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VULCAN MATERIALS CO

FORM 10-K
(Annual Report)

Filed 02/27/15 for the Period Ending 12/31/14

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Sector	Capital Goods
Fiscal Year	12/31

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

FORM 10-K

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

For the Fiscal Year Ended **December 31, 201 4**

Commission file number: **001-33841**

VULCAN MATERIALS COMPANY
(Exact Name of Registrant as Specified in Its Charter)

New Jersey	**20-8579133**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Urban Center Drive, Birmingham, Alabama 35242
(Address of Principal Executive Offices) (Zip Code)

(205) 298-3000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes □ No □

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or section 15(d) of the Act. Yes □ No □

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes □ No □

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) . Yes □ No □

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10- K. □

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

Large accelerated filer □	Accelerated filer □
Non-accelerated file r □	Smaller reporting company □

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the A ct). Yes □ No □

Aggregate market value of voting and non-voting common sto ck held by non-affiliates as of June 30 , 201 4 :	$ 8,312,079,259
Number of shares of common stock, $1.00 par value, outstanding as of February 11 , 201 5 :	132,105,151

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's annual proxy statement for the annual meeting of its shareholders to be held on May 8 , 201 5 , are incorporated by reference into Part III of this Annual Report on Form 10-K.

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 201 4

CONTENTS

Part	Item		Page
I	1	Business	3
	1A	Risk Factors	18
	1B	Unresolved Staff Comments	21
	2	Properties	22
	3	Legal Proceedings	25
	4	Mine Safety Disclosures	25
II	5	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
	6	Selected Financial Data	27
	7	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
	7A	Quantitative and Qualitative Disclosures about Market Risk	56
	8	Financial Statements and Supplementary Data	57
	9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	109
	9A	Controls and Procedures	109
	9B	Other Information	111
III	10	Directors, Executive Officers and Corporate Governance	112
	11	Executive Compensation	112
	12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	112
	13	Certain Relationships and Related Transactions, and Director Independence	112
	14	Principal Account ing Fees and Services	112
IV	1 5	Exhibits and Financial Statement Schedules	113
	—	Signatures	114

Unless otherwise stated or the context otherwise requires, references in this report to " Vulcan , " the " C ompany , " " we, " " our, " or " us " refer to Vulcan Materials Company and its consolidated subsidiar ies .

" SAFE HARBOR " STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain of the matters and statements made herein or incorporated by reference into this report constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect our intent, belief or current expectation. Often, forward-looking statements can be identified by the use of words , such as "anticipate," "may," "believe," "estimate," "project," "expect," "intend" and words of similar import. In addition to the statements included in this report, we may from time to time make other oral or written forward-looking statements in other filings under the Securities Exchange Act of 1934 or in other public disclosures. Forward-looking statements are not guarantees of future performance, and actual results could differ materially from those indicated by the forward-looking statements. All forward-looking statements involve certain assumptions, risks and uncertainties that could cause actual results to differ materially from those included in or contemplated by the statements. These assumptions, risks and uncertainties include, but are not limited to:

- general economic and business conditions
- the timing and amount of federal, state and local funding for infrastructure
- changes in our effective tax rate that can adversely impact results
- the increasing reliance on information technology infrastructure for our ticketing, procurement, financial statements and other processes can adversely affect operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subjected to cyber attacks
- the impact of the state of the global econom y on our business and financial condition and access to capital markets
- changes in the level of spending for residential and private nonresidential construction
- the highly competitive nature of the construction materials industry
- the impact of future regulatory or legislative actions
- the outcome of pending legal proceedings
- pricing of our products
- weather and other natural phenomena
- energy costs
- costs of hydrocarbon-based raw materials
- healthcare costs
- the amount of long-term debt and interest expense we incur
- changes in interest rates
- the impact of our below investment grade debt rating on our cost of capital
- volatility in pension plan asset values and liabilities which may require cash contributions to our pension plans
- the impact of environmental clean-up costs and other liabilities relating to previously divested businesses
- our ability to secure and permit aggregates reserves in strategically located areas
- our ability to successfully implement our new divisional structure and changes in our management team
- our ability to manage and successfully integrate acquisitions
- the potential of goodwill or long-lived asset impairment
- the potential impact of future legislation or regulations relating to climate change, greenhouse gas emissions or the definition of minerals
- the risks set forth in Item 1A "Risk Factors," Item 3 "Legal Proceedings," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 12 " Commitments and Contingencies" to the consolidated financial statements in Item 8 "Financ ial Statements and Supplementary Data," all as set forth in this report

- other assumptions, risks and uncertainties detailed from time to time in our filings made with the Securities and Exchange Commission

All forward-looking statements are made as of the date of filing or publication. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are cautioned not to rely unduly on such forward-looking statements when evaluating the information presented in our filings, and are advised to consult any of our future disclosures in filings made with the Securities and Exchange Commission and our press releases with regard to our business and consolidated financial position, results of operations and cash flows.

Vulcan Materials Company , a New Jersey corporation , is the nation's largest produ cer of construction aggregates (primarily crushed stone, san d and gravel) and a major producer of asphalt mix and ready-mixed concrete . We operated 335 a ggregates facilities during 201 4 .

VULCAN'S VALUE PROPOSITION

We are t he largest producer of construction aggregates in the country with coast-to-coast aggregates operations. Our leading position is based upon:

- a favorable geographic footprint that provides attractive long-term growth prospects
- the largest proven and probable reserve base in the United States

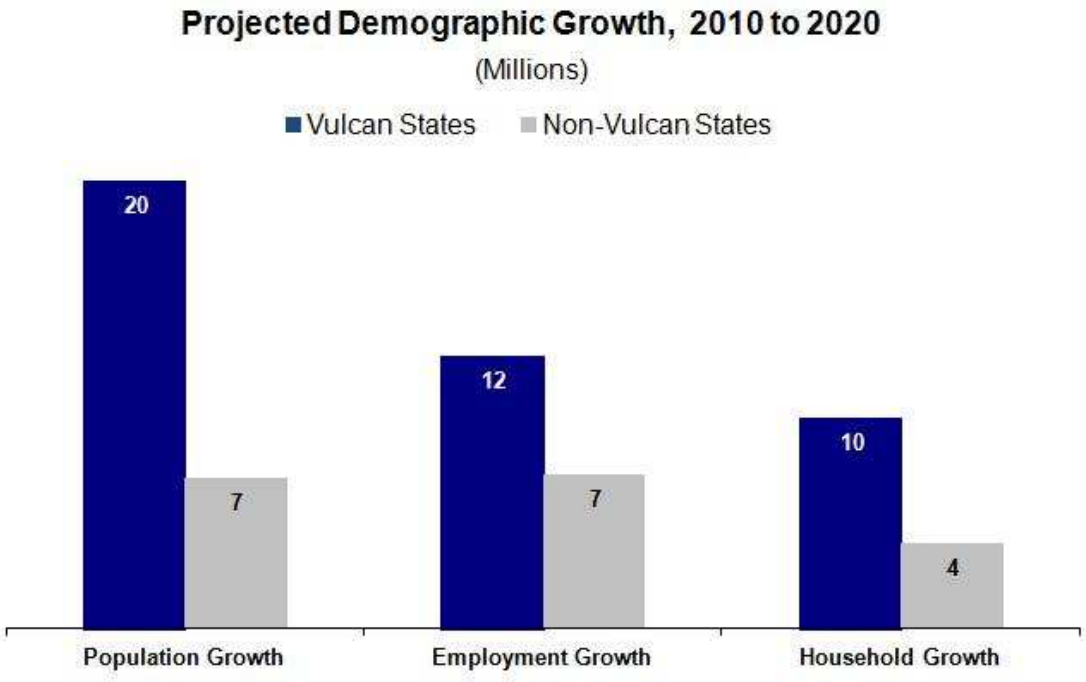
T hese factors allow us to provide attractive unit profitability through our strong operating expertise and price discipline.

STRATEGY FOR EXISTING AND NEW MARKETS

- Our aggregates reserves are strategically located throughout the United States i n a reas that are projected to grow faster than the national average and that require large amounts of aggregates to meet construction demand. Vulcan-served states are estimated to generate 75 % of the total growth in U.S. population and 7 1 % of the total growth in U.S. household formations between 2010 and 2020.

VULCAN'S TOP TEN REVENUE PRODUCING STATES IN 2014

1.California	6.Tennessee
2.Texas	7.Illinois
3.Virginia	8.North Carolina
4.Georgia	9.South Carolina
5.Florida	10.Alabama



Source: Moody's Analytics as of August 15 , 20 14

- We take a disciplined approach to strengthening our footprint by increasing our presence in U.S. metropolitan areas that are expected to grow more rapidly and by divesting assets that are no longer considered part of our long-term growth strategy. In 201 4, we divested our Florida cement and concrete businesses for cash proceeds of $ 7 21.4 million and entered into a twenty - year aggregates supply agreement to provide aggregates to the divested concrete operations. We redeployed $ 3 31.8 million of this capital through acquisitions that added over 4 4 0 million tons of proven and probable aggregates reserves in key growth markets in Arizona, California, New Mexico, Texas, Virginia and Washington D.C.
- W here practical, we have operations located close to our local markets because the cost of trucking materials long distances is prohibitive. Approximately 80 % of our total aggregates shipments are delivered exclusively from the producing location to the customer by truck, and another 15 % are delivered by truck after reaching a sales yard by rail or water . The remaining 5 % of aggregates shipments are delivered directly to the customer by rail or water.

COMPETITORS

We operate in an industry that generally is fragmented with a large number of small, privately-held companies. We estimate that the ten largest aggrega tes producers account ed for approximately 30 % to 35 % of to tal U.S. aggregates production in 201 4 . Despite being the industry leader, Vulcan's total U.S. market share is less than 10 %. O ther publicly traded companies among the ten largest U.S. aggregates producers include the following:

- Cemex S.A.B. de C.V.
- CRH plc
- Heidelberg Cement AG
- Holcim Ltd.
- Lafarge
- Martin Marietta Materials , Inc.
- MDU Resources Group, Inc.

Because the U.S. aggregates industry is highly fragmented, with over 5,000 companies managing over 10,000 operations during 201 4 , many opportunities for consolidation exist. Therefore, companies in the industry tend to grow by acquiring existing facilities to enter new markets or by extending their existing market positions.

BUSINESS STRATEGY

Vulcan provides the basic materials for the infrastructure needed to maintain and expand the U.S. economy. Our strategy is based on our strength in aggregates. Aggregates are used in most types of construction and in the production of asphalt mix and ready-mixed concrete. Our materials are used to build the roads, tunnels, bridges, railroads and a irports that connect us, and to build the hospitals, churches, schools, shopping centers, and factories that are essential to our lives and the economy.

Our business strategies include: 1) aggregates focus, 2) coast-to-coast footprint, 3) profitable growth, 4) managing volume, product mix and price to grow profitability , and 5) effective land management.

1. AGGREGATES FOCUS

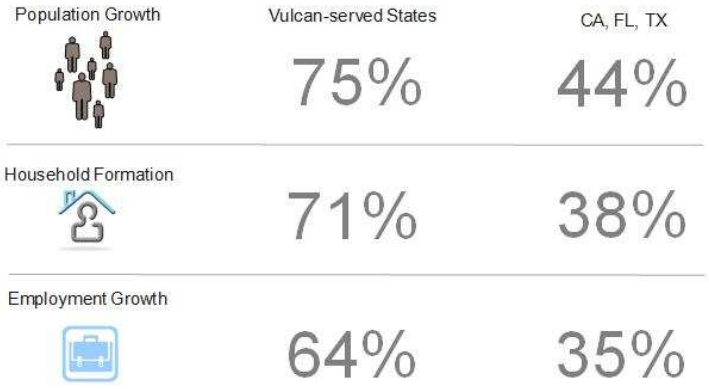
Aggregates are used in virtually all types of public and private constructio n a nd practically no substitutes for quality aggregates exist. Our focus on aggregates allows us to :

- **BUILD AND HOLD SUBSTANTIAL RESERVES** : T he location s of our reserves are critical to our long-term success b ecause of barriers to entry created in many metropolitan markets by zoning and permitting regulations and hig h c osts associated with transporting aggregates . Our reserves are strategically located throughout the United States in high-growth areas that will require large amounts of aggregates to meet future construction demand. Aggregates operations have flexible production capabilities an d, other than energy inputs required to process the materials, require virtually no other raw materi al. O ur downstream businesses (asphalt mix and concrete) u se Vulcan-produced aggregates almost exclusively .
- **TAKE ADVANTAGE OF BEING THE LARGEST PRODUCER** : Each aggregates operation is unique because of its location within a local market with particular geological characteristics. Every operation, however, uses a similar group of assets to produce saleable aggregates and provide customer service. Vulcan is the largest aggregates company in the U.S., whether measured by shipments or by aggregates revenues. The 335 ag gregates facilities we operated during 201 4 provide d opportunities to standardize operating practices and procure equipment (fixed and mobile), parts, supplies and services in an efficient and cost-effective manner , both regionally and nationally. Additionally, we are able to share best practices across the organization and leverage our size for administrative support, customer service, accounting, accounts receivable and accounts payable, technical support and engineering.

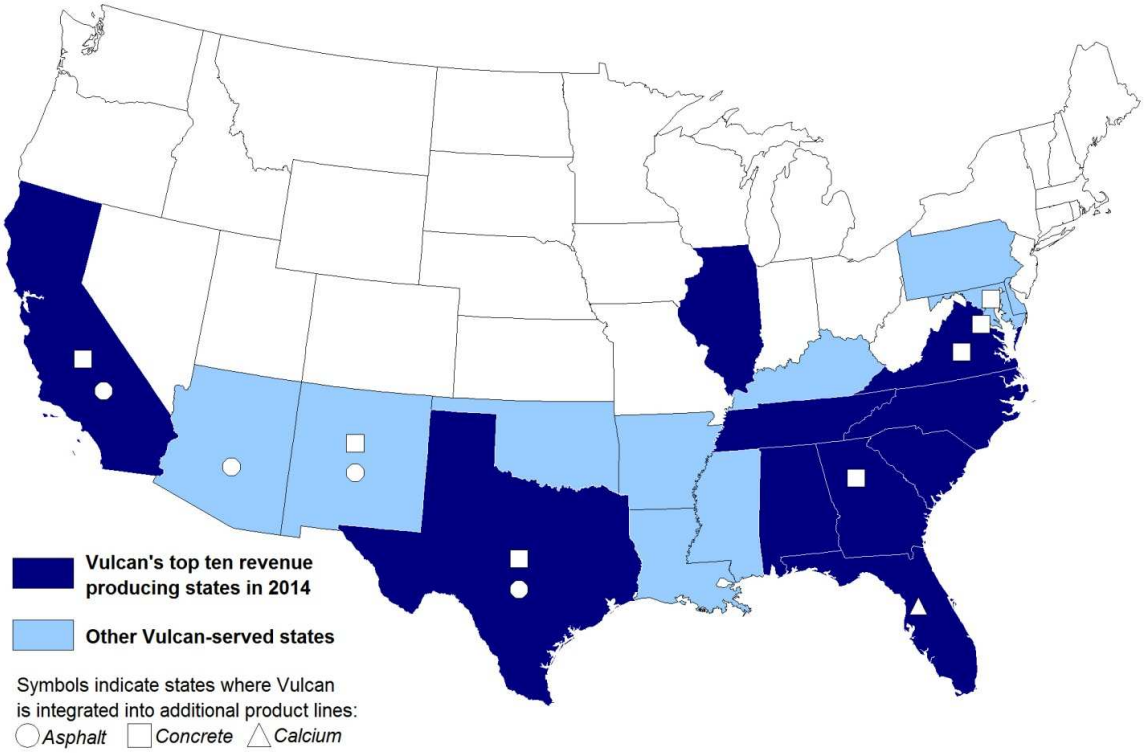
2. C OAST-TO-COAST FOOTPRINT

Demand for construction aggregates correlates positively with changes in population growth, household formation and employment. We have pursued a strategy to increase our presence in U.S. metropolitan areas that are expected to grow the most rapidly. In 201 4 , we expanded our operational footprint i n Arizona, California, Texa s, V irginia and Washington D.C. , and accessed new markets in New Mexico through acquisitions. These acquisitions, totaling $ 3 31.8 million of investment, added more than 4 4 0 million tons of proven and probable aggregates reserves serving markets where reserves are relatively scarce.

The following graphic illustrates our projected percentage share of the growth (2010 – 2020) by key demographics for the United States :



Source: Moody's Analytics as of August 15 , 20 14 .



In January 2015, we exited the concrete market in California by swapping our ready-mix concrete operations for asphalt mix operations , primarily in Arizona.

3. PROFITABLE GROWTH

Our long-term growth is a result of strategic acquisition s a nd investments in key operations .

- **STRAT EGIC ACQUISITIONS:** Since becoming a public company in 1956, Vulcan has principally grown by mergers and acquisitions. For example, in 1999 we acquired CalMat Co., thereby expanding our aggregates operations into California and Arizona and making us one of the nation's leading producers of asphalt mix. In 2007, we acquired Florida Rock Industries, Inc., the largest acquisition in our history. This acquisition expanded our aggregates business in Florida and our aggregates and ready-mixed concrete businesses in other southeastern and m id-Atlantic states . In 2014, we completed eight transactions that expanded our aggregates business in Arizona, California, New Mexico, Texas, Virginia and Washington D. C. , our asphalt mix business in Arizona and New Mexic o , a nd our ready-mixed concrete business in New Mexico .
  In addition to these large acquisitions, we have completed many smaller acquisitions that have contributed significantly to our growth.

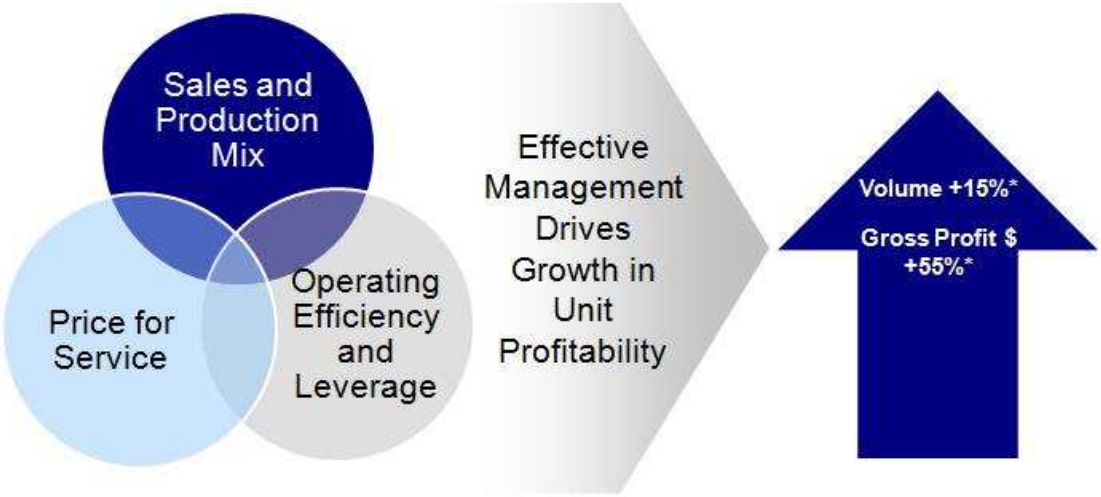
- **REINVESTMENT OPPORTUNITIES WITH HIGH RETURNS :** During the current decade , Moody's Analytics projects that 75 % of the U.S. population growth , 7 1 % of household formation and 6 4 % of new jobs will occur in Vulcan-served states. The close proximity of our production facilities and our aggregates reserves to this projected population growth crea te ma ny opportunities to invest capital in high-return projects — projects that will add reserves, increase production capacity and improve costs.

4. MANAGING VOLUME, PRODUCT MIX AND PRICE TO GROW PROFITABILITY

We commonly think of three major profit drivers that must be managed in combination .

- Price for Service — We seek to receive full and fair value for the quality of products and service we provide. We should be paid appropriately for helping our customers be successful.
- Operating Efficiency and Leverage — W e focus on rigorous cost management throughout the economic cycl e. Sm all savings per ton add up to significant cost reductions.
- Sales and Production Mix — W e a djust production levels to meet varying market conditions . Managing inventories responsibly results in improved cost performance and an improved return on capital .

We manage these factors locally, and align o u r talent and incentives accordingly. Our knowledgeable and experienced workforce and our flexible production capabilitie s a llo w us to manage operational and overhead costs aggressive ly . As a result of these cost controls coupled with a disciplined approach to pricing , since 2012, ou r Aggregates segment's g ross profit has increased 55% on volume improvement of 15%.



*Aggregates segment improvement 2014 versus 2012

While Aggregates segment gross profit has grown at a significantly greater rate than volume over the past couple of years, we have not yet fully realized our maximum unit profitability.

- On Price for Service — Our expanding margins have yet to benefit from the mid-to-high single digit price gains associated with cyclical recoveries . We believe that these gains will begin to take hold in 2015.
- On Operating Efficiency and Leverage — We are operating a capital-intensive business at 50-60% capacity and are extremely well positioned to further leverage fixed costs to sales as we move forward.
- On Sales and Production Mix — As the recovery continues and as we see a larger portion of new construction activity in the end - use mix, we will sell the entire production mix much more efficiently and at fuller value.

5. EFFECTIVE LA ND MANAGEMENT

We believe that effective land management is both a business strategy and a social responsibility that contributes to our success. Good stewardship requires the careful use of existing resources as well as long-term planning because mining, ultimately, is an interim use of the land. Therefore, we strive to achieve a balance between the value we create through our mining activities and the value we create through effective post-mining land management. We continue t o fo cus our actions on prudent decisions regarding the life cycle management of the land we currently hold and will hold in the future.

PRODUCT LINES

We have four operating (and reportable) segments organized around our principal product lines:

1. Aggregates
2. Asphalt Mix
3. Concrete
4. Calcium (formerly Cement)

1. AGGREGATES

A number of factors affect the U.S. aggregates industry and our busines s, i ncluding markets, the location and quality of reserves and demand cycles.

- **LOCAL MARKETS:** Aggregates have a high weight-to-value ratio and, in most cases, are produced near where they are used; if not, transportation can cost more than the material s, r endering them uncompetitive compared to locally produced materials. Exceptions to this typical market structure include areas along the U.S. Gulf Coast and the Eastern Seaboard where there are limited supplies of locally available high quality aggregates. We serve these markets fro m q uarries that have access to long-haul transportation — shipping by barge and rail — and from our quarry on Mexico's Yucatan Peninsula. We transport aggregates from Mexico to the U.S. principally on our three Panamax-class, self-unloading ships.
- **DIVERSE MARKETS :** Large quantities of aggregates are used in virtually all types of public- and private-sector construction project s, su ch as highways, airports, water and sewer systems, industrial manufacturing facilities, residential and nonresidential buildings. Aggregates also are used widely as railroad track ballast.
- **LOCATION AND QUALITY OF RESERVES:** We currently ha ve 15.8 billion tons of permitted and proven or probable aggregates reserves. The bulk of these reserves are located in areas where we expect greater than average rates of growth in population, jobs and households, which require new infrastructure, housing, offices, schools and other development. Such growth depends on aggregates for construction. Zoning and permitting regulations in some markets have made it increasingly difficult for the aggregates industry to expand existing quarries or to develop new quarries. These restriction s c urtail expansion in certain areas, but th ey al so increase the value of our reserves at existing locations.
- **DEMAND CYCLES:** Long-term growth in demand for aggregates is largely driven by growth in population, jobs and households. While short- and medium-term demand for aggregates fluctuates with economic cycles, declines have historically been followed by strong recoveries, with each peak esta blishing a new historical high.

I n addition, the following factors influence the aggregates market:

- **HIGHLY FRAGMENTED INDUSTRY:** The U.S. aggregates industry is composed of over 5,000 companies that manage over 10,000 operations. This fragmented structure provides many opportunities for consolidation. Companies in the industry commonly enter new markets or expand positions in existing markets through the acquisition of existing facilities.
- **RELATIVELY STABLE DEMAND FROM THE PUBLIC SECTOR :** Publicly funded construction activity has historically been more stable and less cyclical than privately funded construction , and generally requires more aggregates per dollar of construction spending. Private construction (primarily residential and nonresidential buildings) typically is more affected by general economic cycles than p ublicly funded projects (particularly highways, roads and bridges), w hich tend to receive more consistent levels of funding throughout economic cycles.
- **LIMITED PRODUCT SUBSTITUTION:** T here are limited substitutes for quality aggregates. R ecycled concrete and asphalt have certain applications as a lower-cost alternative to virgin aggregates. However, due to technical specifications many types of construction projects cannot be served by recycled concre te, but require the use of virgin aggregates to meet specifications and performance-based criteria for durability, strength and other qualities . Moreover, the amount of recycled asphalt included in asphalt mix as a substitute for aggregates is limited due to specifications .
- **WIDELY USED IN DOWNSTREAM PRODUCTS:** In the production process, aggregates are processed for specific applications or uses. Two products that use aggregates as a raw material are asphalt mix and ready-mixed concrete. By weight, aggregates comprise approximately 95% of asphalt mix and 78% of ready-mixed concrete.
- **FLEXIBLE PRODUCTION CAPABILITIES:** The production of aggregates is a mechanical process in which stone is crushed and, through a series of screens, separated into various sizes depending on how it will be used. Production capacity can be flexible by adjusting operating hours to meet changing market demand.
- **RAW MATERIAL INPUTS LARGELY UNDER OUR CONTROL :** Unlike typical industrial manufacturing industries, the aggregates industry does not require the input of raw material beyond owned or leased aggregates reserves. Stone, sand and gravel are naturally occurring resources. However, production does require the use of explosives, hydrocarbon fuels and electric power.

AGGREGATES MARKETS

We focus on the U.S. markets with above-average long-term expected population growth and where construction is expected to expand. Because transportation is a significant part of the delivered cost of aggregates, our facilities are typically located in the markets they serve or have access to economical transportation via rail, barge or ship to a particular end market . We serve both the public and the private sectors.

PUBLIC SECTOR CONSTRUCTION

Public sector construction includes spending by federal, state, and local governments for highways, bridges and airports as well as other infrastructure construction for sewer and waste disposal systems, water supply systems, dams, reservoirs and other public construction projects. Construction for power plants and other utilities is funded from both public and private sources. In 2014 , publicly funded construction accounted for approximately 50 % of our total aggregates shipments.

- **PUBLIC SECTOR FUNDING:** Generally, public sector construction spending is more stable than private sector construction because public sector spending is less sensitive to interest rates and has historically been supported by multi-year legislation and programs. For example, the federal surface transportation bill is a principal source of funding for public infrastructure and transportation projects. For over two decades, a portion of transportation projects ha s been funded through a series of multi-year bills. Some 40% of transportation projects are federally-funded, with special emphasis given to the largest and most complex projects. The long-term nature of such legislation is important because it provides state departments of transportation with the ability to plan and execute long- range , com plex highway projects. Federal highway spending is governed by multi-year authorization bills and annual budget appropriations using funds largely from the Federal Highway Trust Fund. This T rust Fund receives funding from taxes on gasoline and other levies. The level of state spending on infrastructure varies across the United States and depends on individual state needs and economies. In 201 4 , approximately 26 % of our aggregates sales by volume was used in highway construction projects.

- **FEDERAL HIGHWAY FUNDING :** On August 8, 2014, Congress passed an extension of the Moving Ahead for Progress in the 21st Century Act (MAP-21) . The two-year federal highway bill had received strong bipartisan suppor t i n both the House and the Senate, an d w as signed into law by the President on July 6, 2012. The extension of MAP-2 1 provides state departments of transportation with federal highway program authority through May 31, 2015. The extension continues federal support for transportation infrastructure programs at current funding levels, helping rebuild America's aging infrastructure by modernizing and reforming our current transportation system, while also protecting millions of jobs. MAP-21 maintained essentially level f unding in Fiscal Year s 201 4 and 2015 , w ith approximately $105 billion for total transportation funding through Fiscal Year 2014 . It extends the Highway Trust Fund and tax collections through Fiscal Year 2016, adding additional stability to the Federal Highway Program. Congressional leaders have stated their intention to act in 2015 to replace the extension of MAP-21 with a multi-year authorization that includes revenue stability for federal surface transportation programs.

  The extension of MAP-21 maintained the baseline increase to the Transportation Infrastructure Finance & Innovation Act (TIFIA) program. Funding for this program increase d to $1.75 billion over the two-yea r M AP-21 period , from $122 million per year under the previous multi-year highway bill known as SAFETEA-LU . TIFIA funding is typically leveraged by a factor of 10 , creating the potential for $17.5 billion in additional major project funding for Fiscal Years 2013 and 2014. The U.S. Department of Transportation estimates this TIFIA funding support s $30 to $50 billion in new construction. G iven administrative requirements and other factors, the TIFIA program began to have a meaningful impact on aggregates shipments in 2014, and should continue to do so into 2015 and beyond.

  TIFIA is a highly popular program that stimulates private capital investment for projects of national or regional significance in key growth areas throughout the United States, including large portions of our footpri nt. The program provide s c redit assistance in the form of secured loans, loan guarantees and lines of credit to major transportation infrastructure project s. E ligible sponsor s i nclude state and local governments, private firms, special authorities and transportation improvement districts. Eligible projects include highways and bridges, large multi-modal projects, as well as freight transfer and transit facilities. We are well positioned in states that are likely to get a disproportionate number of TIFIA-funded projects.

  M AP-21 's positive framework for future authorizations was continued in the extension passed this summer. Its significant reforms, consolidation and simplification of federal highway programs, acceleration of the project delivery process, and expanded project financing and promotion of public-private partnership opportunities have paved the way for further progress as Congress works to pass a new multi-year highway bill.

