on behalf of Vulcan's shareholders.

Let me provide you and your Board with the key aspects of our proposal:

We are proposing a stock-for-stock, tax-free transaction, in which each outstanding share of Vulcan common stock would be exchanged for 0.50 shares of Martin Marietta common stock. This exchange ratio represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on closing share prices for Vulcan and Martin Marietta during the 10-day period ended December 9, 2011 and 18% to the average exchange ratio based on closing share prices for Vulcan and Martin Marietta during the 30-day period ended December 9, 2011.

We are proposing a combined company board, with you as Chairman of the Board.

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We are proposing a senior management team that would consist of me as President and Chief Executive Officer and other senior leaders from each organization based on a "best athlete" approach.

We are proposing to maintain a major presence in Birmingham.

We are proposing to change the name of the combined company to reflect the names of each of our respective organizations.

The proposed transaction will, in our view, provide important benefits for both companies' stakeholders—investors, employees, and the customers we serve—that will be particularly valuable in the current uncertain economic climate:

*Substantial Cost Synergies.* We anticipate significant cost synergies ranging from \$200 million to \$250 million, derived from a combination of operating efficiencies and elimination of duplicate functions. These are savings that would benefit all shareholders and customers of the combined company. Vulcan's shareholders would participate in the value created by these synergies as well as best-in-class financial performance. In addressing cost synergies, your Board and shareholders should be aware that we are using our estimates, which are realistic and achievable under our disciplined and responsible cost management philosophy, and are quite a bit higher than your estimates of synergies. We believe our consistent cost management leadership within our industry underscores the credibility of our estimates. For example, from 2007 to the third quarter of 2011, Martin Marietta's SG&A as a percent of revenue has declined from 8.0% to 7.9%, while Vulcan's has increased from 9.3% to 12.0%.

*Complementary Geographic Footprints / Global Aggregates Leader.* The combination of complementary geographic footprints will create a U.S.-based company that is the clear global leader in aggregates, and will result in a company that can deliver enhanced product offerings and service to customers. The combined company would have an outstanding asset base that will create value for its shareholders over both the short and long term. Among other things, greatly increased scale provides a broader set of opportunities for organic and inorganic growth. From our understanding of the market, it is fair to say that any asset dispositions necessary to support regulatory approvals could be readily accomplished on a fast timeline given the likely interest from various buyers. Moreover, our recent asset swap that resulted in the disposition of our River assets reduces regulatory concerns.

*Strong Financial Position.* The combined company will have a significantly stronger balance sheet than Vulcan currently possesses. The combined company's net debt would be 5.6x combined LTM adjusted EBITDA, excluding synergies, and 4.1x–4.3x combined LTM adjusted EBITDA, including synergies of \$200 million–\$250 million, as of September 30, 2011, relative to Vulcan's net debt of 8.9x LTM adjusted EBITDA, as of the same date. This would help Vulcan to achieve one of its core objectives—enhanced financial flexibility through deleveraging. We expect the combined company credit rating to be higher than Vulcan's is at present.

*Improved Cash Flows / Meaningful Dividend.* Finally, because the proposed transaction is being structured as a tax-efficient, stock-for-stock transaction, the combined company will have significant cash flow, giving it the ability to pay a meaningful quarterly cash dividend. Indeed, it is our objective to maintain the dividend at Martin Marietta's current rate (\$1.60 per Martin Marietta share annually, equivalent to \$0.80 per Vulcan share annually, based on the proposed exchange ratio). In light of Vulcan's recent decrease in its dividend (to \$0.04 per Vulcan share annually), we believe Vulcan's shareholders will find this aspect of the proposal attractive.



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We believe the substantial overlap between the shareholders of Martin Marietta and Vulcan will reinforce the benefit from the value-creating combination of our two companies. Further, we believe that Martin Marietta and Vulcan employees would benefit from the greater scale and strength of the combined company.

In connection with delivering this proposal letter, we are taking the following additional steps:

We are providing you with a proposed transaction agreement that sets forth in additional detail the terms described in this proposal letter.

We are commencing a first-step exchange offer, reflecting the same exchange ratio as provided in the transaction agreement. This exchange offer, subject to the conditions specified therein, will give Vulcan shareholders the opportunity to exchange their shares at the earliest time for Martin Marietta shares.

We are advising you of Martin Marietta's intention to submit the names of five nominees (the "Nominees") for election as independent directors at Vulcan's 2012 Annual Meeting, and accordingly are requesting from Vulcan's Secretary the written questionnaire, and the written representation and agreement, referenced in Section 1.05 of Vulcan's By-Laws.

Earlier today, Martin Marietta commenced a lawsuit in Delaware Chancery Court and in New Jersey state court in furtherance of its effort to ensure that Vulcan's shareholders have the opportunity to assess directly Martin Marietta's proposal.

Please know that it remains our strong preference to execute this transaction on a negotiated basis with Vulcan's current Board of Directors. In furtherance of this approach, my team and I are prepared to engage immediately with the Vulcan team. In addition, we and our advisers, Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Skadden, Arps, Slate, Meagher & Flom LLP, are prepared to begin immediately the process of negotiating a definitive agreement. We believe that we can complete due diligence, negotiate a definitive agreement and obtain final Martin Marietta Board approval quickly. We are prepared to provide reciprocal due diligence to Vulcan.

This letter and the accompanying transaction agreement are not binding and do not represent or create any legally binding or enforceable obligations. No such obligations will be imposed on either party unless and until a definitive agreement is signed by Martin Marietta and Vulcan.

As analysts and industry observers have long speculated, our two companies are highly complementary and a combination makes a great deal of strategic and financial sense and we agree. It is our hope that you and your Board will carefully evaluate the financial and operational benefits of this now-public proposal and elect to engage in a productive dialogue with us so that, together, we can execute this very compelling strategic business combination with minimal disruption.

Should you have any questions concerning this proposal, I would be pleased to speak with you at any time.

Sincerely,

C. Howard Nye

cc: Board of Directors of Vulcan

Concurrently with the delivery of Martin Marietta's proposal letter, Martin Marietta delivered to Vulcan a proposed form of merger agreement providing for the proposed transaction.

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Also on December 12, 2011, Martin Marietta commenced litigation in the Delaware Court of Chancery against Vulcan seeking declaratory and injunctive relief. The complaint alleges, among other things, that the non-disclosure agreement entered into by Martin Marietta and Vulcan on May 3, 2010 (the "NDA") does not prohibit Martin Marietta's offer to purchase all issued and outstanding shares of Vulcan common stock in exchange for Martin Marietta common stock. In addition, Martin Marietta commenced litigation in the Superior Court of New Jersey against Vulcan seeking, among other things, declaratory and injunctive relief in connection with the proposed transaction.

Thereafter on December 12, 2011, Martin Marietta filed the registration statement of which this prospectus/offer to exchange is a part, and issued a press release announcing, among other things, the delivery of the proposal letter and the commencement of the exchange offer.

### **Reasons for the Offer**

Martin Marietta believes that the combination of the businesses of Martin Marietta and Vulcan will create significant value for Vulcan shareholders and give Vulcan shareholders a substantial ongoing equity interest in the combined company. The stock-for-stock exchange represents an immediate premium to Vulcan shareholders and an ability to participate in and benefit from the improved financial strength and flexibility of the combined company. We believe the combination of Martin Marietta and Vulcan is a compelling opportunity for Vulcan shareholders with numerous benefits, including the following:

*Global Leader in Aggregates* The combined company will be a U.S.-based company that is the global leader in aggregates, with significant presence in the fastest growing U.S. regions and an outstanding asset base. The greatly increased size, scale and geographic reach of the combined company will result in enhanced product offerings and service to customers. The combined company will be stronger and more competitive, with the financial flexibility to take advantage of opportunities for expansion and growth, and have the size and scale to more efficiently compete for new customers.

*Highly Complementary Businesses* Martin Marietta's and Vulcan's complementary footprints will give the combined company increased geographic reach. In addition, Martin Marietta's and Vulcan's highly complementary businesses and locations will allow the combined company to improve efficiency in production and distribution, and to better serve its customers.

*Improved Financial Strength* A combination of Martin Marietta and Vulcan will give Vulcan enhanced financial flexibility through deleveraging. After experiencing five recent downgrades in the ratings for its debt securities, Vulcan would benefit from the enhanced financial strength resulting from the combined company's balance sheet. Pro forma leverage of the combined company will be significantly reduced from the leverage of Vulcan on a stand-alone basis. Based on publicly available information, we estimate that the combined company's pro forma debt-to-adjusted EBITDA (excluding synergies) would be 5.9x for the twelve months ended September 30, 2011, as compared to Vulcan's pro forma debt-to-adjusted EBITDA for the same period, which was 9.4x (please see the section of this prospectus/offer to exchange entitled "Non-GAAP Financial Measures"). We expect that the debt ratings for the combined company will be better than the ratings for Vulcan debt on a stand-alone basis.

*Enhanced Ability to Withstand Challenging Economic Conditions* The aggregates industry has faced difficult economic conditions in recent years, and a sustained downturn in construction and infrastructure spending will present continuing challenges to both Vulcan and Martin Marietta. With the timing of an economic recovery uncertain, Vulcan shareholders will directly benefit from the cost savings created by a combination of Vulcan and Martin Marietta and the disciplined approach of Martin Marietta management to ongoing cost management. With a lower cost structure, the combined company will be better able to withstand difficult economic conditions, and will be well-positioned to achieve higher profitability sooner when a recovery occurs.

*Proven Management Team* Vulcan shareholders will benefit from the skills and experience of the respected Martin Marietta management team. Vulcan shareholders have experienced several years of

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disappointing Vulcan performance, as Vulcan management has not taken the difficult actions required in an economic downturn. Although Martin Marietta's operating performance and stock price have been affected by macroeconomic conditions, Martin Marietta has consistently outperformed Vulcan by containing costs, divesting less profitable assets, reinvesting in its own business to improve plant efficiencies and capacity limits, and focusing on strengthening its balance sheet. Martin Marietta management has followed a disciplined growth strategy, which in the downturn, has differentiated it from other companies in the industry that overpaid for assets in previous years. Vulcan shareholders will experience immediate benefits from the implementation of cost containment policies, and under the stewardship of Martin Marietta management, will benefit in the future from a rational and disciplined approach to acquisitions and business combinations.

*Value Creation Potential for All Shareholders* The all-stock nature of the offer will allow shareholders of Vulcan to participate in the growth and long-term value creation potential of the combined company. Although no assurance can be given that any particular level of cost savings and other synergies will be achieved, based on publicly available information, we anticipate significant annual cost synergies ranging from \$200 million to \$250 million, derived from a combination of operating efficiencies and the elimination of duplicative operational and corporate functions. Vulcan shareholders, through their ongoing equity ownership in the combined company, would benefit from the value created by these synergies.

*Continuing Substantial Equity Ownership by Vulcan Shareholders* Vulcan shareholders will have substantial ongoing equity ownership in the combined company. Vulcan shareholders would not be foregoing any opportunity for a future control premium, as the combined company will be stronger and more profitable than either Vulcan or Martin Marietta on a stand-alone basis.

*Receipt of Premium by Vulcan Shareholders* In addition to the long-term benefits arising out of ownership in the combined company, Vulcan shareholders will also be receiving a significant premium in the offer. Vulcan shareholders would receive a premium of 15% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 10-day period ended December 9, 2011 and 18% to the average exchange ratio based on closing share prices for Martin Marietta and Vulcan during the 30-day period ended December 9, 2011.

*Restoration of a Meaningful Dividend* Vulcan has decreased its quarterly dividend and announced a dividend of only \$0.01 per share for the quarter ending December 31, 2011. Martin Marietta has maintained the level of its quarterly dividends to Martin Marietta shareholders. We expect that the combined company would have the cash flow and financial flexibility to pay a meaningful dividend to shareholders of the combined company, in line with Martin Marietta's historical practices. It is Martin Marietta's objective to maintain such dividend at Martin Marietta's current rate (\$1.60 per Martin Marietta share annually, equivalent to \$0.80 per Vulcan share annually, based on the exchange ratio).