- **WATER INFRASTRUCTURE :** In June 2014, President Obama signed into law the Water Resources Reform and Development Act (WR R DA), providing legal authority for the U.S. Army Corps of Engineers to pursue hundreds of navigation, flood control, and ecosystem restoration infrastructure projects along rivers, canals, ports and inland waterways throughout the natio n. W e, along with numerous business allies, strong ly supported WRRDA for its importance to the U.S. economy , t he pressing need to upgrade U.S. harbors, ports and inland waterways , and for construction projects using our products. T he law address es a significant backlog of water infrastructure projects, focused on improved port dredging, and streamlines permitting to speed up project delivery. Many of the large southern ports that would benefit from WRRDA , as they gear up for expected increases in freight volumes related to expansion of the Panama Canal, lie within our footprint. Additionally, WRRDA includes innovative public-private authorizations and a new Water Infrastructure Financing and Innovation Act (WIFIA), modeled after the TIFIA program . As enacted, WIFIA is authorized to support large projects exceeding $ 20 million that otherwise would go unaddressed. A s with TIFIA, it provides funding for up to 49% of a project's estimated cost, involves low interest rates, and includes favorable repayment terms as well as subrogation of the government's interest in order to encourage other investors.

PRIVATE SECTOR CONSTRUCTION

The private sector construction market s i nclude both nonresidential building construction and residential construction and are considerably more cyclical than public construction. In 201 4 , privately-funded construction accounted for approximately 50 % of our total aggregates shipments.

- **NONRESIDENTIAL CONSTRUCTION:** Private nonresidential building construction includes a wide array of projects. Such projects generally are more aggregates intensive than residential construction . Overall demand in private nonresidential construction generally is driven by job growth, vacancy rates, private infrastructure needs and demographic trends. The growth of the private workforce creates demand for offices, hotels and restaurants. Likewise, population growth generates demand for stores, shopping centers, warehouses and parking decks as well as hospitals, churches and entertainment facilities. Large industrial projects, such as a new manufacturing facility, can increase the need for other manufacturing plants to supply parts and assemblies. Construction activity in this end market is influenced by a firm's ability to finance a project and the cost of such financing.
  C ontract awards are a leading indicator of future construction activity and a continuation of the recent trend in awards should translate to growth in demand for aggregates. In 201 4 , total nonresidential contract awards, as measured in square feet, increased for the 4th year in a row. P rivate nonresidential contract awards were up approximately 59 million square feet, or 9 %. Office buildings, retail construction and manufacturing facilities accounted for all of this growt h. Em ployment gro wth, att ractive lending standards and general recovery in the economy will help drive continued growth in construction activity in this end market.

- **RESIDENTIAL CONSTRUCTION:** The majority of residential construction is for single-family houses with the remainder consisting of multi-family construction (i.e., two family houses, apartment buildings and condominiums). Public housing comprises only a small portion of housing demand. Household formations in our m arkets continue to outpace household formations in the rest of the U nited S tates . Construction activity in this end market is influenced by the cost and availability of mortgage financing.
  U.S. housing starts, as measured by Dodge Analytics data, peaked in early 2006 at over 2 million units annually. By the end of 2009, total housing starts had declined to less than 600,000 units, well below prior historical lows of approximately 1 million units annually. In 2014, total annual housing starts surpassed 1 million unit s. The growth in residential construction bodes well for continued recovery in our markets.

ADDITIONAL AGGREGATES PRODUCTS AND MARKETS

We sell aggregates that are used as balla st fo r construction and maintenance of railroad track s . We also sell riprap and jetty stone for erosion control along roads and waterways. In addition, stone can be used as a feedstock for cement and lime plants and for making a variety of adhesives, fillers and extenders. Coal-burning power plants use limestone in scrubbers to reduce harmful emissions. Limestone that is crushed to a fine powder can be sold as agricultural lime.

We sell a relatively small amount of construction aggregates outside of the United States, principally in the areas surrounding our large quarry on the Yucatan Peninsula in Mexico. Nondomestic sales and long-lived assets outside the United States are reported in Note 15 " Segment Reporting " in Item 8 "Financial Statements and Supplementary Data."

OUR COMPETITIVE ADVANTAGES

The competitive advantages of our aggregates focused strategy include:

COAST-TO-COAST FOOTPRINT

- largest aggregates company in the U.S. (whether measured by shipments or by revenues)
- high-growth markets requiring large amounts of aggregates to meet construction demand
- diversified regional exposure
- benefits of scale in operations, procurement and administrative support
- complementary asphalt mix and concrete businesses in select markets
- eff ective land management

PROFITABLE GROWTH

- quality top-line growth that converts to higher-margin earnings and cash flow generation
- tightly managed operational and overhead costs
- more opportunities to manage our portfolio of locations to further enhance long-term earnings growth

STRATEGICALLY LOCATED ASSETS

- our reserves are primarily located in high-growth markets that require large amounts of aggregates to meet construction demand
- z oning and permitting regulations in many metropolitan markets have made it increasingly difficult to expand existing quarr ies or to develop new quarries
  - such regulations, while potentially curtailing expansion in certain areas, could also increase the value of our rese rves at existing locations

2 . ASPHALT MIX

We produce and sell asphalt mix in Arizona, California, New Mexico and Texas . This segment relies on our reserves of aggregates, functioning essentially as a customer to our aggregates operations. Aggregates are a major component in asphalt mix, comprising approximately 95% by weight of this product . We meet the aggregates requirements for our Asphalt M ix segment primarily through our Aggregates segment. These product transfers are made at local market prices for the particular grade and quality of material required.

Because asphalt mix hardens rapidly, delivery typically is within close proximity to the producing facility. The asphalt mix production process requires liquid asphalt cement , which we purchas e fr om third-party producers. We do not anticipate any significant difficulties in obtaining the raw materials necessary for this segment to operate. We serve our Asphalt M ix segment customers from our local production facilities.

3 . CONCRETE

We produce and sell ready-mixed concrete in Ge orgia, Maryland, New Mexico, Texas, Virginia , Washington D.C. and the Bahamas . I n Jan uary 2015, we swapped our ready-mixed concrete operations in California for asphalt mix operations , primarily in Arizo na.

In March 2 014, we sold our cement and concrete businesses in th e Florida area. For additional details see Note 19 " Acquisitions and Divestitures " in Item 8 "Financial Statements and Supplementary Data."

This segment relies on our reserves of aggregates, functioning essentially as a customer to our aggregates operations. Aggregates are a major component in ready-mixed concrete, comprising approximately 78% by weight of this product . We meet the aggregates requirements of our Concrete segment primarily through our Aggregates segment. These product transfers are made at local market prices for the particular grade and quality of material required.

We serve our Concrete segment customers from our local production facilities or by truck. Because ready-mixed concrete hardens rapidly, delivery typically is within close proximity to the producing facility.

Ready- mixed concrete production also requires cement which w e purchase from third- party producers . We do not anticipate any significant difficulties in obtaining the raw materials necessary for this segment to operate.

4. CALCIUM (FORMERLY CEMENT)

As previously noted, i n March 2 014, we sold our cement and concrete businesses in th e Florida area. For additional details see Note 19 " Acquisitions and Divestitures " in Item 8 "Financial Statements and Supplementary Data." We retained our former Cement segment's calcium operation in Brooksville, Florida. This facility produces calcium products for the animal feed, paint, plastics, water treatment and joint compound industries with high quality calcium carbonate material mined at the Brooksville quarry.

OTHER BUSINESS - RELATED ITEMS

SEASONALITY AND CYCLICAL NATURE OF OUR BUSINESS

Almost all of our products are produced and consumed outdoors. Seasonal changes and other weather-related conditions can affect the production and sales volumes of our products. Therefore, the financial results for any quarter do not necessarily indicate the results expected for the year. Normally, the highest sales and earnings are in the third quarter and the lowest are in the first quart er. Fu rthermore, our sales and earnings are sensitive to national, regional and local economic conditions and particularly to cyclical swings in construction spending, primarily in the private sector. The levels of construction spending are affected by a number of factors including changing interest rates and demographic and population fluctuations.

CUSTOMERS

No material part of our business depends upon any single customer whose loss would have a significant adverse effect on our business. In 201 4 , ou r f ive largest customers accounted for 6.4 % of our total revenues (excluding internal sales), and no single customer accounted for more than 2.2 % of our total revenues. Our products typically are sold to private industry and not directly to governmental entities. Although approximately 45 % to 5 5 % of our aggregates shipments have historically been used in publicly funded construction, such as highways, airports and government buildings, relatively insignificant sales are made directly to federal, state, county or municipal governments/agencies. Therefore, although reductions in state and federal funding can curtail publicly funded construction, our business is not directly subject to renegotiation of profits or termination of contracts with state or federal governments.

ENVIRONMENTAL COSTS AND GOVERNMENTAL REGULATION

Our operations are subject to numerous federal, state and local laws and regulations relating to the protection of the environment and worker health and saf ety; examples include regulation of facility air emissions and water discharges, waste management, protection of wetlands, listed and threatened species, noise and dust exposure control for workers, and safety regulations under both Mine Safety and Health Administration (MSHA) and Occupational Safety and Health Administration (OSHA). Compliance with these various regulations requires a substantial capital investment, and ongoing expenditures for the operation and maintenance of systems and implementation of programs. We estimate that capital expenditures for environmental control facilities in 201 5 and 201 6 will be approximately $ 11.0 million and $ 10.7 million, respectively . These anticipated expenditures are not expected to have a material impact on our earnings or competitive position.

Frequently, we are required by state and local regulations or contractual obligations to reclaim our former mining sites. These reclamation liabilities are recorded in our financial statements as a liability at the time the obligation arises. The fair value of such obligations is capitalized and depreciated over the estimated useful life of the owned or leased site. The liability is accreted through charges to operating expenses. To determine the fair value, we estimate the cost for a third party to perform the legally required reclamation, which is adjusted for inflation and risk and includes a reasonable profit margin. All reclamation obligations are reviewed at least annually. Reclaimed quarries often have potential for use in commercial or residential development or as reservoirs or landfills. However, no projected cash flows from these anticipated uses have been considered to offset or reduce the estimated reclamation liability.

For additional information regarding reclamation obligations (referred to in our financial statements as asset retirement obligations), see Notes 1 and 17 to the consolidated financial statements in Item 8 "Financial Statements and Supplementary Data."

PATENTS AND TRADEMARKS

We do not own or have a license or other rights under any patents, registered trademarks or trade names that are material to any of our reporting segments.

OTHER INFORMATION REGARDING VULCAN

Vulcan is a New Jersey corporation incorporated on February 14, 2007, while its predecessor company was incorporated on September 27, 1956. Our principal sources of energy are electricity, diesel fuel, natural gas and coal. We do not anticipate any difficulty in obtaining sources of energy required for operation of any of our reporting segments in 2015.

As of January 1, 2015 , we employed 6,598 people in the U nited S tates . Of these employees, 607 are represented by labor unions. Also, a s of that dat e, we employ ed 342 people in Mexico and 1 in the Bahamas , 292 of whom are represented by a labor union . We do not anticipate any significant issues with any unions in 201 5 .

We do not use a backlog of orders to evaluate and understand our business at a Company level .

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, positions and ages, as of February 20 , 201 5 , of our executive officers are as follows:

Name	Position	Age
J. Thomas Hill	President and Chief Executive Officer	55
John R. McPherson	Executive Vice President, Chief Financial and Strategy Officer	46
S tanley G. Bass	Senior Vice President – W estern and Mountain West Division s	53
M ichael R. Mills	Senior Vice President and General Counsel	54
D avid P. Clement	President – Central Division	54
William K. Duke	President – Mideast Division	59
David J. Grayson	President – Southeast Division	55
Jeffery G. Lott	President – Southwest Division	56
Jason P. Teter	President – Southern and Gulf Coast Division	40
E jaz A. Khan	Vice President, Controller and Chief Information Officer	57

The principal occupations of the executive officers during the past five years are set forth below:

J. Thomas Hill was elected President and Chief Executive Office r on July 14, 2014. Prior to that he served as Executive Vice President and Chief Operating Officer (January 2014 – July 2014), Senior Vice President – South Region (Decembe r 2 011 – December 2013), P resident, Florida Rock Division (S eptember 2010 – December 2011) and President, Southwest Division (July 2004 – August 2010) .

John R. McPherson was elected Executive Vice President, Chief Financial and Strategy Officer on July 14, 2014. Prior to that he served as Executive Vice President and Chief Financial Officer (January 2014 – July 2014), Senior Vice President – East Region (Novembe r 2 012 – December 2013) and S enior Vice President, Strategy and Business Development (October 2011 – November 2012) . Before joining Vulcan in October 2011, Mr. McPherson was a senior partner at McKinsey & Company, a global management consulting fir m, f rom 1995 to 2011.

S tanley G. Bass was named Senior Vice President – W est ern and Mountain West Division s effective January 1, 2015. He served as Senior Vice President – W est Region from Septembe r 2 013 to Decembe r 2 014 . Prior to that he served as Senior Vice President – Central and West Regions (February 2013 – September 2013), S enior Vice President – Central Region (Decembe r 2 011 – Februar y 2 013), P resident, Midsouth and Southwest Divisions (September 2010 – December 2011) and P resident, Midsouth Division (August 2005 – August 2010) .

M ichael R. Mills was elected Senior Vice President and General Counsel as of November 1, 2012. He most recently served as Senior Vice President – East Region from December 2011. Prior to that, he was President, Southeast Division.

D avid P. Clement was named President – Central Division effective January 1, 2015. He served as Senior Vice President – Central Region from September 2013 through December 201 4. Ov er the past five years he has served in a number of positions with Vulcan including Vice President and General Manager, Midwest Division and Vice President of Operations, Midwest Division.

William K. Duke was named President – Mideast Division effective January 1, 2015. Prior to that, he served in a number of roles over the past five years for the Company, including: Vice President and General Manager, Florida (August 2012 – December 2014); Vice President and General Manager, Aggregates – Florida Rock Division (July 2010 – August 2012); and Vice President and General Manager, Northern Region – Mideast Division (June 2009 – July 2010).

David J. Grayson began serving as President – Southeast Division on January 1, 2015. Before assuming that role, he served as Vice President and General Manager, Georgia for the preceding five years.

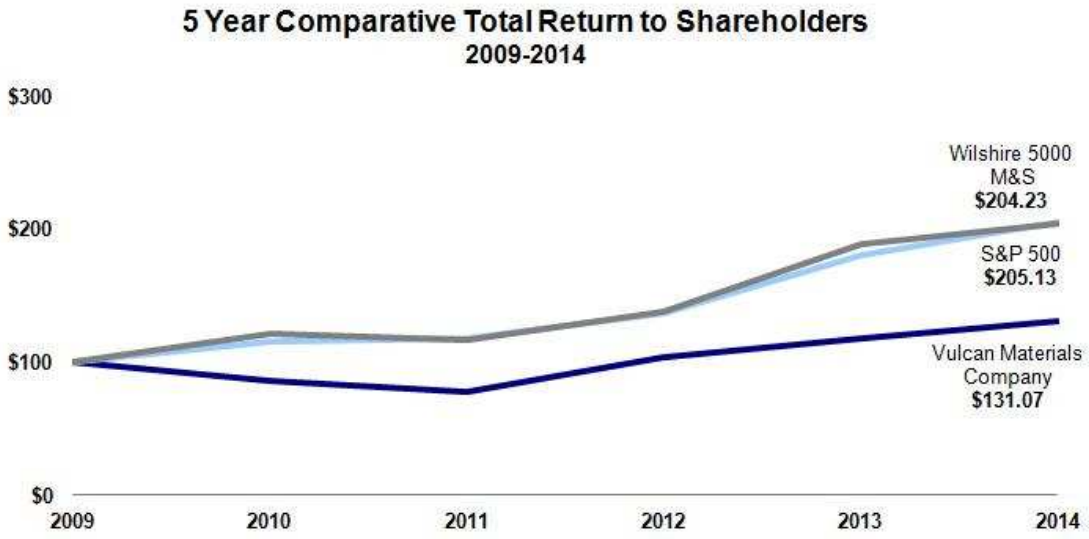
Jeffe r y G. Lott was named President – Southwest Division effective January 1, 2015. Prior to that , he served in a number of roles over the past five years for the Company, including Vice President and General Manager, Texas (July 2010 – December 2014) and Vice President and General Manager, North Texas Region (June 2009 – July 2010).

Jason P. Teter began serving as President – Southern and Gulf Coast Division on January 1, 2015. Prior to that, he served as Vice President – Business Development from October 2013 to December 2014. Before joining the Company, for four years he was the Vice President and General Manager, Georgia Aggrega tes for Lafarge North America.

Ejaz A. Khan was elected Vice President and Controller in February 1999. He was elected Chief Information Officer in February 2000.

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

Below is a graph comparing the performance of our common stock, with dividends reinvested, to that of the Standard & Poor's 500 Stock Index (S&P 500) and the Materials and Services Sector of the Wilshire 5000 Index (Wilshire 5000 M&S) from December 31, 200 9 to December 31, 201 4 . The Wilshire 5000 M&S is a market capitalization weighted sector containing public equities of firms in the Materials and Services sector, which includes our company and approximately 1, 3 00 other companies.



	2009	2010	2011	2012	2013	**2014**
Comparative Total Return [1]						
Vulcan Materials Company	$ 100.00	$ 86.20	$ 78.10	$ 103.40	$ 118.08	**$ 131.07**
S&P 500	$ 100.00	$ 115.06	$ 117.49	$ 136.29	$ 180.43	**$ 205.13**
Wilshire 5000 M&S	$ 100.00	$ 121.24	$ 117.12	$ 138.43	$ 188.55	**$ 204.23**

[1] *Assumes an initial investment at December 31, 2009 of $100 in each stock/inde x, w i th quarterly reinvestment of dividends.*

INVESTOR INFORMATION

We make available on our website, *www.vulcanmaterials.com* , free of charge, copies of our :

- Annual Report on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Reports on Form 8-K

We also provide amendments to those reports filed with or furnished to the Securities and Exchange Commission (the " SEC ") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as well as all Forms 3, 4 and 5 filed with the SEC by our executive officers and directors, as soon as the filings are made publicly available by the SEC on its EDGAR database (*www.sec.gov*).

The public may read and copy materials filed with the SEC at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D. C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K, including financial statements, by writing to Jerry F. Perkins Jr., Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

We have a :

- Business Conduct Policy applicable to all employees and directors
- Code of Ethics for the CEO and Senior Financial Officers

Copies of the Business Conduct Policy and the Code of Ethics are available on our website under the heading " Corporate Governance. " If we make any amendment to, or waiver of, any provision of the Code of Ethics, we will disclose such information on our website as well as through filings with the SEC.

Our Boar d of Directors has also adopted:

- Corporate Governance Guidelines
- Charters for its Audit, Compens ation , Financ e, G overnance and Safety Health & Environment Committees

These documents meet all applicable SEC and New York Stock Ex change regulatory requirements.

The Audit, Compensation and Governance Charters are available on our website under the heading, " Corporate Governance, " or you may request a copy of any of these documents by writing to Jerry F. Perkins Jr., Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

An investment in our common stock involves risks. You should carefully consider the following risks, together with the information included in or incorporated by reference in this report, before deciding whether an investment in our common stock is suitable for you. If any of these risks actually occurs, our business, results of operations or financial condition could be materially and adversely affected. In such an event, the trading prices of our common stock could decline and you might lose all or part of your investment. The following is a list of our risk factors.

EC ONOMIC/POLITICAL RISKS

Changes in legal requirements and governmental policies concerning zoning, land use, environmental and other areas of the law may result in additional liabilities, a reduction in operating hours and additional capital expenditures — Our operations are affected by numerous federal, state and local laws and regulations related to zoning, land use and environmental matters. Despite our compliance efforts, we have an inherent risk of liability in the operation of our business. These potential liabilities could have an adverse impact on our operations and profitability. In addition, our operations are subject to environmental, zoning and land use requirements and require numerous governmental approvals and permits, which often require us to make significant capit al an d operating expenditures to comply with the applicable requirements. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede our opening new or expanding existing plants or facilities.

Climate change and climate change legislation or regulations may adversely impact our business — A number of governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change. Such legislation or regulation, if enacted, potentially could include provisions for a "cap and trade" system of allowances and credits or a carbon tax , among other provisions. The Environmental Protection Agency (EPA) promulgated a mandatory reporting rule covering greenhouse gas emissions from sources considered to be large emitters. The EPA has also promulgated a greenhouse gas emissions permitting rule, referred to as the "Tailoring Rule , " which requires permitting of large emitters of greenhouse gases under the Federal Clean Air Act. With the sale of our Newberry cement plant in March 2014, we no longer have a facility subject to either the reporting or permitting rule , although the impacts of the permitting rule are uncertain at this time.

Other potential impacts of climate change include physical impacts , such as disruption in production and product distribution due to impacts from major storm events, shifts in regional weather patterns and intensities, and potential impacts from sea level changes. There is also a potential for climate change legislation and regulation to adversely impact the cost of purchased energy and electricity.

The impacts of climate change on our operations and the company overall are highly uncertain and difficult to estimate. However, climate chang e, l egislation and regulation concerning greenhouse gases could have a material adverse effect on our future financial position, results of operations or cash flows.

GROWTH AND COMPETITIVE RISKS

Within our local markets, we operate in a highly competitive industry which may negatively impact prices, volumes and costs — The construction aggregates industry is highly fragmented with a large number of independent local producers in a number of our markets. Additionally, in most markets, we also compete against large private and public companies, some of which are significantly vertically integrate d. Therefore, there is intense competition in a number of markets in which we operate. This significant competition could lead to lower prices and lower sales volum es in some markets, negatively affecting our earnings and cash flows.

Our long-term success depends upon securing and permitting aggregates reserves in strategically located areas. If we are unable to secure and permit such reserves it could negatively affect our future earnings — Constru ct ion aggregates are bulky and heavy and, therefore, difficult to transport efficiently. Because of the nature of the products, the freight costs can quickly surpass the production costs. Therefore, except for geographic regions that do not possess commercially viable deposits of aggregates and are served by rail, barge or ship, the markets for our products tend to be localized around our quarry sites and are served by truck. New quarry si tes often take years to develop ; therefore , our strategic planning and new site development must stay ahead of actual growth. Additionally, in a number of urban and suburban areas in which we operate, it is increasingly difficult to permit new sites or expand existing sites due to community resistance. Therefore, our future success is dependent, in part, on our ability to accurately forecast future areas of high growth in order to locate optimal facility sites and on our ability to secure operating and environmental permits to operate at those sites.

Our future growth depends in part on acquiring other businesses in our industry and successfully integrating them with our existing operations. If we are unable to integrate acquisitions successfully, it could lead to higher costs and could negatively affect our earnings — The expansion of our business is dependent in part on the acquisition of existing businesses that own or control aggregates reserves. Disruptions in the availability of financing could make it more difficult to capitalize on potential acquisitions. Additionally, with regard to the acquisitions we are able to complete, our future results w ill depend i n part on our ability to successfully integrate these businesses with our existing operations.

FINANCIAL/ACCOUNTING RISKS

Our industry is capital intensive, resulting in significant fixed and semi-fixed costs. Therefore, our earnings are highly sensitive to changes in volume — Due to the high levels of fixed capital required for extracting and producing construction aggregates, our profits and profit margins are negatively affected by significant decreases in volume.

Significant downturn in the construction industry may result in an impairment of our goodwill — We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. While we have not identified any events or changes in circumstances since our annual impairment test on November 1, 20 1 4 tha t indicate the fair value of any of our reporting units is below its carrying value, a significant downturn in the construction industry may have a material effect on the fair value of our reporting units. A significant decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, noncash write-down of goodwill.

We have substantial debt and our credit ratings are non-investment grade — O ur operating cash flow is burdened by substantial annual interest, and in some years, principal payments. Our ability to make scheduled interest and principal payment s d epends on our operating and financial performance. Our ability to refinance maturing debt depends on our financial performance and the state of the capital markets (particularly for non-investment grade debt) . Operating and financial performance is, in turn, subject to general economic and business conditions, many of which are outside of our control .

Our debt instruments contain variou s covenants, including: a ffirmativ e (e.g., m aintai n i nsurance), negativ e (e.g., restrictions on lines of business), informational (e.g., provide financial statements) and financial (e.g., minimum EBITDA to interest ratio) covenants . If we fail to comply with any of these covenants, the related debt could become due prior to its stated maturity, and our ability to obtain alternative or additional financing could be impaired.

We use estimates in accounting for a number of significant items. Changes in our estimates could adversely affect our future financial results — As discussed more fully in "Critical Accounting Policies" under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," we use significant judgment in accounting for :

- g oodwill and goodwill impairment
- impairment of long- lived assets excluding goodwill
- reclamation costs
- pension and other postretirement benefits
- environmental compliance
- claims and liti gation including self-insurance
- income taxes

We believe we have sufficient experience and reasonable procedures to enable us to make appropriate assumptions and formulate reasonable estimates; however, these assumptions and estimates could change significantly in the future and could adversely affect our financial position , results of operations, or cash flows.

PERSONNEL RISKS

Our future success is dependent upon a management team and divisional structure that are new — Since January 1, 2014, we have experienced significant changes in our management team as part of the Company's management succession plan and new divisio n o rganizational structure. Our future success depends in large part upon the effective transition of our new management team and the new divisional structure. If there are further changes in management or organizational structure, such changes could be disruptive and could negatively affect our operations, strategic planning and performance.

Our future success greatly depends upon attracting and retaining qualified personnel, particularly in sales and operations — A significant factor in our future profitability is our ability to attract, develop and retain qualified personnel. Our success in attracting qualified personnel, particularly in the areas of sales and operations, is affected by changing demographics of the available pool of workers with the training and skills necessary to fill the available positions, the impact on the labor supply due to general economic conditions, and our ability to offer competitive compensation and benefit packages.

We are subject to various risks arising from our international business operations and relationships, which could adversely affect our business — We have international operations and are subject to both the risks of conducting international business and the requirements of the Foreign Corrupt Practices Act of 1977 (the FCPA). Failure to comply with the FCPA may result in legal claims against us. In addition, we face other risks associated with international operations and relationships, which may include restrictive trade policies, imposition of duties, taxes or government royalties impressed by foreign governments.

OTHER RISKS

We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks — Any significant breakdown, invasion, destruction or interruption of our systems by employees, others with authorized access to our systems or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested in the protection of our data and informational technology to reduce these risks and periodically test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect or business. Management is not aware of a cybersecurity incident that has had a material impact on our operations.

Weather can materially affect our operating results — Almost all of our products are consumed outdoors in the public or private construction industry, and our production and distribution facilities are located outdoors. Inclement weather affects both our ability to produce and distribute our products and affects our customers' short-term demand because their work also can be hampered by weather. Therefore, our financial results can be negatively affected by inclement weather.

Our products are transported by truck, rail, barge or ship, often by third-party providers. Significant delays or increased costs affecting these transportation methods could materially affect our operations and earnings — Our products are distributed either by truck to local markets or by rail, barge or oceangoing vessel to remote markets. The c osts of transporting our products could be negatively affected by factors outside of our control, including rail service interruptions or rate increases, tariffs, rising fuel costs and capacity constraints. Additionally, inclement weather, including hurricanes, tornadoes and other weather events, can negatively impact our distribution network.

We use large amounts of electricity, diesel fuel, liquid asphalt and other petroleum-based resources that are subject to potential supply constraints and significant price fluctuation, which could affect our operating results and profitability — In our production and distribution processes, we consume significant amounts of electricity, diesel fuel, liquid asphalt and other petroleum-based resources. The availability and pricing of these resources are subject to market forces that are beyond our control. Our suppliers contract separately for the purchase of such resources and our sources of supply could be interrupted should our suppliers not be able to obtain these materials due to higher demand or other factors that interrupt their availability. Variability in the supply and prices of these resources could materially affect our operating results from period to period and rising costs could erode our profitability.

We are involved in a number of legal proceedings. We cannot predict the outcome of litigation and other contingencies with certainty — We are involved in several complex litigation proceedings, some arising from our previous ownership and operation of our Chemicals and Metals business es . Although we divested our Chemicals business in June 2005, we retained certain liabilities related to the business. As required by generally accepted accounting principles, we establish reserves when a loss is determined to be probable and the amount can be reasonably estimated. Our assessment of probability and loss estimates are based on the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of a loss contingency, and could result in an adverse effect on our financial position, results of operations or cash flows. For a description of our current significant legal proceedings see Note 12 " Commitments and Contingencies " in Item 8 " Financial Statements and Supplementary Data. "

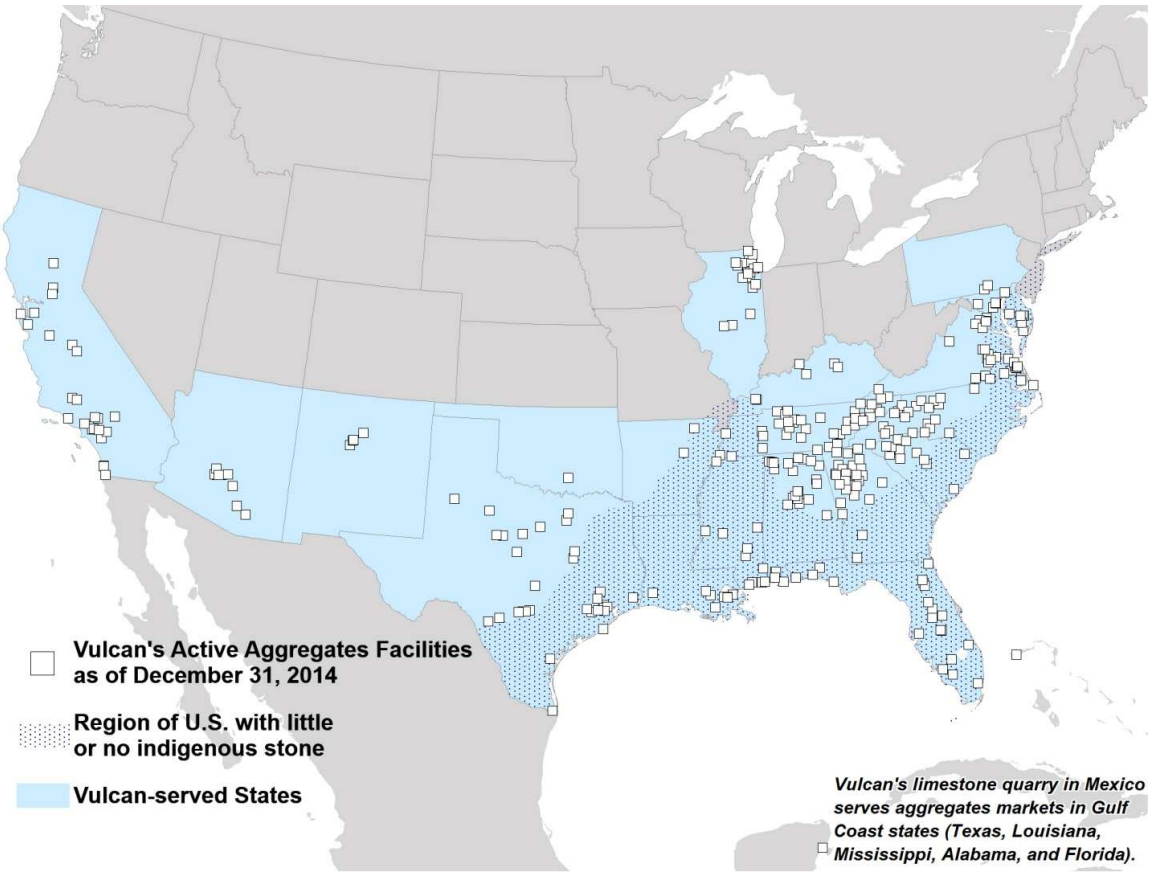
We are involved in certain environmental matters. We cannot predict the outcome of these contingencies with certainty — We are involved in environmental investigations and cleanups at sites where we operate or have operated in the past or sent materials for recycling or disposal . As required by generally accepted accounting principles, we establish reserves when a loss is determined to be probable and the amount can be reasonably estimated. Our assessment of probability and loss estimates are based on the facts and circumstances known to us at a particular point in time. Subsequent developments related to these matters may affect our assessment and estimates of loss contingency, and could result in an adverse effect on our financial position, results of operations or cash flows. For a description of our current significant environmental matters see Note 12 “Commitments and Contingencies" in Item 8 "Financial Statements and Supplementary Data."

ITEM 1B
UNRESOLVED STAFF COMMENTS

We have not received any written comments from the Securities and Exchange Commission staff regarding our periodic or current reports under the Exchange Act of 1934 that remain unresolved.

AGGREGATES

As the largest U.S. producer of construction aggregates, we have operating facilities across the U.S. and in Mexico and the Bahamas. We principally serve mark ets in 20 sta tes, Washington D.C. and the local markets surrounding our operations in Mexico and the Bahamas. Our primary focus is serving states and metropolitan markets in the U.S. that are expected to experience the most significant growth in population, households and employment. These three demographic factors are significant drivers of demand for aggregates.



Our current estimate of 15.8 billion tons of proven and probable aggregates reserve s reflects an increase of 0.8 billion tons from the prior year's estimate . Estimates of reserves are of recoverable stone, sand and gravel of suitable quality for economic extraction, based on drilling and studies by our geologists and engineers, recognizing reasonable economic and operating restraints as to maximum depth of overburden and stone excavation, and subject to permit or other restrictions.

Proven, or measured, reserves are those reserves for which the quantity is computed from dimensions revealed by drill data, together with other direct and measurable observations , such as outcrops, trenches and quarry faces. The grade and quality of those reserves are computed from the results of detailed sampling, and the sampling and measurement data are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable, or indicated, reserves are those reserves for which quantity , grade and quality are computed partly from specific measurements and partly from projections based on reasonable, though not drilled, geologic evidence. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation .

Reported proven and probable reserves include only quantities that are owned in fee or under lease, and for which all appropriate zoning and permitting have been obtained. Leases, zoning, permits, reclamation plans and other government or industry regulations often set limits on the areas, depths and lengths of time allowed for mining, stipulate setbacks and slopes that must be left in place, and designate which areas may be used for surface facilities, berms, and overburden or waste storage, among other requirements and restrictions. Our reserve estimates take into account these factors. Technical and economic factors also affect the estimates of reported reserves regardless of what might otherwise be considered proven or probable based on a geologic analysis. For example, excessive overburden or weathered rock, rock quality issues, excessive mining depths, groundwater issues, overlying wetlands, endangered species habitats, and rights of way or easements may effectively limit the quantity of reserves considered proven and probable. In addition, computations for reserves in-place are adjusted for estimates of unsaleable sizes and materials as well as pit and plant waste.

The 15.8 billion tons of estimated proven and probable aggregates reserves reported at the end of 201 4 i nclude reserves at inactive and greenfield (undeveloped) sites. The table below presents, by region , the tons of proven and probable aggregates reserves as of December 31, 201 4 and the types of facilities operated.

	(millions of tons)				*Number of Aggregates Operating Facilities* [1]		
	Aggregates Reserves			2014			
	Proven	*Probable*	*Total*	*Production*	*Stone*	*Sand and Gravel*	*Sales Yards*
Central [2]	2,711.2	891.6	3,602.8	28.5	50	3	4
East [2, 3]	4,833.5	1,968.0	6,801.5	51.9	71	5	23
South [2]	3,698.7	202.2	3,900.9	54.5	46	12	46
West [2]	875.1	626.9	1,502.0	27.0	6	25	3
Total	**12,118.5**	**3,688.7**	**15,807.2**	**161.9**	**173**	**45**	**76**

[1] *In addition to the facilities included in the table above, we operate 21 recrushed concrete plants which are not dependent on reserves.*

[2] *The regions are defined by states as follows: Central region – Illinois, central Kentucky and Tennessee; East region – Delaware, central Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Virginia and Washington D.C. ; South region – Alabama, Arkansas, Florida, south Georgia, western Kentucky, Louisiana, Mississippi, Oklahoma, Texas, the Bahamas and Mexico; and West region – Arizona , California and New Mexico .*

[3] *Includes a maximum of 387.5 million tons of reserves encumbered by vo lumetric production payment s as defined in Note 1 "Summary of Significant Accounting Policies" caption "Deferred Revenue" to the consolidated financial statements in Item 8 "Financial Statements and Supplementary Data."*

Of the 15.8 billion tons of aggregates reserves at December 31, 201 4 , 8.8 billion tons or 56 % are located on owned land and 7.0 billion tons or 44 % are located on leased land.

The following table lists our ten largest active aggregates facilities based on the total proven and probable reserves at the sites. None of our aggregates facilities, other than Playa del Carmen, contributed more than 5 % to our total revenues in 201 4 .

(millions of tons)

	Reserves at 12/31/2014			*2014*
Location (nearest major metropolitan area)	*Proven*	*Probable*	*Total*	*Production*
Playa del Carmen (Cancun), Mexico	606.5	0.0	606.5	12.3
Hanover (Harrisburg), Pennsylvania	275.9	274.4	550.3	2.7
McCook (Chicago), Illinois	116.0	271.2	387.2	5.7
DeKalb (Chicago), Illinois	161.9	193.7	355.6	0.2
Corona (Los Angeles), California	22.5	321.5	344.0	2.6
Gold Hill (Charlotte), North Carolina	162.3	128.9	291.2	0.8
Macon, Georgia	125.3	128.0	253.3	1.2
Rockingham (Charlotte), North Carolina	74.3	174.6	248.9	2.3
Norcross (Atlanta), Georgia	197.7	27.7	225.4	2.3
1604 Stone (San Antonio), Texas	221.7	0.0	221.7	2.6

ASPHALT MIX, CO NC RETE AND CALCIUM (FORMERLY CEMENT)

As of December 31, 2014, w e o perate d a number of facilities producing other products in several of our Regions as reflected in the table below :

Region [1]	*Asphalt Mix Facilities*	*Concrete* [2] *Facilities*	*Calcium* [3] *Facilities*
East	0	43	0
South	11	9	1
West	27	13	0

[1] *Central Region has no asphalt mix, concrete or calcium facilities.*

[2] *Comprised of ready-mixed concrete facilities.*

[3] *Comprised of a ground calcium plant.*

Subsequently, in January 2015, we exchanged our California ready-mixed concrete operations for 13 asphalt mix plants, primarily in Arizona (West Region).

The asphalt mix and concrete facilities are able to meet their needs for raw material inputs with a combination of internally sourced and purchased raw materials. Our Calcium segment operates a quarry at Brooksville, Florida which provides feedstock for the ground calcium operation .

(millions of tons)

	Reserves at 12/31/2014			*2014*
Location	*Proven*	*Probable*	*Total*	*Production*
Brooksville	5.1	1.2	6.3	0.3

Our Brooksville limestone quarry is mined and processed primarily as a supplement for end-use products , such as animal feed, plastics and paint. High purity limestone is inert and relatively inexpensive compared to the other components used in these end-use produc ts. The Brooksville limestone quarry has an average calcium carbonate ($CaCO_3$) content of 98.1%.

HEADQUARTERS

Our headquarters are located in an office complex in Birmingham, Alabama. The office space is leased through December 31, 2023, with three five-year renewal periods thereafter, and consists of approximately 184,125 square feet. The annual rental cost for the current term of the lease is $ 3.4 million.

ITEM 3
LEGAL PROCEEDINGS

We are subject to occasional governmental proceedings and orders pertaining to occupational safety and health or to protection of the environment, such as proceedings or orders relating to noise abatement, air emissions or water discharges. As part of our continuing program of stewardship in safety, health and environmental matters, we have been able to resolve such proceedings and to comply with such orders without any material adverse effects on our business.

We are a defendant in various lawsuits in the ordinary course of business. It is not possible to determine with precision the outcome of, or the amount of liability, if any, under these lawsuits, especially where the cases involve possible jury trials with as yet undetermined jury panels.

See Note 12 " Commitments and Contingencies " in Item 8 " Financial Statements and Supplementary Data " for a discussion of our material legal proceedings.

ITEM 4
MINE SAFETY DISCLOSURES

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

Our common stock is traded on the New York Stock Exchange (ticker symbol VMC). As of February 11 , 201 5 , the number of shareholders of record was 3,316 . The prices in the following table represent the high and low sales prices for our common stock as reported on the New York Stock Exchange and the quarterly dividends declared by our Board of Directors in 201 4 and 201 3 .

	Common Stock Prices		*Dividends*
	High	*Low*	*Declared*
2014			
First quarter	$ 69.50	$ 57.55	$ 0.05
Second quarter	$ 68.29	$ 58.88	$ 0.05
Third quarter	$ 66.55	$ 60.20	$ 0.06
Fourth quarter	$ 69.10	$ 54.10	$ 0.06
2013			
First quarter	$ 59.48	$ 49.95	$ 0.01
Second quarter	$ 55.74	$ 45.42	$ 0.01
Third quarter	$ 54.37	$ 46.21	$ 0.01
Fourth quarter	$ 60.14	$ 50.32	$ 0.01

The future payment of dividends is within the discretion of our Board of Directors and depends on our profitability, capital requirements, financial condition, debt levels, growth projects, business opportunities and other factors which our Board of Directors deems relevant. As explained under the “Debt” caption of Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our line of credit contains covenants that limit our ability to make restrictive payments, including dividends. Such limitation currently does not impact our ability to execute our financial plans, and becomes less restrictive when the line of credit becomes unsecured.

On February 13 , 201 5 , our Board declared a dividend of ten cent s per share for the first quarter of 201 5 . This represents a four cent per share increase over the prior quarter.

ISSUER PURCHASES OF EQUITY SECURITIES

We did not have any repurchases of stock during the fourth quarter of 201 4 . We did not have any unregistered sales of equity securities during the fourth quarter of 201 4 .

The selected earnings data, per share data and balance sheet data for each of the five most recent years ended December 31 set forth belo w, have been derived from our audited consolidated financial statements. The following data should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements in Item 8 "Financial Statements and Supplementary Data."

As of and for the years ended December 31 in millions, except per share data	***2014***	*2013*	*2012*	*2011*	*2010*
Total revenues	**$ 2,994.2**	$ 2,770.7	$ 2,567.3	$ 2,564.6	$ 2,558.9
Gross profit	**$ 587.6**	$ 426.9	$ 334.0	$ 283.9	$ 300.7
Gross profit margin	**19.6%**	15.4%	13.0%	11.1%	11.8%
Earnings (loss) from continuing operations [1]	**$ 207.1**	$ 20.8	$ (53.9)	$ (75.3)	$ (102.5)
Earnings (loss) on discontinued operations, net of tax [2]	**$ (2.2)**	$ 3.6	$ 1.3	$ 4.5	$ 6.0
Net earnings (loss)	**$ 204.9**	$ 24.4	$ (52.6)	$ (70.8)	$ (96.5)
Basic earnings (loss) per share					
Continuing operations	**$ 1.58**	$ 0.16	$ (0.42)	$ (0.58)	$ (0.80)
Discontinued operations	**(0.02)**	0.03	0.01	0.03	0.05
Basic net earnings (loss) per share	**$ 1.56**	$ 0.19	$ (0.41)	$ (0.55)	$ (0.75)
Diluted earnings (loss) per share					
Continuing operations	**$ 1.56**	$ 0.16	$ (0.42)	$ (0.58)	$ (0.80)
Discontinued operations	**(0.02)**	0.03	0.01	0.03	0.05
Diluted net earnings (loss) per share	**$ 1.54**	$ 0.19	$ (0.41)	$ (0.55)	$ (0.75)
Cash and cash equivalents	**$ 141.3**	$ 193.7	$ 275.5	$ 155.8	$ 47.5
Total assets	**$ 8,061.9**	$ 8,259.1	$ 8,126.6	$ 8,229.3	$ 8,339.5
Working capital	**$ 468.6**	$ 652.4	$ 548.6	$ 456.8	$ 191.4
Current maturities and short-term borrowings	**$ 150.1**	$ 0.2	$ 150.6	$ 134.8	$ 290.7
Long-term debt	**$ 1,855.4**	$ 2,522.2	$ 2,526.4	$ 2,680.7	$ 2,427.5
Equity	**$ 4,176.7**	$ 3,938.1	$ 3,761.1	$ 3,791.6	$ 3,955.8
Cash dividends declared per share	**$ 0.22**	$ 0.04	$ 0.04	$ 0.76	$ 1.00

[1] *Earnings from continuing operations for 2014 include a pretax gain of $21 1 .4 million (net of $ 16 . 5 million of disposition related charges) re ferable to the sale of our cement and concrete businesses in the Florida area as described in Note 19 " Acquisitions and Divestitures " in Item 8 "Financial Statements and Supplementary Data . " We deferred income taxes on approximately $145.0 million of this gain through like-kind exchange transactions.*

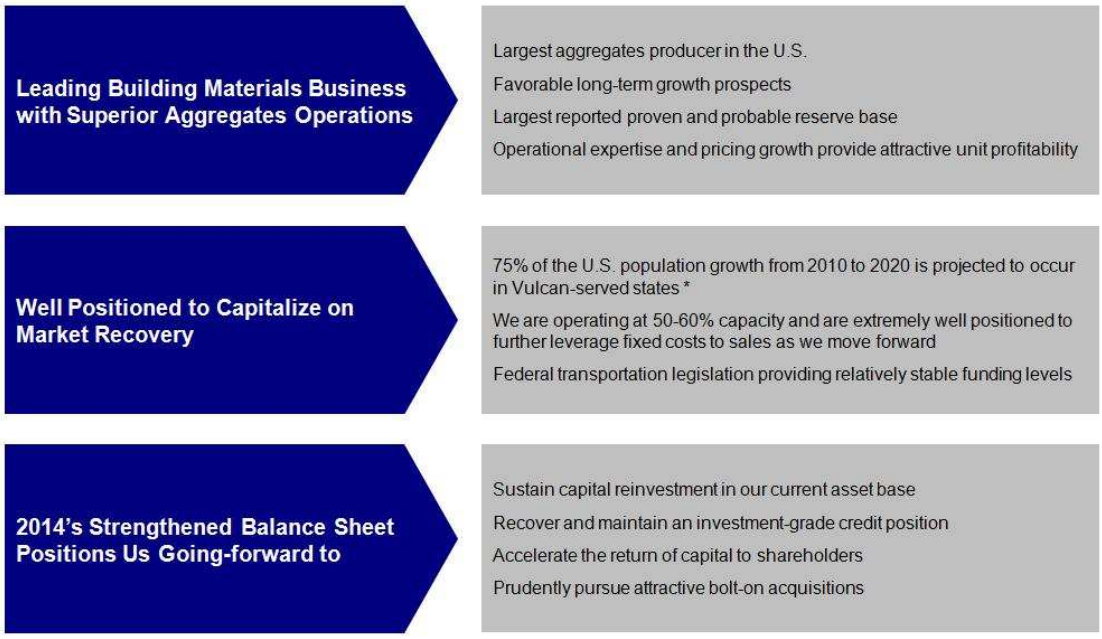
[2] *Discontinued operations include the results from operations attributable to our former Chemicals business.*

EXECUTIVE SUMMARY

FINANCIAL SUMMARY FOR 201 4

- Earnings from continuing operations were $1.56 per diluted share versus $0.16 per diluted share in the prior year
- Net earnings of $204.9 million improved by $180.5 million
- Adjusted EBITDA of $599.7 million increased by $131.4 million
- Total revenues increased $223.5 million, or 8%, to $2,994.2 million
- Gross profi t increased $160.7 million , or 38%, to $587.6 million
  - G ross profit margin inc reased 4.2 percentage points (420 basis points)
- Aggregates segment gross profit increased $130.8 million , or 32%, to $544.1 million
  - Gross profit as a percentage of freight-adjusted revenues improved 4.1 percentage points (410 basis points)
    - Incremental gross profit as a percentage of freight-adjusted revenues was 60.0%
  - Freight-adjusted revenues increased $ 218. 0 million, or 14%
    - Freight-adjusted sales price increased $0.25 per ton, or 2%
  - Shipments increased 16.5 million tons, or 11%
    - Same-store shipments increased 15.0 million tons, or 10 %
- Non-aggregates gross profit improved $29.9 million, or 220%, collectively
- Selling, Administrative and General (SAG) expenses of $272.3 million were up $12.9 million, or 5%
- Generated $1,007.7 million in cash from the sale of assets and results of operations, reduced debt by $516.8 million and invested $331.8 million in strategic bolt-on acquisitions

KEY DRIVERS OF VALUE CREATION



**Source: Moody's Analytics*

NEW EXECUTIVE LEADERSHIP TEAM AND DIVISIONAL STRUCTURE

In 201 4 , we announced a new executive leadership team led by Tom Hill, President and Chief Executive Officer. Joining Mr. Hill o n the leadership team w ere John McPherson (Executive Vice President, Chief Financial and Strategy Officer), Stan Bass (Senior Vice President , West Region) and Michael Mills (Senior Vice President and General Counsel). We also introduced a new divisional organization structur e ef fective January 1, 2015. This new structure enables us to pursue growth and profitability while further leveraging the ERP and Shared Services platforms implemented in 2012.

201 4 STRATEGIC ACQUISITIONS /DIVESTITU R ES

- Fourth quarter acquisitio n
  - two portable asphalt plants and an aggregates facility in southern California
- Third quarter acquisitions
  - five aggregates facilities and associated downstream assets in Arizona and New Mexico
  - two aggregates facilities in Delaware, serving northern Virginia and Washington, D.C.
  - four aggregates facilities in the San Francisco Bay Area
  - a rail-connected aggregates operation and two distribution yards that serve the greater Dallas/Fort Worth market
- Second quarter acquisition
  - a permitted aggregates quarry in Alabama

In the first quarter of 2014 we sold our cement and concrete businesses in the Florida area to Cementos Argos (Argos) for net pretax cash proceeds of $ 7 21.4 million resulting in a pretax gain of $ 2 11.4 million (net of $16.5 million of disposition related charges) . We retained all of our Florida aggregates operations, our former Cement segment's calcium operation in Brooksville, Florida and real estate associated with certain former ready-mixed concrete facilities. Under a separate supply agreement, we will continue to provide aggregates to the divested concrete facilities, at market prices, for a period of 20 years.

Given our aggregates focus ed strategy, Argos is a better owner of those assets than we were. Our divested cement and concrete operations were among the most volatile and capital-intensive businesses in our portfolio. We continually challenge ourselves as to whether we are the best owner of our individual assets and operations — this logic supports the Argos divestiture and also underpins the smaller transaction we closed in late January 2015 to exchange our California ready-mixed concrete operations for 13 asphalt mix plants, primarily in Arizona. We expect to earn a higher return on the exchanged assets due to our operational and strategic focus in the Arizona asphalt market.

For a detailed discussion of our acquisitions and divestitures, see Note 19 "Acquisitions and Divestitures" in Item 8 "Financial Statements and Supplementary Data."

MARKET DEVELOPMENTS

Aggregates demand is in the early stages of recovery and remains well below normalized levels. The pattern of recovery is increasingly broad-based and, f or the first time since 2005, demand in each of the four major end markets increased versus the prior year. We currently anticipate a gradual recovery lasting several more years before we return to aggregates consumption levels consistent with long-term trends.

Construction activity in our markets grew faster than U.S. markets as a whole in 2014, led by growth in private construction. Residential construction activity, measured in housing starts, continues to recover from depressed levels of demand to more normalized levels needed to support demographics. Private nonresidential construction activity continues to benefit from growth in office and commercial as well as large industrial projects along the coasts of Texas and Louisiana, where we are well positioned to provide aggregates to an area deprived of naturally occurring sources suitable for construction. We see demand from private end-uses up 14% to 18% during 2015. Private growth continues to be driven by the recovery in employment and the continued strength in family and multi-family housi ng . Ou r employment and housing assumptions are consistent with consensus forecasts and reflect that our markets are growing faster than the rest of the U nited S tates .

Public construction continues to realize steady growth due mostly to strong awards for new projects in 2013 and early in 2014 as well as large transportation-related projects funded through the federal government's TIFIA program. We currently expect these trends in demand in each of the major end markets to continue in 2015. We believe demand from public end-uses will increase 3% to 5% during 2015. Construction award momentum remains positive and stable in our markets. The S outh and W est continue to see more growth than other areas of the U nited S tates . State and local tax revenue growth has mirrored the economic recovery. As tax revenues approach all time high levels, they will supply the support for new public funding.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Gross profit margin excluding freight and delivery revenues is not a Generally Accepted Accounting Principle (GAAP) measure. We present this metric as it is consistent with the basis by which we review our operating results. Likewise, we believe that this presentation is consistent with the basis by which investors analyze our operating results considering that freight and delivery services represent pass-through activities. Reconciliation of this metric to its nearest GAAP measure is presented below:

GROSS PROFIT MARGIN IN ACCORDANCE WITH GAAP

in millions	***2014***	*2013*	*2012*
Gross profit	**$ 587.6**	$ 426.9	$ 334.0
Total revenues	**$ 2,994.2**	$ 2,770.7	$ 2,567.3
Gross profit margin	**19.6%**	15.4%	13.0%

GROSS PROFIT MARGIN EXCLUDING FREIGHT AND DELIVERY REVENUES

in millions	***2014***	*2013*	*2012*
Gross profit	**$ 587.6**	$ 426.9	$ 334.0
Total revenues	**$ 2,994.2**	$ 2,770.7	$ 2,567.3
Freight and delivery revenues [1]	**473.1**	386.2	326.6
Total revenues excluding freight and delivery revenues	**$ 2,521.1**	$ 2,384.5	$ 2,240.7
Gross profit margin excluding freight and delivery revenues	**23.3%**	17.9%	14.9%

[1] *Includes freight to remote distribution sites.*

Aggregates segment gross profit as a percentage of freight-adjusted revenues is not a GAAP measure. We present this metric as it is consistent with the basis by which we review our operating results. We believe that this presentation is more meaningful to our investors as it exclude s freight, delivery and transportation revenues which are p ass-through activit ies. It also excludes immaterial other revenues related to services, such as landfill tipping fees , that are derived from our aggregates business . Incremental gross profit as a percentage of freight-adjusted revenues represents the year-over-year change in gross profit divided by the year-over-year change in freight-adjusted revenues. Reconciliation of th ese metric s to their nearest GAAP measure is presented below:

AGGREGATES SEGMENT GROSS PROFIT MARGIN IN ACCORDANCE WITH GAAP

in millions	***2014***	*2013*	*2012*
Aggregates segment			
Gross profit	**$ 544.1**	$ 413.3	$ 352.1
Segment sales	**2,346.4**	2,025.0	1,863.9
Gross profit margin	**23.2%**	20.4%	18.9%
Incremental gross profit margin	**40.7%**	38.0%	

AGGREGATES SEGMENT GROSS PROFIT AS A PERCENTAGE OF FREIGHT-ADJUSTED REVENUES

in millions	***2014***	*2013*	*2012*
Aggregates segment			
Gross profit	**$ 544.1**	$ 413.3	$ 352.1
Segment sales	**$ 2,346.4**	$ 2,025.0	$ 1,863.9
Excluding			
Freight, delivery and transportation revenues [1]	**532.2**	424.9	367.5
Other revenues	**20.2**	24.1	24.8
Freight-adjusted revenues	**$ 1,794.0**	$ 1,576.0	$ 1,471.6
Gross profit as a percentage of freight-adjusted revenues	**30.3%**	26.2%	23.9%
Incremental gross profit as a percentage of freight-adjusted revenues	**60.0%**	58.6%	

[1] *At the segment level, freight, delivery and transportation revenues include intersegment freight & delivery revenues, w hich are eliminated at the consolidated level.*

GAAP does not define "free cash flow , " "cash gross profit" and "Earnings Before Interest, Taxes, Depreciation and Amortization " (EBITDA). Thus, free cash flow should not be considered as an alternative to net cash provided by operating activities or any other liquidity measure defined by GAAP . Likewise, cash gross profit and EBITDA should not be considered as alternatives to earnings measures defined by GAAP . We present these metrics for the convenience of investment professionals who use such metrics in their analyse s a nd for shareholders who need to understand the metrics we use to assess performance and to monitor our cash and liquidity positions. The investment community often uses these metrics as indicators of a company's ability to incur and service debt and to assess the operating performance of a company's businesses . We use free cash flow, cash gross profit, EBITDA and other such measures to assess liquidity and the operating performance of our various business units and the consolidated company. Additionally, we adjust EBITDA for certain items to provide a more consistent comparison of performance from period to period. We do not use these metrics as a measure to allocate resources . Reconciliations of these metrics to their nearest GAAP measures are presented below:

FREE CASH FLOW

Free cash flow is calculated by deduct ing purchases of property, plant & equipment from net cash provided by operating activities.

in millions		***2014***		*2013*		*2012*
Net cash provided by operating activities	**$**	**260.3**	$	356.5	$	238.5
Purchases of property, plant & equipment		**(224.9)**		(275.4)		(93.4)
Free cash flow	**$**	**35.4**	$	81.1	$	145.1

CASH GROSS PROFIT

C ash gross profit adds back noncash charges for depreciation, depletion, accretion and amortization to gross profit. Cash gross profit per ton is computed by dividing cash gross profit by tons shipped.

in millions, except per ton data		***2014***		*2013*		*2012*
Aggregates segment						
Gross profit	**$**	**544.1**	$	413.3	$	352.1
Depreciation, depletion, accretion and amortization		**227.0**		224.8		240.7
Aggregates segment cash gross profit	**$**	**771.1**	$	638.1	$	592.8
Unit shipments - tons		**162.4**		145.9		141.0
Aggregates segment cash gross profit per ton	**$**	**4.75**	$	4.37	$	4.21
Asphalt Mix segment						
Gross profit	**$**	**38.1**	$	32.7	$	22.9
Depreciation, depletion, accretion and amortization		**10.7**		8.7		8.7
Asphalt Mix segment cash gross profit	**$**	**48.8**	$	41.4	$	31.6
Concrete segment						
Gross profit	**$**	**2.2**	$	(24.8)	$	(38.2)
Depreciation, depletion, accretion and amortization		**19.9**		33.0		41.3
Concrete segment cash gross profit	**$**	**22.1**	$	8.2	$	3.1
Calcium (formerly Cement) segment						
Gross profit	**$**	**3.2**	$	5.7	$	(2.8)
Depreciation, depletion, accretion and amortization		**1.6**		18.1		18.1
Calcium segment cash gross profit	**$**	**4.8**	$	23.8	$	15.3

EBITDA AND ADJUSTED EBITDA

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization and excludes discontinued operations. We adjust EBITDA for certain items to provide a more consistent comparison of performance from period to period.

in millions		***2014***		*2013*		*2012*
Net earnings (loss)	**$**	**204.9**	$	24.4	$	(52.6)
Provision for (benefit from) income taxes		**91.7**		(24.5)		(66.5)
Interest expense, net of interest income		**242.4**		201.7		211.9
(Earnings) loss on discontinued operations, net of taxes		**2.2**		(3.6)		(1.3)
Depreciation, depletion, accretion and amortization		**279.5**		307.1		332.0
EBITDA	**$**	**820.7**	$	505.1	$	423.5
Gain on sale of real estate and businesses	**$**	**(238.5)**	$	(36.8)	$	(65.1)
Charges associated with acquisitions and divestitures		**21.2**		0.5		0.0
Amortization of deferred revenue		**(5.0)**		(2.0)		0.0
Restructuring charges		**1.3**		1.5		9.5
Exchange offer costs		**0.0**		0.0		43.4
Adjusted EBITDA	**$**	**599.7**	$	468.3	$	411.3

RESULTS OF OPERATIONS

Total revenues include sales of product to customers, net of any discounts and taxes, and freight and delivery revenues billed to customers. Related freight and delivery costs are included in cost of revenues. This presentation is consistent with the basis on which we review our consolidated results of operations . We discuss separately our discontinued operations, which consist s of our former Chemicals business.

The following table highlights significant components of our consolidated operating results including EBITDA and Adjusted EBITDA .