*No Significant Regulatory Hurdles to Business Combination* Martin Marietta will file the required notification under the HSR Act with respect to the offer. Although there is some overlap in some regions served by Martin Marietta and Vulcan, we believe that such overlap is limited and that there would be numerous parties interested in purchasing any assets required to be divested. Martin Marietta expects that any asset divestitures supporting regulatory approvals in connection with a business combination of Vulcan and Martin Marietta would not present significant hurdles to completion of a transaction.

Martin Marietta realizes that there can be no assurance about future results, including results considered or expected as described in the factors listed above, such as assumptions regarding potential synergies. It should be noted that this explanation of Martin Marietta's reasoning and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled "Forward-Looking Statements."

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**THE EXCHANGE OFFER**

Martin Marietta is offering to exchange for each outstanding share of Vulcan common stock that is validly tendered and not properly withdrawn prior to the expiration date, 0.50 shares of Martin Marietta common stock (together with the associated preferred stock purchase rights), upon the terms and subject to the conditions contained in this prospectus/offer to exchange and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Martin Marietta common stock to which you may otherwise be entitled.

The term *expiration date* means 5:00 p.m., New York City time, on May 18, 2012, unless Martin Marietta extends the period of time for which the offer is open, in which case the term *expiration date* means the latest time and date on which the offer, as so extended, expires.

The offer is subject to a number of conditions which are described in the section of this prospectus/offer to exchange entitled *The Exchange Offer Conditions of the Offer*. Martin Marietta expressly reserves the right, subject to the applicable rules and regulations of the SEC, to waive any condition of the offer described herein in its discretion, except for the conditions described under the subheadings *Regulatory Condition*, *Registration Statement Condition*, *Shareholder Approval Condition*, and *NYSE Listing Condition* under the caption *The Exchange Offer Conditions of the Offer* below, each of which cannot be waived. Martin Marietta expressly reserves the right to make any changes to the terms and conditions of the offer (subject to any obligation to extend the offer pursuant to the applicable rules and regulations of the SEC), including, without limitation, with respect to increasing or decreasing the consideration payable per share of Vulcan common stock in the offer.

We also have not commenced the process of obtaining the approval of Martin Marietta shareholders by filing a preliminary proxy statement with the SEC, and therefore we may not be in a position to obtain the requisite approval of Martin Marietta shareholders prior to the current expiration date of the offer. Any decision to extend the offer, and if so, for how long, will be made at such time. The expiration date may also be subject to multiple extensions.

If you are the record owner of your shares and you tender your shares in the offer, you will not have to pay any brokerage fees or similar expenses. If you own your shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

The purpose of the offer is for Martin Marietta to acquire all of the outstanding shares of Vulcan common stock in order to combine the businesses of Martin Marietta and Vulcan. Martin Marietta has publicly expressed a desire to enter into a negotiated business combination with Vulcan. Martin Marietta believes that a business combination of Martin Marietta and Vulcan will significantly benefit Vulcan shareholders and is therefore taking the offer directly to Vulcan shareholders.

Martin Marietta intends, promptly following Martin Marietta's acceptance for exchange and exchange of shares of Vulcan common stock in the offer, to consummate a second-step merger of a wholly-owned subsidiary of Martin Marietta with and into Vulcan (subject to certain potential changes in the transaction structure resulting from negotiation or implementation of the proposed form merger agreement (see *The Exchange Offer Summary of the Form Merger Agreement*)). In the second-step merger, each remaining share of Vulcan common stock (other than shares of Vulcan common stock owned by Martin Marietta (or wholly-owned subsidiaries of Martin Marietta or Vulcan)) will be converted into the right to receive the same number of shares of Martin Marietta common stock as are received by Vulcan shareholders pursuant to the offer. Martin Marietta reserves the right to amend the offer (including amending the number of shares of common stock to be

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exchanged, the offer price and the consideration to be offered in the second-step merger), or to negotiate and enter into a merger agreement with Vulcan not involving an exchange offer, in which event we would terminate the offer and the shares of Vulcan common stock would, upon consummation of such merger, be converted into the right to receive the consideration negotiated by Martin Marietta and Vulcan. The offer is conditioned upon entering into a definitive merger agreement with Vulcan that is reasonably satisfactory to the parties, which would provide for the transaction. Please see [Plans for Vulcan](#) below.

Based on certain assumptions regarding the number of Vulcan shares to be exchanged, Martin Marietta estimates that if all shares of Vulcan common stock are exchanged pursuant to the offer and the second-step merger, former Vulcan shareholders would own, in the aggregate, approximately 58% of the outstanding shares of Martin Marietta common stock. For a detailed discussion of the assumptions on which this estimate is based, please see [Ownership of Martin Marietta After the Offer](#) below.

### **Expiration Date of the Offer**

The offer is scheduled to expire at 5:00 p.m., New York City time, on May 18, 2012, which is the initial expiration date, unless further extended by Martin Marietta. For more information, you should read the discussion below under [Extension, Termination and Amendment](#).

### **Extension, Termination and Amendment**

Subject to the applicable rules of the SEC and the terms and conditions of the offer, Martin Marietta expressly reserves the right (but will not be obligated) (1) to extend, for any reason, the period of time during which the offer is open, (2) to delay acceptance for exchange of, or exchange of, shares of Vulcan common stock in order to comply in whole or in part with applicable laws (any such delay shall be effected in compliance with Rule 14e-1(c) under the Exchange Act, which requires Martin Marietta to pay the consideration offered or to return shares of Vulcan common stock deposited by or on behalf of shareholders promptly after the termination or withdrawal of the offer), (3) to amend or terminate the offer without accepting for exchange of, or exchanging, shares of Vulcan common stock if any of the individually subheaded conditions referred to in the section of this prospectus/offer to exchange entitled [The Exchange Offer Conditions of the Offer](#) have not been satisfied or if any event specified in the section of this prospectus/offer to exchange entitled [The Exchange Offer Conditions of the Offer](#) under the subheading [Other Conditions](#) has occurred, including if we negotiate and enter into a merger agreement with Vulcan not involving an exchange offer and (4) to amend the offer or to waive any conditions to the offer at any time, in each case by giving oral or written notice of such delay, termination, waiver or amendment to the exchange agent and by making public announcement thereof.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, which, in the case of an extension, will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(d)(i), 14d-6(c) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes), and without limiting the manner in which Martin Marietta may choose to make any public announcement, Martin Marietta will not have any obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release or other announcement.

Martin Marietta acknowledges that Rule 14e-1(c) under the Exchange Act requires Martin Marietta to pay the consideration offered or return the shares of Vulcan common stock tendered promptly after the termination or withdrawal of the offer.

If Martin Marietta increases or decreases the percentage of shares of Vulcan common stock being sought or increases or decreases the stock consideration to be paid for shares of Vulcan common stock pursuant to the offer and the offer is scheduled to expire at any time before the expiration of 10 business days from, and including, the

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date that notice of such increase or decrease is first published, sent or given in the manner specified below, the offer will be extended until the expiration of 10 business days from, and including, the date of such notice. If Martin Marietta makes a material change in the terms of the offer (other than a change in the price to be paid in the offer or the percentage of securities sought) or in the information concerning the offer, or waives a material condition of the offer, Martin Marietta will extend the offer, if required by applicable law, for a period sufficient to allow you to consider the amended terms of the offer. Martin Marietta will comply with Rule 14d-4(d)(2) under the Exchange Act in connection with material changes to the terms of the offer.

As used in this prospectus/offer to exchange, a business day means any day other than a Saturday, Sunday or a Federal holiday, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. If, prior to the expiration date, Martin Marietta increases the stock consideration being exchanged for shares of Vulcan common stock pursuant to the offer, such increased consideration will be received by all shareholders whose shares of Vulcan common stock are exchanged pursuant to the offer, whether or not such shares of Vulcan common stock were tendered prior to the announcement of the increase of such consideration.

Pursuant to Rule 14d-11 under the Exchange Act, Martin Marietta may, subject to certain conditions, elect to provide a subsequent offering period of at least three business days in length following the expiration of the offer on the expiration date and acceptance for exchange of the shares of Vulcan common stock tendered in the offer (we refer to this period in this prospectus/offer to exchange as a subsequent offering period). A subsequent offering period would be an additional period of time, following the first exchange of shares of Vulcan common stock in the offer, during which shareholders could tender shares of Vulcan common stock not tendered in the offer.

During a subsequent offering period, tendering shareholders would not have withdrawal rights and Martin Marietta would promptly exchange and pay for any shares of Vulcan common stock tendered at the same price paid in the offer. Rule 14d-11 under the Exchange Act provides that Martin Marietta may provide a subsequent offering period so long as, among other things, (1) the initial period of at least 20 business days of the offer has expired, (2) Martin Marietta offers the same form and amount of consideration for shares of Vulcan common stock in the subsequent offering period as in the initial offer, (3) Martin Marietta immediately accepts and promptly pays for all shares of Vulcan common stock tendered during the offer prior to its expiration, (4) Martin Marietta announces the results of the offer, including the approximate number and percentage of shares of Vulcan common stock deposited in the offer, no later than 9:00 a.m., Eastern time, on the next business day after the expiration date and immediately begins the subsequent offering period and (5) Martin Marietta immediately accepts and promptly pays for shares of Vulcan common stock as they are tendered during the subsequent offering period. If Martin Marietta elects to include a subsequent offering period, it will notify shareholders of Vulcan by making a public announcement on the next business day after the expiration date consistent with the requirements of Rule 14d-11 under the Exchange Act.

**Pursuant to Rule 14d-7(a)(2) under the Exchange Act, no withdrawal rights apply to shares tendered during a subsequent offering period and no withdrawal rights apply during the subsequent offering period with respect to shares tendered in the offer and accepted for exchange. The same consideration will be received by shareholders tendering shares of Vulcan common stock in the offer or in a subsequent offering period, if one is included. Please see the section of this prospectus/offer to exchange entitled **The Exchange Offer Withdrawal Rights**.**

A request is being made to Vulcan pursuant to Rule 14d-5 under the Exchange Act for the use of Vulcan shareholder lists and security position listings for the purpose of disseminating the offer to shareholders. Upon compliance by Vulcan with this request, this offer, the letter of transmittal and all other relevant materials will be mailed to record holders of shares of Vulcan common stock and will be furnished to brokers, dealers, banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Vulcan shareholders lists, or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares of Vulcan common stock by Martin Marietta or, if it so elects, the materials will be mailed by Vulcan.

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**Acceptance for Exchange, and Exchange, of Vulcan Shares; Delivery of Martin Marietta Common Stock**

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Martin Marietta will accept for exchange promptly after the expiration date all shares of Vulcan common stock validly tendered (and not withdrawn in accordance with the procedure set out in the section of this prospectus/offer to exchange entitled "The Exchange Offer - Withdrawal Rights") prior to the expiration date. Martin Marietta will exchange all shares of Vulcan common stock validly tendered and not withdrawn promptly following the acceptance of shares of Vulcan common stock for exchange pursuant to the offer. Martin Marietta expressly reserves the right, in its discretion, but subject to the applicable rules of the SEC, to delay acceptance for and thereby delay exchange of shares of Vulcan common stock in order to comply in whole or in part with applicable laws or if any of the conditions referred to in the section of this prospectus/offer to exchange entitled "The Exchange Offer - Conditions of the Offer" have not been satisfied or if any event specified in that section has occurred. If Martin Marietta decides to include a subsequent offering period, Martin Marietta will accept for exchange, and promptly exchange, all validly tendered shares of Vulcan common stock as they are received during the subsequent offering period. Please see the section of this prospectus/offer to exchange entitled "The Exchange Offer - Withdrawal Rights."

In all cases (including during any subsequent offering period), Martin Marietta will exchange all shares of Vulcan common stock tendered and accepted for exchange pursuant to the offer only after timely receipt by the exchange agent of (1) the certificates representing such shares of Vulcan common stock or timely confirmation (a "book-entry confirmation") of a book-entry transfer of such shares of Vulcan common stock into the exchange agent's account at The Depository Trust Company pursuant to the procedures set forth in the section of this prospectus/offer to exchange entitled "The Exchange Offer - Procedure for Tendering," (2) the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, in the case of a book-entry transfer, or an Agent's Message (as defined below) and (3) any other documents required under the letter of transmittal. This prospectus/offer to exchange refers to The Depository Trust Company as the "Book-Entry Transfer Facility." As used in this prospectus/offer to exchange, the term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the exchange agent and forming a part of the book-entry confirmation which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the shares of Vulcan common stock that are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the letter of transmittal and that Martin Marietta may enforce such agreement against such participant.

For purposes of the offer (including during any subsequent offering period), Martin Marietta will be deemed to have accepted for exchange, and thereby exchanged, shares of Vulcan common stock validly tendered and not properly withdrawn as, if and when Martin Marietta gives oral or written notice to the exchange agent of Martin Marietta's acceptance for exchange of such shares of Vulcan common stock pursuant to the offer. Upon the terms and subject to the conditions of the offer, exchange of shares of Vulcan common stock accepted for exchange pursuant to the offer will be made by deposit of stock consideration being exchanged therefor with the exchange agent, which will act as agent for tendering shareholders for the purpose of receiving the offer consideration from Martin Marietta and transmitting such consideration to tendering shareholders whose shares of Vulcan common stock have been accepted for exchange. Under no circumstances will Martin Marietta pay interest on the offer consideration for shares of Vulcan common stock, regardless of any extension of the offer or other delay in making such exchange.

If any tendered shares of Vulcan common stock are not accepted for exchange for any reason pursuant to the terms and conditions of the offer, or if certificates representing such shares are submitted representing more shares of Vulcan common stock than are tendered, certificates representing unexchanged or untendered shares of Vulcan common stock will be returned, without expense to the tendering shareholder (or, in the case of shares of Vulcan common stock tendered by book-entry transfer into the exchange agent's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in the section of this prospectus/offer to exchange entitled

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The Exchange Offer Procedure for Tendering, such shares of Vulcan common stock will be credited to an account maintained at such Book-Entry Transfer Facility), promptly following the expiration or termination of the offer.

Martin Marietta reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to exchange all or any portion of the shares of Vulcan common stock tendered pursuant to the offer, but any such transfer or assignment will not relieve Martin Marietta of its obligations under the offer or prejudice the rights of tendering shareholders to exchange shares of Vulcan common stock validly tendered and accepted for exchange pursuant to the offer.

### **Cash Instead of Fractional Shares of Martin Marietta Common Stock**

Martin Marietta will not issue certificates representing fractional shares of Martin Marietta common stock pursuant to the offer. Instead, each tendering shareholder who would otherwise be entitled to a fractional share of Martin Marietta common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the closing price of Martin Marietta common stock on the expiration date.

### **Procedure for Tendering**

In order for a holder of shares of Vulcan common stock validly to tender shares of Vulcan common stock pursuant to the offer, the exchange agent must receive prior to the expiration date the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal, at one of its addresses set forth on the back cover of this offer and either (1) the certificates representing tendered shares of Vulcan common stock must be received by the exchange agent at such address or such shares of Vulcan common stock must be tendered pursuant to the procedure for book-entry transfer described below and a book-entry confirmation must be received by the exchange agent (including an Agent's Message), in each case prior to the expiration date or the expiration of the subsequent offering period, if any, or (2) the tendering shareholder must comply with the guaranteed delivery procedures described below.

**The method of delivery of share certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder, and the delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.**

*Book-Entry Transfer.* The exchange agent will establish accounts with respect to the shares of Vulcan common stock at the Book-Entry Transfer Facility for purposes of the offer within two business days after the date of this offer. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of shares of Vulcan common stock by causing the Book-Entry Transfer Facility to transfer such shares of Vulcan common stock into the exchange agent's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of shares of Vulcan common stock may be effected through book-entry transfer at the Book-Entry Transfer Facility, an Agent's Message and any other required documents must, in any case, be received by the exchange agent at one of its addresses set forth on the back cover of this offer prior to the expiration date or the expiration of the subsequent offering period, if any, or the tendering shareholder must comply with the guaranteed delivery procedure described below. **Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the exchange agent.**



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*Signature Guarantees.* No signature guarantee is required on a letter of transmittal (1) if the letter of transmittal is signed by a registered holder of shares of Vulcan common stock who has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the letter of transmittal or (2) if shares of Vulcan common stock are tendered for the account of a financial institution that is a member of the Security Transfer Agent Medallion Signature Program, or by any other "Eligible Guarantor Institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being referred to as an "Eligible Institution"). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. If a certificate representing shares of Vulcan common stock is registered in the name of a person other than the signer of the letter of transmittal, then such certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such certificate or stock powers guaranteed by an Eligible Institution. Please see Instructions 1 and 5 of the letter of transmittal.

*Guaranteed Delivery.* If a shareholder desires to tender shares of Vulcan common stock pursuant to the offer and such shareholder's certificate representing such shares of Vulcan common stock are not immediately available, such shareholder cannot deliver such certificates and all other required documents to the exchange agent prior to the expiration date, or such shareholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such shares of Vulcan common stock may nevertheless be tendered, provided that all the following conditions are satisfied:

- (1) such tender is made by or through an Eligible Institution;
- (2) a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by Martin Marietta, is received prior to the expiration date by the exchange agent as provided below; and
- (3) the share certificates (or a book-entry confirmation) representing all tendered shares of Vulcan common stock, in proper form for transfer, in each case together with the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal are received by the exchange agent within three NYSE trading days after the date of execution of such notice of guaranteed delivery.

The notice of guaranteed delivery may be delivered by hand or mail or by facsimile transmission to the exchange agent and must include a guarantee by an Eligible Institution in the form set forth in the notice of guaranteed delivery. The procedures for guaranteed delivery above may not be used during any subsequent offering period.

In all cases (including during any subsequent offering period), exchange of shares of Vulcan common stock tendered and accepted for exchange pursuant to the offer will be made only after timely receipt by the exchange agent of the certificates representing such shares of Vulcan common stock, or a book-entry confirmation of the delivery of such shares of Vulcan common stock (except during any subsequent offering period), and the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal.

***Determination of Validity.*** Martin Marietta's interpretation of the terms and conditions of the offer (including the letter of transmittal and the instructions thereto) will be final and binding to the fullest extent permitted by law. All questions as to the form of documents and the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of shares of Vulcan common stock will be determined by Martin Marietta in its discretion, which determination shall be final and binding to the fullest extent permitted by law. Martin Marietta reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance of or for exchange for which may, in the opinion of

1,913 660 2,573 19 25

Interest cost

2,617 3,812 6,429 2,295 3,629 5,924 571 522

Employee contributions

132 132 138 138

Amendments

768 768

Benefits paid

(1,263) (4,659) (5,922) (1,296) (4,422) (5,718) (1,328) (1,207)

Plan expenses and premiums paid

(361) (175) (536) (370) (80) (450)

Actuarial (gain)/loss

(3,520) (64) (3,584) (4,917) 456 (4,461) 1,206 (443)

Translation difference

(4,471) (4,471) 4,151 4,151

Benefit obligation at end of year

\$43,577 \$66,808 \$110,385 \$48,553 \$66,201 \$114,754 \$9,648 \$9,180

**Change in plan assets**

Fair value of plan assets at beginning of year

\$46,203 \$45,741 91,944 \$41,160 \$40,861 \$82,021 \$ \$

Actual return on plan assets

(955) (11,132) (12,087) 1,174 3,435 4,609

Employer contributions

3,414 4,941 8,355 1,359 5,947 7,306 1,328 1,207

Employee contributions

132 132 138 138

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Benefits paid

(1,263) (4,659) (5,922) (1,296) (4,422) (5,718) (1,328) (1,207)

Plan expenses and premiums paid

(361) (175) (536) (370) (80) (450)

Translation difference

(3,738) (3,738) 4,038 4,038

Fair value of plan assets at end of year

\$43,432 \$34,716 \$78,148 \$46,203 \$45,741 \$91,944 \$ \$

Funded status

\$(145) \$(32,092) \$(32,237) \$(2,350) \$(20,460) \$(22,810) \$(9,648) \$(9,180)

Adjustments for contributions in December

1,250 1,250

Net amount recognized

\$(145) \$(32,092) \$(32,237) \$(2,350) \$(19,210) \$(21,560) \$(9,648) \$(9,180)

Amounts recognized in the balance sheet consist of:

Non-current asset/Prepaid benefit cost

\$3,133 \$ \$3,133 \$1,685 \$ \$1,685 \$ \$

Current liabilities

(209) (6,111) (6,320) (231) (495) (726) (1,060) (1,000)

Non-current liabilities

(3,069) (25,981) (29,050) (3,804) (18,715) (22,519) (8,588) (8,180)

Net amount recognized

\$(145) \$(32,092) \$(32,237) \$(2,350) \$(19,210) \$(21,560) \$(9,648) \$(9,180)

Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive income:

Transition asset (obligation)

\$194 \$ \$194 \$401 \$ \$401 \$ \$

Prior service credit (cost)

(196) (813) (1,009) (244) (106) (350) 26 93

Accumulated gain (loss)

(6,182) (32,080) (38,262) (7,565) (18,070) (25,635) (2,832) (1,802)

Accumulated other comprehensive income (AOCI)

(6,184) (32,893) (39,077) (7,408) (18,176) (25,584) (2,806) (1,709)

Cumulative employer contributions in excess of net period benefit cost

6,039 801 6,840 5,058 (1,034) 4,024 (6,842) (7,471)

Net amount recognized

\$(145) \$(32,092) \$(32,237) \$(2,350) \$(19,210) \$(21,560) \$(9,648) \$(9,180)

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands except per share amounts)

The accumulated benefit obligation for all defined benefit pension plans was \$106,798 (\$66,326 Domestic, \$40,472 Foreign) and \$108,324 (\$65,722 Domestic, \$42,602 Foreign) at December 31, 2008 and 2007, respectively.