CONSOLIDATED OPERATING RESULT HIGHLIGHTS

For the years ended December 31 *in millions, except per share data*	***2014***	*2013*	*2012*
Total revenues	**$ 2,994.2**	$ 2,770.7	$ 2,567.3
Cost of revenues	**2,406.6**	2,343.8	2,233.3
Gross profit	**$ 587.6**	$ 426.9	$ 334.0
Selling, administrative and general expenses	**$ 272.3**	$ 259.4	$ 259.1
Gain on sale of property, plant & equipment and businesses, net	**$ 244.2**	$ 39.3	$ 68.5
Exchange offer costs	**$ 0.0**	$ 0.0	$ (43.4)
Operating earnings	**$ 538.1**	$ 190.4	$ 84.8
Interest expense	**$ 243.4**	$ 202.6	$ 213.1
Earnings (loss) from continuing operations	**$ 207.1**	$ 20.8	$ (53.9)
Earnings (loss) on discontinued operations, net of income taxes	**(2.2)**	3.6	1.3
Net earnings (loss)	**$ 204.9**	$ 24.4	$ (52.6)
Basic earnings (loss) per share			
Continuing operations	**$ 1.58**	$ 0.16	$ (0.42)
Discontinued operations	**(0.02)**	0.03	0.01
Basic net earnings (loss) per share	**$ 1.56**	$ 0.19	$ (0.41)
Diluted earnings (loss) per share			
Continuing operations	**$ 1.56**	$ 0.16	$ (0.42)
Discontinued operations	**(0.02)**	0.03	0.01
Diluted net earnings (loss) per share	**$ 1.54**	$ 0.19	$ (0.41)
EBITDA	**$ 820.7**	$ 505.1	$ 423.5
Adjusted EBITDA	**$ 599.7**	$ 468.3	$ 411.3

Net earnings for 201 4 wer e $ 204.9 million, or $ 1.54 per diluted share, compared to $ 24.4 million, or $0. 19 per diluted share in 201 3 and a net loss of $52.6 million, or $0.41 per diluted share in 2012. E ach year's results were impacted by discrete items as follows:

- The 2014 results include a pretax gain of $ 217.4 million (net of $ 21.1 million of disposition related charges) related to the sale of real estate and businesses including our cement and concrete businesses in the Florida area, and a pretax loss on debt purchase of $72.9 million presented as a component of interest expense (see Note 6 “Debt” in Item 8 “Financial Statements and Supplementary Data ”)
- The 2013 results include a pretax gain of $ 36. 3 million (net of $0.5 million of disposition related charges) related to the sale of reclaimed real estate and businesses
- The 2012 results include a $65.1 million pretax gain on sale of real estate and businesses, a pretax charge of $ 9.6 million related to our restructuring and a pretax charge of $43.4 million related to the unsolicited exchange offer

The following table compares our Concrete and Calcium (formerly Cement) segments financial data adjusted for the March 2014 sale of our Florida area concrete and cement businesses.

ADJUSTED CONCRETE AND CALCIUM SEGMENT FINANCIAL DATA

For the years ended December 31 *in millions, except per share data*	***2014***	*2013*	*2012*
Concrete Segment			
Segment sales			
As reported	**$ 375.8**	$ 471.7	$ 406.4
Adjusted	**$ 343.1**	$ 303.1	$ 276.9
Total revenues			
As reported	**$ 375.8**	$ 471.7	$ 406.4
Adjusted	**$ 343.1**	$ 303.1	$ 276.9
Gross profit			
As reported	**$ 2.2**	$ (24.8)	$ (38.2)
Adjusted	**$ 5.9**	$ (0.3)	$ (2.8)
Depreciation, depletion, accretion and amortization			
As reported	**$ 19.9**	$ 33.0	$ 41.3
Adjusted	**$ 18.5**	$ 17.7	$ 19.8
Shipments - cubic yards			
As reported	**3.7**	4.8	4.2
Adjusted	**3.4**	3.1	2.8
Calcium (formerly Cement) Segment			
Segment sales			
As reported	**$ 25.0**	$ 99.0	$ 85.8
Adjusted	**$ 9.0**	$ 9.6	$ 12.8
Total revenues			
As reported	**$ 15.8**	$ 51.7	$ 46.8
Adjusted	**$ 9.1**	$ 9.5	$ 12.8
Gross profit			
As reported	**$ 3.2**	$ 5.7	$ (2.8)
Adjusted	**$ 3.5**	$ 3.0	$ 3.6
Depreciation, depletion, accretion and amortization			
As reported	**$ 1.6**	$ 18.1	$ 18.1
Adjusted	**$ 0.6**	$ 0.4	$ 0.3

As previously noted, in January 2015 we exchanged our California ready-mixed concrete operations for 13 asphalt mix plants, primarily in Arizona . A djusting our Concrete segment financial data f or this transaction as well as the March 2014 sale of our Florida area concrete business results in the following:

- Segment sales and Segment revenues
  - 2014 — $272.7 million , 2013 — $244.9 million and 2012 — $2 19.2 million
- Gross profit
  - 2014 — $11.8 million, 2013 — $5.8 million and 2012 — $ 1.1 million
- Depreciation, depletion, accretion and amortization
  - 2014 — $ 16.5 million, 2013 — $ 15.5 million and 2012 — $ 18.5 million
- Shipments - cubic yards
  - 2014 — 2.7 million, 2013 — 2.5 million and 2012 — 2.2 million

Year-over-year changes in earnings from continuing operations before income taxes are summarized below:

in millions				
	2012	$ (120.4)	*2013*	$ (3.7)
Higher aggregates gross profit		61.2		130.8
Higher asphalt mix gross profit		9.8		5.4
Higher concrete gross profit		13.4		27.0
Higher (lower) calcium gross profit		8.5		(2.5)
Higher selling, administrative and general expenses		(0.3)		(12.9)
Higher (lower) gain on sale of property, plant & equipment and businesses		(29.2)		205.0
Lower restructuring charges		8.0		0.2
Lower exchange offer costs		43.4		0.0
Lower (higher) interest expense		10.5		(40.8)
All other		(8.6)		(9.7)
	2013	$ (3.7)	***2014***	**$ 298.8**

OPERATING RESULTS BY SEGMENT

We present our results of operations by segment at the gross profit level. We have four operating (and report able) segments organized around our principal product lines: 1) Aggregates, 2) Asphalt Mi x , 3) Concrete and 4) Calcium (formerly Cement) . Management reviews earnings for the product line segments principally at the gross profit level.

1. AGGREGATES

Our year-over-year aggregates shipments :

- i ncreased 11 % in 2014
- increased 4 % in 2013
- declined 1 % in 201 2

Sales volume momentum improved across most of our 20-state geographic footprint. This growing momentum is driven by strengthening construction activity across all end-use markets and an increasing number of large projects. On a same-store basis, aggregates shipments increased 15.0 million tons or 10%. Florida, Georgia, Illinois, Texas and Virginia saw shipment increases in excess of 10% over the prior year on a same-store basis. This strong broad-based growth is driven by improving private construction activity and our ability to serve growing demand from large-project work in both private and public end-markets.

Residential construction activity continues to be solid across our footprint, led by growth in multi-family housing. While the growth rate nationally for housing starts has slowed, key markets in California, Florida, Georgia and Texas continue to post above-average growth rates. Private nonresidential demand in our markets continues to grow faster than in the U.S. as a whole. This is driven by office, commercial and manufacturing projects — and by growth in construction activity along the Gulf Coast where w e are uniquely positioned . In the public sector, shipments for highways has remained solid due to strong contract awards in 2013, increases in state highway funding, a growing number of TIFIA-funded projects in key states, and the extension of MAP-21 (the federal highway bill) .

Our year-over- year freight -adjusted selling price [1] for aggregates :

- increased 2 % in 2014
- increased 3% in 2013
- increased 2 % in 201 2

[1] *We routinely arrange the delivery of our aggregates to the customer. Additionally, we incur transportation costs to move aggregates from the production site to remote distribution sites. These costs are passed on to our customers in the aggregates price. We remove these pass-through freight and transportation revenues (and any other aggregates-derived revenues, such as landfill tipping fees) from the freight-adjusted selling price for aggregates. See the Reconciliation of Non-GAAP Financial Measures within this Item 7 for a reconciliation of freight-adjusted revenues.*

Our pricing environment continues to improve with the gradual improvement in demand. During 2014, we realized modest price improvements in all but one of our management reporting units across our 20-state geographic footprint. Pricing decisions are made locally and outcomes will vary significantly by geography.

AGGREGATES FREIGHT-ADJUSTED REVENUES

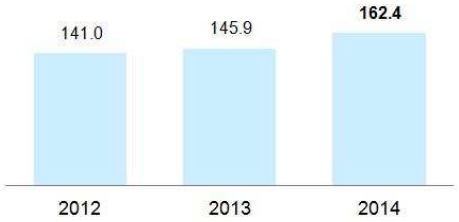
in millions

AGGREGATES GROSS PROFIT AND CASH GROSS PROFIT

in millions

AGGREGATES UNIT SHIPMENTS

T ons [1], in millions



AGGREGATES SELLING PRICE AND CASH GROSS PROFIT PER TON

Freight-adjusted average sales price per ton [2]

[1] *Includes tons marketed and sold on behalf of a third-party pursuant to volumetric production payment (VPP) agreements*

[2] *Freight-adjust ed sales price is calculated as freight-adjusted revenues divided by aggregates unit shipments*

Aggregates segment gross profit increased $ 13 0.8 million from the prior year and gross profit as a percentage of freight-adjusted revenues increased 4.1 percentage points (410 basis points). The increase in Aggregates segment gross profit resulted from higher volumes and better unit margins .

Aggregates segment cash gross profit per ton increased 9% to $4.75 in 2014. This measure continues to improve, reflecting our effective management of the three major profit drivers (price for service; sales and production mix; operating efficiency and leverage). These efforts resulted in a record level of unit profitability that exceeds the level achieved in 2005 ($3.28 per ton – our peak year for volume) and in 2008 ($4.69 per ton – our previous high) . This trend further highlights the earnings potential of our aggregates business as volumes recover.

2 . ASPHALT MIX

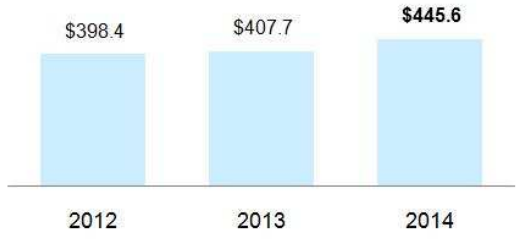
Our year-over-year asphalt mix shipments:

- increased 8 % in 2014
- increased 3 % in 2013
- declined 7 % in 201 2

Asphalt Mix segment gross profit of $ 38.1 million was up $ 5.4 million from the prior year due to higher margins in California and the earnings contribution from recently completed acquisitions in Arizona and New Mexico. On a same-store basis, asphalt volumes increased 4% from the prior year and unit profitability increased 6% .

ASPHALT MIX SEGMENT SALES

in millions



ASPHALT MIX GROSS PROFIT AND CASH GROSS PROFIT

in millions

3 . CONCRETE

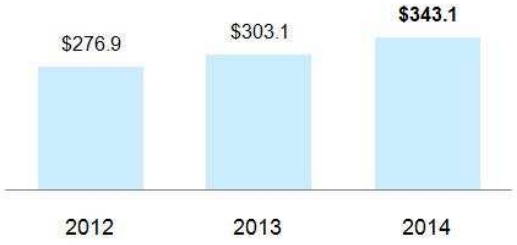
Our year-over-year ready-mixed concrete shipments:

- decreased 22 % in 2014
- increased 14 % in 2013
- increased 9 % in 201 2

C oncrete segment gross profit was $2.2 million in 2014 compared to a loss of $24.8 million in 2013. Adjusted for the sale of our concrete business in the Florida area, Concrete segment gross profit was $5.9 million compared to a loss of $0.3 million in 2013. Ready-mixed concrete shipments declined in 2014 as a result of the sale of our Florida concrete business in the first quarter of 2014. Adjusted for the sale of our concrete business in the Florida area, ready-mix ed concrete shipments increased 10 % in 2014 .

CONCRETE SEGMENT SALES [1]

in millions



CONCRETE GROSS PROFIT AND CASH GROSS PROFIT [1]

in millions

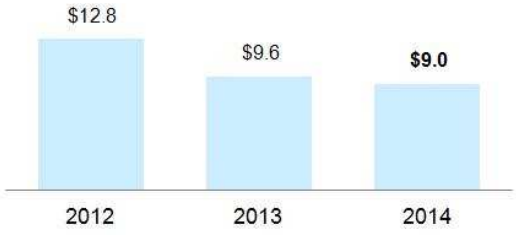
[1] *The financial data above excludes the Florida area concrete businesses sold in March 2014. See the Adjusted Concrete and Calcium (formerly Cement) Segment Financial Data table on page 35 .*

4. CALCIUM (FOMERLY CEMENT)

C alcium segment gross profit of $ 3.2 million was down $ 2.5 million from the prior year. Our cement business was sold in the first quarter of 2014 along with the Florida concrete assets. Adjusted for the sale of our cement business in the Florida area, Calcium segment gross profit was $3.5 million compared to $3.0 million in 2013.

CALCIUM SEGMENT SALES [1]

in millions



CALCIUM GROSS PROFIT AND CASH GROSS PROFIT [1]

in millions

[1] *The financial data above excludes the cement businesses sold in March 2014. See the Adjusted Concrete and Calcium (formerly Cement) Segment Financial Data table on page 35 .*

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

in millions

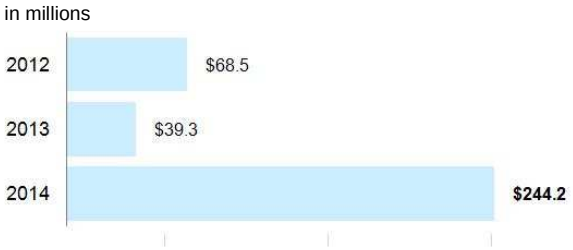
SAG expenses were up $12.9 million, or 5%, due primarily to increased performance based incentives and business development expenses. As a percentage of total revenues, SAG expenses declined from 9.4% in 2013 to 9.1% in 2014 . We remain focused on leveraging SAG to revenues as volumes recover.

Our comparative total company employment levels at year end:

- declined 3 % in 2014
- increased 5% in 2013
- declined 5 % in 2012

Severance charges included in SAG expenses were as follows: 201 4 — $ 1.0 million, 201 3 — $ 1.2 million and 201 2 — $ 0.9 million . Severance and other related restructuring charges not included in SAG expenses were as follows: 201 4 — $ 1.3 million , 201 3 — $ 1.5 million and 2012 — $9.6 million .

GA IN ON SALE OF PROPERTY, PLANT & EQUIPMENT AND BUSINESSES, NET



The 2014 gain includes a $ 227.9 million pretax gain from the sale of our cement and concrete business es in Florida to Cementos Argos and a $6.0 million pretax gain from the sale of two reclaimed operating site s. T he 2013 gain includes a $24.0 million pretax gain from the sale of five non-strategic aggregates production facilities and a $9.0 million pretax gain from the sale of reclaimed and surplus real estate. The 2012 gain includes a $41.2 million pretax gain from the sale of reclaimed and surplus real estate, a $5.6 million pretax gain from the sale of a non-strategic aggregates production facility, a $ 12.3 million pretax gain from the sale of mitigation credits and a $6.0 million pretax gain on the sale of developed real estate.

INTEREST EXPENSE

Interest expense in 2014 included a $72.9 million pretax loss on debt purchase resulting from our March 2014 purchase of $506.4 million principal amount of outstanding debt which was funded by the sale of our cement and concrete businesses in the Florida area. Interest expense in 2013 de creased $ 10.5 million fro m 2 01 2 due to lower outstanding debt .

INCOME TAXES

Our income tax provision (benefit) from continuing operations for the years ended December 31 is shown below:

dollars in millions	***2014***	*2013*	*2012*
Earnings (loss) from continuing operations before income taxes	**$ 298.8**	$ (3.7)	$ (120.4)
Provision for (benefit from) income taxes	**$ 91.7**	$ (24.5)	$ (66.5)
Effective tax rate	**30.7%**	660.5%	55.2%

The $116.2 million increase in our 2014 provision for income taxes and t he $ 42.0 million de crease in our 2013 benefit from income taxes are primarily related to the year-over-year improvement in our earnings from continuing operations . A reconciliation of the federal statutory rate of 35% to our effective tax rates for 201 4 , 201 3 and 20 12 is presented in Note 9 “Income Taxes” in Item 8 “Financial Statements and Supplementary Data.”

DISCONTINUED OPERATIONS

Pretax earnings (loss) from discontinued operations were:

- $ 3.7 million loss in 2014
- $ 6.0 million earnings in 2013
- $ 2.2 million earnings in 201 2

The $ 3.7 million loss from discontinued operations resulted primarily from general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. The 2013 and 2012 pretax earnings includ e g ains relat ed to the 5CP earn-out (final payment in 2013) of $ 11.7 and $10. 2 million , respectively. These gains were partially offset by general and product liability costs, including legal defense costs, and environmental remediation costs. For additional information regarding discontinued operations and the 5CP earn-out, see Note 2 "Discontinued Operations" in Item 8 "Financial Statements and Supplementary Data."

LIQUIDITY AND FINANCIAL RESOURCES

Our primary sources of liquidity are cash provided by our operating activities, a bank line of credit and access to the capital markets. Additional sources of liquidity include the sale of reclaimed and surplus real estate, and dispositions of non-strategic operating assets. We believe these liquidity and financial resources are sufficient to fund ou r b usiness requirements for 2015 , including:

- cash contractual obligations
- capital expenditures
- debt service obligations
- potential future acquisitions
- dividend payments

We actively manage our capital structure and resources in order to minimize the cost of capital while properly managing financial risk. We seek to meet these objectives by adhering to the following principles:

- maintain substantial bank line of credit borrowing capacity
- proactively manage our long-term debt maturity schedule such that repayment/refinancing risk in any single year is low
- minimize financial and other covenants that limit our operating and financial flexibility
- opportunistically access the capital markets when conditions and terms are favorable

CASH

Included in our December 31, 2014 cash and cash equivalents balance of $ 141.3 million is $ 52.2 million of cash held at on e of our foreign subsidiaries . A ll of the $ 52.2 million of cash relates to earnings prior to January 1, 2012 that are permanently reinvested offshore. Use of this permanently reinvested cash is currently limited to our foreign operations.

CASH FROM OPERATING ACTIVITIES

in millions

Net cash provided by operating activities is derived primarily from net earnings befor e n oncash deductions for depreciation, depletion, accretion and amortization.

in millions		***2014***		*2013*		*2012*
Net earnings (loss)	**$**	**204.9**	$	24.4	$	(52.6)
Depreciation, depletion, accretion and amortization (DDA&A)		**279.5**		307.1		332.0
Net earnings before noncash deductions for DDA&A	**$**	**484.4**	$	331.5	$	279.4
Net gain on sale of property, plant & equipment and businesses		**(244.2)**		(51.0)		(78.7)
Proceeds from sale of future production, net of transaction costs		**0.0**		153.1		73.6
Cost of debt purchase		**72.9**		0.0		0.0
Other operating cash flows, net		**(52.8)**		(77.1)		(35.8)
Net cash provided by operating activities	**$**	**260.3**	$	356.5	$	238.5

201 4 VERSUS 201 3 — Net cash provided by operating activities of $2 60.3 million decreased $9 6.2 million from 2013. The decrease is attributable to a transaction in 2013 in which we sold a percentage of future production from aggregates reserves resulting in net cash proceeds of $153.1 million (see Note 1 “Summary of Significant Accounting Policies” in Item 8 “Financial Statements and Supplementary Dat a”). Net earnings before noncash deductions for DDA&A increased $152.9 million to $484.4 million during 2014. Included in net earnings for 2014 is a pretax gain of $227.9 million (see Note 19 “Acquisitions and Divestitures” in Item 8 “Financial Statements and Supplementary Data”) from the sale of our cement and concrete businesses in the Florida area. Cash received associated with the sale of property, plant & equipment and businesses is presented as a component of investing activities. Additionally, we purchased $506.4 million principal amount of outstanding debt through a tender offer and incurred a loss of $72.9 million (see Note 6 “Debt” in Item 8 “Financial Statements and Supplementary Data”). Cash paid for the debt purchase is presented as a component of financing activities .

2013 VERSUS 2012 — Net cash provided by operating activities of $ 356.5 million in creased $ 118.0 million from 2012 due primarily to a $79.5 million increase in proceeds from the sale of future production. In September 2013, we entered into a second transaction to sell a percentage of future production from aggregates reserves resulting in net cash proceeds of $ 153.1 million (see Note 19 “Acquisitions and Divestitures” in Item 8 “Financial Statements and Supplementary Data”). Additionally, as noted in the table above, net earnings before noncash deductions for depreciation, depletion, accretion and amortization in creased $ 52.1 million in 2013 compared with 2012.

CASH FROM INVESTING ACTIVITIES

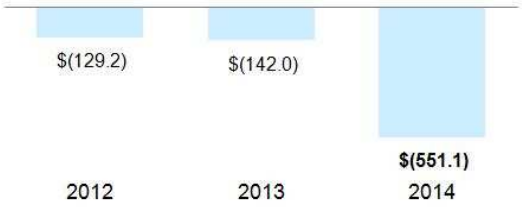
in millions

201 4 VERSUS 201 3 — Net cash provided by investing activities increased $53 4.5 million during 2014. This increase resulted from a $67 8.2 million increase in proceeds from the sale of property, plant & equipment and businesses partially offset by a $143.8 million increase in purchases of property, plant & equipment and businesses. During 2014, we sold a previously mined and subsequently reclaimed tract of land for $10.7 million, land previously containing a sales yard for $5.8 million, and our cement and concrete businesses in the Florida area for $721.4 million. In the same period, we completed several acquisitions for total consideration of $331.8 million, of which $284.2 million was paid in cash (see Note 19 “Acquisitions and Divestitures” in Item 8 “Financial Statements and Supplementary Data”).

2013 VERSUS 2012 — Net cash used for investing activities in creased $ 306.6 million in 201 3 . This in crease resulted from a $272.0 million increase in the purchase of property, plant & equipment and businesses and a $32.8 million decrease in proceeds from the sale of property, plant & equipment and businesses. During 2013, we acquired three aggregates production facilities and four ready-mixed concrete facilities for approximately $90.0 million and land containing 136 million tons of reserves for $117.0 million . We also sold five aggregates production facilities, one replacement reserve site and reclaimed land associated with a former site of a ready-mixed concrete facility for approximately $51.1 million.

CASH FROM FINANCING ACTIVITIES

in millions



201 4 VERSUS 201 3 — Net cash used for financing activities of $551.1 million increased $409.1 million in 2014 compared to 2013. This increase is primarily attributable to a $ 429.2 million increase in debt payments (net of draws on our line of credit) . As previously mentioned, in 2014 we purchased $506.4 million principal amount of outstanding debt through a tender offer as follows: $375.0 million of 6.50% notes due in 2016 and $131.4 million of 6.40% notes due in 2017. Total tender costs were $579.7 million including $71.8 million premium and $1.5 million in transaction costs. This increase in cash used for financing activities is partially offset by a $26.8 million increase in proceeds from the issuance of common stock. In 2014, we issued 0.5 million shares of common stock to the trustee of our 401(k) savings and retirement plans for cash proceeds of $30.6 million.

2013 VERSUS 2012 — Net cash used for financing activities of $142.0 million in creased $ 12.8 million in 2013 compared to 2012. This increase in cash used for financing activities is attributable to a $15. 8 million increase in de bt payments. During 2013, we made scheduled debt payments of $10.0 million in January to retire the 8.70% medium-term note and $140.4 million in June to retire the 6.30% notes.

DEBT

Certain debt measures as of December 31 are outlined below:

dollars in millions	***2014***	*2013*
Debt		
Current maturities of long-term debt	**$ 150.1**	$ 0.2
Short-term debt [1]	**0.0**	0.0
Long-term debt	**1,855.5**	2,522.2
Total debt	**$ 2,005.6**	$ 2,522.4
Capital		
Total debt	**$ 2,005.6**	$ 2,522.4
Equity	**4,176.7**	3,938.1
Total capital	**$ 6,182.3**	$ 6,460.5
Total Debt as a Percentage of Total Capital	**32.4%**	39.0%
Weighted-average Effective Interest Rates		
Bank line of credit [2]	**N/A**	N/A
Long-term debt	**8.10%**	7.73%
Fixed versus Floating Interest Rate Debt		
Fixed-rate debt	**99.3%**	99.4%
Floating-rate debt	**0.7%**	0.6%

[1] *Reflects borrowings under our line of credit. Borrowings are shown as short-term due to our intent to repay within twelve months.*

[2] *Reflects only the cost of borrowings; we also pay fees for unused borrowing capacity and standby letters of credit.*

Our long-term debt is unsecured and essentially all such debt agreements contain customary investment-grade type covenants that primarily limit the amount of secured debt we may incur without ratably securing the outstanding debt. Our debt may be redeemed prior to maturity at the greater of par value and the make-whole value plus accrued and unpaid interest.

There were no material scheduled debt payments during 2014. However, we purchased $506.4 million principal amount of outstanding debt through a tender offer in March 2014 as described in Note 6 “Debt” in Item 8 “Financial Statements and Supplementary Data. ” This debt purchase was funded by the aforementioned sale of our cement and concrete businesses in the Florida area.

A s of December 31, 2014, current maturities for the next four quarters an d m aturities for the next five years are due as follows:

in millions	*Current Maturities*
First quarter 2015	$ 0.0
Second quarter 2015	0.0
Third quarter 2015	0.0
Fourth quarter 2015	150.1

in millions	*Debt Maturities*
2015	$ 150.1
2016	125.1
2017	218.8
2018	650.0
2019	0.0

We expect to retir e d ebt m aturities using existing cash, cash generated from operations , by drawing on our bank line of cred it o r accessing the capital markets.

In March 2014, w e a mended our $500.0 million line of credit to, among other items, extend the term from March 2018 to March 2019. The line of credit is secured by accounts receivable and inventory, but will become unsecured upon the achievement of certain credit metrics and/or credit ratings. The line of credit also contain s n egative and financial covenants customary for a secured facility.

The negative covenants primarily limit our ability to: (1) incur secured debt, (2) make certain investments, (3) execute acquisitions and divestitures, and (4) make restricted payments, including dividends. Such limitations currently do not impact our ability to execute our strategic, operating and financial plans, and becom e less restrictive when the line of credit becomes unsecured as described above.

The line of credit contains two financial covenants: (1) a maximum ratio of debt to EBITDA that declines over time to 3.5:1 and (2) a minimum ratio of EBITDA to net cash interest expense that increases over time to 3.0:1.

As of December 31, 2014, we were in compliance with all of our long-term debt and line of credit covenants.

As of December 31, 2014, our available borrowing capacity under the line of credit was $ 446.5 million. Utilization of the borrowing capacity was as follows :

- none was dra wn
- $ 53 . 6 milli on wa s used to provide support for outstanding standby letters of credit

Borrowings under the line of credit bear interest at a rate determined at the time of borrowing equal to the London Interbank Offered Rate (LIBOR) plus a margin ranging from 1.50 % t o 2.25 % , or an alternative rate derived from the lender's prime rate, based on our ratio o f de bt to EBITDA. Standby l etters of credit issued under the line of credit reduce availability and are charged a fee equal to the margin for LIBOR based borrowings plus 0.175 % . As of December 31, 201 4 , the applicable margin was 1.50 %. We also pay a commitment fee on the daily average unused amount of the line of credit. This commitment fee ranges from 0.25 % to 0.40 % based on our ratio of debt to EBITDA. At December 31, 2014, the commitment fee was 0.25%. Once the line of credit becomes unsecured, both the LIBOR margin range for borrowings and the commitment fee range will decline.

DEBT RATINGS

Our debt rating s and outlook s as of December 31, 201 4 a re summarized below:

	Rating/Outlook	*Date*	*Description*
Senior Secured Line of Credit			
Moody's	Ba1/stable	4/22/2014	upgraded from Ba2/negative
Senior Unsecured [1]			
Moody's	Ba3/stable	4/22/2014	outlook changed from negative to stable
Standard & Poor's	BB+/stable	7/31/2014	upgraded from BB/positive

[1] *Not all of our long-term debt is rated.*

EQUITY

Our common stock issuances are summarized below:

in thousands	***2014***	*2013*	*2012*
Common stock shares at January 1, issued and outstanding	**130,200**	129,721	129,245
Common Stock Issuances			
Acquisitions	**715**	0	61
401(k) retirement plans	**485**	71	0
Share-based compensation plans	**507**	408	415
Common stock shares at December 31, issued and outstanding	**131,907**	130,200	129,721

During 2014, we issued 715.0 thousand shares of our common stock in connection with business acquisition s a s explained in Note 19 " Acquisitions and Divestitures " in Item 8 "Financial St atements and Supplementary Data. "

We occasionally sell shares of common stock to the trustee of our 401(k) retirement plan s to satisfy the plan participants' elections to invest in our common stock. Under this arrangement, the stock issuances and resulting cash proceeds for the years ended December 31 were:

- 201 4 — issued 485.3 thousand shares for cash proceeds of $ 30.6 million
- 201 3 — issued 71.2 thousand shares for cash proceeds of $ 3.8 million
- 201 2 — no shares issued

There were no shares held in treasury as of December 31, 2014, 201 3 and 201 2 . There were 3,411,416 shares remaining under the current purchase authorization of the Board of Directors as of December 31, 201 4 .

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements, such as financing or unconsolidated variable interest entities, that either have or are reasonably likely to have a current or future material eff ect on our:

- results of operations and financial position
- c apital expenditures
- liquidity and capital resources

STANDBY LETTERS OF CREDIT

For a discussion of our standb y letters of credit see Note 12 " Commitments and Contingencies " in Item 8 " Financial Sta tements and Supplementary Data."