**Information for pension plans with accumulated benefit obligation in excess of plan assets:**

	2008			2007		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Projected benefit obligation	\$ 8,154	\$ 66,808	\$ 74,962	\$ 11,944	\$ 66,201	\$ 78,145
Accumulated benefit obligation	7,215	66,326	73,541	10,500	65,722	76,222
Fair value of plan assets	4,875	34,716	39,591	7,909	45,742	53,651

**Information for pension plans with a projected benefit obligation in excess of plan assets:**

	2008			2007		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Projected benefit obligation	\$ 8,154	\$ 66,808	\$ 74,962	\$ 11,944	\$ 66,201	\$ 78,145
Fair value of plan assets	4,875	34,716	39,591	7,909	45,742	53,651

**Components of net periodic benefit cost pension plans:**

	2008			2007		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Service cost	\$ 1,890	\$ 925	\$ 2,815	\$ 1,913	\$ 660	\$ 2,573
Interest cost	2,617	3,812	6,429	2,295	3,629	5,924
Expected return on plan assets	(2,205)	(3,915)	(6,120)	(1,802)	(3,556)	(5,358)
Other, amortization, net	28	1,034	1,062	365	955	1,320
Net periodic benefit cost	\$ 2,330	\$ 1,856	\$ 4,186	\$ 2,771	\$ 1,688	\$ 4,459

	2006		
	Foreign	Domestic	Total
Service cost	\$ 2,025	\$ 586	\$ 2,611
Interest cost	1,920	3,575	5,495
Expected return on plan assets	(1,596)	(3,222)	(4,818)
Pension plan curtailment	(983)		(983)
Other, amortization, net	679	831	1,510
Net periodic benefit cost	\$ 2,045	\$ 1,770	\$ 3,815



**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands except per share amounts)

**Other changes recognized in other comprehensive income:**

	2008			2007		
	Foreign	Domestic	Total	Foreign	Domestic	Total
Net (gain) loss arising during period	\$ (360)	\$ 14,983	\$ 14,623	\$ (4,289)	\$ 578	\$ (3,711)
Prior service cost (credit) arising during the period		768	768			
Recognition of amortizations in net periodic benefit cost						
Transition (obligation) asset	199		199	185		185
Prior service (cost) credit	(34)	(61)	(95)	(32)	(13)	(45)
Actuarial gain (loss)	(193)	(973)	(1,166)	(518)	(943)	(1,461)
Effect of exchange rates on amounts included in AOCI	(836)		(836)	746		746
Total recognized in other comprehensive income	(1,224)	14,717	13,493	(3,908)	(378)	(4,286)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 1,106	\$ 16,573	\$ 17,679	\$ (1,137)	\$ 1,310	\$ 173

	2006		Total
	Foreign	Domestic	
Total recognized in other comprehensive income	9,312	318	9,630
Total recognized in net periodic benefit cost and other comprehensive income	\$ 11,357	\$ 2,088	\$ 13,445

**Components of net periodic benefit cost other postretirement plan:**

	2008	2007	2006
Service cost	\$ 19	\$ 25	\$ 15
Interest cost and other	680	539	570
Net periodic benefit cost	\$ 699	\$ 564	\$ 585

**Other changes recognized in other comprehensive income:**

	2008	2007	2006
Net (gain) loss arising during period	\$ 1,206	\$ (444)	
Recognition of amortizations in net periodic benefit cost			
Prior service (cost) credit	67	67	

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Actuarial gain (loss)	(175)	(84)	
Total recognized in other comprehensive income	1,098	(461)	2,169
Total recognized in net periodic benefit cost and other comprehensive income	\$ 1,797	\$ 103	\$ 2,754



**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands except per share amounts)

Estimated amounts that will be amortized from accumulated other comprehensive loss over the next fiscal year:

	Pension Plans			Other
	Foreign	Domestic	Total	Postretirement Benefits
Transition obligation (asset)	\$ (189)	\$	\$ (189)	\$
Actuarial (gain) loss	(21)	1,792	1,771	170
Prior service cost (credit)	32	83	115	(70)
	\$ (178)	\$ 1,875	\$ 1,697	\$ 100

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
<b>U.S. Plans:</b>				
Discount rate	6.25%	5.75%	6.25%	5.75%
Rate of compensation increase	3.375%	3.375%	N/A	N/A
<b>Foreign Plans:</b>				
Discount rate	5.83%	5.55%	N/A	N/A
Rate of compensation increase	3.92%	3.95%	N/A	N/A

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

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
<b>U.S. Plans:</b>				
Discount rate	5.750%	5.500%	5.75%	5.50%
Expected long-term return on plan assets	8.500%	8.500%	N/A	N/A
Rate of compensation increase	3.375%	3.375%	N/A	N/A
<b>Foreign Plans:</b>				
Discount rate	5.55%	4.81%	N/A	N/A
Expected long-term return on plan assets	4.68%	4.19%	N/A	N/A
Rate of compensation increase	3.95%	3.19%	N/A	N/A

The long-term rates of return on assets were selected from within the reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.



**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)****Assumed health care cost trend rates at December 31:**

	<b>2008</b>	<b>2007</b>
Health care cost trend rate for next year	9.00%	8.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2018	2014

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:

	<b>1% point Increase</b>	<b>1% point Decrease</b>
Effect on total service and interest cost	\$ 27	\$ (25)
Effect on postretirement benefit obligations	460	(420)

**Plan Assets**

The Company's pension plan target asset allocation and the weighted-average asset allocations at December 31, 2008 and 2007 by asset category were as follows:

<i>Asset Category</i>	<b>Plan Assets at December 31,</b>		
	<b>Target</b>	<b>2008</b>	<b>2007</b>
<b>U.S. Plans</b>			
Equity securities	61%	50%	60%
Debt securities	32%	37%	14%
Other	7%	13%	26%
Total	100%	100%	100%
<b>Foreign Plans</b>			
Equity securities and other	11%	11%	15%
Debt securities	89%	89%	85%
Total	100%	100%	100%

As of December 31, 2008 and 2007, Other consisted principally of hedge funds (approximately 5% of plan assets) and/or cash and cash equivalents (approximately 8% and 21% of plan assets, respectively). Based upon current market conditions temporary addendums to the investment policy were approved in May 2006 and in March 2009. These addendums allowed for a greater range of the mix between equity securities, debt securities and cash and cash equivalents around the stated long-term target allocation percentages presented in the above table. The Company is in compliance with all approved ranges of asset allocations.

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The general principles guiding investment of U.S. pension assets are those embodied in the Employee Retirement Income Security Act of 1974 (ERISA). These principles include discharging the Company's investment responsibilities for the exclusive benefit of plan participants and in accordance with the prudent expert standard and other ERISA rules and regulations. The Company establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. The interaction between plan assets and benefit obligations is periodically

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studied to assist in establishing such strategic asset allocation targets. The Company's pension investment professionals have discretion to manage the assets within established asset allocation ranges approved by senior management of the Company.

The total value of plan assets for the Company's pension plans is \$78,148 and \$91,944 as of December 31, 2008 and 2007, respectively. U.S. pension assets include Company common stock in the amounts of \$165 (less than 1% of total U.S. plan assets), and \$220 (less than 1% of total U.S. plan assets) at December 31, 2008 and 2007, respectively.

**Cash Flows****Contributions**

The Company expects to make minimum cash contributions of \$12,584 to its pension plans (\$9,211 Domestic, \$3,373 Foreign) and \$1,060 to its other postretirement benefit plan in 2009.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits			Other
	Foreign	Domestic	Total	Postretirement Benefits
2009	\$ 1,324	\$ 9,722	\$ 11,046	\$ 1,060
2010	1,409	6,908	8,317	1,070
2011	1,582	4,510	6,092	1,050
2012	1,706	4,552	6,258	1,030
2013	1,661	5,170	6,831	1,000
2014 and beyond	10,220	23,058	33,278	4,300

The Company maintains a plan under which supplemental retirement benefits are provided to certain officers. Benefits payable under the plan are based on a combination of years of service and existing postretirement benefits. Included in total pension costs are charges of \$1,773, \$1,297 and \$1,076 in 2008, 2007 and 2006, respectively, representing the annual accrued benefits under this plan.

**Defined Contribution Plan**

The Company has a 401(k) plan with an employer match covering substantially all domestic employees. Effective January 1, 2006, the plan added a nonelective contribution on behalf of participants who have completed one year of service equal to 3% of the eligible participants compensation. Total Company contributions were \$1,774, \$1,634 and \$1,402 for 2008, 2007 and 2006, respectively.

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Debt consisted of the following:

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
Industrial development authority monthly 5.10% fixed rate demand bonds maturing 2018	\$ 5,000	\$ 5,000
Industrial development authority monthly 4.76% fixed rate demand bond maturing 2028	10,000	
Credit facilities (3.55% weighted average borrowing rate at December 31, 2008)	71,469	73,848
Other debt obligations (including capital leases)	2,398	3,927
	88,867	82,775
Short-term debt	(3,140)	(2,533)
Current portion of long-term debt	(1,491)	(1,755)
	\$ 84,236	\$ 78,487

The long-term financing agreements require the maintenance of certain financial covenants with which the Company is in compliance. During the next five years, payments on the Company's debt, including capital lease maturities, are due as follows: \$4,631 in 2009, \$612 in 2010, \$46 in 2011, \$68,557 in 2012, \$21 in 2013 and \$15,000 beyond 2013.

On August 13, 2007, Quaker and certain of its wholly owned subsidiaries entered into a second amendment to the syndicated multicurrency credit agreement with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and certain other financial institutions as lenders. The amendment increased the maximum principal amount available for revolving credit borrowings from \$100,000 to \$125,000, which can be increased to \$175,000 at the Company's option if lenders agree to increase their commitments and the Company satisfies certain conditions. The amendment also extended the maturity date of the credit facility from 2010 to 2012. In general, borrowings under the credit facility bear interest at either a base rate or LIBOR rate plus a margin based on the Company's consolidated leverage ratio.

In February 2007, the Company completed a refinancing of its existing industrial development bonds to fix the interest rate on an additional \$5,000 of debt. In May 2008, the Company entered into a financing agreement to issue a \$10,000 Industrial Development Revenue Bond to finance the expansion of the Company's Middletown, Ohio manufacturing facility. The bond is redeemable on May 1, 2028, and bears interest at an annual rate of 4.76%, payable monthly. Proceeds from the bond issuance are restricted, and can be used only for capital expenditures related to the expansion. Of the \$10,000 received from the bond issuance, approximately \$1,719 had been expended at December 31, 2008.

The provisions of the agreements require that the Company maintain certain financial ratios and covenants, all of which the Company was in compliance with as of December 31, 2008 and 2007. Under its most restrictive covenants, the Company could have borrowed an additional \$42,490 at December 31, 2008. At December 31, 2008 and 2007, the Company had approximately \$71,469 and \$73,848 outstanding on these credit lines at a weighted average borrowing rate of 3.55% and 5.8%, respectively. The Company has entered into interest rate swaps in order to fix a portion of its variable rate debt and mitigate the risks associated with higher interest rates. The combined notional value of the swaps was \$40,000 at December 31, 2008.

As discussed in a Current Report on Form 8-K filed on February 20, 2009, the Company has amended its credit facility to provide covenant relief related to the 2008 and 2009 restructuring programs and the CEO



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands except per share amounts)**

transition costs. In addition, the amendment temporarily increases the maximum permitted leverage ratio from 3.5 to 4.0 during the period from June 30, 2009 to September 30, 2009, and to 3.75 during the period from December 31, 2009 to March 31, 2010. In February 2009, the Company also amended two Industrial Revenue Bonds totaling \$15,000 to provide for the same changes in terms as the credit facility.

At December 31, 2008 and 2007, the amounts at which the Company's debt is recorded are not materially different from their fair market value.

**Note 14 Shareholders' Equity and Stock-Based Compensation**

The Company has 30,000,000 shares of common stock authorized, with a par value of \$1, and 10,833,325 shares issued as of December 31, 2008.

Holders of record of the Company's common stock for a period of less than 36 consecutive calendar months or less are entitled to 1 vote per share of common stock. Holders of record of the Company's common stock for a period greater than 36 consecutive calendar months are entitled to 10 votes per share of common stock.

The Company is authorized to issue 10,000,000 shares of preferred stock, \$1 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences, and limitations of each series. No preferred stock has been issued.

On March 6, 2000, the Company's Board of Directors approved a new Rights Plan and declared a dividend of one new right (the Rights) for each outstanding share of common stock to shareholders of record on March 20, 2000.

The Rights become exercisable if a person or group acquires or announces a tender offer which would result in such person's acquisition of 20% or more of the Company's common stock.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series B preferred stock at an exercise price of sixty-five dollars per share subject to certain anti-dilution adjustments. In addition, if a person or group acquires 20% or more of the outstanding shares of the Company's common stock, without first obtaining Board of Directors' approval, as required by the terms of the Rights Agreement, each Right will then entitle its holder (other than such person or members of any such group) to purchase, at the Right's then current exercise price, a number of one one-hundredth shares of Series B preferred stock having a total market value of twice the Right's exercise price.

In addition, at any time after a person acquires 20% of the outstanding shares of common stock and prior to the acquisition by such person of 50% or more of the outstanding shares of common stock, the Company may exchange the Rights (other than the Rights which have become null and void), in whole or in part, at an exchange ratio of one share of common stock or equivalent share of preferred stock, per Right.

The Board of Directors can redeem the Rights for \$.01 per Right at any time prior to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends. Unless earlier redeemed or exchanged, the Rights will expire on March 20, 2010.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands except per share amounts)**

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ( SFAS ) No. 123 (revised 2004), *Share-Based Payment*, ( SFAS 123R ). SFAS 123R requires the recognition of the fair value of stock compensation in net income. The Company elected the modified prospective method in adopting SFAS 123R. Under this method, the provisions of SFAS 123R apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption is recognized in net income in the periods after the date of adoption using the same valuation method (e.g. Black-Scholes) and assumptions determined under the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*, as disclosed in the Company's previous filings.

Effective October 3, 2008, Ronald J. Naples, Chairman, retired as the Company's Chief Executive Officer. In accordance with Mr. Naples Employment, Transition and Consulting Agreement, Mr. Naples' equity-based compensation awards (both nonvested stock and stock options) had to be remeasured and vesting accelerated to coincide with the October 3, 2008 retirement date. These actions resulted in incremental equity compensation expense of approximately \$2,437 (\$989 for nonvested stock and \$1,448 for stock options) for the year ended December 31, 2008. These incremental expenses are included in the following reconciliation to total equity-based compensation expense.

The Company recognized approximately \$3,901 of share-based compensation expense and \$1,365 of related tax benefits in our consolidated statement of income for the year ended December 31, 2008. The compensation expense was comprised of \$1,919 related to stock options, \$1,809 related to nonvested stock awards, \$46 related to the Company's Employee Stock Purchase Plan, and \$127 related to the Company's Director Stock Ownership Plan. The Company recognized approximately \$1,550 of share-based compensation expense and \$543 of related tax benefits in our consolidated statement of income for the year ended December 31, 2007. The compensation expense was comprised of \$408 related to stock options, \$980 related to nonvested stock awards, \$41 related to the Company's Employee Stock Purchase Plan, and \$121 related to the Company's Director Stock Ownership Plan. The Company recognized approximately \$857 of share-based compensation expense and \$300 of related tax benefits in our consolidated statement of income for the year ended December 31, 2006. The compensation expense was comprised of \$224 related to stock options, \$474 related to nonvested stock awards, \$34 related to the Company's Employee Stock Purchase Plan, and \$125 related to the Company's Director Stock Ownership Plan.

Approximately \$91 of the amount of compensation cost recognized in 2006 for stock option awards reflects amortization relating to the remaining unvested portion of stock option awards granted prior to January 1, 2006. The estimated fair value of the options granted during prior years was calculated using a Black-Scholes model. The Black-Scholes model incorporates assumptions to value stock-based awards. The Company will continue to use the Black-Scholes option pricing model to value stock-based awards. The estimated fair value of the Company's stock-based awards is amortized on a straight-line basis over the vesting period of the awards. The risk-free rate of interest for periods within the contractual life of the option is based on U.S. Government Securities Treasury Constant Maturities over the contractual term of the equity instrument. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical data on exercise timing to determine the expected life assumption.

Based on our historical experience, we have assumed a forfeiture rate of 13% on the nonvested stock. Under the true-up provisions of SFAS 123R, we will record additional expense if the actual forfeiture rate is lower than we estimated, and will record a recovery of prior expense if the actual forfeiture is higher than we estimated.

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The adoption of SFAS 123R had an impact of \$91 due to the accrual of compensation expense on the unvested stock options for the year ended December 31, 2006.

The Company has a long-term incentive program ( LTIP ) for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options become exercisable between one and three years after the date of the grant for a period of time determined by the Company not to exceed seven years from the date of grant for options issued in 1999 or later and ten years for options issued in prior years. Beginning in 1999, the LTIP program provided for common stock awards, the value of which was generally derived from Company performance over a three-year period. In the fourth quarter of 2007, the Company recorded equity-based compensation expense of \$378 as it became probable that the performance condition regarding the Company's 2005 grant would be achieved. Common stock awards issued in 2006, 2007 and 2008 under the LTIP program are subject only to time vesting over a three to five-year period. In addition, as part of the Company's Global Annual Incentive Plan ( GAIP ), nonvested shares may be issued to key employees, which generally vest over a two to five-year period.

Stock option activity under all plans is as follows:

	2008			2007		
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)
Options outstanding at January 1,	1,033,175	21.36		1,092,420	20.69	
Options granted	145,184	19.45		166,065	23.13	
Options exercised	(683,982)	21.43		(183,335)	18.46	
Options forfeited	(14,411)	20.81		(29,956)	23.16	
Options expired	(77,462)	17.83		(12,019)	24.04	
Options outstanding at December 31,	402,504	21.26	3.1	1,033,175	21.36	3.1
Options exercisable at December 31,	311,741	21.43	2.4	808,035	21.16	2.3

	2006		
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)
Options outstanding at January 1,	1,183,485	19.88	
Options granted	120,600	19.98	
Options exercised	(175,750)	14.57	
Options forfeited	(2,375)	23.08	
Options expired	(33,540)	21.77	

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Options outstanding at December 31,	1,092,420	20.69	3.2
Options exercisable at December 31,	948,010	20.65	2.8

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The total intrinsic value of options exercised during 2008 was approximately \$5,954. Intrinsic value is calculated as the difference between the current market price of the underlying security and the strike price of a related option. As of December 31, 2008, the total intrinsic value of options outstanding and exercisable options was \$0.

A summary of the Company's outstanding stock options at December 31, 2008 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/2008	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/2008	Weighted Average Exercise Price
18.63 - 21.28	228,355	3.37	19.67	165,340	19.72
21.29 - 23.94	144,024	3.08	22.76	116,276	22.68
23.95 - 26.60	30,125	1.71	26.05	30,125	26.05
	402,504	3.14	21.26	311,741	21.43

As of December 31, 2008, unrecognized compensation expense related to options granted in 2006 was \$9, for options granted during 2007 was \$77 and for options granted in 2008 was \$150.

During the second quarter of 2006, the Company granted 120,600 stock options under the Company's LTIP plan, that are subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 4.1%, expected volatility of 27.1%, risk free interest rate of 5.0%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately \$307, \$209 and \$133 of expense was recorded on these options during 2008, 2007 and 2006, respectively. The fair value of these awards is amortized on a straight-line basis over the awards vesting period.

During the first quarter of 2007, the Company granted 166,065 stock options under the Company's LTIP plan subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 4.4%, expected volatility of 27.0%, risk free interest rate of 4.7%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately \$660 and \$199 of expense was recorded on these options during 2008 and 2007, respectively. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

During the first quarter of 2008, the Company granted 145,184 stock options under the Company's LTIP plan subject only to time vesting over a three-year period. The options were valued using the Black-Scholes model with the following assumptions: dividend yield of 4.1%, expected volatility of 30.31%, risk free interest rate of 3.15%, an expected term of six years, and a forfeiture rate of 3% over the remaining life of the options. Approximately \$951 of expense was recorded on these options during 2008. The fair value of these awards is amortized on a straight-line basis over the vesting period of the awards.

Under the Company's LTIP plan, 72,110 shares were outstanding as of December 31, 2007. In the first quarter of 2008, 48,431 shares of nonvested stock were granted at a weighted average grant date fair value of \$19.45. In the second quarter of 2008, 5,000 shares of nonvested stock were granted at a weighted average grant date fair value of \$30.51. In addition, in the second quarter of 2008, 1,536 shares of nonvested stock were granted to Directors at a weighted average grant date fair value of \$31.10. In the third quarter of 2008, 15,000 shares were granted at a weighted average grant date fair value of \$27.34. During the fourth quarter of 2008,



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3,264 shares of nonvested stock were granted to Directors at a weighted average grant date fair value of \$29.38. As of December 31, 2008, 49,495 of these awards were vested, 6,055 shares were forfeited and 89,791 shares were outstanding. The fair value of the nonvested stock is based on the trading price of the Company's common stock on the date of grant. The Company adjusts the grant date fair value for expected forfeitures based on historical experience for similar awards. As of December 31, 2008, unrecognized compensation expense related to these awards was \$1,093, to be recognized over a weighted average remaining period of 2.1 years.

Under the Company's GAIP plan, 42,500 shares of nonvested stock were granted during the second quarter of 2005 at a weighted average grant date fair value of \$20.12 per share. At December 31, 2007, 27,500 shares were outstanding. Through December 31, 2008, 13,750 shares vested, 5,000 shares were forfeited and 8,750 were outstanding. As of December 31, 2008, unrecognized compensation expense related to these awards was \$26 to be recognized over a weighted average remaining period of 1.0 years.

**Employee Stock Purchase Plan**

In 2000, the Board adopted an Employee Stock Purchase Plan ( ESPP ) whereby employees may purchase Company stock through a payroll deduction plan. Purchases are made from the plan and credited to each participant's account at the end of each month, the Investment Date. The purchase price of the stock is 85% of the fair market value on the Investment Date. The plan is compensatory and the 15% discount is expensed on the Investment Date. All employees, including officers, are eligible to participate in this plan. A participant may withdraw all uninvested payment balances credited to a participant's account at any time by giving written notice to the Committee. An employee whose stock ownership of the Company exceeds five percent of the outstanding common stock is not eligible to participate in this plan.

**2003 Director Stock Ownership Plan**

In March 2003, our Board of Directors approved a stock ownership plan for each member of our Board to encourage the Directors to increase their investment in the Company. The Plan was effective on the date it was approved and remains in effect for a term of ten years or until it is earlier terminated by the Board. The maximum number of shares of Common Stock which may be issued under the Plan is 75,000, subject to certain conditions that the Committee may elect to adjust the number of shares. As of December 31, 2008, the Committee has not made any elections to adjust the shares under this plan. Each Director is eligible to receive an annual retainer for services rendered as a member of the Board of Directors. Currently, each Director who owns less than 7,500 shares of Company Common Stock is required to receive 75% of the annual retainer in Common Stock and 25% of the annual retainer in cash. Each Director who owns 7,500 or more shares of Company Common Stock receives 20% of the annual retainer in Common Stock and 80% of the annual retainer in cash with the option to receive Common Stock in lieu of the cash portion of the retainer. Currently, the annual retainer is \$28. During the third quarter of 2008, an immediate \$10 increase to the Directors' retainer, payable in cash, was approved. The number of shares issued in payment of the fees is calculated based on an amount equal to the average of the closing prices per share of Common Stock as reported on the composite tape of the New York Stock Exchange for the two trading days immediately preceding the retainer payment date. The retainer payment date is June 1. The Company recorded approximately \$127, \$121 and \$125 of expense in 2008, 2007 and 2006, respectively.

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)****Note 15 Earnings Per Share**

The following table summarizes earnings per share ( EPS ) calculations for the years ended December 31, 2008, 2007 and 2006:

	2008	December 31, 2007	2006
Numerator for basic EPS and diluted EPS net income	\$ 11,132	\$ 15,471	\$ 11,667
Denominator for basic EPS weighted average shares	10,419,654	9,986,347	9,778,745
Effect of dilutive securities, primarily employee stock options and nonvested stock	133,671	120,571	75,355
Denominator for diluted EPS weighted average shares and assumed conversions	10,553,325	10,106,918	9,854,100
Basic EPS	\$ 1.07	\$ 1.55	\$ 1.19
Diluted EPS	\$ 1.05	\$ 1.53	\$ 1.18

The following number of stock options are not included in dilutive earnings per share since in each case the exercise price is greater than the market price: 162,183, 413,753 and 787,020 in 2008, 2007 and 2006, respectively.

**Note 16 Business Segments**

The Company's reportable segments are as follows:

- (1) Metalworking process chemicals industrial process fluids for various heavy industrial and manufacturing applications.
- (2) Coatings temporary and permanent coatings for metal and concrete products and chemical milling maskants.
- (3) Other chemical products other various chemical products.

Segment data includes direct segment costs, as well as general operating costs, including depreciation, allocated to each segment based on net sales. Inter-segment transactions are immaterial.