CASH CONTRACTUAL OBLIGATIONS

We expect cash requirements for income taxes to be $ 80.3 million during 201 5. We expect capital spending of $ 250 million during 2015 . Additionally, we have a number of contracts containing commitments or contingent obligations that are not material to our earnings. These contracts are discrete and it is unlikely that the various contingencies contained within the contracts would be triggered by a common event. Excluding f uture cash requirements for income taxes and capital expenditures, and these immaterial contracts, our obligations to make future contractual payments as of December 31, 201 4 are summarized in the table below:

	Note	Payments Due by Year				
in millions	*Reference*	*2015*	*2016-2017*	*2018-2019*	*Thereafter*	*Total*
Cash Contractual Obligations						
Bank line of credit [1]						
Principal payments	Note 6	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Interest payments and fees [2]		2.0	4.0	2.5	0.0	8.5
Long-term debt excluding bank line of credit						
Principal payments	Note 6	150.1	343.9	650.0	860.4	2,004.4
Interest payments	Note 6	154.0	269.6	165.5	377.8	966.9
Operating leases	Note 7	30.1	53.6	41.6	128.2	253.5
Mineral royalties	Note 12	19.3	27.0	19.0	124.8	190.1
Unconditional purchase obligations						
Capital	Note 12	34.4	0.0	0.0	0.0	34.4
Noncapital [3]	Note 12	23.3	4.9	3.9	6.0	38.1
Benefit plans [4]	Note 10	13.7	68.1	60.6	64.4	206.8
Total cash contractual obligations [5, 6]		$ 426.9	$ 771.1	$ 943.1	$ 1,561.6	$ 3,702.7

[1] *Bank line of credit represents borrowings under our five-year credit facility which expires March 201 9 .*

[2] *Includes fees for unused borrowing capacity, and fees for standby letters of credit. The figures for all years assume that the amount of unused borrowing capacity, and the amount of standby letters of credit, do not change from December 31, 2014.*

[3] *Noncapital unconditional purchase obligations relate primarily to transportation and electr ic ity contracts.*

[4] *Payments in "Thereafter" column for benefit plans are for the years 2020-2024.*

[5] *The above table excludes discounted asset retirement obligations in the amount of $ 226.6 million at December 31, 2014, the majority of which have an estimated settlement date beyond 20 19 (see Note 17 "Asset Retirement Obligations" in Item 8 "Financial Statements and Supplementary Data").*

[6] *The above table excludes liabilities for unrecogni zed ta x benefits in the amount of $ 7.1 million at December 31, 2014, as we cannot make a reasonably reliable estimate of the amount and period of related future payment of these uncertain tax positions (for more details, see Note 9 "Income Taxes" in Item 8 "Financial Statements and Supplementary Data").*

CRITICAL ACCOUNTING POLICIES

We follow certain significant accounting policies when we prepare our consolidated financial statements. A summary of these policies is included in Note 1 " Summary of Significant Accounting Policies " in Item 8 " Financial Statements and Supplementary Data. "

We prepare these financial statements to conform with accounting principles generally accepted in the United States of America. These principles require us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and contingent liabilities at the date of the financial statements. We base our estimates on historical experience, current conditions and various other assumptions we believe reasonable under existing circumstances and evaluate these estimates and judgments on an ongoing basis. The results of these estimates form the basis for our judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

We believe the following seven critical accounting policies require the most significant judgments and estimates used in the preparation of our consolidated financial statements:

1. Goodwill and goodwill impairment
2. Impairment of long-lived assets excluding goodwill
3. Reclamation costs
4. Pension and other postretirement benefits
5. Environmental compliance
6. Claims and litigation including self-insurance
7. Inc ome taxes

1. GOODWILL AND GOODWILL IMPAIRMENT

Goodwill represents the excess of the cost of net assets acquired in business combinations over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Goodwill impairment exists when the fair value of a reporting unit is less than its carrying amount. Goodwill is tested for impairment on an annual basis or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment evaluation is a critical accounting policy because goodwill is material to our total assets (as of December 31, 201 4 , goodwill represents 38 % of total assets) and the evaluation involves the use of significant estimates and assumptions and considerable management judgment.

H OW WE TEST GOODWILL FOR IMPAIRMENT

Goodwill is tested for imp airment one level below our operating segments (reporting unit). W e have identified 19 reporting units, of which 9 carry goodwil l. We have the option of either assessing qualitative factors to determine whether it is more likely than not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to a two-step quantitative test. We elected to perform the quantitative impairment test for all years presented.

STEP 1
We compare the fair value of a reporting unit to its carrying value, including goodwill :

- if the fair value exceeds its carrying value, the goodwill of the reporting unit is not considered impaired
- if the carrying value of a reporting unit exceeds its fair value, we go to step two to measure the amount of impairment loss, if any

STEP 2
We compare the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by hypothetically allocating the fair value of the reporting unit to its identifiable assets and liabilities in a manner consistent with a business combination, with any excess fair valu e representing implied goodwill:

- if the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess

HOW WE DETERMINE CARRYING VALUE AND FAIR VALUE

First, we determine the carrying value of each reporting unit by assigning assets and liabilities, including goodwill, to those units as of the measurement date. Then, we estimate the fair values of the reporting uni ts using bo th an income approach (which involves discounting estimated future cash flows) and a market approach (which involves the application of revenue and EBITDA multiples of comparable companies) . W e consider market factors when determining the assumptions and estimates used in our valuation models. Finally, to access the reasonableness of the fair values derived from these valuations, we compare the implied fair values to our market capitalization.

O UR ASSUMPTIONS

We base our fair value estimates on market participant assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Actual results may differ from those estimates. Changes in key assumptions or management judgment with respect to a reporting unit or its prospects may result from a change in market conditions, market trends, interest rates or other factors outside of our control, or significant underperformance relative to historical or projected future operating results. These conditions could result in a significantly different estimate of the fair value of our reporting units, which could result in an impairment charge in the future.

The significant assumptions in our discounted cash flow models include our estimate of future profitability, capital requirements and the discount rate. The profitability estimates used in the models were derived from internal operating budgets and forecasts for long-term demand and pricing in our industry. Estimated capital requirements reflect replacement capital estimated on a per ton basis and acquisition capital necessary to support growth estimated in the models. The discount rate was derived using a capital asset pricing model.

RESULTS OF OUR IMPAIRMENT TESTS

The results of our annual impairment tests for:

- November 1, 2014 indicated that the fair values of all reporting units with goodwill substantially exceeded (by a range of 21 % to 630 %) their carrying values
- November 1, 2013 indicated that the fair values of all reporting units with goodwill substantially exceeded (by a range of 32% to 620%) their carrying values
- November 1, 201 2 indicated that the fair values of all reporting units with goodwill substantially exceeded (by a range of 34% to 851%) their carrying values

For additional information regarding goodwill, see Note 18 "Goodwill and Intangible Assets" in Item 8 "Financial Statements a nd Supplementary Data."

2. IMPAIRMENT OF LONG-LIVED ASSETS EXCLUDING GOODWILL

We evaluate the carrying value of long-lived assets, including intangible assets subject to amortization, when events and circumstances indicate that the carrying value may not be recoverable. The impairment evaluation is a critical accounting policy because long-lived assets are material to our total assets (as of December 31, 201 4 , net p roperty, plant & equipment represents 38 % of total assets, while net other intangible assets represents 9 % of total assets) and the evaluation involves the use of significant estimates and assumptions and considerable management judg ment. Th e carrying value of long-lived assets is considered impaired when the estimated undiscounted cash flows from such assets are less than their carrying value. In that event, we recognize a loss equal to the amount by which the carrying value exceeds the fair value of the long-lived assets.

Fair value is estimated primarily by using a discounted cash flow methodology that requires considerable management judgment and long-term assumptions. Our estimate of net future cash flows is based on historical experience and assumptions of future trends, which may be different from actual results. We periodically review the appropriateness of the estimated useful lives of our long-lived assets.

We test long-lived assets for impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. As a result, our long-lived asset impairment test is at a significantly lower level than the level at which we test goodwill for impairment. In markets where we do not produce downstream products (e.g. a sphalt mix and ready-mixed concrete), the lowest level of largely independent identifiable cash flows is at the individual aggregates operation or a group of aggregates operations collectively serving a local market. Conversely, in vertically integrated markets, the cash flows of our downstream and upstream businesses are not largely independently identifiable as the selling price of the upstream products (aggregates) determines the profitability of the downstream business.

During 201 4 , we recorded a $ 3.1 million loss on impairment of long-lived assets related primarily to assets retained in the divestiture of our cement and concrete businesses in the Florida area , see Note 19 "Acquisitions and Divestitures" in Item 8 "Financial Statements and Supplementary Data." We recorded no asset impairments during 2013. During 2012, we recorded a $2.0 million loss on impairment of long-lived assets. This impairment loss related primarily to assets classified as held for sale .

We maintain certain long-lived assets that are not currently being utilized in our operations. These assets totaled $ 376.4 million at December 31, 201 4 , representing an approximate 8 % in crease from December 31, 201 3 . Of the total $ 376.4 million , approximately 40 % relates to re al estate held for future development and expansion of o ur op erations. In addition , approximately 2 5 % is comprised of real estate (principally former mining sites) pending development as commercial or residential real estate, reservoirs or landfills. The remaining 3 5 % is composed of aggregates, a sphalt mix and r eady-mix ed concrete operating assets idled temporarily as a result of a decline in demand for our products. We anticipate moving idled assets back into operation as demand recovers. We evaluate the useful lives and the recoverability of these assets whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

For additional information regarding long-lived assets and intangible assets, see Note 4 "Property, Plant & Equipment" and Note 18 "Goodwill and Intangible Assets" in Item 8 "Financial Statements and Supplementary Data. "

3. RECLAMATION COSTS

Reclamation costs resulting from normal use of long-lived assets are recognized over the period the asset is in use only if there is a legal obligation to incur these costs upon retirement of the assets. Additionally, reclamation costs resulting from normal use under a mineral lease are recognized over the lease term only if there is a legal obligation to incur these costs upon expiration of the lease. The obligation, which cannot be reduced by estimated offsetting cash flows, is recorded at fair value as a liability at the obligating event date and is accreted through charges to operating expenses. This fair value is also capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. If the obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement.

Reclamation costs are considered a critical accounting policy because of the significant estimates, assumptions and considerable management judgment used to determine the fair value of the obligation and the significant carrying amount of these obligations ($ 226.6 million as of December 31, 2014 and $ 228.2 million as of December 31, 201 3).

HOW WE DETERMINE FAIR VALUE OF THE OBLIGATION

To determine the fair value of the obligation, we estimate the cost for a third party to perform the legally required reclamation tasks including a reasonable profit margin. This cost is then increased for both future estimated inflation and an estimated market risk premium related to the estimated years to settlement. Once calculated, this cost is discounted to fair value using present value techniques with a credit-adjusted, risk-free rate commensurate with the estimated years to settlement.

W e evaluat e c urrent facts and conditions to determine the most likely settlement date. If this evaluation identifies alternative estimated settlement dates, we use a weighted-average settlement date considering the probabilities of each alternative.

We review reclamation obligations at least annually for a revision to the cost or a change in the estimated settlement date. Additionally, reclamation obligations are reviewed in the period that a triggering event occurs that would result in either a revision to the cost or a change in the estimated settlement date. Examples of events that would trigger a change in the cost include a new reclamation law or amendment of an existing mineral lease. Examples of events that would trigger a change in the estimated settlement date include the acquisition of additional reserves or the closure of a facility.

For additional information regarding reclamation obligations (referred to in our financial statements as asset retirement obligations), see Note 17 "Asset Retirement Obligations" in Item 8 "Financial Statements and Supplementary Data."

4. PENSION AND OTHER POSTRETIREMENT BENEFITS

Accounting for pension and postretirement benefits requires that we make significant assumptions regarding the valuation of benefit obligations and the performance of plan assets. Each year we review our assumptions about the discount rate, the expected return on plan assets, the rate of compensation increase (for salary-related plans) and the rate of increase in the per capita cost of covered healthcare benefits.

- DISCOUNT RATE — The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future
- EXPECTED RETURN ON PLAN ASSETS — We project the future return on plan assets based principally on prior performance and our expectations for future returns for the types of investments held by the plan as well as the expected long-term asset allocation of the plan. These projected returns reduce the recorded net benefit costs
- RATE OF COMPENSATION INCREASE — For salary-related plans only, we project employees' annual pay increases through 2015 , which are used to project employees' pension benefits at retirement
- RATE OF INCREASE IN THE PER CAPITA COST OF COVERED HEALTHCARE BENEFITS — We project the expected increases in the cost of covered healthcare benefits

HOW WE SET OUR ASSUMPTIONS

In selecting the discount rate, we consider fixed-income security yields, specifically high-quality bonds. We also analyze the duration of plan liabilities and the yields for corresponding high-quality bonds. At December 31, 201 4 , the discount rates for our various plans ranged from 3.50 % to 4.30 % (December 31, 201 3 ranged from 3.80 % to 5.15 %).

In estimating the expected return on plan assets, we consider past performance and long-term future expectations for the types of investments held by the plan as well as the expected long-term allocation of plan assets to these investments. At December 31, 201 4 , the expected return on plan assets remained at 7.50 % .

In projecting the rate of compensation increase, we consider past experience and future expectations. At December 31, 201 4 , our projected weighted-average rate of compensation increase was 3.70%, up from 3.50% at December 31, 2013 .

In selecting the rate of increase in the per capita cost of covered healthcare benefits, we consider past performance and forecasts of future healthcare cost trends. At December 31, 201 4 , our assumed rate of increase in the per capita cost of covered healthcare benefits remained at 7.50 % for 201 4 , decreasing each year until reaching 5.0% in 20 25 and remaining level thereafter. I ncrease s in the per capita cost after 2015 are not expected to increase our obligations related to postretirement medical benefits as a result of a 2012 plan amendment to cap medical coverage cost at the 2015 level.

Changes to the assumptions listed above would have an impact on the projected benefit obligations, the accrued other postretirement benefit liabilities, and the annual net periodic pension and other postretirement benefit cost. The following table reflects the favorable and unfavorable outcomes associated with a change in certain assumptions:

	(Favorable) Unfavorable			
	0.5 Percentage Point Increase		*0.5 Percentage Point Decrease*	
in millions	*Inc (Dec) in Benefit Obligation*	*Inc (Dec) in Annual Benefit Cost*	*Inc (Dec) in Benefit Obligation*	*Inc (Dec) in Annual Benefit Cost*
Actuarial Assumptions				
Discount rate				
Pension	$ (69.4)	$ (4.5)	$ 77.7	$ 5.0
Other postretirement benefits	(2.7)	0.0	2.9	0.0
Expected return on plan assets	not applicable	(3.4)	not applicable	3.4
Rate of compensation increase (for salary-related plans)	1.0	0.2	(1.0)	(0.2)
Rate of increase in the per capita cost of covered healthcare benefits	0.0	0.0	0.0	0.0

As of the December 31, 201 4 measurement date, the fair value of our pension plan assets in creased from $ 756.6 million to $ 817.0 million du e t o favorable investment returns . No contributions were made to the qualified pension plans in 201 4 .

During 201 5 , we expect to recognize net periodic pension expense of approximately $ 16.5 million and net periodic postretirement expens e of approximately $ 1.0 million compared to $ 9.2 million and $ (2.5) million, respectively, in 201 4 . The in crease in pension expense is primarily due to the nearly 0.8 percentage point (80 basis point s) drop in discount rates and the adoption of the new mortality tables issued by the Society of Actuaries on October 27, 2014. We do not anticipate contributions will be required to the funded pension plans during 201 5 and we do not anticipate making a discretionary contribution. We currently do not anticipate that the funded status of any of our plans will fall below statutory thresholds requiring accelerated funding or constraints on benefit levels or plan administration.

For additional information regarding pension and other postretirement benefits, see Note 10 "Benefit Plans" in Item 8 "Financial Statements and Supplementary Data."

5. ENVIRONMENTAL COMPLIANCE

Our environmental compliance costs include the cost of ongoing monitoring programs, the cost of remediation efforts and other similar costs. Our accounting policy for environmental compliance costs is a critical accounting policy because it involves the use of significant estimates and assumptions and requires considerable management judgment.

HOW WE ACCOUNT FOR ENVIRONMENTAL COSTS

To account for environmental costs , we:

- expense or capitalize environmental costs consistent with our capitalization policy
- expense costs for an existing condition caused by past operations that do not contribute to future revenues
- accrue costs for environmental assessment and remediation efforts when we determine that a liability is probable and we can reasonably estimate the cost

At the early stages of a remediation effort, environmental remediation liabilities are not easily quantified due to the uncertainties of various factors. The range of an estimated remediation liability is defined and redefined as events in the remediation effort occur , but generally liabilities are recognized no later than completion of the remedial feasibility study . When we can estimate a range of probable loss, we accrue the most likely amount. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. As of December 31, 201 4 , the difference between the amount accrued and the maximum loss in the range for all sites for which a range can be reasonably estimated was $ 3.0 million. Our environmental remediation obligations are recorded on an undiscounted basis.

Accrual amounts may be based on technical cost estimations or the professional judgment of experienced environmental managers. Our Safety, Health and Environmental Affairs Management Committee routinely reviews cost estimates and key assumptions in response to new information, such as the kinds and quantities of hazardous substances, available technologies and changes to the parties participating in the remediation efforts. H owever, a number of factors, including adverse agency rulings an d u nanticipated conditions as remediation efforts progress, may cause actual results to differ materially from accrued costs.

For additional information regarding environmental compliance costs, see Note 8 "Accrued Environmental Remediation Costs" in Item 8 "Financial Statements and Supplementary Data."

6. CLAIMS AND LITIGATION INCLUDING SELF-INSURANCE

We are involved with claims and litigation, including items covered under our self-insurance program . We are self-insured for losses related to workers' compensation up to $ 2.0 million per occurrence and automotive and general/product liability up to $ 3.0 million per occurrence. We have excess coverage on a per occurrence basis beyond these retention levels.

Under our self-insurance program, we aggregate certain claims and litigation costs that are reasonably predictable based on our historical loss experience and accrue losses, including future legal defense costs, based on actuarial studies. Certain claims and litigation costs, due to their unique nature, are not included in our actuarial studies. For matters not included in our actuarial studies, legal defense costs are accrued when incurred.

Our accounting policy for claims and litigation including self-insurance is a critical accounting policy because it involves the use of significant estimates and assumptions and requires considerable management judgment.

HOW WE ASSESS THE PROBABILITY OF LOSS

We use both internal and outside legal counsel to assess the probability of loss, and establish an accrual when the claims and litigation represent a probable loss and the cost can be reasonably estimated. Significant judgment is used in determining the timing and amount of the accruals for probable losses, and the actual liability could differ materially from the accrued amounts.

For additional information regarding claims and litigation including self-insurance, see Note 1 "Summary of Significant Accounting Policies" in Item 8 "Financial Statements and Supplementary Data" under the caption Claims and Litigation Including Self-insurance.

7. INCOME TAXES

HOW WE DETERMINE OUR CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

We file various federal, state and foreign income tax returns, including some returns that are consolidated with subsidiaries. We account for the current and deferred tax effects of such returns using the asset and liability met hod. Sign ificant judgments and estimates are required in determining our current and deferred tax assets and liabilities , which reflect our best assessment of the estimated future taxes we will pay . These estimates are updated throughout the year to consider income tax return filings, our geographic mix of earnings, legislative changes and other relevant items.

We recognize deferred tax assets and liabilities based on the differences between the financial statement ’s carrying amounts of assets and liabilities and the amounts used for income tax purposes . Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns . Realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period.

Each quarter we analyze the likelihood that our deferred tax assets will be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not (a likelihood of more than 50%) that some portion, or all, of a deferred tax asset will not be realized. A summary of our deferred tax assets is included in Note 9 “Income Taxes” in Item 8 “Financial Statements and Supplementary Data.”

While we believe that the majority of our deferred tax assets will be realized, our state net operating loss deferred tax asset carryforwards require additional consideration based on the following reasons:

- the required filing groups in many states are different from the federal filing group
- certain states have brief expiration periods or other limitations on the utilization of net operating loss carryforwards
- we no longer file in certain states for which we have net operating loss carryforwards

Based on this analysis, we have provided a valuation allowance of $ 56.9 million , an increase of $ 10.6 million from the prior year valuation allowance, against our state net operating loss deferred tax asset carryforward s. O f the $ 56.9 million valuation allowance, $ 55.5 million relate s to our Alabama net operating los s c arryforward. The remaining valuation allowance of $ 1.4 million relate s to other state net operating los s c arryforwa rds.

I f we later determine that realization is more likely than not for deferred tax assets with a valuation allowance, the related valuation allowance will be reduc ed. Con versely, if we determine that it is more likely than not that we will not be able to realize a portion of our deferred tax assets, we will increase the valuation allo wance.

FOREIGN EARNINGS

U.S. income taxes are not provided on foreign earnings when such earnings are indefinitely reinvested offshore. At least annually, we e valuate our investment strategies for each foreign tax jurisdiction in which we operate to determine whether foreign earnings will be indefinitely reinvested offshore .

LIABILITY FOR UNRECOGNIZ ED TA X BENEFITS

We recognize a ta x benefit associated with a t ax position when, in our judgment, it is more likely than not that the position will be sustained based upon the technical merits of the position . For a tax position that meets the more likely than not recognition threshold, w e m easure th e t ax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realiz ed. A liability is established for the unrecognized portion of any tax position. Ou r liability for u nrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments a nd new or emerging legislation.

The years open to tax examinations vary by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecogniz ed ta x benefits is appropriate .

We consider a tax position to be resolved at the earlier of the issue being “effectively settled,” settlement of an examination , or the expiration of the statute of limitati ons. Upon resolution of a tax position, an y liability for u nrecognized tax benefits will be released.

Ou r liability for unrecogniz ed ta x benefits is generally presented as noncurrent. However, if we anticipate paying cash within one year to settle an uncertain tax position, the liability is presented as current. We classify interest and penalties associated with our liability for unrecogniz ed ta x benefits as income tax expense.

STATUTORY DEPLETION

Our largest permanent item in computing both our taxable income and effective tax rate is the deduction allowed for statutory depletion. The impact of statutory depletion on the effective tax rate is presented in Note 9 "Income Taxes" in Item 8 "Financial Statements and Supplementary Data." The deduction for statutory depletion does not necessarily change proportionately to changes in pretax earnings.

NEW ACCOUNTING STANDARDS

For a discussion of accounting standards recently adopted and pending adoption and the affect such accounting changes will have on our results of operations, financial position or liquidity, see Note 1 " Summary of Significant Accounting Policies " in Item 8 " Financial Statements and Supplementary Data " under the caption New Accounting Standards.

FORWARD-LOOKING STATEMENTS

The foregoing discussion and analysis, as well as certain information contained elsewhere in this Annual Report, contain " forward-looking statements " within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor created thereby. See the discussion in Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 in Part I, above.

We are exposed to certain market risks arising from transactions that are entered into in the normal course of business. In order to manage or reduce these market risks, we may utilize derivative financial instruments. We do not enter into derivative financial instruments for speculative or trading purposes.

We are exposed to interest rate risk due to our bank line of credit and other long-term debt instruments. At times, we use interest rate swap agreements to manage this risk.

At December 31, 201 4 , the estimated fair value of our long-term debt instruments including current maturities was $ 2,274.8 million compared to a book value of $ 2,005.6 million. The estimated fair value was determined by averaging the asking price quotes for the notes . The fair value estimate is based on information available as of the measurement date. Although we are not aware of any factors that would significantly affect the estimated fair value amount, it has not been comprehensively revalued since the measurement date. The effect of a decline in interest rates of one percentage point would increase the fair value of our liability by $ 105.1 million.

We are exposed to certain economic risks related to the costs of our pension and other postretirement benefit plans. These economic risks include changes in the discount rate for high-quality bonds, the expected return on plan assets and the rate of increase in the per capita cost of covered healthcare benefits. The impact of a change in these assumptions on our annual pension and other postretirement benefit costs is discussed in greater detail within the Critical Accounting Policies section of this A nnual R eport.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Vulcan Materials Company:

We have audited the accompanying consolidated balance sheets of Vulcan Materials Company and its subsidiary companies (the "Company") as of December 31, 201 4 and 201 3 , and the related consolidated statements of comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 201 4 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement s b ased on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Materials Company and its subsidiary companies as of December 31, 201 4 and 201 3 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 201 4 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 201 4 , based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26 , 201 5 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Birmingham, Alabama
February 26 , 201 5

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 *in thousands, except per share data*	***2014***	*2013*	*2012*
Total revenues	**$ 2,994,169**	$ 2,770,709	$ 2,567,310
Cost of revenues	**2,406,587**	2,343,829	2,233,284
Gross profit	**587,582**	426,880	334,026
Selling, administrative and general expenses	**272,288**	259,427	259,140
Gain on sale of property, plant & equipment and businesses, net	**244,222**	39,250	68,455
Restructuring charges	**(1,308)**	(1,509)	(9,557)
Exchange offer costs	**0**	0	(43,380)
Other operating expense, net	**(20,070)**	(14,790)	(5,623)
Operating earnings	**538,138**	190,404	84,781
Other nonoperating income, net	**3,107**	7,538	6,727
Interest income	**960**	943	1,141
Interest expense	**243,367**	202,588	213,067
Earnings (loss) from continuing operations before income taxes	**298,838**	(3,703)	(120,418)
Provision for (benefit from) income taxes			
Current	**74,039**	9,673	1,913
Deferred	**17,653**	(34,132)	(68,405)
Total provision for (benefit from) income taxes	**91,692**	(24,459)	(66,492)
Earnings (loss) from continuing operations	**207,146**	20,756	(53,926)
Earnings (loss) on discontinued operations, net of income taxes (Note 2)	**(2,223)**	3,626	1,333
Net earnings (loss)	**$ 204,923**	$ 24,382	$ (52,593)
Other comprehensive income (loss), net of tax			
Reclassification adjustment for cash flow hedges	**4,856**	2,992	3,816
Adjustment for funded status of benefit plans	**(69,051)**	111,883	(24,454)
Amortization of actuarial loss and prior service cost for benefit plans	**2,112**	11,011	11,965
Other comprehensive income (loss)	**(62,083)**	125,886	(8,673)
Comprehensive income (loss)	**$ 142,840**	$ 150,268	$ (61,266)
Basic earnings (loss) per share			
Continuing operations	**$ 1.58**	$ 0.16	$ (0.42)
Discontinued operations	**(0.02)**	0.03	0.01
Net earnings (loss)	**$ 1.56**	$ 0.19	$ (0.41)
Diluted earnings (loss) per share			
Continuing operations	**$ 1.56**	$ 0.16	$ (0.42)
Discontinued operations	**(0.02)**	0.03	0.01
Net earnings (loss)	**$ 1.54**	$ 0.19	$ (0.41)
Weighted-average common shares outstanding			
Basic	**131,461**	130,272	129,745
Assuming dilution	**132,991**	131,467	129,745

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

As of December 31 *in thousands*	***2014***	*2013*
Assets		
Cash and cash equivalents	**$ 141,273**	$ 193,738
Accounts and notes receivable		
Customers, less allowance for doubtful accounts		
2014 — $5,105; 2013 — $4,854	**354,935**	323,369
Other	**18,907**	16,252
Inventories	**321,804**	344,606
Current deferred income taxes	**39,726**	40,423
Prepaid expenses	**28,640**	22,549
Assets held for sale	**15,184**	10,559
Total current assets	**920,469**	951,496
Investments and long-term receivables	**41,650**	42,387
Property, plant & equipment, net	**3,071,630**	3,312,017
Goodwill	**3,094,824**	3,081,521
Other intangible assets, net	**758,243**	697,578
Other noncurrent assets	**175,086**	174,144
Total assets	**$ 8,061,902**	$ 8,259,143
Liabilities		
Current maturities of long-term debt	**150,137**	170
Trade payables and accruals	**145,148**	139,345
Accrued salaries, wages and management incentives	**84,722**	72,675
Accrued interest	**8,212**	10,954
Other accrued liabilities	**63,139**	75,991
Liabilities of assets held for sale	**520**	0
Total current liabilities	**451,878**	299,135
Long-term debt	**1,855,447**	2,522,243
Noncurrent deferred income taxes	**691,137**	701,075
Deferred management incentive and other compensation	**22,421**	23,657
Pension benefits	**252,531**	146,734
Other postretirement benefits	**76,372**	83,457
Asset retirement obligations	**226,565**	228,234
Deferred revenue	**213,968**	219,743
Other noncurrent liabilities	**94,884**	96,759
Total liabilities	**$ 3,885,203**	$ 4,321,037
Other commitments and contingencies (Note 12)		
Equity		
Common stock, $1 par value — Authorized 480,000 shares,		
Issued 131,907 and 130,200 shares, respectively	**131,907**	130,200
Capital in excess of par value	**2,734,661**	2,611,703
Retained earnings	**1,471,845**	1,295,834
Accumulated other comprehensive loss	**(161,714)**	(99,631)
Total equity	**4,176,699**	3,938,106
Total liabilities and equity	**$ 8,061,902**	$ 8,259,143

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 *in thousands*	***2014***	*2013*	*2012*
Operating Activities			
Net earnings (loss)	**$ 204,923**	$ 24,382	$ (52,593)
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation, depletion, accretion and amortization	**279,497**	307,108	331,959
Net gain on sale of property, plant & equipment and businesses	**(244,222)**	(50,978)	(78,654)
Proceeds from sale of future production, net of transaction costs (Note 19)	**0**	153,095	73,583
Contributions to pension plans	**(5,488)**	(4,855)	(4,509)
Share-based compensation	**23,884**	22,093	17,474
Excess tax benefits from share-based compensation	**(3,464)**	(161)	(267)
Deferred tax provision (benefit)	**18,378**	(35,063)	(69,830)
Cost of debt purchase	**72,949**	0	0
(Increase) decrease in assets before initial effects of business acquisitions and dispositions			
Accounts and notes receivable	**(25,118)**	(42,260)	17,412
Inventories	**(5,595)**	(7,700)	(9,028)
Prepaid expenses	**(6,256)**	(765)	(117)
Other assets	**(13,930)**	12,374	(29,043)
Increase (decrease) in liabilities before initial effects of business acquisitions and dispositions			
Accrued interest and income taxes	**(3,840)**	(10,937)	(15,709)
Trade payables and other accruals	**4,229**	15,485	27,091
Other noncurrent liabilities	**(42,810)**	(26,602)	29,772
Other, net	**7,199**	1,283	934
Net cash provided by operating activities	**$ 260,336**	$ 356,499	$ 238,475
Investing Activities			
Purchases of property, plant & equipment	**(224,852)**	(275,380)	(93,357)
Proceeds from sale of property, plant & equipment	**26,028**	17,576	80,829
Proceeds from sale of businesses, net of transaction costs	**721,359**	51,604	21,166
Payment for businesses acquired, net of acquired cash	**(284,237)**	(89,951)	0
Other, net	**33**	(39)	1,761
Net cash provided by (used for) investing activities	**$ 238,331**	$ (296,190)	$ 10,399
Financing Activities			
Proceeds from line of credit	**93,000**	156,000	0
Payment of current maturities, long-term debt and line of credit	**(672,829)**	(306,602)	(134,780)
Proceeds from issuance of common stock	**30,620**	3,821	0
Dividends paid	**(28,884)**	(5,191)	(5,183)
Proceeds from exercise of stock options	**23,502**	9,762	10,462
Excess tax benefits from share-based compensation	**3,464**	161	267
Other, net	**(5)**	0	(1)
Net cash used for financing activities	**$ (551,132)**	$ (142,049)	$ (129,235)
Net increase (decrease) in cash and cash equivalents	**(52,465)**	(81,740)	119,639
Cash and cash equivalents at beginning of year	**193,738**	275,478	155,839
Cash and cash equivalents at end of year	**$ 141,273**	$ 193,738	$ 275,478

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF EQUITY

in thousands	*Common Stock Shares*	*Common Stock Amount*	*Capital in Excess of Par Value*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*	*Total*
Balances at December 31, 2011	129,245	$ 129,245	$ 2,544,740	$ 1,334,476	$ (216,844)	$ 3,791,617
Net loss	0	0	0	(52,593)	0	(52,593)
Common stock issued						
Acquisitions	61	61	(199)	0	0	(138)
Share-based compensation plans	415	415	7,113	0	0	7,528
Share-based compensation expense	0	0	17,474	0	0	17,474
Excess tax benefits from share-based compensation	0	0	267	0	0	267
Reclass deferred compensation liability to equity (Note 13)	0	0	10,764	0	0	10,764
Cash dividends on common stock ($0.04 per share)	0	0	0	(5,183)	0	(5,183)
Other comprehensive loss	0	0	0	0	(8,673)	(8,673)
Other	0	0	50	(51)	0	(1)
Balances at December 31, 2012	129,721	$ 129,721	$ 2,580,209	$ 1,276,649	$ (225,517)	$ 3,761,062
Net earnings	0	0	0	24,382	0	24,382
Common stock issued						
401(k) Trustee (Note 13)	71	71	3,750	0	0	3,821
Share-based compensation plans	408	408	5,485	0	0	5,893
Share-based compensation expense	0	0	22,093	0	0	22,093
Excess tax benefits from share-based compensation	0	0	161	0	0	161
Cash dividends on common stock ($0.04 per share)	0	0	0	(5,191)	0	(5,191)
Other comprehensive income	0	0	0	0	125,886	125,886
Other	0	0	5	(6)	0	(1)
Balances at December 31, 2013	130,200	$ 130,200	$ 2,611,703	$ 1,295,834	$ (99,631)	$ 3,938,106
Net earnings	0	0	0	204,923	0	204,923
Common stock issued						
Acquisitions	715	715	44,470	0	0	45,185
401(k) Trustee (Note 13)	485	485	30,135	0	0	30,620
Share-based compensation plans	507	507	20,982	0	0	21,489
Share-based compensation expense	0	0	23,884	0	0	23,884
Excess tax benefits from share-based compensation	0	0	3,464	0	0	3,464
Cash dividends on common stock ($0.22 per share)	0	0	0	(28,884)	0	(28,884)
Other comprehensive loss	0	0	0	0	(62,083)	(62,083)
Other	0	0	23	(28)	0	(5)
Balances at December 31, 2014	**131,907**	**$ 131,907**	**$ 2,734,661**	**$ 1,471,845**	**$ (161,714)**	**$ 4,176,699**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Vulcan Materials Company (the "Company," "Vulcan," "we," "our"), a New Jersey corporation, is the nation's largest producer of construction aggregates, primarily crushed stone, sand and gravel and a major producer of asphalt mix and ready-mixed concrete.