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)**

The table below presents information about the reported segments for the years ended December 31:

	<b>Metalworking Process Chemicals</b>	<b>Coatings</b>	<b>Other Chemical Products</b>	<b>Total</b>
<b>2008</b>				
Net sales	\$ 540,094	\$ 37,327	\$ 4,220	\$ 581,641
Operating income	61,120	8,714	91	69,925
Depreciation	9,252	639	72	9,963
Segment assets	362,676	21,217	1,546	385,439
<b>2007</b>				
Net sales	\$ 506,033	\$ 36,646	\$ 2,918	\$ 545,597
Operating income	74,285	8,305	102	82,692
Depreciation	9,747	706	56	10,509
Segment assets	377,770	20,012	1,267	399,049
<b>2006</b>				
Net sales	\$ 425,777	\$ 32,684	\$ 1,990	\$ 460,451
Operating income	61,944	7,818	71	69,833
Depreciation	8,458	649	40	9,147
Segment Assets	337,329	19,055	998	357,382

Operating income comprises revenue less related costs and expenses. Nonoperating expenses primarily consist of general corporate expenses identified as not being a cost of operation, interest expense, interest income, and license fees from non-consolidated affiliates.

A reconciliation of total segment operating income to total consolidated income before taxes for the years ended December 31, 2008, 2007 and 2006 is as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Total operating income for reportable segments	\$ 69,925	\$ 82,692	\$ 69,833
Restructuring and related charges	(2,916)		
CEO transition charges	(3,505)		
Environmental charges		(3,300)	
Non-operating charges	(41,468)	(51,811)	(45,785)
Depreciation of corporate assets and amortization	(2,093)	(2,374)	(2,416)
Interest expense	(5,509)	(6,426)	(5,520)
Interest income	1,100	1,376	1,069
Other income, net	1,095	2,578	1,259
Consolidated income before taxes	\$ 16,629	\$ 22,735	\$ 18,440



**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)**

Net sales and long-lived asset information is by geographic area as of and for the years ended December 31 is as follows:

	2008	2007	2006
<b>Net sales</b>			
North America	\$ 239,466	\$ 232,550	\$ 202,979
Europe	175,741	168,982	141,444
Asia/Pacific	98,231	82,059	63,600
South America	64,998	58,538	49,281
South Africa	3,205	3,468	3,147
Consolidated	\$ 581,641	\$ 545,597	\$ 460,451

	2008	2007	2006
<b>Long-lived assets</b>			
North America	\$ 80,328	\$ 80,170	\$ 79,206
Europe	39,400	40,701	36,455
Asia/Pacific	14,467	13,687	10,203
South America	16,217	20,694	16,671
South Africa	22	39	33
Consolidated	\$ 150,434	\$ 155,291	\$ 142,568

**Note 17 Business Acquisitions and Divestitures**

In May 2007, the Company's Q2 Technologies, ( Q2T ) joint venture acquired the oil and gas field chemical business of Frontier Research and Chemicals Company, Inc., for \$527 cash. The acquisition of this business is compatible with the products provided by Q2T and represents an attractive market addition. In connection with the acquisition, \$394 of intangible assets were recorded to be amortized over five years.

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)**

In the fourth quarter of 2006, the Company acquired the remaining interest in its Chinese joint venture. In accordance with the purchase agreement, payments for the acquisition occur as follows: \$614 within five business days of closing, \$825 one year from the closing date, \$825 two years from the closing date, and \$889 three years from the closing date. The Company recorded the present value of the remaining payments as debt. The Company made the first payment in the fourth quarter of 2006, the second payment in the fourth quarter of 2007 and the third payment in the fourth quarter of 2008. In addition, the Company allocated \$797 to intangible assets, comprising customer lists to be amortized over ten years and a non-compete agreement to be amortized over two years. The Company also recorded \$230 of goodwill, which was assigned to the metalworking process chemicals segment. The following table shows the allocation of purchase price of assets and liabilities recorded at the acquisition date. The pro forma results of operations have not been provided because the effects were not material:

	<b>December 31, 2006</b>
Current assets	\$ 3,114
Fixed assets	237
Intangibles	797
Goodwill	230
Other non current assets	34
 Total assets	 4,412
Current liabilities	1,538
Current portion of long-term debt	1,393
Long-term debt	1,481
 Total liabilities	 4,412
 Cash Paid	 \$

In March 2005, the Company acquired the remaining 40% interest in its Brazilian joint venture for \$6,700. In addition, annual \$1,000 payments for four years will be paid subject to the former minority partners' compliance with the terms of the purchase agreement. In connection with the acquisition, the Company allocated \$1,475 to intangible assets, comprising customer lists of \$600 to be amortized over 20 years and non-compete agreements of \$875 to be amortized over five years. The Company also recorded \$610 of goodwill, which was assigned to the metalworking process chemicals segment. The first \$1,000 payment was made in March 2006, the second payment of \$1,000 was made in February 2007 and the third payment of \$1,000 was made in February 2008. All three payments were recorded as goodwill and assigned to the metalworking process chemicals segment.

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)****Note 18 Goodwill and Other Intangible Assets**

The Company completed its annual impairment assessment as of the end of the third quarter of 2008 and no impairment charge was warranted. The changes in carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows:

	<b>Metalworking Process Chemicals</b>	<b>Coatings</b>	<b>Total</b>
Balance as of December 31, 2006	\$ 31,471	\$ 7,269	\$ 38,740
Goodwill additions	1,016		1,016
Currency translation adjustments and other	3,221	812	4,033
Balance as of December 31, 2007	\$ 35,708	\$ 8,081	\$ 43,789
Goodwill additions	1,000		1,000
Currency translation adjustments	(3,792)		(3,792)
Balance as of December 31, 2008	\$ 32,916	\$ 8,081	\$ 40,997

Gross carrying amounts and accumulated amortization for definite-lived intangible assets as of December 31 are as follows:

	<b>Gross Carrying Amount</b>		<b>Accumulated Amortization</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Amortized intangible assets</b>				
Customer lists and rights to sell	\$ 8,108	\$ 8,391	\$ 3,815	\$ 3,340
Trademarks and patents	1,788	1,788	1,788	1,788
Formulations and product technology	3,278	3,278	2,192	1,931
Other	3,072	3,384	2,634	2,509
Total	\$ 16,246	\$ 16,841	\$ 10,429	\$ 9,568

The Company recorded \$1,177, \$1,197 and \$1,427 of amortization expense in 2008, 2007 and 2006, respectively. Estimated annual aggregate amortization expense for the subsequent five years is as follows:

For the year ended December 31, 2009	\$ 1,113
For the year ended December 31, 2010	\$ 897
For the year ended December 31, 2011	\$ 828
For the year ended December 31, 2012	\$ 730

For the year ended December 31, 2013

\$ 546

The Company has one indefinite-lived intangible asset of \$600 for trademarks.

**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)****Note 19 Other Assets**

Other assets comprise:

	December 31,	
	2008	2007
Restricted insurance settlement	\$ 22,401	\$ 18,651
Pension assets	3,133	1,684
Deferred compensation assets	1,104	5,214
Supplemental retirement income program	3,437	3,915
Uncertain tax positions	1,636	1,860
Other	2,377	2,695
<b>Total</b>	<b>\$ 34,088</b>	<b>\$ 34,019</b>

In December 2005, an inactive subsidiary of the Company reached a settlement agreement and release with one of its insurance carriers for \$15,000. In accordance with the agreement, the subsidiary received \$7,500 cash in December 2005 and the remaining \$7,500 in December of 2006. In the first quarter of 2007, the subsidiary reached a settlement agreement and release with another one of its insurance carriers for \$20,000 payable in four annual installments of \$5,000, the first of which was received in the second quarter of 2007, and the second installment was received in the first quarter of 2008. Under the latest settlement and release agreement, the subsequent installments are contingent upon whether or not Federal asbestos litigation is adopted by the due date of each annual installment. If Federal asbestos legislation is so enacted, and such legislation eliminates the carrier's obligation to make the installment payment and requires the carrier to contribute into a trust or similar vehicle as a result of the policies issued to the subsidiary, then the insurance carrier's obligation to make the subsequent installments will be cancelled. The proceeds of both settlements are restricted and can only be used to pay claims and costs of defense associated with the subsidiary's asbestos litigation. The proceeds of the settlement and release agreements have been deposited into interest bearing accounts which earned approximately \$306 and \$705 in 2008 and 2007, respectively, offset by \$1,556 and \$1,854 of payments in 2008 and 2007, respectively. Due to the restricted nature of the proceeds, a corresponding deferred credit was established in Other non-current liabilities for an equal and offsetting amount, and will remain until the restrictions lapse or the funds are exhausted via payments of claims and costs of defense. See Notes 20 and 21 of Notes to Consolidated Financial Statements.

**Note 20 Other Non-Current Liabilities**

	December 31,	
	2008	2007
Restricted insurance settlement	\$ 22,401	\$ 18,651
Uncertain tax positions	11,914	11,872
Environmental reserves	1,718	2,000
Fair value of interest rate swaps	3,105	1,102
Other (primarily deferred compensation agreements)	3,532	7,398
<b>Total</b>	<b>\$ 42,670</b>	<b>\$ 41,023</b>

See also Notes 19 and 21 of Notes to Consolidated Financial Statements.



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**QUAKER CHEMICAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands except per share amounts)**

**Note 21 Commitments and Contingencies**

In April of 1992, the Company identified certain soil and groundwater contamination at AC Products, Inc. ( ACP ), a wholly owned subsidiary. In voluntary coordination with the Santa Ana California Regional Water Quality Board, ACP has been remediating the contamination, the principal contaminant of which is perchloroethylene ( PERC ). On or about December 18, 2004, the Orange County Water District ( OCWD ) filed a civil complaint in Superior Court, in Orange County, California against ACP and other parties potentially responsible for groundwater contamination. OCWD was seeking to recover compensatory and other damages related to the investigation and remediation of the contamination in the groundwater. Effective October 17, 2007, ACP and OCWD settled all claims related to this litigation. Pursuant to the settlement agreement with OCWD, ACP agreed to pay \$2,000 in two equal payments of \$1,000 (the first payment paid October 31, 2007 and the second payment paid on February 15, 2008). In addition to the \$2,000 payment, ACP agreed to operate the two existing groundwater treatment systems associated with its extraction wells P-2 and P-3 so as to hydraulically contain groundwater contamination emanating from ACP 's site until such time as the concentrations of PERC are below the Federal maximum contaminant level for four consecutive quarterly sampling events. During the third quarter of 2007, the Company recognized a \$3,300 charge made up of \$2,000 for the settlement of the litigation, plus an increase in its reserve for its soil and water remediation program of \$1,300. As of December 31, 2008, the Company believes that the range of potential-known liabilities associated with ACP contamination including the water and soil remediation program, is approximately \$2,000 to \$4,000, for which the Company has sufficient reserves.

The low and high ends of the range are based on the length of operation of the two extraction wells as determined by groundwater modeling with planned higher maintenance costs in later years if a longer treatment period is required. Costs of operation include the operation and maintenance of the extraction wells, groundwater monitoring, one-time expenses to insure P-3 is hydraulically containing the PERC plume and program management. The duration of the well operation was estimated based on historical trends in concentrations in the monitoring wells within the proximity of the applicable extraction wells. Also factored into the model was the impact of water injected into the underground aquifer from a planned recharge basin adjacent to the ACP site as well as from an injection well to be installed and operated by OCWD as part of the groundwater treatment system for contaminants which are the subject of the aforementioned litigation. Based on the modeling, it is estimated that P-2 will operate for three and half years to up to five years and P-3 will operate for six years to up to nine years. Operation and maintenance costs were based on historical expenditures and estimated inflation. As mentioned above, a significantly higher maintenance expense was factored into the range if the system operates for the longer period. Also included in the reserve are anticipated expenditures to operate an on-site soil vapor extraction system.

The Company believes, although there can be no assurance regarding the outcome of other unrelated environmental matters, that it has made adequate accruals for costs associated with other environmental problems of which it is aware. Approximately \$99 and \$159 was accrued at December 31, 2008 and December 31, 2007, respectively, to provide for such anticipated future environmental assessments and remediation costs.