Due to the 2005 sale of our Chemicals business as described in Note 2, the operating results of the Chemicals business are presented as discontinued operations in the accompanying Consolidated Statements of Comprehensive Income.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Vulcan Materials Company and all our majority or
wholly-owned subsidiary companies. All intercompany transactions and accounts have been eliminated in consolidation.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of these financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and contingent liabilities at the date of the financial statements. We evaluate these estimates and judgments on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for our judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ materially from these estimates. The most significant estimates included in the preparation of these financial statements are related to goodwill and long-lived asset impairments, reclamation costs, pension and other postretirement benefits, environmental compliance, claims and litigation including self-insurance, and income taxes.

BUSINESS COMBINA TIO NS

We account for business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying identifiable assets acquired and liabilities assumed based on their respective fair values. Determining the fair values of assets acquired and liabilities assumed requires judgment and often involves the use of significant estimates and assumptions.

RESTRU CTURING CHARGES

Costs associated with restructuring our operations include severance and related charges to eliminate a specified number of employee positions, costs to relocate employees, contract cancellation costs and charges to vacate facilities and consolidate operations. Relocation and contract cancellation costs and charges to vacate facilities are recognized in the period the liability is incurred. Severance charges for employees who are required to render service beyond a minimum retention period, generally more than 60 days, are recognized ratably over the retention period; otherwise, the full severance charge is recognized on the date a detailed restructuring plan has been authorized by management and communicated to employees.

In 2014, we announced changes to our executive management team, and a new divisional organization structure that was effective January 1, 2015. This new structure enables us to pursue growth and profitability while further leveraging the actions we undertook in 2012 as noted below. During 2014, we incurred $1,308,000 of severance costs related to these initiatives. Future related charges for these initiatives are estimated to be less than $5,000,000 .

In 2012, our Board approved a Profit Enhancement Plan that further leverages our streamlined management structure and substantially completed ERP and Shared Services platforms to achieve cost reductions and other earnings enhancements. During 2013 and 2012, respectively, we incurred $1,509,000 and $9,557,000 of costs (primarily project design, outside advisory and severance) related to the implementation of this plan. We did not incur any additional charges in 2014.

EXCHANGE OFFER COSTS

In response to an unsolicited and substantially undervalued exchange offer initiated in 2011, we incurred legal, professional and other defense costs of $43,380,000 in 2012.

CASH EQUIVALENTS

We classify as cash equivalents all highly liquid securities with a maturity of three months or less at the time of purchase. The carrying amount of these securities approximates fair value due to their short-term maturities.

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable from customers result from our extending credit to trade customers for the purchase of our products. The terms generally provide for payment within 30 days of being invoiced. On occasion, when necessary to conform to regional industry practices, we sell product under extended payment terms, which may result in either secured or unsecured short-term notes; or, on occasion, notes with durations of less than one year are taken in settlement of existing accounts receivable. Other accounts and notes receivable result from short-term transactions (less than one year) other than the sale of our products, such as interest receivable; insurance claims; freight claims; tax refund claims; bid deposits or rents receivable. Receivables are aged and appropriate allowances for doubtful accounts and bad debt expense are recorded. Bad debt expense for the years ended December 31 was as follows: 2014 — $2,031,000 , 2013 — $602,000 and 2012 — $2,505,000 . Write-offs of accounts receivables for the years ended December 31 were as follows: 2014 — $2,561,000 , 2013 — $1,946,000 and 2012 — $2,805,000 .

INVENTORIES

Inventories and supplies are stated at the lower of cost or market. We use the last-in, first-out (LIFO) method of valuation for most of our inventories because it results in a better matching of costs with revenues. Such costs include fuel, parts and supplies, raw materials, direct labor and production overhead. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on our estimates of expected year-end inventory levels and costs and are subject to the final year-end LIFO inventory valuation. Substantially all operating supplies inventory is carried at average cost. For additional information regarding our inventories see Note 3.

PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are carried at cost less accumulated depreciation, depletion and amortization. The cost of properties held under capital leases, if any, is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease.

Capitalized software costs of $8,753,000 and $10,321,000 are reflected in net property, plant & equipment as of December 31, 2014 and 2013, respectively. We capitalized software costs for the years ended December 31 as follows: 2014 — $921,000 , 2013 — $1,695,000 and 2012 — $408,000 . During the same periods, $2,501,000 , $2,230,000 and $2,463,000 , respectively, of previously capitalized costs were depreciated. For additional information regarding our property, plant & equipment see Note 4.

REPAIR AND MAINTENANCE

Repair and maintenance costs generally are charged to operating expense as incurred. Renewals and betterments that add materially to the utility or useful lives of property, plant & equipment are capitalized and subsequently depreciated. Actual costs for planned major maintenance activities, related primarily to periodic overhauls on our oceangoing vessels, are capitalized and amortized to the next overhaul.

DEPRECIATION, DEPLETION, ACCRETION AND AMORTIZATION

Depreciation is generally computed by the straight-line method at rates based on the estimated service lives of the various classes of assets, which include machinery and equipment (3 to 30 years), buildings (10 to 20 years) and land improvements (7 to 20 years). Capitalized software costs are included in machinery and equipment and are depreciated on a straight-line basis beginning when the software project is substantially complete.

Cost depletion on depletable land is computed by the unit-of-production method based on estimated recoverable units.

Accretion reflects the period-to-period increase in the carrying amount of the liability for asset retirement obligations. It is computed using the same credit-adjusted, risk-free rate used to initially measure the liability at fair value.

Leaseholds are amortized over varying periods not in excess of applicable lease terms or estimated useful lives.

Amortization of intangible assets subject to amortization is computed based on the estimated life of the intangible assets.
A significant portion of our intangible assets is contractual rights in place associated with zoning, permitting and other rights to access and extract aggregates reserves. Contractual rights in place associated with aggregates reserves are amortized using the unit-of-production method based on estimated recoverable units. Other intangible assets are amortized principally by the straight-line method.

Depreciation, depletion, accretion and amortization expense for the years ended December 31 is outlined below:

in thousands	***2014***	*2013*	*2012*
Depreciation, Depletion, Accretion and Amortization			
Depreciation	**$ 239,611**	$ 271,180	$ 301,146
Depletion	**16,741**	13,028	10,607
Accretion	**11,601**	10,685	7,956
Amortization of leaseholds	**578**	483	381
Amortization of intangibles	**10,966**	11,732	11,869
Total	**$ 279,497**	$ 307,108	$ 331,959

DERIVATIVE INSTRUMENTS

We periodically use derivative instruments to reduce our exposure to interest rate risk, currency exchange risk or price fluctuations on commodity energy sources consistent with our risk management policies. We do not use derivative financial instruments for speculative or trading purposes. Additional disclosures regarding our derivative instruments are presented in Note 5.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Inputs that are derived principally from or corroborated by observable market data
Level 3: Inputs that are unobservable and significant to the overall fair value measurement

Our assets at December 31 subject to fair value measurement on a recurring basis are summarized below:

	Level 1	
in thousands	***2014***	*2013*
Fair Value Recurring		
Rabbi Trust		
Mutual funds	**$ 15,532**	$ 15,255
Equities	**11,248**	12,828
Total	**$ 26,780**	$ 28,083

	Level 2	
in thousands	***2014***	*2013*
Fair Value Recurring		
Rabbi Trust		
Common/collective trust funds	**$ 1,415**	$ 1,244
Total	**$ 1,415**	$ 1,244

We have established two Rabbi Trusts for the purpose of providing a level of security for the employee nonqualified retirement and deferred compensation plans and for the directors' nonqualified deferred compensation plans. The fair values of these investments are estimated using a market approach. The Level 1 investments include mutual funds and equity securities for which quoted prices in active markets are available. Level 2 investments are stated at estimated fair value based on the underlying investments in those funds (short-term, highly liquid assets in commercial paper, short-term bonds and certificates of deposit).

Net gain s o f the Rabbi Trust investments were $1,169,000 , $4,398,000 and $8,564,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The portions of the net gains (losses) related to investments still held by the Rabbi Trusts at December 31, 2014, 2013 and 2012 were $(1,049,000) , $4,234,000 and $9,012,000, respectively.

The carrying values of our cash equivalents, restricted cash, accounts and notes receivable, current maturities of long-term debt, short-term borrowings, trade payables and accruals, and all other current liabilities approximate their fair values because of the short-term nature of these instruments. Additional disclosures for derivative instruments and interest-bearing debt are presented in Notes 5 and 6, respectively.

There were no assets or liabilities subject to fair value measurement on a nonrecurring basis in 2013. Assets that were subject to fair value measurement on a nonrecurring basis in 2014 are summarized below:

	As of December 31, 2014	
in thousands	*Level 2*	*Impairment Charges*
Fair Value Nonrecurring		
Property, plant & equipment	$ 2,172	$ 3,095
Totals	$ 2,172	$ 3,095

We recorded a $3,095,000 loss on impairment of long-lived assets in the first and second quarter s of 2014 reducing the carrying value of these assets to their estimated fair value of $2,172,000 . Fair value was estimated using a market approach (observed transactions involving comparable assets in similar locations).

GOODWILL AND GOODWILL IMPAIRMENT

Goodwill represents the excess of the cost of net assets acquired in business combinations over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Goodwill impairment exists when the fair value of a reporting unit is less than its carrying amount. As of December 31, 2014, goodwill totaled $3,094,824,000 as compared to $3,081,521,000 at December 31, 2013. G oodwill represents 38% of total assets at December 31, 2014 compared to 37% as of December 31, 2013.

Goodwill is tested for impairment annually, as of November 1, or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Goodwill is tested for impairment one level below our operating segments (reporting unit). W e have four operating segments organized around our principal product lines: Aggregates, Asphalt Mix, Concrete and Calcium (formerly Cement). Within these four operating segments, we have identified 19 reporting units (of which 9 carry goodwill) based primarily on geographic location. We have the option of either assessing qualitative factors to determine whether it is more likely than not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to a two-step quantitative test. We elected to perform the quantitative impairment test for all years presented.

The first step of the quantitative impairment test identifies potential impairment by comparing the fair value of a reporting unit to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not required. If the carrying value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any.

The second step of the quantitative impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by hypothetically allocating the fair value of the reporting unit to its identifiable assets and liabilities in a manner consistent with a business combination, with any excess fair value representing implied goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The results of the first step of the annual impairment tests performed as of November 1, 2014, 2013 and 2012 indicated that the fair values of all reporting units with goodwill substantially exceeded their carrying values. Accordingly, there were no charges for goodwill impairment in the years ended December 31, 2014, 2013 or 2012.

We estimate the fair values of the reporting units using both an income approach (which involves discounting estimated future cash flows) and a market approach (which involves the application of revenue and EBITDA multiples of comparable companies). D etermining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Actual results may differ materially from those estimates. Changes in key assumptions or management judgment with respect to a reporting unit or its prospects, which may result from a change in market conditions, market trends, interest rates or other factors outside of our control, or significant underperformance relative to historical or projected future operating results, could result in a significantly different estimate of the fair value of our reporting units, which could result in an impairment charge in the future.

For additional information regarding goodwill see Note 18.

IMPAIRMENT OF LONG-LIVED ASSETS EXCLUDING GOODWILL

We evaluate the carrying value of long-lived assets, including intangible assets subject to amortization, when events and circumstances indicate that the carrying value may not be recoverable. The carrying value of long-lived assets is considered impaired when the estimated undiscounted cash flows from such assets are less than their carrying value. In that event, we recognize a loss equal to the amount by which the carrying value exceeds the fair value of the long-lived assets. Fair value is determined primarily by using a discounted cash flow methodology that requires considerable management judgment and long-term assumptions. Our estimate of net future cash flows is based on historical experience and assumptions of future trends, which may be different from actual results. We periodically review the appropriateness of the estimated useful lives of our long-lived assets.

We test long-lived assets for impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. As a result, our long-lived asset impairment test is at a significantly lower level than the level at which we test goodwill for impairment. In markets where we do not produce downstream products (e.g. asphalt mix and ready-mixed concrete), the lowest level of largely independent identifiable cash flows is at the individual aggregates operation or a group of aggregates operations collectively serving a local market. Conversely, in vertically integrated markets, the cash flows of our downstream and upstream businesses are not largely independently identifiable as the selling price of the upstream products (aggregates) determines the profitability of the downstream business.

As of December 31, 2014, net property, plant & equipment represents 38% of total assets, while net other intangible assets represents 9% of total assets. During 2014, we recorded a $3,095,000 loss on impairment of long-lived assets related primarily to assets retained in the divestiture of our cement and concrete businesses in the Florida area (see Note 19) . We recorded no asset impairments during 2013. During 2012, we recorded a $2,034,000 loss on impairment of long-lived assets related primarily to assets classified as held for sale.

For additional information regarding long-lived assets and intangible assets see Notes 4 and 18.

TOTAL REVENUES AND REVENUE RECOGNITION

Total revenues include sales of product to customers, net of any discounts and taxes, and freight and delivery revenues billed to customers. Freight and delivery represen t p ass-through transportation we incur and pay to third-party carriers to deliver our products to customers. The costs related to freight and delivery are included in cost of revenues.

Revenue is recognized at the time the selling price is fixed, the product's title is transferred to the buyer and collectibility of the sales proceeds is reasonably assured (typically occurs when finished products are shipped to the customer).

DEFERRED REVENUE

W e e ntered into two transactions (September 2013 and December 2012) through which we sold a percentage of the future production from aggregates reserves at eight quarries (seven owned and one leased). These sales were structured as volumetric production payments (VPPs). We received net cash proceeds of $153,282,000 and $73,644,000 for the 2013 and 2012 transactions, respectively. These proceeds were recorded as deferred revenue on the balance sheet and are amortized to revenue on a unit-of-sales basis over the terms of the VPPs. Concurrently, we entered into marketing agreements with the purchaser through which we are designated the exclusive sales agent for the purchaser's percentage of future production. Acting as the purchaser's agent, our consolidated total revenues exclude these sales.

The common key terms of both VPP transactions are:

- the purchaser has a nonoperating interest in future production entitling them to a percentage of future production
- there is no minimum annual or cumulative production or sales volume, nor any minimum sales price guarantee
- the purchaser has the right to take its percentage of future production in physical product, or receive the cash proceeds from the sale of its percentage of future production under the terms of the aforementioned marketing agreement
- the purchaser's percentage of future production is conveyed free and clear of all future costs
- we retain full operational and marketing control of the specified quarries
- we retain fee simple interest in the land as well as any residual values that may be realized upon the conclusion of mining

The key terms specific to the 2013 VPP transaction are:

- terminates at the earlier to occur of September 30, 2051 or the sale of 250.8 million tons of aggregates from the specified quarries; based on historical and projected volumes from the specified quarries, it is expected that 250.8 million tons will be sold prior to September 30, 2051
- the purchaser's percentage of the maximum 250.8 million tons of future production is estimated to be 11.5% (approximately 29 million tons); the actual percentage may vary

The key terms specific to the 2012 VPP transaction are:

- terminates at the earlier to occur of December 31, 2052 or the sale of 143.2 million tons of aggregates from the specified quarries; based on historical and projected volumes from the specified quarries, it is expected that 143.2 million tons will be sold prior to December 31, 2052
- the purchaser's percentage of the maximum 143.2 million tons of future production is estimated to be 10.5% (approximately 15 million tons); the actual percentage may vary

Reconciliation of the deferred revenue balances (current and noncurrent) are as follows:

in thousands	***2014***	*2013*	*2012*
Deferred Revenue			
Balance at beginning of year	**$ 224,743**	$ 73,583	$ 0
Cash received and revenue deferred	**187**	153,156	73,583
Amortization of deferred revenue	**(4,962)**	(1,996)	0
Balance at end of year	**$ 219,968**	$ 224,743	$ 73,583

Based on expected aggregates sales from the specified quarries, we anticipate recognizing an estimated $ 6,000,000 of deferred revenue as income in our 2015 Consolidated Statement of Comprehensive Income (reflected in Other accrued liabilities in our 2014 Consolidated Balance Sheet).

STRIPPING COSTS

In the mining industry, the costs of removing overburden and waste materials to access mineral deposits are referred to as stripping costs.

Stripping costs incurred during the production phase are considered costs of extracted minerals under our inventory costing system, inventoried, and recognized in cost of sales in the same period as the revenue from the sale of the inventory. The production stage is deemed to begin when the activities, including removal of overburden and waste material that may contain incidental saleable material, required to access the saleable product are complete. Stripping costs considered as production costs and included in the costs of inventory produced were $44,896,000 in 2014, $41,716,000 in 2013 and $37,875,000 in 2012.

Conversely, stripping costs incurred during the development stage of a mine (pre-production stripping) are excluded from our inventory cost. Pre-production stripping costs are capitalized and reported within other noncurrent assets in our accompanying Consolidated Balance Sheets. Capitalized pre-production stripping costs are expensed over the productive life of the mine using the unit-of-production method. Pre-production stripping costs included in other noncurrent assets were $44,035,000 as of December 31, 2014 and $ 24,026,000 as of December 31, 2013.

SHARE-BASED COMPENSATION

We account for share-based compensation awards using fair-value-based measurement methods. These result in the recognition of compensation expense for all share-based compensation award s b ased on their fair value as of the grant date. Compensation cost is recognized over the requisite service period.

We receive an income tax deduction for share-based compensation equal to the excess of the market value of our common stock on the date of exercise or issuance over the exercise price. Tax benefits resulting from tax deductions in excess of the compensation cost recognized (excess tax benefits) are classified as financing cash flows. The $3,464,000 , $161,000 and $267,000 in excess tax benefits classified as financing cash inflows for the years ended December 31, 2014, 2013 and 2012, respectively, in the accompanying Consolidated Statements of Cash Flows relate to the exercise of stock options and issuance of shares under long-term incentive plans.

A summary of the estimated future compensation cost (unrecognized compensation expense) as of December 31, 2014 related to share-based awards granted to employees under our long-term incentive plans is presented below:

dollars in thousands	*Unrecognized Compensation Expense*	*Expected Weighted-average Recognition (Years)*
Share-based Compensation		
SOSARs [1]	**$ 3,078**	**2.0**
Performance and restricted shares	**18,243**	**2.4**
Total/weighted-average	**$ 21,321**	**2.3**

[1] *Stock-Only Stock Appreciation Rights (SOSARs)*

Pretax compensation expense related to our employee share-based compensation awards and related income tax benefits for the years ended December 31 are summarized below:

in thousands	***2014***	*2013*	*2012*
Employee Share-based Compensation Awards			
Pretax compensation expense	**$ 22,217**	$ 20,187	$ 15,491
Income tax benefits	**8,571**	7,833	6,011

For additional information regarding share-based compensation, see Note 11 under the caption Share-based Compensation Plans.

RECLAMATION COSTS

Reclamation costs resulting from normal use of long-lived assets are recognized over the period the asset is in use only if there is a legal obligation to incur these costs upon retirement of the assets. Additionally, reclamation costs resulting from normal use under a mineral lease are recognized over the lease term only if there is a legal obligation to incur these costs upon expiration of the lease. The obligation, which cannot be reduced by estimated offsetting cash flows, is recorded at fair value as a liability at the obligating event date and is accreted through charges to operating expenses. This fair value is also capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. If the obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement.

To determine the fair value of the obligation, we estimate the cost for a third party to perform the legally required reclamation tasks including a reasonable profit margin. This cost is then increased for both future estimated inflation and an estimated market risk premium related to the estimated years to settlement. Once calculated, this cost is discounted to fair value using present value techniques with a credit-adjusted, risk-free rate commensurate with the estimated years to settlement.

In estimating the settlement date, we evaluate the current facts and conditions to determine the most likely settlement date. If this evaluation identifies alternative estimated settlement dates, we use a weighted-average settlement date considering the probabilities of each alternative.

We review reclamation obligations at least annually for a revision to the cost or a change in the estimated settlement date. Additionally, reclamation obligations are reviewed in the period that a triggering event occurs that would result in either a revision to the cost or a change in the estimated settlement date. Examples of events that would trigger a change in the cost include a new reclamation law or amendment of an existing mineral lease. Examples of events that would trigger a change in the estimated settlement date include the acquisition of additional reserves or the closure of a facility.

The carrying value of these obligations was $226,565,000 as of December 31, 2014 and $228,234,000 as of December 31, 2013. For additional information regarding reclamation obligations (referred to in our financial statements as asset retirement obligations) see Note 17.

PENSION AND OTHER POSTRETIREMENT BENEFITS

Accounting for pension and postretirement benefits requires that we make significant assumptions regarding the valuation of benefit obligations and the performance of plan assets. The primary assumptions are as follows:

- DISCOUNT RATE — The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future
- EXPECTED RETURN ON PLAN ASSETS — We project the future return on plan assets based principally on prior performance and our expectations for future returns for the types of investments held by the plan as well as the expected long-term asset allocation of the plan. These projected returns reduce the recorded net benefit costs
- RATE OF COMPENSATION INCREASE — For salary-related plans only, we project employees' annual pay increases through 2015, which are used to project employees' pension benefits at retirement
- RATE OF INCREASE IN THE PER CAPITA COST OF COVERED HEALTHCARE BENEFITS — We project the expected increases in the cost of covered healthcare benefits . Increases in the per capita cost after 2015 are not expected to increase our obligations related to postretirement medical benefits as a result of a 2012 plan amendment to cap medical coverage cost at the 2015 level

Accounting standards provide for the delayed recognition of differences between actual results and expected or estimated results. This delayed recognition of actual results allows for a smoothed recognition in earnings of changes in benefit obligations and plan performance over the working lives of the employees who benefit under the plans. The differences between actual results and expected or estimated results are recognized in full in other comprehensive income. Amounts recognized in other comprehensive income are reclassified to earnings in a systematic manner over the average remaining service period of active employees expected to receive benefits under the plan.

For additional information regarding pension and other postretirement benefits see Note 10.

ENVIRONMENTAL COMPLIANCE

Our environmental compliance costs are undiscounted and include the cost of ongoing monitoring programs, the cost of remediation efforts and other similar costs. We accrue costs for environmental assessment and remediation efforts when we determine that a liability is probable and we can reasonably estimate the cost. At the early stages of a remediation effort, environmental remediation liabilities are not easily quantified due to the uncertainties of various factors. The range of an estimated remediation liability is defined and redefined as events in the remediation effort occur, but generally liabilities are recognized no later than completion of the remedial feasibility study.

When we can estimate a range of probable loss, we accrue the most likely amount. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. As of December 31, 2014, the spread between the amount accrued and the maximum loss in the range for all sites for which a range can be reasonably estimated was $3,000,000 . Accrual amounts may be based on technical cost estimations or the professional judgment of experienced environmental managers. Our Safety, Health and Environmental Affairs Management Committee routinely reviews cost estimates and key assumptions in response to new information, such as the kinds and quantities of hazardous substances, available technologies and changes to the parties participating in the remediation efforts. H owever, a number of factors, including adverse agency rulings and encountering unanticipated conditions as remediation efforts progress, may cause actual results to differ materially from accrued costs.

For additional information regarding environmental compliance costs see Note 8.

CLAIMS AND LITIGATION INCLUDING SELF-INSURANCE

We are involved with claims and litigation, including items covered under our self-insurance program. We are self-insured for losses related to workers' compensation up to $2,000,000 per occurrence and automotive and general/product liability up to $3,000,000 per occurrence. We have excess coverage on a per occurrence basis beyond these retention levels.

Under our self-insurance program, we aggregate certain claims and litigation costs that are reasonably predictable based on our historical loss experience and accrue losses, including future legal defense costs, based on actuarial studies. Certain claims and litigation costs, due to their unique nature, are not included in our actuarial studies. We use both internal and outside legal counsel to assess the probability of loss, and establish an accrual when the claims and litigation represent a probable loss and the cost can be reasonably estimated. For matters not included in our actuarial studies, legal defense costs are accrued when incurred. The following table outlines our self-insurance program at December 31:

dollars in thousands	***2014***	*2013*
Self-insurance Program		
Self-insured liabilities (undiscounted)	**$ 43,731**	$ 50,538
Insured liabilities (undiscounted)	**17,758**	17,497
Discount rate	**1.29%**	0.98%
Amounts Recognized in Consolidated Balance Sheets		
Investments and long-term receivables	**$ 16,884**	$ 16,917
Other accrued liabilities	**(13,131)**	(16,657)
Other noncurrent liabilities	**(45,569)**	(49,148)
Net liabilities (discounted)	**$ (41,816)**	$ (48,888)

Estimated payments (undiscounted) under our self-insurance program for the five years subsequent to December 31, 2014 are as follows:

in thousands	
Estimated Payments under Self-insurance Program	
2015	$ 18,585
2016	11,210
2017	7,704
2018	5,347
2019	3,835

Significant judgment is used in determining the timing and amount of the accruals for probable losses, and the actual liability could differ materially from the accrued amounts.

INCOME TAXES

We file various federal, state and foreign income tax returns, including some returns that are consolidated with subsidiaries. We account for the current and deferred tax effects of such returns using the asset and liability method. Significant judgments and estimates are required in determining our current and deferred tax assets and liabilities, which reflect our best assessment of the estimated future taxes we will pay. These estimates are updated throughout the year to consider income tax return filings, our geographic mix of earnings, legislative changes and other relevant items.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns. Realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period.

Each quarter we analyze the likelihood that our deferred tax assets will be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not (a likelihood of more than 50%) that some portion, or all, of a deferred tax asset will not be realized. A summary of our deferred tax assets is included in Note 9.

If we later determine that realization is more likely than not for deferred tax assets with a valuation allowance, the related valuation allowance will be reduced. Conversely, if we determine that it is more likely than not that we will not be able to realize a portion of our deferred tax assets, we will increase the valuation allowance.

U.S. income taxes are not provided on foreign earnings when such earnings are indefinitely reinvested offshore. At least annually, we evaluate our investment strategies for each foreign tax jurisdiction in which we operate to determine whether foreign earnings will be indefinitely reinvested offshore.

We recognize a tax benefit associated with a tax position when, in our judgment, it is more likely than not that the position will be sustained based upon the technical merits of the position. For a tax position that meets the more likely than not recognition threshold, we measure the income tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized. A liability is established for the unrecognized portion of any tax position. Our liability for unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation.

The years open to tax examinations vary by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecognized tax benefits is appropriate.

We consider a tax position to be resolved at the earlier of the issue being “effectively settled,” settlement of an examination, or the expiration of the statute of limitations. Upon resolution of a tax position, an y liability for u nrecognized tax benefits will be released.

Our liability for unrecognized tax benefits is generally presented as noncurrent. However, if we anticipate paying cash within one year to settle an uncertain tax position, the liability is presented as current. We classify interest and penalties associated with our liability for unrecognized tax benefits as income tax expense.

Our largest permanent item in computing both our taxable income and effective tax rate is the deduction allowed for statutory depletion. The impact of statutory depletion on the effective tax rate is presented in Note 9. The deduction for statutory depletion does not necessarily change proportionately to changes in pretax earnings.