An inactive subsidiary of the Company that was acquired in 1978 sold certain products containing asbestos, primarily on an installed basis, and is among the defendants in numerous lawsuits alleging injury due to exposure to asbestos. The subsidiary discontinued operations in 1991 and has no remaining assets other than the proceeds from insurance settlements received. To date, the overwhelming majority of these claims have been disposed of without payment and there have been no adverse judgments against the subsidiary. Based on a continued analysis of the existing and anticipated future claims against this subsidiary, it is currently projected that the subsidiary 's

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**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)**

total liability over the next 50 years for these claims is approximately \$12,200 (excluding costs of defense). Although the Company has also been named as a defendant in certain of these cases, no claims have been actively pursued against the Company, and the Company has not contributed to the defense or settlement of any of these cases pursued against the subsidiary. These cases were handled by the subsidiary's primary and excess insurers who had agreed in 1997 to pay all defense costs and be responsible for all damages assessed against the subsidiary arising out of existing and future asbestos claims up to the aggregate limits of the policies. A significant portion of this primary insurance coverage was provided by an insurer that is now insolvent, and the other primary insurers have asserted that the aggregate limits of their policies have been exhausted. The subsidiary has challenged the applicability of these limits to the claims being brought against the subsidiary. In response to this challenge, two of the three carriers entered into separate settlement and release agreements with the subsidiary in late 2005 and in the first quarter of 2007 for \$15,000 and \$20,000, respectively. The payments under the latest settlement and release agreement are structured to be received over a four-year period with annual installments of \$5,000, the first of which was received early in the second quarter of 2007, and the second of which was received in the first quarter of 2008. The subsequent installments are contingent upon whether or not Federal asbestos legislation is adopted by the due date of each annual installment. If Federal asbestos legislation is so enacted, and such legislation eliminates the carrier's obligation to make the installment payment and requires the carrier to contribute into a trust or similar vehicle as a result of the policies issued to the subsidiary, then the insurance carrier's obligation to make the subsequent installments will be cancelled. The proceeds of both settlements are restricted and can only be used to pay claims and costs of defense associated with the subsidiary's asbestos litigation. During the third quarter of 2007, the subsidiary and the remaining primary insurance carrier entered into a Claim Handling and Funding Agreement, under which the carrier will pay 27% of defense and indemnity costs incurred by or on behalf of the subsidiary in connection with asbestos bodily injury claims for a minimum of five years beginning July 1, 2007. At the end of the term of the agreement, the subsidiary may choose to again pursue its claim against this insurer regarding the application of the policy limits. The Company also believes, that if the coverage issues under the primary policies with the remaining carrier are resolved adversely to the subsidiary and all settlement proceeds were used, the subsidiary may have limited additional coverage from a state guarantee fund established following the insolvency of one of the subsidiary's primary insurers. Nevertheless, liabilities in respect of claims may exceed the assets and coverage available to the subsidiary. See also Notes 19 and 20 of Notes to Consolidated Financial Statements.

If the subsidiary's assets and insurance coverage were to be exhausted, claimants of the subsidiary may actively pursue claims against the Company because of the parent-subsidiary relationship. Although asbestos litigation is particularly difficult to predict, especially with respect to claims that are currently not being actively pursued against the Company, the Company does not believe that such claims would have merit or that the Company would be held to have liability for any unsatisfied obligations of the subsidiary as a result of such claims. After evaluating the nature of the claims filed against the subsidiary and the small number of such claims that have resulted in any payment, the potential availability of additional insurance coverage at the subsidiary level, the additional availability of the Company's own insurance and the Company's strong defenses to claims that it should be held responsible for the subsidiary's obligations because of the parent-subsidiary relationship, the Company believes it is not probable that the Company will incur any material losses. All of the asbestos cases pursued against the Company challenging the parent-subsidiary relationship are in the early stages of litigation. The Company has been successful in the past having claims naming it dismissed during initial proceedings. Since the Company may be in this early stage of litigation for some time, it is not possible to estimate additional losses or range of loss, if any.



**Table of Contents****QUAKER CHEMICAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands except per share amounts)**

The Company is party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations, cash flows or financial condition.

The Company leases certain manufacturing and office facilities and equipment under non-cancelable operating leases with various terms from one to 15 years expiring in 2019. Rent expense for 2008, 2007 and 2006 was \$4,473, \$4,239 and \$4,475, respectively. The Company's minimum rental commitments under non-cancelable operating leases at December 31, 2008, were approximately \$4,263 in 2009, \$3,224 in 2010, \$2,423 in 2011, \$2,207 in 2012, \$1,451 in 2013, and \$5,547 thereafter.

**Note 22 Quarterly Results (unaudited)**

	<b>First</b>	<b>Second</b>	<b>Third<sup>(1)</sup></b>	<b>Fourth</b>
<b>2008</b>				
Net sales	\$ 147,718	\$ 158,188	\$ 159,506	\$ 116,229
Gross profit	43,635	44,786	46,525	28,115
Operating income (loss)	9,131	5,753	6,622	(1,563)
Net income (loss)	5,093	4,321	4,440	(2,722)
Net income (loss) per share - basic	\$ 0.50	\$ 0.42	\$ 0.42	\$ (0.25)
Net income (loss) per share - diluted	\$ 0.50	\$ 0.41	\$ 0.41	\$ (0.25)
<b>2007</b>				
Net sales	\$ 124,891	\$ 137,598	\$ 140,715	\$ 142,393
Gross profit	38,546	42,612	43,168	43,610
Operating income	6,627	7,203	3,266	8,111
Net income	3,537	4,151	3,160	4,623
Net income per share - basic	\$ 0.36	\$ 0.42	\$ 0.32	\$ 0.46
Net income per share - diluted	\$ 0.35	\$ 0.41	\$ 0.31	\$ 0.46

(1) See Note 2 of Notes to Consolidated Financial Statements.

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### **Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

### **Item 9A. *Controls and Procedures.***

#### **Conclusion regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

#### **Management's Report on Internal Control over Financial Reporting**

The management of Quaker is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) promulgated under the 1934 Act. 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.

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.

Our management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control - Integrated Framework*. Based on its assessment, Quaker's management has concluded that as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8. Financial Statements and Supplementary Data.

#### **Changes in Internal Controls Over Financial Reporting**

At the end of 2008, subsidiaries representing approximately 75% of consolidated revenue were operational on the Company's global ERP system. The Company is currently in the process of upgrading its global ERP system in 2009. The Company is taking the necessary steps to monitor and maintain the appropriate internal controls during this period of change.

### **Item 9B. *Other Information.***

None.

**Table of Contents****PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

Incorporated by reference is (i) the information beginning immediately following the caption "Proposal 1 Election of Directors and Nominee Biographies" in the Registrant's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held May 13, 2009 to be filed with the SEC no later than 120 days after the close of its fiscal year ended December 31, 2008 (the "2009 Proxy Statement") to, but not including, the caption "Corporate Governance," (ii) the information appearing in Item 4(a) of this Report, (iii) the information in the 2009 Proxy Statement beginning with and including the sub-caption, "Section 16(a) Beneficial Ownership Reporting Compliance" to, but not including, the sub-caption "Certain Relationships and Related Transactions," and (iv) the information in the 2009 Proxy Statement beginning with and including the sub-caption "Code of Conduct" to, but not including the caption "Compensation Committee Interlocks and Insider Participation."

**Item 11. Executive Compensation.**

Incorporated by reference is the information in the 2009 Proxy Statement beginning with and including the caption "Compensation Committee Interlocks and Insider Participation" to, but not including the caption "Stock Ownership of Certain Beneficial Owners and Management."

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Incorporated by reference is the information in the 2009 Proxy Statement beginning immediately following the caption "Stock Ownership of Certain Beneficial Owners and Management" to, but not including the sub-caption "Section 16(a) Beneficial Ownership Reporting Compliance."

The following table sets forth certain information relating to the Company's equity compensation plans as of December 31, 2008. Each number of securities reflected in the table is a reference to shares of Quaker common stock.

*Equity Compensation Plans*

Plan Category	Equity Compensation Plan Information		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	
Equity compensation plans approved by security holders	402,504	21.26	898,088 <sup>(1)</sup>
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>402,504</b>	<b>21.26</b>	<b>898,088</b>

- (1) As of December 31, 2008, 364,750 of these shares were available for issuance as restricted stock awards under the Company's 2001 Global Annual Incentive Plan, 490,951 shares were available for issuance upon the exercise of stock options and/or as restricted stock awards under the Company's 2006 Long-Term Performance Incentive Plan, and 42,387 shares were available for issuance under the 2003 Director Stock Ownership Plan.



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**Item 13. *Certain Relationships and Related Transactions and Director Independence.***

Incorporated by reference is the information in the 2009 Proxy Statement beginning immediately following the sub-caption *Certain Relationships and Related Transactions* to, but not including, the caption *Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm*, and the additional information in the 2009 Proxy Statement beginning with and including the sub-caption *Director Independence* to, but not including the sub-caption *Governance Committee Procedures for Selecting Director Nominees*.

**Item 14. *Principal Accountant Fees and Services.***

Incorporated by reference is the information in the 2009 Proxy Statement beginning with and including the sub-caption *Audit Fees* to, but not including the statement recommending a vote for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2009.

**Table of Contents****PART IV****Item 15. Exhibits and Financial Statement Schedules.**

(a) Exhibits and Financial Statement Schedules

**1. Financial Statements and Supplementary Data.**

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Financial Statements:	
<u>Report of Independent Registered Public Accounting Firm</u>	30
<u>Consolidated Statement of Income</u>	31
<u>Consolidated Balance Sheet</u>	32
<u>Consolidated Statement of Cash Flows</u>	33
<u>Consolidated Statement of Shareholders' Equity</u>	34
<u>Notes to Consolidated Financial Statements</u>	35

**2. Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

**3. Exhibits (numbered in accordance with Item 601 of Regulation S-K)**

- 3(i) Amended and Restated Articles of Incorporation dated July 16, 1990. Incorporated by reference to Exhibit 3(a) as filed by Registrant with Form 10-K for the year 1996.
- 3(ii) By-laws (as amended effective October 4, 2008). Incorporated by reference to Exhibit 10.1 as filed by Registrant with Form 10-Q for the quarter ended September 30, 2008.
- 4 Shareholder Rights Plan dated March 6, 2000. Incorporated by reference to Exhibit 1 to Form 8-K as filed by the Registrant on March 7, 2000.
- 10.1 Employment Agreement by and between the Registrant and Ronald J. Naples dated August 14, 1995. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.\*
- 10.2 Amendment to the Stock Option Agreement dated October 2, 1995 by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(j) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.\*
- 10.3 Employment Agreement by and between Registrant and Jose Luiz Bregolato dated June 14, 1993. Incorporated by reference to Exhibit 10(k) as filed by Registrant with Form 10-K for the year 1995.\*
- 10.4 Amendment No. 1 to Employment Agreement dated January 1, 1997 by and between Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(o) as filed by Registrant with Form 10-K for the year 1997.\*
- 10.5 Amendment No. 1 to 1995 Naples Restricted Stock Plan and Agreement dated January 21, 1998 by and between Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(p) as filed by Registrant with Form 10-K for the year 1997.\*
- 10.6 Employment Agreement by and between Registrant and Ronald J. Naples dated March 11, 1999. Incorporated by reference to Exhibit 10(t) as filed by Registrant with Form 10-K for the year 1998.\*