COMPREHENSIVE INCOME

We report comprehensive income in our Consolidated Statements of Comprehensive Income and Consolidated Statements of Equity. Comprehensive income comprises two subsets: net earnings and other comprehensive income (OCI). OCI includes fair value adjustments to cash flow hedges, actuarial gains or losses and prior service costs related to pension and postretirement benefit plans.

For additional information regarding comprehensive income see Note 14.

EARNINGS PER SHARE (EPS)

Earnings per share are computed by dividing net earnings by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS), as set forth below:

in thousands	***2014***	*2013*	*2012*
Weighted-average common shares outstanding	**131,461**	130,272	129,745
Dilutive effect of			
Stock options/SOSARs	**656**	461	0
Other stock compensation plans	**874**	734	0
Weighted-average common shares outstanding, assuming dilution	**132,991**	131,467	129,745

All dilutive common stock equivalents are reflected in our earnings per share calculations. In periods of loss, shares that otherwise would have been included in our diluted weighted-average common shares outstanding computation are excluded. These excluded shares (antidilutive common stock equivalents) were 617,000 for the loss year ended December 31, 2012.

The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price for the years ended December 31 is as follows:

in thousands	***2014***	*2013*	*2012*
Antidilutive common stock equivalents	**2,352**	2,895	4,762

RECLASSIFICATIONS

The separate presentation of net sales and delivery revenues previously reported in our consolidated statements of comprehensive income has been eliminated to conform with the 2014 presentation.

NEW ACCOUNTING STANDARDS

ACCOUNTING STANDARDS RECENTLY ADOPTED

2014 — GUIDANCE ON FINANCIAL STATEMENT PRESENTATION OF UNRECOGNIZED TAX BENEFIT As of and for the interim period ended March 31, 2014, we adopted Accounting Standards Update (ASU) No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." Under this ASU, an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except when specific conditions are met as outlined in the ASU. When these specific conditions are met, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. Our adoption of this standard had no material impact on our financial position, results of operations or liquidity.

2014 — GUIDANCE FOR OBLIGATIONS RESULTING FROM JOINT AND SEVERAL LIABILITY ARRANGEMENTS As of and for the interim period ended March 31, 2014, we adopted ASU 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." This ASU provides guidance for the recognition, measurement and disclosure of such obligations that are within the scope of the ASU. Obligations within the scope of this ASU include debt arrangements, other contractual obligations and settled litigation and judicial rulings. Under this ASU, an entity (1) recognizes such obligations at the inception of the arrangement, (2) measures such obligations as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors and (3) discloses the nature and amount of such obligations as well as other information about those obligations. Our adoption of this standard had no material impact on our financial position, results of operations or liquidity.

2014 — TANGIBLE PROPERTY REGULATIONS As of January 1, 2014, the Internal Revenue Service's new tangible property regulations became effective. These regulations apply to amounts paid to acquire, produce or improve tangible property, as well as dispose of such property. The effect of this tax law change had no material impact on our financial position, results of operations or liquidity.

ACCOUNTING STANDARDS PENDING ADOPTION

GOING CONCERN In August 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern," which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern (meet its obligations as they become due) within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about the entity's ability to continue as a going concern, certain disclosures are required. This ASU is effective for annual reporting periods ending after December 15, 2016, and interim reporting periods thereafter. Early adoption is permitted. We will adopt this standard as of and for the annual period ending December 31, 2016. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

SHARE-BASED AWARDS In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period," which clarifies the proper method of accounting for share-based awards when the terms of an award provide that a performance target could be achieved after the requisite service period. Under current guidance, there is a lack of consistency in the measurement of the grant-date fair values of awards with these types of performance targets. Under ASU 2014-12, a performance target that affects vesting and could be achieved after completion of the service period should be treated as a performance condition and, as a result, should not be included in the estimation of the grant-date fair value. Rather, an entity should recognize compensation cost for the award when it becomes probable that the performance target will be achieved. This ASU is effective for annual reporting periods beginning after December 15, 2015 and interim reporting periods within those annual reporting periods. We currently account for share-based awards with these types of performance targets in accordance with ASU 2014-12; therefore, we do not expect the adoption of this ASU to have any impact on our consolidated financial statements.

REVENUE RECOGNITION In May 2014, the FASB issued ASU 2014-09, "Revenue From Contracts With Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This ASU provides a more robust framework for addressing revenue issues and expands required revenue recognition disclosures. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim reporting periods within those annual reporting periods. Early adoption is not permitted. We are currently evaluating the impact of adoption of this ASU on our consolidated financial statements.

DISCONTINUED OPERATIONS REPORTING In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which changes the definition of and expands the disclosure requirements for discontinued operations. Under the new definition, discontinued operations reporting is limited to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The expanded disclosures for discontinued operations are meant to provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations. Additionally, this ASU requires an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. This ASU is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years.

NOTE 2: DISCONTINUED OPERATIONS

In 2005, we sold substantially all the assets of our Chemicals business to Basic Chemicals, a subsidiary of Occidental Chemical Corporation. In addition to the initial cash proceeds, Basic Chemicals was required to make payments under two earn-out agreements. During 201 3 , we received the final payment under the 5CP earn-out of $13,031,000 . During 201 2 , we received an earn-out payment of $11,369,000. We we re liable for a cash transaction bonus payable annually to certain former key Chemicals employees based on the prior year's earn-out results. Payments for the transaction bonus were $1,303,000 in 2013 and $1,137,000 in 2012 .

The financial results of the Chemicals business are classified as discontinued operations in the accompanying Consolidated Statements of Comprehensive Income for all periods presented. There were no revenues from discontinued operations for the years presented. Results from discontinued operations are as follows:

in thousands	***2014***	*2013*	*2012*
Discontinued Operations			
Pretax loss	**$ (3,683)**	$ (5,744)	$ (8,017)
Gain on disposal, net of transaction bonus	**0**	11,728	10,232
Income tax (provision) benefit	**1,460**	(2,358)	(882)
Earnings (loss) on discontinued operations, net of income taxes	**$ (2,223)**	$ 3,626	$ 1,333

The 2014, 20 13 and 2012 pretax losses from discontinued operations of $3,683,000 , $5,744,000 and $8,017,000 , respectively, were due primarily to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business.

NOTE 3: INVENTORIES

Inventories at December 31 are as follows:

in thousands	***2014***	*2013*
Inventories		
Finished products [1]	**$ 275,172**	$ 270,603
Raw materials	**19,741**	29,996
Products in process	**1,250**	6,613
Operating supplies and other	**25,641**	37,394
Total	**$ 321,804**	$ 344,606

[1] *Includes inventories encumbered by the purchaser's percentage of vo lumetric production payment s (see Note 1, Deferred Revenue), as follows: December 31, 2014 — $ 4,792 thousand and December 31, 2013 — $ 4,492 thousand.*

In addition to the inventory balances presented above, as of December 31, 2014 and December 31, 201 3 , we have $ 17,449,000 and $27,331,000 , respectively, of inventory classified as long-term assets (Other noncurrent assets) as we do not expect to sell the inventory within one year of their respective balance sheet dates . Inventories valued under the LIFO method total $ 232,371,000 at December 31, 2014 and $268,674,000 at December 31, 2013 . During 20 14 , 201 3 and 201 2 , inventory reductions resulted in liquidations of LIFO inventory layers carried at lower costs prevailing in prior years as compared to current-year cost s . The effect of the LIFO liquidation on 201 4 results was to de crease cost of revenues by $ 2,686,000 and increase net earnings by $ 1,650,000 . The effect of the LIFO liquidation on 201 3 results was to de crease cost of revenues by $1,310,000 and increase net earnings by $802,000 . The effect of the LIFO liquidation on 20 12 results was to de crease cost of revenues by $1,124,000 and in crease net earnings by $688,000 .

Estimated current cost exceeded LIFO cost at December 31, 201 4 and 201 3 by $ 181,633,000 and $184,409,000 , respectively. We use the LIFO method of valuation for most of our inventories as it results in a better matching of costs with revenues. We provide supplemental income disclosures to facilitate comparisons with companies not on LIFO. The supplemental income calculation is derived by tax-effecting the change in the LIFO reserve for the periods presented. If all inventories valued at LIFO cost had been valued under the methods (substantially average cost) used prior to the adoption of the LIFO method, the approximate effect on net earnings would have been an increase of $ 19,108,000 in 2014, a n i ncrease of $20,812,000 in 2013 and an increase of $5,990,000 in 2012.

NOTE 4: PROPERTY, PLANT & EQUIPMENT

Balances of major classes of assets and allowances for depreciation, depletion and amortization at December 31 are as follows:

in thousands	***2014***	*2013*
Property, Plant & Equipment		
Land and land improvements [1]	**$ 2,273,874**	$ 2,295,087
Buildings	**126,833**	149,982
Machinery and equipment	**3,952,423**	4,248,100
Leaseholds	**13,451**	11,692
Deferred asset retirement costs	**163,644**	151,973
Construction in progress	**78,617**	76,768
Total, gross	**$ 6,608,842**	$ 6,933,602
Less allowances for depreciation, depletion and amortization	**3,537,212**	3,621,585
Total, net	**$ 3,071,630**	$ 3,312,017

[1] *Includes depletable land , as follows: December 31, 201 4 — $ 1,287,225 thousand and December 31, 2013 — $ 1,258,982 thousand.*

Capitalized interest costs with respect to qualifying construction projects and total interest costs incurred before recognition of the capitalized amount for the years ended December 31 are as follows:

in thousands	***2014***	*2013*	*2012*
Capitalized interest cost	**$ 2,092**	$ 1,089	$ 2,716
Total interest cost incurred before recognition of the capitalized amount	**245,459**	203,677	215,783

NOTE 5: DERIVATIVE INSTRUMENTS

During the normal course of operations, we are exposed to market risks including fluctuations in interest rates, foreign currency exchange rates and commodity pricing. From time to time, and consistent with our risk management policies, we use derivative instruments to hedge against these market risks. We do not utilize derivative instruments for trading or other speculative purposes.

The accounting for gains and losses that result from changes in the fair value of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationship. The interest rate swap agreements described below were designated as either cash flow hedges or fair value hedges. The changes in fair value of our interest rate swap cash flow hedges are recorded in accumulated other comprehensive income (AOCI) and are reclassified into interest expense in the same period the hedged items affect earnings. The changes in fair value of our interest rate swap fair value hedges are recorded as interest expense consistent with the change in the fair value of the hedged items attributable to the risk being hedged .

CASH FLOW HEDGES

We have use d interest rate swap agreements designated as cash flow hedges to minimize the variability in cash flows of liabilities or forecasted transactions caused by fluctuations in interest rates. D uring 2007, we entered into fifteen forward starting interest rate swap agreements for a total stated amount of $1,500,000,000 . Upon the 2007 and 2008 issuances of the related fixed-rate debt, we terminated and settled these forward starting swaps for cash payments of $89,777,000 . Amounts in AOCI are being amortized to interest expense over the term of the related debt. Th is amortization was reflected in the accompanying Consolidated Statements of Comprehensive Income for the years ended December 31 as follows:

in thousands	*Location on Statement*	***2014***	*2013*	*2012*
Cash Flow Hedges				
Loss reclassified from AOCI (effective portion)	Interest expense	**$ (7,988)**	$ (5,077)	$ (6,314)

The 2014 loss reclassified from AOCI includes the acceleration of a proportional amount of the deferred loss in the amount of $3,762,000 referable to the debt purchase as disclosed in Note 6.

For the 12-month period ending December 31, 201 5 , we estimate that $4,207,000 of the pretax loss in AOCI will be reclassified to earnings.

FAIR VALUE HEDGES

We have use d interest rate swap agreements designated as fair value hedges to minimize exposure to changes in the fair value of fixed-rate debt that results from fluctuations in the benchmark interest rates for such debt. In June 2011 , we issued $500,000,000 of 6.50% fixed-rate notes due in 2016. Concurrently, we entered into interest rate swap agreements in the stated amount of $500,000,000 . Under these agreements, we paid 6-month LIBOR plus a spread of 4.05% and received a fixed interest rate of 6.50% . Additionally, in June 2011, we entered into interest rate swap agreements on our $150,000,000 of 10.125% fixed-rate notes due in 2015. Under these agreements, we paid 6-month LIBOR plus a spread of 8.03% and received a fixed interest rate of 10.125% . In August 2011, we terminated and settled these interest rate swap agreements for $25,382,000 of cash proceeds. The $23,387,000 forward component of the settlement (cash proceeds less $1,995,000 of accrued interest) was added to the carrying value of the related debt and is being amortized as a reduction to interest expense over the remaining lives of the related debt using the ef fective interest method. This amortization was reflected in the accompanying Consolidated Statements of Comprehensive Income for the years ended December 31 as follows:

in thousands	***2014***	*2013*	*2012*
Deferred Gain on Settlement			
Amortized to earnings as a reduction to interest expense	**$ 10,674**	$ 4,334	$ 4,052

The amortized deferred gain for the year ended December 31, 2014 includes the acceleration of a proportional amount of the deferred gain in the amount of $8,032,000 referable to the debt purchased as disclosed in Note 6.

NOTE 6: DEBT

Debt at December 31 is summarized as follows:

in thousands		***2014***		*2013*
Short-term Debt				
Bank line of credit	**$**	**0**	$	0
Total short-term debt	**$**	**0**	$	0
Long-term Debt				
10.125% notes due 2015 [1]	**$**	**150,973**	$	151,897
6.50% notes due 2016 [2]		**126,969**		511,627
6.40% notes due 2017 [3]		**218,589**		349,907
7.00% notes due 2018 [4]		**399,816**		399,772
10.375% notes due 2018 [5]		**249,030**		248,843
7.50% notes due 2021 [6]		**600,000**		600,000
8.85% notes due 2021 [7]		**6,000**		6,000
Industrial revenue bond due 2022 [8]		**14,000**		14,000
7.15% notes due 2037 [9]		**239,570**		239,561
Other notes		**637**		806
Total long-term debt including current maturities	**$**	**2,005,584**	$	2,522,413
Less current maturities		**150,137**		170
Total long-term debt	**$**	**1,855,447**	$	2,522,243
Estimated fair value of long-term debt	**$**	**2,113,478**	$	2,820,399

[1] *Includes an increase for the unamortized portion of the deferred gain realized upon the August 2011 settlement of interest rate swaps, as follows: December 31, 201 4 — $ 1,068 thousand and December 31, 2013 — $ 2,082 thousand. Additionally, includes decreases for unamortized discounts as follows: December 31, 201 4 — $ 95 thousand and December 31, 2013 — $ 185 thousand. The effective interest rate for these notes is 9.58 % .*

[2] *Includes an increase for the unamortized portion of the deferred gain realized upon the August 2011 settlement of interest rate swaps, as follows: December 31, 201 4 — $ 1,968 thousand and December 31, 2013 — $ 11,627 thousand. The effective interest rate for these notes is 6.00 % .*

[3] *Includes decreases for unamortized discounts, as follows: December 31, 201 4 — $ 4 4 thousand and December 31, 2013 — $ 93 thousand. The effective interest rate for these notes is 7. 39 % .*

[4] *Includes decreases for unamortized discounts, as follows: December 31, 201 4 — $ 184 thousand and December 31, 2013 — $ 228 thousand. The effective interest rate for these notes is 7.87 % .*

[5] *Includes decreases for unamortized discounts, as follows: December 31, 201 4 — $ 970 thousand and December 31, 2013 — $ 1,157 thousand. The effective interest rate for these notes is 10.625 % .*

[6] *The effective interest rate for these notes is 7.75 % .*

[7] *The effective interest rate for this note is 8.88% .*

[8] *This variable-rate tax-exempt bond is backed by a letter of credit.*

[9] *Includes decreases for unamortized discounts, as follows: December 31, 201 4 — $ 618 thousand and December 31, 2013 — $ 627 thousand. The effective interest rate for these notes is 8.05 % .*

Our long-term debt is presented in the table above net of unamortized discounts from par and unamortized deferred gains realized upon settlement of interest rate swaps. Discounts and deferred gains are being amortized using the effective interest method over the respective terms of the notes.

The estimated fair value of long-term debt presented in the table above was determined by averaging the asking price quotes for the notes . The fair value estimates were based on Level 2 information (as defined in Note 1, caption Fair Value Measurements) available to us as of the ir respective balance sheet dates. Although we are not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not bee n re valued since those dates.

Our long-term debt is unsecured and essentially all such debt agreements contain customary investment-grade type covenants that primarily limit the amount of secured debt we may incur without ratably securing the outstanding debt. Our debt may be redeemed prior to maturity at the greater of par value and the make-whole value plus accrued and unpaid interest.

There were no material scheduled debt payments during 2014. However, as described below, we purchased $506,366,000 principal amount o f d ebt through a tender offer in the first quarter of 2014. Scheduled debt payments during 201 3 included $10,000,000 in January to retire the 8.70% medium-term note and $140,444,000 in June to retire the 6.30% notes .

The total scheduled (principal and interest) debt payments, excludi ng dr aws, if any, on the line of credit, for the five years subsequent to December 31, 201 4 are as follows:

in thousands	*Total*	*Principal*	*Interest*
Debt Payments (excluding the line of credit)			
2015	$ 304,162	$ 150,137	$ 154,025
2016	263,975	125,131	138,844
2017	349,482	218,771	130,711
2018	752,732	650,022	102,710
2019	62,794	23	62,771

In March 2014, we purchased $506,366,000 principal amount o f d ebt through a tender offer as follows: $374,999,000 of 6.50% notes due in 2016 and $131,367,000 of 6.40% notes due in 2017 . This debt purchase was funded by the sale of our cement and concrete businesses in the Florida area as described in Note 1 9 . The March 2014 debt purchases cost $579,659,000 , including a $71,829,000 premium above the principal amount of the notes and transaction costs of $1,464,000 . The premium primarily reflects the trading prices of the notes relative to par prior to the tender offer commencement. Additionally, we recognized a net benefit of $344,000 associated with the acceleration of a proportional amount of unamortized discounts, deferred gains, deferred financing costs and amounts accumulated in OCI. The combined charge of $72,949,000 is presented in the accompanying Consolidated Statement of Comprehensive Income as a component of interest expense for the year ended December 31 , 2014.

Additionally, i n March 201 4 , we amended our $500,000,000 line of credit to, among other items, extend the term from March 2018 to March 2019. The line of credit is secured by accounts receivable and inventory, but will become unsecured upon the achievement of certain credit metrics and/or credit ratings. The line of credit also contains negative and financial covenants customary for a secured facility.

The negative covenants primarily limit our ability to: (1) incur secured debt, (2) make certain investments, (3) execute acquisitions and divestitures, and (4) make restricted payments, including dividends. Such limitations currently do not impact our ability to execute our strategic, operating and financial plans, and become less restrictive when the line of credit becomes unsecured as described above.

The line of credit contains two financial covenants: (1) a maximum ratio of debt to EBITDA that declines over time to 3.5 :1 and (2) a minimum ratio of EBITDA to net cash interest expense that increases over time to 3.0 :1.

As of December 31, 2014, w e were in compliance with our long-term debt and line of credit covenants .

Borrowings on our line of credit are classified as short-term due to our intent to repay any borrowings within twelve months. As of December 31, 2014, our available borrowing capacity was $ 446,450,000 . Borrowings under the line of credit bear interest at a rate determined at the time of borrowing equal to LIBOR plus a margin ranging from 1.50% to 2.25%, or an alternative rate derived from the lender's prime rate, based on ou r ratio of d ebt to EBITD A. As of December 31, 2014 , the applicable margin for LIBOR based borrowing s was 1.50% .

Standby letters of credit issued under the line of credit reduce availability and are charged a fee equal to the margin for LIBOR based borrowings plus 0.175% . We also pay a commitment fee on the daily average unused amount of the line of credit. This commitment fee ranges from 0.25% to 0.40% based on ou r ratio of d ebt to EBITDA. At December 31, 2014, the commitment fee was 0.25%. Once the line of credit becomes unsecured, both the LIBOR margin range for borrowings and the commitment fee range will decline.

NOTE 7: OPERATING LEASES

Rental expense from continuing operations under nonmineral operating leases for the years ended December 31, exclusive of rental payments made under leases of one month or less, is summarized as follows:

in thousands	***2014***	*2013*	*2012*
Operating Leases			
Minimum rentals	**$ 42,887**	$ 40,151	$ 36,951
Contingent rentals (based principally on usage)	**56,717**	44,111	32,705
Total	**$ 99,604**	$ 84,262	$ 69,656

Future minimum operating lease payments under all leases with initial or remaining noncancelable lease terms in excess of one year, exclusive of mineral leases (see Note 12) , as of December 31, 201 4 are payable as follows:

in thousands	
Future Minimum Operating Lease Payments	
2015	$ 30,096
2016	28,345
2017	25,207
2018	23,231
2019	18,363
Thereafter	128,294
Total	$ 253,536

Lease agreements frequently include renewal options and require that we pay for utilities, taxes, insurance and maintenance expense. Options to purchase are also included in some lease agreements.

NOTE 8: ACCRUED ENVIRONMENTAL REMEDIATION COSTS

Our Consolidated Balance Sheets as of December 31 include accrued environmental remediation costs (m easured on an undiscounted basis) as follows:

in thousands	***2014***	*2013*
Accrued Environmental Remediation Costs		
Continuing operations	**$ 4,919**	$ 5,505
Retained from former Chemicals business	**4,129**	5,178
Total	**$ 9,048**	$ 10,683

The long-term portion of the accruals noted above is included in other noncurrent liabilities in the accompanying Consolidated Balance Sheets and amounted to $6,736,000 at December 31, 2014 and $7,134,000 at December 31, 2013 . The short-term portion of these accruals is included in other accrued liabilities in the accompanying Consolidated Balance Sheets.

The accrued environmental remediation costs in continuing operations relate primarily to the former Florida Rock, Tarmac, and CalMat facilities acquired in 2007, 2000 and 1999, respectively. The balances noted above for Chemicals relate to retained environmental remediation costs from the 2003 sale of the Performance Chemicals business and the 2005 sale of the Chloralkali business.

Refer to Note 12 for additional discussion of certain contingent environmental matters.

NOTE 9: INCOME TAXES

The components of earnings (loss) from continuing operations before income taxes are as follows:

in thousands	***2014***	*2013*	*2012*
Earnings (Loss) from Continuing Operations before Income Taxes			
Domestic	**$ 264,473**	$ (34,239)	$ (134,929)
Foreign	**34,365**	30,536	14,511
Total	**$ 298,838**	$ (3,703)	$ (120,418)

Provision for (benefit from) i ncome tax es from continuing operations consists of the following:

in thousands	***2014***	*2013*	*2012*
Provision for (Benefit from) Income Taxes from Continuing Operations			
Current			
Federal	**$ 47,882**	$ (3,691)	$ (5,631)
State and local	**18,983**	7,941	5,271
Foreign	**7,174**	5,423	2,273
Total	**$ 74,039**	$ 9,673	$ 1,913
Deferred			
Federal	**$ 13,556**	$ (20,581)	$ (58,497)
State and local	**4,120**	(13,542)	(8,464)
Foreign	**(23)**	(9)	(1,444)
Total	**$ 17,653**	$ (34,132)	$ (68,405)
Total provision (benefit)	**$ 91,692**	$ (24,459)	$ (66,492)

The provision for (benefit f rom) income taxes differs from the amount computed by applying the federal statutory income tax rate to earnings (losses) from continuing operations befor e i ncome taxes. The sources and tax effects of the differences are as follows:

dollars in thousands	***2014***		*2013*		*2012*	
Income tax provision (benefit) at the federal statutory tax rate of 35%	**$ 104,594**	**35.0%**	$ (1,296)	35.0%	$ (42,146)	35.0%
Provision for (Benefit from) Income Tax Differences						
Statutory depletion	**(25,774)**	**-8.6%**	(20,875)	563.7%	(19,608)	16.3%
State and local income taxes, net of federal income tax benefit	**15,017**	**5.0%**	(3,641)	98.3%	(2,076)	1.7%
Fair market value over tax basis of charitable contributions	**(547)**	**-0.2%**	0	0.0%	(2,007)	1.7%
Other, net	**(1,598)**	**-0.5%**	1,353	-36.5%	(655)	0.5%
Total income tax provision (benefit)/ Effective tax rate	**$ 91,692**	**30.7%**	$ (24,459)	660.5%	$ (66,492)	55.2%

Deferr ed ta xes on the balance sheet result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax liability at December 31 are as follows:

in thousands	***2014***	*2013*
Deferred Tax Assets Related to		
Pensions	**$ 64,711**	$ 24,185
Other postretirement benefits	**33,046**	35,752
Asset retirement obligations and environmental remediation accruals	**37,904**	41,725
Deferred compensation, vacation pay and incentives	**121,900**	108,147
Interest rate swaps	**14,083**	17,371
Self-insurance reserves	**15,766**	18,338
Inventory	**9,982**	8,866
Federal net operating loss carryforwards	**2,439**	65,420
State net operating loss carryforwards	**59,315**	53,946
Valuation allowance on state net operating loss carryforwards	**(56,867)**	(46,280)
Foreign tax credit carryforwards	**7,822**	22,410
Alternative minimum tax credit carryforwards	**32,390**	16,489
Charitable contribution carryforwards	**6,930**	10,814
Other	**18,807**	16,054
Total deferred tax assets	**$ 368,228**	$ 393,237
Deferred Tax Liabilities Related to		
Fixed assets	**$ 661,697**	$ 725,162
Intangible assets	**329,539**	304,972
Other	**28,403**	23,755
Total deferred tax liabilities	**$ 1,019,639**	$ 1,053,889
Net deferred tax liability	**$ 651,411**	$ 660,652

The above amounts are reflected in the accompanying Consolidated Balance Sheets as of December 31 as follows:

in thousands	***2014***	*2013*
Deferred Income Taxes		
Current assets	**$ (39,726)**	$ (40,423)
Noncurrent liabilities	**691,137**	701,075
Net deferred tax liability	**$ 651,411**	$ 660,652

Each quarter we analyze the likelihood that our deferred tax assets will be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not (a likelihood of more than 50%) that some portion, or all, of a deferred tax asset will not be realized.

As of December 31, 201 4 , in come tax receivable s of $1,040,000 are included in accounts and notes receivable in the accompanying Consolidated Balance Sheet. These receivables relate to prior year state overpayments that we have requested to be refunded. There were similar receivables of $1,073,000 as of December 31, 201 3 .

Our liability for u nrecogniz ed ta x benefits is discussed in our accounting policy for income taxes (see Note 1, caption Income Taxes). Changes in our liability for unrecogniz ed ta x benefits for the years ended December 3 1 a re as follows :

in thousands	***2014***	*2013*	*2012*
Unrecognized tax benefits as of January 1	**$ 12,155**	$ 13,550	$ 13,488
Increases for tax positions related to			
Prior years	**229**	28	0
Current year	**528**	845	1,356
Decreases for tax positions related to			
Prior years	**(53)**	(86)	(43)
Settlements with taxing authorities	**0**	(136)	(1,456)
Expiration of applicable statute of limitations	**(5,802)**	(2,046)	205
Unrecognized tax benefits as of December 31	**$ 7,057**	$ 12,155	$ 13,550

We classify interest and penalties recognized on the liability for unrecogniz ed ta x benefits as income tax expense. Interest and penalties recognized as income tax expense (benefit) were $(1,067,000) in 2014, $(788,000) in 2013 and $218,000 in 2012 . The balance of accrued interest and penalties included in our liability for unrecogniz ed ta x benefits as of December 31 was $965,000 in 2014, $2,032,000 in 2013 and $2,820,000 in 2012.

Our liability for unrecogniz ed ta x benefits at December 31 in the table above include $6,282,000 in 2014, $7,910,000 in 2013 and $9,170,000 in 2012 that would affect the effective tax rate if recognized.

We are routinely examined by various taxing authorities. We anticipate no single tax position generating a significant increase or decrease in our liability for unrecognized tax benefits within 12 months of this reporting date.

We file income tax returns in U.S. feder al, var ious state and foreign jurisdictions. Generally, we are not subject to significant changes in income taxes by any taxing jurisdiction for the years prior to 20 11 .

As of December 31, 201 4 , w e have $56, 339 ,000 of accumulated undistributed earnings from one of our foreign subsidiaries . We consider these earnings to be indefinitely reinvested and, therefore, have not recorded deferred income taxes on these earnings. If we were to distribute the se earnings in the form of dividends, the distribution would result in U.S. income taxes of $19, 719,0 00 .

NOTE 10: BENEFIT PLANS

PENSION PLANS

We sponsor three funded, noncontributory defined benefit pension plans. These plans cover substantially all employees hired prior to July 2007, other than those covered by union-administered plans. Normal retirement age is 65 , but the plans contain provisions for earlier retirement. Benefits for the Salaried Plan and the Chemicals Hourly Plan are generally based on salaries or wages and years of service; the Construction Materials Hourly Plan provide s benefits equal to a flat dollar amount for each year of service. In addition to these qualified plans, we sponsor three unfunded, nonqualified pension plans. The projected benefit obligation presented in the table below includes $101,230,000 and $93,600,000 , respectively, related to these unfunded, nonqualified pension plans for 201 4 and 201 3 .

Effective July 2007, we amended our defined benefit pension plans to no longer accept new participants. In December 2013, we amended our defined benefit pension plans so that future service accruals for salaried pension participants ceased effective December 31, 2013. This change included a special transition provision which will allow covered compensation through December 31, 2015 to be considered in the participants' benefit calculations. The amendment resulted in a curtailment and remeasurement of the salaried and nonqualified pension plans in May 2013 that reduced our 2013 pension expense by approximately $7,600,000 (net of the one-time curtailment loss) of which $800,000 was related to discontinued operations.