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- 10.7 Employment Agreement by and between Registrant and Michael F. Barry dated November 30, 1998. Incorporated by reference to Exhibit 10(u) as filed by Registrant with Form 10-K for the year 1998.\*
- 10.8 1999 Long-Term Performance Incentive Plan as approved May 12, 1999, effective January 1, 1999. Incorporated by reference to Exhibit 10(dd) as filed by Registrant with Form 10-K for the year 1999.\*
- 10.9 Deferred Compensation Plan as adopted by the Registrant dated December 17, 1999, effective July 1, 1997. Incorporated by reference to Exhibit 10(ff) as filed by Registrant with Form 10-K for the year 1999.\*
- 10.10 Supplemental Retirement Income Program adopted by the Registrant on November 6, 1984, as amended November 8, 1989. Incorporated by reference to Exhibit 10(gg) as filed by Registrant with Form 10-K for the year 1999.\*
- 10.11 2001 Global Annual Incentive Plan as approved May 9, 2001, effective January 1, 2001. Incorporated by reference to Exhibit 10(hh) as filed by Registrant with Form 10-K for the year 2001.\*
- 10.12 2001 Long-Term Performance Incentive Plan as approved May 9, 2001, effective January 1, 2001. Incorporated by reference to Exhibit 10(ii) as filed by Registrant with Form 10-K for the year 2001.\*
- 10.13 Agreement of Lease between Quaker Park Associates, L.P. and Quaker Chemical Corporation dated December 19, 2000. Incorporated by reference to Exhibit 10(jj) as filed by Registrant with Form 10-K for the year 2001.\*
- 10.14 2003 Director Stock Ownership Plan as approved May 14, 2003. Incorporated by reference to Exhibit 10(ww) as filed by the Registrant with Form 10-K for the year 2003.\*
- 10.15 Change in Control Agreement by and between Registrant and Jose Luiz Bregolato, dated June 23, 2004, effective May 14, 2004. Incorporated by reference to Exhibit 10(aaa) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2004.\*
- 10.16 Amendment No. 1 to Employment Agreement dated March 11, 1999 between Registrant and Ronald J. Naples, effective July 21, 2004. Incorporated by reference to Exhibit 10(ccc) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2004.\*
- 10.17 1995 Naples Supplemental Retirement Income Program and Agreement (as amended and restated effective May 14, 2004) between Registrant and Ronald J. Naples dated August 4, 2004. Incorporated by reference to Exhibit 10(fff) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2004.\*
- 10.18 Credit Agreement between Registrant and Bank of America, N.A. and ABN AMRO Bank, N.V. and Banc of America Securities, in the amount of \$100,000,000, dated October 14, 2005. Incorporated by reference to Exhibit 10(jjj) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2005.
- 10.19 Amendment One to Registrant's 2001 Long-Term Performance Incentive Plan, effective February 22, 2005. Incorporated by reference to Exhibit 10.1 as filed by Registrant with Form 8-K filed on March 15, 2005.\*
- 10.20 Form of Stock Option Agreement for associates under Registrant's 2001 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10.2 as filed by Registrant with Form 8-K filed on March 15, 2005.\*
- 10.21 Settlement Agreement and Release between Registrant, an inactive subsidiary of the Registrant, and Hartford Accident and Indemnity Company dated December 12, 2005. Incorporated by reference to Exhibit 10(nnn) as filed by the Registrant with Form 10-K for the year 2005.



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- 10.22 Amendment to Registrant's Deferred Compensation Plan for key officers dated December 20, 2005. Incorporated by reference to Exhibit 10 as filed by Registrant with Form 8-K filed on December 22, 2005.\*
- 10.23 Form of Restricted Stock Award Agreement for executive officers and other employees under Registrant's 2001 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10 as filed by Registrant with Form 8-K filed on March 6, 2006.\*
- 10.24 2001 Global Annual Incentive Plan, as amended and restated incorporated by reference to Appendix D to the Corporation's definitive proxy statement filed on March 31, 2006.\*
- 10.25 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Appendix E to the Corporation's definitive proxy statement filed on March 31, 2006.\*
- 10.26 Form of Stock Option Agreement provided for associates under the Registrant's 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10.3 as filed by Registrant with Form 8-K filed on May 12, 2006.\*
- 10.27 Form of Restricted Stock Award Agreement for executive officers and other employees under Registrant's 2006 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit 10 as filed by Registrant with Form 8-K filed on June 27, 2006.\*
- 10.28 Employment Agreement by and between Quaker Chemical Limited, a UK company and a subsidiary of Registrant, and Mark A. Harris, dated August 8, 2006. Incorporated by reference to Exhibit 10 as filed by the Registrant with Form 8-K filed on August 8, 2006.\*
- 10.29 Employment Agreement by and between L. Willem Platzer and Quaker Chemical B.V., a Netherlands corporation and a subsidiary of Registrant, dated August 21, 2006. Incorporated by reference to Exhibit 10 as filed by the Registrant with Form 8-K filed on August 22, 2006.\*
- 10.30 First Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated October 6, 2006.
- 10.31 2006 Long-Term Performance Incentive Plan (amended and restated effective November 8, 2006). Incorporated by reference to Exhibit 10(www) as filed by the Registrant with Form 10-K for the year ended 2006.\*
- 10.32 Financing Agreement by and among Montgomery County Industrial Development Authority and Registrant and Brown Brothers Harriman & Co. dated February 1, 2007. Incorporated by reference to Exhibit 10(yyy) as filed by the Registrant with Form 10-K for the year ended 2006.
- 10.33 Settlement Agreement and Release between Registrant, an inactive subsidiary of Registrant and Federal Insurance Company dated March 26, 2007. Incorporated by reference to Exhibit 10(zzz) as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2007.
- 10.34 Change in Control Agreement by and between Registrant and L. Willem Platzer dated April 2, 2007, effective January 1, 2007. Incorporated by reference to Exhibit 10(aaaa) as filed by the Registrant with Form 10-Q for the quarter ended March 31, 2007.\*
- 10.35 Change in Control Agreement by and between Registrant and Jan F. Nieman dated June 27, 2007, effective January 1, 2007. Incorporated by reference to Exhibit 10(cccc) as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2007.\*
- 10.36 Memorandum of Employment dated June 28, 2007 between Registrant and Mark A. Featherstone, effective April 9, 2007. Incorporated by reference to Exhibit 10 as filed by the Registrant with Form 8-K filed on July 2, 2007.\*
- 10.37 Amendment No.1 to the Registrant's Director Stock Ownership Plan (as amended March 7, 2007) approved on July 25, 2007.\*

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- 10.38 Second Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated August 13, 2007. Incorporated by reference to Exhibit 10(eeee) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2007.
- 10.39 Claim Handling and Funding Agreement between SB Decking, Inc., an inactive subsidiary of Registrant, and Employers Insurance Company of Wausau dated September 25, 2007. Incorporated by reference to Exhibit 10(ffff) as filed by the Registrant with Form 10-Q for the quarter ended September 30, 2007.
- 10.40 Settlement Agreement and Mutual Release entered into between AC Products, Inc., wholly owned subsidiary of Registrant, and Orange County Water District, effective November 8, 2007. Incorporated by reference to Exhibit 10.47 as filed by the Registrant with Form 10-K for the year ended 2007.
- 10.41 Financing Agreement by and among Butler County Port Authority and Registrant and Brown Brothers Harriman & Co. dated May 15, 2008. Incorporated by reference to Exhibit 10.1 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
- 10.42 Engineering, Procurement and Construction Contract by and between Registrant and FMC Technologies, Inc., effective May 14, 2008. Incorporated by reference to Exhibit 10.2 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
- 10.43 Employment, Transition and Consulting Agreement by and between Registrant and Ronald J. Naples dated May 22, 2008, effective May 7, 2008. Incorporated by reference to Exhibit 10.3 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.\*
- 10.44 1995 Naples Supplemental Retirement Income Program and Agreement (as amended and restated effective May 7, 2008) dated May 22, 2008. Incorporated by reference to Exhibit 10.4 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.\*
- 10.45 Employment Agreement by and between Registrant and Michael F. Barry dated July 1, 2008. Incorporated by reference to Exhibit 10.5 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.\*
- 10.46 Change in Control Agreement by and between Registrant and Michael F. Barry dated July 1, 2008. Incorporated by reference to Exhibit 10.6 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.\*
- 10.47 Butler County Port Authority Industrial Development Revenue Bond dated May 15, 2008. Incorporated by reference to Exhibit 10.7 as filed by the Registrant with Form 10-Q for the quarter ended June 30, 2008.
- 10.48 Memorandum of Employment by and between Registrant and Joseph F. Matrange dated September 30, 2008.\*
- 10.49 Memorandum of Employment by and between Registrant and D. Jeffry Benoliel dated October 1, 2008.\*
- 10.50 Consultancy Agreement by and between Registrant and Mark Harris dated October 29, 2008.\*
- 10.51 Compromise Agreement by and between Registrant and Mark Harris dated October 29, 2008.\*
- 10.52 Amendment to Memorandum of Employment by and between Mark A. Featherstone and Registrant dated November 19, 2008, effective January 1, 2008.\*
- 10.53 Change in Control Agreement by and between Registrant and Mark A. Featherstone dated November 19, 2008, effective January 1, 2008.\*
- 10.54 Change in Control Agreement by and between Registrant and D. Jeffry Benoliel dated November 19, 2008, effective January 1, 2008.\*

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10.55	Change in Control Agreement by and between Registrant and Joseph F. Matranga dated November 19, 2008, effective October 1, 2008.*
10.56	Change in Control Agreement by and between Registrant and Ronald S. Ettinger dated November 19, 2008, effective October 1, 2008.*
10.57	Change in Control Agreement by and between Registrant and George H. Hill dated November 19, 2008, effective October 1, 2008.*
10.58	Supplemental Retirement Income Program (as amended and restated effective January 1, 2008), approved November 19, 2008.*
10.59	Directors' Deferred Compensation Plan (amended and restated as of January 1, 2005), approved November 19, 2008.*
10.60	Amendment No. 1 to the 2001 Global Annual Incentive Plan (as amended and restated effective January 1, 2006), approved November 19, 2008.*
10.61	Amendment No. 1 to the 2006 Long-Term Performance Incentive Plan (as amended and restated effective November 8, 2006), approved November 19, 2008.*
10.62	Third Amendment to Syndicated Multicurrency Credit Agreement between Registrant and Bank of America, N.A. and certain other financial institutions dated February 13, 2009, effective February 17, 2009.
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Michael F. Barry pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Mark A. Featherstone pursuant to 18 U.S.C. Section 1350.

\* This exhibit is a management contract or compensation plan or arrangement required to be filed as an exhibit to this Report.

*(b) Exhibits required by Regulation 601 S-K*

See (a) 3 of this Item 15

*(c) Financial Statement Schedules*

See (a) 2 of this Item 15

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**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.

QUAKER CHEMICAL CORPORATION  
Registrant

By: /s/ MICHAEL F. BARRY  
Michael F. Barry

Chief Executive Officer and President

Date: March 5, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Capacity	Date
/s/ MICHAEL F. BARRY  Michael F. Barry  Chief Executive Officer and President	Principal Executive Officer and Director	March 5, 2009
/s/ MARK A. FEATHERSTONE  Mark A. Featherstone  Vice President, Chief Financial Officer and Treasurer	Principal Financial Officer	March 5, 2009
/s/ GEORGE H. HILL  George H. Hill  Global Controller	Principal Accounting Officer	March 5, 2009
/s/ RONALD J. NAPLES Ronald J. Naples  Chairman of the Board	Chairman of the Board and Director	March 5, 2009
/s/ JOSEPH B. ANDERSON, JR.  Joseph B. Anderson, Jr.	Director	March 5, 2009
  Patricia C. Barron	Director	March __, 2009
/s/ DONALD R. CALDWELL	Director	March 5, 2009

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**Donald R. Caldwell**

/s/ ROBERT E. CHAPPELL Director March 5, 2009

**Robert E. Chappell**

/s/ WILLIAM R. COOK Director March 5, 2009

**William R. Cook**

/s/ EDWIN J. DELATTRE Director March 5, 2009

**Edwin J. Delattre**

/s/ JEFFRY D. FRISBY Director March 5, 2009

**Jeffry D. Frisby**

/s/ ROBERT H. ROCK Director March 5, 2009

**Robert H. Rock**