The following table sets forth the combined funded status of the plans and their reconciliation with the related amounts recognized in our consolidated financial statements at December 31:

in thousands	***2014***	*2013*
Change in Benefit Obligation		
Projected benefit obligation at beginning of year	**$ 911,700**	$ 991,338
Service cost	**4,157**	21,904
Interest cost	**44,392**	40,995
Plan amendment [1]	**0**	(39,443)
Actuarial (gain) loss	**167,041**	(61,548)
Benefits paid	**(44,068)**	(41,546)
Projected benefit obligation at end of year	**$ 1,083,222**	$ 911,700
Change in Fair Value of Plan Assets		
Fair value of assets at beginning of year	**$ 756,624**	$ 683,091
Actual return on plan assets	**98,928**	110,224
Employer contribution	**5,488**	4,855
Benefits paid	**(44,068)**	(41,546)
Fair value of assets at end of year	**$ 816,972**	$ 756,624
Funded status	**(266,250)**	(155,076)
Net amount recognized	**$ (266,250)**	$ (155,076)
Amounts Recognized in the Consolidated Balance Sheets		
Noncurrent assets	**$ 0**	$ 3,056
Current liabilities	**(13,719)**	(11,398)
Noncurrent liabilities	**(252,531)**	(146,734)
Net amount recognized	**$ (266,250)**	$ (155,076)
Amounts Recognized in Accumulated Other Comprehensive Income		
Net actuarial loss	**$ 249,867**	$ 142,173
Prior service credit	**(356)**	(168)
Total amount recognized	**$ 249,511**	$ 142,005

[1] *The 2013 amendment eliminated future accruals for salaried pension participants effective December 31, 2013.*

The accumulated benefit obligation (ABO) and the projected benefit obligation (PBO) exceeded plan assets for all of our defined benefit plans at December 31, 20 14 and all plans except the Chemicals Hourly Plan at December 31, 2013. At December 31, 2013, a ssets in the Chemicals Hourly Plan of $91,803,000 exceeded its ABO by $3,919,000 and its PBO by $3,056,000 . The ABO for all of our defined benefit pension plans totaled $1,061,816,000 (unfunded, nonqualified plans of $95,154,000) at December 31, 2014 and $891,394,000 (unfunded, nonqualified plans of $89,289,000) at December 31, 2013.

The following table sets forth the components of net periodic benefit cost, amounts recognized in other comprehensive income and weighted-average assumptions of the plans at December 31:

dollars in thousands	***2014***	*2013*	*2012*
Components of Net Periodic Pension Benefit Cost			
Service cost	**$ 4,157**	$ 21,904	$ 22,349
Interest cost	**44,392**	40,995	43,194
Expected return on plan assets	**(50,802)**	(47,425)	(48,780)
Curtailment loss	**0**	855	0
Amortization of prior service cost	**188**	339	274
Amortization of actuarial loss	**11,221**	20,429	19,526
Net periodic pension benefit cost	**$ 9,156**	$ 37,097	$ 36,563
Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 118,915**	$ (163,205)	$ 63,981
Prior service cost (credit)	**0**	(583)	1,286
Reclassification of actuarial loss to net periodic pension benefit cost	**(11,221)**	(20,429)	(19,526)
Reclassification of prior service cost to net periodic pension benefit cost	**(188)**	(1,194)	(274)
Amount recognized in other comprehensive income	**$ 107,506**	$ (185,411)	$ 45,467
Amount recognized in net periodic pension benefit cost and other comprehensive income	**$ 116,662**	$ (148,314)	$ 82,030
Assumptions			
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31			
Discount rate	**4.91%**	4.33%	4.96%
Expected return on plan assets	**7.50%**	7.50%	8.00%
Rate of compensation increase (for salary-related plans)	**3.50%**	3.50%	3.50%
Weighted-average assumptions used to determine benefit obligation at December 31			
Discount rate	**4.14%**	4.91%	4.19%
Rate of compensation increase (for salary-related plans)	**3.70%**	3.50%	3.50%

The estimated net actuarial loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension benefit cost during 201 5 are $20,762,000 and $47,000 , respectively.

Assumptions regarding our expected return on plan assets are based primarily on judgments made by us and the Finance Committee of our Board . These judgments take into account the expectations of our pension plan consultants and actuaries and o ur investment advisors. We base our expected return on long-term investment expectations. The expected return on plan assets used to determine 201 4 pension benefit cost was 7.50% .

We establish our pension investment policy by evaluating asset/liability studies periodically performed by our consultants. These studies estimate trade-offs between expected returns on our investments and the variability in anticipated cash contributions to fund our pension liabilities. Our policy balances the variability in potential pension fund contributions to expected returns on our investments.

Our current strategy for implementing this policy is to invest in publicly traded equities and in publicly traded debt and private, nonliquid opportunities, such as venture capital, commodities, buyout funds and mezzanine debt. The target allocation ranges for plan assets are as follows: equity securities — 50% to 77%; debt securities — 15% to 27%; specialty investments — 0% to 20%; commodities — 0% to 6%; and cash reserves — 0% to 5% . Equity securities include domestic investments and foreign equities in the Europe, Australia and Far East (EAFE) and International Finance Corporation (IFC) Emerging Market Indices. Debt securities primarily include domestic debt instruments, while specialty investments include investments in venture capital, buyout funds, mezzanine debt , private partnerships and an interest in a commodity index fund.

The fair values of our pension plan assets at December 31, 201 4 and 201 3 by asset category are as follows:

Fair Value Measurements at December 31, 2014

in thousands	*Level 1* [1]	*Level 2* [1]	*Level 3* [1]	*Total*
Asset Category				
Debt securities	$ 0	$ 164,695	$ 0	$ 164,695
Investment funds				
Commodity funds	0	19,480	0	19,480
Equity funds	457	506,912	0	507,369
Short-term funds	0	15,495	0	15,495
Venture capital and partnerships	0	0	109,933	109,933
Total pension plan assets	**$ 457**	**$ 706,582**	**$ 109,933**	**$ 816,972**

[1] *See Note 1 under the caption Fair Value Measurements for a description of the fair value hierarchy.*

Fair Value Measurements at December 31, 2013

in thousands	*Level 1* [1]	*Level 2* [1]	*Level 3* [1]	*Total*
Asset Category				
Debt securities	$ 0	$ 137,034	$ 0	$ 137,034
Investment funds				
Commodity funds	0	23,773	0	23,773
Equity funds	602	490,355	0	490,957
Short-term funds	0	16,378	0	16,378
Venture capital and partnerships	0	0	88,482	88,482
Total pension plan assets	$ 602	$ 667,540	$ 88,482	$ 756,624

[1] *See Note 1 under the caption Fair Value Measurements for a description of the fair value hierarchy.*

At each measurement date, we estimate the fair value of our pension assets using various valuation techniques. We utilize, to the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of our pension assets. When quoted market prices or observable market inputs are not available, we utilize valuation techniques that rely on unobservable inputs to estimate the fair value of our pension assets. The following describes the types of investments included in each asset category listed in the table s above and the valuation techniques we used to determine the fair values as of December 31, 2014 and 201 3 .

The debt securities category consists of bonds issued by U.S. federal, state and local governments, corporate debt securities, fixed income obligations issued by foreign governments, and asset-backed securities. The fair values of U.S. government and corporate debt securities are based on current market rates and credit spreads for debt securities with similar maturities. The fair values of debt securities issued by foreign governments are based on prices obtained from broker/dealers and international indices. The fair values of asset-backed securities are priced using prepayment speed and spread inputs that are sourced from the new issue market.

Investment funds consist of exchange traded and non-exchange traded funds. The commodity funds asset category consists of a single open-end commodity mutual fund. The equity funds asset category consists of index funds for domestic equities and an actively managed fund for international equities. The short-term funds asset category consists of a collective investment trust invested in highly liquid, short-term debt securities. For investment funds publicly traded on a national securities exchange, the fair value is based on quoted market prices. For investment funds not traded on an exchange, the total fair value of the underlying securities is used to determine the net asset value for each unit of the fund held by the pension fund. The estimated fair values of the underlying securities are generally valued based on quoted market prices. For securities without quoted market prices, other observable market inputs are utilized to determine the fair value.

The venture capital and partnerships asset category consists of various limited partnership funds, mezzanine debt funds and leveraged buyout funds. The fair value of these investments has been estimated based on methods employed by the general partners, including consideration of, among other things, reference to third-party transactions, valuations of comparable companies operating within the same or similar industry, the current economic and competitive environment, creditworthiness of the corporate issuer, as well as market prices for instruments with similar maturity, term, conditions and quality ratings. The use of different assumptions, applying different judgment to inherently subjective matters and changes in future market conditions could result in significantly different estimates of fair value of these securities.

A reconciliation of the fair value measurements of our pension plan assets using significant unobservable inputs (Level 3) for the years ended December 31 , 2013 and 2014 is presented below:

Fair Value Measurements
Using Significant Unobservable Inputs (Level 3)

in thousands	*Venture Capital and Partnerships*
Balance at December 31, 2012	$ 98,011
Total gains (losses) for the period	10,581
Purchases, sales and settlements, net	(20,110)
Transfers in (out) of Level 3	0
Balance at December 31, 2013	$ 88,482
Total gains (losses) for the period [1]	34,071
Purchases, sales and settlements, net	(12,940)
Transfers in (out) of Level 3	320
Balance at December 31, 2014	**$ 109,933**

[1] *The total gains for the period include $29,329 thousand in unrealized gains related to assets still held at December 31, 2014.*

Total employer contributions for the pension plans are presented below:

in thousands		*Pension*
Employer Contributions		
2012	$	4,509
2013		4,855
2014		5,488
2015 (estimated)		13,718

During 2014, 2013 and 2012, w e made no contributions to our qualified pension plans. We do not anticipate making contributions to our qualified pension plans in 2015. For our nonqualified pension plans, w e made benefit payments of $5,488,000 , $4,855,000 and $4,509,000 d uring 2014, 2013 and 201 2 , respectively, and expect to make payments of $13,718,000 during 201 5 .

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

in thousands		*Pension*
Estimated Future Benefit Payments		
2015	$	55,322
2016		51,749
2017		52,231
2018		56,112
2019		57,522
2020-2024		303,803

We contribute to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements for union-represented employees. A multiemployer plan is subject to collective bargaining for employees of two or more unrelated companies. Multiemployer plans are managed by boards of trustees on which management and labor have equal representation. However, in most cases, management is not directly represented. The risks of participating in multiemployer plans differ from single employer plans as follows:

- assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers
- if we cease to have an obligation to contribute to one or more of the multiemployer plans to which we contribute, we may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

None of the multiemployer pension plans that we participate in are individually significant. Our co ntributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions in the three years ended December 31, 20 14 , 2013 and 2012 . Total contributions to multiemployer pension plans were $8,503,000 in 2014, $7,580,000 in 2013 and $7,227,000 in 2012.

As of December 31, 201 4 , a total of 15% of our domestic hourly labor force was covered by collective bargaining agreements. Of such employees covered by collective bargaining agreements, 12% were covered by agreements that expire in 201 5 . We also employed 272 union employees in Mexico who are covered by a collective bargaining agreement that will expire in 201 5 . None of our union employees in Mexico participate in multiemployer pension plans.

In addition to the pension plans noted above, we had one unfunded supplemental retirement plan as of December 31, 201 4 and 201 3 . The accrued costs for the supplemental retirement plan were $1,421,000 at December 31, 2014 and $1,328,000 at December 31, 2013 .

POSTRETIREMENT PLANS

In addition to pension benefits, we provide certain healthcare and life insurance benefits for some retired employees. In 2012, we amended our postretirement healthcare plan to cap our portion of the medical coverage cost at the 2015 level. Substantially all our salaried employees and where applicable, hourly employees may become eligible for these benefits if they reach a qualifying age and meet certain service requirements. Generally, Company-provided healthcare benefits terminate when covered individuals become eligible for Medicare benefits, become eligible for other group insurance coverage or reach age 65 , whichever occurs first.

The March 2014 sale of our cement and concrete businesses in the Florida area (see Note 19) significantly reduced total expected future service of our postretirement plans resulting in a reduction in the projected benefit obligation of $2,639,000 and a one-time curtailment gain of $3,832,000 . This gain was reflected within gain on sale of property, plant & equipment, net in our accompanying Consolidated Statement of Comprehensive Income for the year ended December 31 , 2014.

The following table sets forth the combined funded status of the plans and their reconciliation with the related amounts recognized in our consolidated financial statements at December 31:

in thousands		***2014***		*2013*
Change in Benefit Obligation				
Projected benefit obligation at beginning of year	**$**	**92,888**	$	113,500
Service cost		**2,146**		2,830
Interest cost		**3,297**		3,260
Liability reduction from curtailment		**(2,639)**		0
Actuarial gain		**(2,617)**		(20,444)
Benefits paid		**(7,739)**		(6,258)
Projected benefit obligation at end of year	**$**	**85,336**	$	92,888
Change in Fair Value of Plan Assets				
Fair value of assets at beginning of year	**$**	**0**	$	0
Actual return on plan assets		**0**		0
Fair value of assets at end of year	**$**	**0**	$	0
Funded status	**$**	**(85,336)**	$	(92,888)
Net amount recognized	**$**	**(85,336)**	$	(92,888)
Amounts Recognized in the Consolidated Balance Sheets				
Current liabilities	**$**	**(8,964)**	$	(9,431)
Noncurrent liabilities		**(76,372)**		(83,457)
Net amount recognized	**$**	**(85,336)**	$	(92,888)
Amounts Recognized in Accumulated Other Comprehensive Income				
Net actuarial loss	**$**	**10,921**	$	16,405
Prior service credit		**(28,160)**		(36,319)
Total amount recognized	**$**	**(17,239)**	$	(19,914)

The following table sets forth the components of net periodic benefit cost, amounts recognized in other comprehensive income, weighted-average assumptions and assumed trend rates of the plans at December 31:

dollars in thousands	***2014***	*2013*	*2012*
Components of Net Periodic Postretirement Benefit Cost			
Service cost	**$ 2,146**	$ 2,830	$ 4,409
Interest cost	**3,297**	3,260	5,851
Curtailment gain	**(3,832)**	0	0
Amortization of prior service credit	**(4,327)**	(4,863)	(1,372)
Amortization of actuarial loss	**227**	1,372	1,346
Net periodic postretirement benefit cost (credit)	**$ (2,489)**	$ 2,599	$ 10,234
Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	**$ (5,256)**	$ (20,444)	$ 13,562
Prior service credit	**0**	0	(38,414)
Reclassification of actuarial loss to net periodic postretirement benefit cost	**(227)**	(1,372)	(1,346)
Reclassification of prior service credit to net periodic postretirement benefit cost	**8,159**	4,863	1,372
Amount recognized in other comprehensive income	**$ 2,676**	$ (16,953)	$ (24,826)
Amount recognized in net periodic postretirement benefit cost and other comprehensive income	**$ 187**	$ (14,354)	$ (14,592)
Assumptions			
Assumed Healthcare Cost Trend Rates at December 31			
Healthcare cost trend rate assumed for next year	**7.50%**	7.50%	8.00%
Rate to which the cost trend rate gradually declines	**5.00%**	5.00%	5.00%
Year that the rate reaches the rate it is assumed to maintain	**2025**	2019	2019
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31			
Discount rate	**4.10%**	3.30%	4.60%
Weighted-average assumptions used to determine benefit obligation at December 31			
Discount rate	**3.50%**	4.10%	3.30%

The estimated net actuarial loss and prior service credit that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost (credit) during 201 5 are $258,000 and $(4,232,000) , respectively.

Total employer contributions for the postretirement plans are presented below:

in thousands	*Postretirement*
Employer Contributions	
2012	$ 6,834
2013	6,258
2014	7,739
2015 (estimated)	8,964

The employer contributions shown above are equal to the cost of benefits during the year. The plans are not funded and are not subject to any regulatory funding requirements.

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

in thousands	*Postretirement*
Estimated Future Benefit Payments	
2015	$ 8,964
2016	8,750
2017	8,462
2018	8,472
2019	8,213
2020–2024	34,592

Contributions by participants to the postretirement benefit plans for the years ended December 31 are as follows:

in thousands	*Postretirement*
Participants Contributions	
2012	$ 1,901
2013	2,022
2014	1,873

PENSION AND OTHER POSTRETIREMENT BENEFITS ASSUMPTIONS

Each year we review our assumptions about the discount rate, the expected return on plan assets, the rate of compensation increase (for salary-related plans) and the rate of increase in the per capita cost of covered healthcare benefits.

In selecting the discount rate, we consider fixed-income security yields, specifically high-quality bonds. We also analyze the duration of plan liabilities and the yields for corresponding high-quality bonds. At December 31, 201 4 , the discount rates for our various plans ranged from 3.50% to 4.30% (December 31, 2013 ranged from 3.80% to 5.15%) .

In estimating the expected return on plan assets, we consider past performance and long-term future expectations for the types of investments held by the plan as well as the expected long-term allocation of plan assets to these investments. At December 31, 201 4 , the expected return on plan assets remained at 7.50% .

In projecting the rate of compensation increase, we consider past experience and future expectations. At December 31, 201 4 , our projected weighted-average rate of compensation increase was 3.70% , u p from 3.50% at December 31, 2013.

In selecting the rate of increase in the per capita cost of covered healthcare benefits, we consider past performance and forecasts of future healthcare cost trends. At December 31, 201 4 , our assumed rate of increase in the per capita cost of covered healthcare benefits remained at 7.50% for 201 5 , decreasing each year until reaching 5.0% in 2025 and r emaining level thereafter. Increases in the per capita cost after 2015 are not expected to increase our obligations related to postretirement medical benefits as a result of the 2012 plan amendment to cap medical coverage cost at the 2015 level.

DE FINED CONTRIBUTION PLANS

We sponsor two defined contribution plans. Substantially all salaried and nonunion hourly employees are eligible to be covered by one of these plans. Expense recognized in connection with these plans totaled $29,215,000 in 2014, $21,416,000 in 2013 and $18,460,000 in 2012 .

NOTE 11: INCENTIVE PLANS

SHARE-BASED COMPENSATION PLANS

Our 2006 Omnibus Long-term Incentive Plan (Plan) authorizes the granting of stock options, Stock-Only Stock Appreciation Rights (SOSARs) and other types of share-based awards to key salaried employees and non-employee directors. The maximum number of shares that may be issued under the Plan is 11,900,000 .

PERFORMANCE SHARES — Each performance share unit is equal to and paid in one share of our common stock, but carries no voting or dividend rights. The number of units ultimately paid for performance share awards may range from 0% to 200% of the number of units awarded on the date of grant . P ayment is based upon our Total Shareholder Return (TSR) performance relative to the TSR performance of the S&P 500 ®. Awards vest on December 31 of the fourth year after date of grant. Vesting is accelerated upon reaching retirement age, death, disability, or change of control, all as defined in the award agreement. Nonvested units are forfeited upon termination for any other reason. Expense provisions referable to these awards amounted to $16,863,000 in 2014, $16,159,000 in 2013 and $12,151,000 in 2012 .

The fair value of performance shares is estimated as of the date of grant using a Monte Carlo simulation model. The following table summarizes the activity for nonvested performance share units during the year ended December 31, 201 4 :

	Target Number of Shares	*Weighted-average Grant Date Fair Value*
Performance Shares		
Nonvested at January 1, 2014	1,120,196	$ 46.03
Granted	288,930	63.42
Vested	(348,021)	39.35
Canceled/forfeited	(41,689)	48.27
Nonvested at December 31, 2014	**1,019,416**	**$ 53.16**

During 2013 and 201 2 , the weighted-average grant date fair value of performance shares granted was $53.65 and $46.22 , respectively .

The aggregate values for distributed performance share awards are based on the closing price of our common stock as of the distribution date. The aggregate values of distributed performance shares for the years ended December 31 are as follows:

in thousands	***2014***	*2013*	*2012*
Aggregate value of distributed performance shares	**$ 0**	$ 9,286	$ 493

In addition to the performanc e s hares granted in 2013 as noted above, we granted 60,000 restricted shares in December 2013 to certain key executives. These shares cliff vest on the fourth anniversary of the grant date and ha ve a grant date fair value of $54.35 .

STOCK OPTIONS/SOSARS — Stock options/SOSARs granted have an exercise price equal to the market value of our underlying common stock on the date of grant. With the exceptions of the stock option grants awarded in December 2005 and January 2006, the options/SOSARs vest ratably over 3 to 5 years and expire 10 years subsequent to the grant. The options awarded in December 2005 and January 2006 were fully vested on the date of grant and expire 10 years subsequent to the grant date. Vesting is accelerated upon reaching retirement age, death, disability, or change of control, all as defined in the award agreement. Nonvested awards are forfeited upon termination for any other reason.

The fair value of stock options/SOSARs is estimated as of the date of grant using the Black-Scholes option pricing model. Compensation cost for stock options/SOSARs is based on this grant date fair value and is recognized for awards that ultimately vest. The following table presents the weighted-average fair value and the weighted-average assumptions used in estimating the fair value of grants during the years ended December 31:

	2014	*2013*	*2012* [1]
SOSARs			
Fair value	$ 21.94	$ 16.96	N/A
Risk-free interest rate	2.40%	1.40%	N/A
Dividend yield	1.64%	1.72%	N/A
Volatility	33.00%	33.00%	N/A
Expected term	8.00 years	8.00 years	N/A

[1] *No SOSARs were granted in 2012.*

The risk-free interest rate is based on the yield at the date of grant of a U.S. Treasury security with a maturity period approximating the SOSARs expected term. The dividend yield assumption is based on our historical dividend payouts adjusted for current expectations of future payouts . The volatility assumption is based on the historical volatility and expectations about future volatility of our common stock over a period equal to the SOSARs expected term. The expected term is based on historical experience and expectations about future exercises and represents the period of time that SOSARs granted are expected to be outstanding.

A summary of our stock option/SOSAR activity as of December 31, 201 4 and changes during the year are presented below:

	Number of Shares	*Weighted-average Exercise Price*	*Weighted-average Remaining Contractual Life (Years)*	*Aggregate Intrinsic Value (in thousands)*
Stock Options/SOSARs				
Outstanding at January 1, 2014	5,198,746	$ 58.59		
Granted	230,150	66.00		
Exercised	(616,539)	52.72		
Forfeited or expired	(26,052)	67.53		
Outstanding at December 31, 2014	**4,786,305**	**$ 59.65**	**3.70**	**$ 54,151**
Vested and expected to vest	**4,772,529**	**$ 59.65**	**3.68**	**$ 54,083**
Exercisable at December 31, 2014	**4,311,179**	**$ 59.76**	**3.19**	**$ 50,422**

The aggregate intrinsic values in the table above represent the total pretax intrinsic value (the difference between our stock price on the last trading day of 201 4 and the exercise price, multiplied by the number of in-the-money options/SOSARs) that would have been received by the option holders had all options/SOSARs been exercised on December 31, 201 4 . These values change based on the fair market value of our common stock. The aggregate intrinsic values of options /SOSARs exercised for the years ended December 31 are as follows:

in thousands	***2014***	*2013*	*2012*
Aggregate intrinsic value of options/ SOSARs exercised	**$ 7,372**	$ 4,563	$ 5,674

To the extent the tax deductions exceed compensation cost recorded, the tax benefit is reflected as a component of equity in our Consolidated Balance Sheets. The following table presents cash and stock consideration received and tax benefit realized from stock option/SOSAR exercises and compensation cost recorded referable to stock options/SOSARs for the years ended December 31:

in thousands	***2014***	*2013*	*2012*
Stock Options/SOSARs			
Cash and stock consideration received from exercises	**$ 23,199**	$ 17,156	$ 15,787
Tax benefit from exercises	**2,844**	1,770	2,202
Compensation cost	**4,650**	3,936	2,966

CASH-BASED COMPENSATION PLANS

We have incentive plans under which cash awards may be made annually to officers and key employees. Expense provisions referable to these plans amounted to $27,442,000 in 2014, $19,540,000 in 2013 and $16,118,000 in 2012 .

NOTE 12: COMMITMENTS AND CONTINGENCIES

We have commitments in the form of unconditional purchase obligations as of December 31, 201 4 . These include commitments for the purchase of property, plant & equipment of $34,401,000 and commitments for noncapital purchases of $38,119,000 . These commitments are due as follows:

in thousands	*Unconditional Purchase Obligations*
Property, Plant & Equipment	
2015	$ 34,401
Thereafter	0
Total	$ 34,401
Noncapital (primarily transportation and electricity contracts)	
2015	$ 23,348
2016–2017	4,891
2018–2019	3,880
Thereafter	6,000
Total	$ 38,119

Expenditures unde r n oncapital purchase commitments totaled $65,582,000 in 2014, $83,699,000 in 2013 and $83,599,000 in 2012 .

We have commitments in the form of minimum royalties under mineral leases as of December 31, 201 4 in the amount of $190,124,000 , due as follows:

in thousands	*Mineral Leases*
Minimum Royalties	
2015	$ 19,274
2016–2017	26,954
2018–2019	19,050
Thereafter	124,846
Total	$ 190,124

Expenditures f or ro yalties under mineral leases totaled $49,685,000 in 2014, $53,768,000 in 2013 and $46,007,000 in 2012 . Refer to Note 7 for future minimum nonmineral operating lease payments.

Certain of our aggregates reserves are burdened by volumetric production payments (nonoperating interest) as described in Note 1 under the caption Deferred Revenue . As the holder of the working interest, we have responsibility to bear the cost of mining and producing the reserves attributable to this nonoperating interest.

We provide , in the normal course of business, certain third party beneficiaries standby letters of credit to support our obligations to pay or perform according to the requirements of an u nderlying agreement. Such letters of credit typically have an initial term of one year, typically renew automatically, and can only be modified or cancelled with the approval of the beneficiary. All of our standby letters of credit are issued by banks that participate in our $500,000,000 line of credit, and reduce the borrowing capacity thereunder. We pay a fee for all standby letters of credit equal to the margin (ranges from 1.50% to 2.25 %) applicable to LIBOR based borrowings under the line of credit, plus 0.175% . Our standby letters of credit as of December 31, 201 4 are summarized by purpose in the table below:

in thousands	
Standby Letters of Credit	
Risk management insurance	**$ 33,199**
Industrial revenue bond	**14,230**
Reclamation/restoration requirements	**6,121**
Total	**$ 53,550**

As described in Note 9, our liability for unrecogniz ed ta x benefits is $7,057,000 as of December 31, 201 4 .

We are subject to occasional governmental proceedings and orders pertaining to occupational safety and health or to protection of the environment, such as proceedings or orders relating to noise abatement, air emissions or water discharges. As part of our continuing program of stewardship in safety, health and environmental matters, we have been able to resolve such proceedings and to comply with such orders without any material adverse effects on our business.

We have received notices from the United States Environmental Protection Agency (EPA) or similar state or local agencies that we are considered a potentially responsible party (PRP) at a limited number of sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) or similar state and local environmental laws. Generally we share the cost of remediation at these sites with other PRPs or alleged PRPs in accordance with negotiated or prescribed allocations. There is inherent uncertainty in determining the potential cost of remediating a given site and in determining any individual party's share in that cost. As a result, estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, remediation methods, other PRPs and their probable level of involvement, and actions by or against governmental agencies or private parties.

We have reviewed the nature and extent of our involvement at each Superfund site, as well as potential obligations arising under other federal, state and local environmental laws. While ultimate resolution and financial liability is uncertain at a number of the sites, in our opinion based on information currently available, the ultimate resolution of claims and assessments related to these sites will not have a material effect on our consolidated results of operations, financial position or cash flows, although amounts recorded in a given period could be material to our results of operations or cash flows for that period. Amounts accrued for environmental matters are presented in Note 8.

We are a defendant in various lawsuits in the ordinary course of business. It is not possible to determine with precision the outcome, or the amount of liability, if any, under these lawsuits, especially where the cases involve possible jury trials with as yet undetermined jury panels.

In addition to these lawsuits in which we are involved in the ordinary course of business, certain other material legal proceedings are specifically described below.

LOWER PASSAIC RIVER MATTER

- LOWER PASSAIC RIVER STUDY AREA (SUPERFUND SITE) — The Lower Passaic River Study Area is part of the Diamond Shamrock Superfund Site in New Jersey. Vulcan and approximately 70 other companies are parties to a May 2007 Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) to perform a Remedial Investigation/Feasibility Study (RI/FS) of the lower 17 miles of the Passaic River (River). O n April 11, 2014, the EPA issued a proposed Focused Feasibility Study (FFS) that calls for a bank-to-bank dredging remedy for the lower 8 miles of the River. The EPA estimates that the cost of implementing this proposal is approximately $950 million to $1.73 billion. The period for public comment on the proposed FFS is closed . The RI/FS should be completed in 2015, and it is anticipated that the EPA will issue its final record of decision sometime in 2015.
  At this time, we cannot reasonably estimate our ultimate liability related to this matter. Furthermore , t he AOC does not obligate us to fund or perform the remedial action contemplated by either the RI/FS or the FFS. Vulcan formerly owned a chemicals operation near River Mile 0.1, which was sold in 1974. T he Company has found no evidence that its former chemicals operation contribute d an y of the primary contaminants of concern to th e Ri ve r. N either the ultimate remedial approach and associated costs (or range of costs) , nor the parties who will participate in funding the remediation and their respective allocation s, h av e be en determined.

  Based on the facts available at this time, we believe our liability related to any remedial actions will be immaterial.

OTHER LITIGATION

- TEXAS BRINE MATTER — During the operation of its former Chemicals Division, Vulcan was the lessee to a salt lease from 1976 – 2005 in an underground salt dome formation in Assumption Parish, Louisiana. The Texas Brine Company operated this salt mine for the account of Vulcan. Vulcan sold its Chemicals Division in 2005 and assigned the lease to the purchaser, and Vulcan has had no association with the leased premises or Texas Brine Company since that time. In August 2012, a sinkhole developed near the salt dome and numerous lawsuits were filed in state court in Assumption Parish, Louisiana. Other lawsuits, including class action litigation, were also filed in August 2012 in federal court in the Eastern District of Louisiana in New Orleans. Certain of the plaintiffs and Texas Brine settled the Federal Court class action for approximately $48.1 million. This settlement has been approved by the court, and the settlement process is now subject to the terms of the court's order and settlement agreement. Vulcan is named as a released party in the settlement agreement along with the other released parties, including Texas Brine, and its insurers. Texas Brine and its insurers did not, however, release Vulcan from any alleged claims, including claims for contribution and indemnity.
  There are numerous defendants to the litigation in state and federal court. Vulcan was first brought into the litigation as a third-party defendant in August 2013 by the Texas Brine Company. Vulcan has since been added as a direct and third-party defendant by other parties, including a direct claim by the State of Louisiana. The damages alleged in the litigation range from individual plaintiffs' claims for property damage, to the State of Louisiana's claim for response costs, to claims for alleged physical damages to oil pipelines, to various alleged business interruption claims, and to claims for indemnity and contribution from Texas Brine. It is alleged that the sinkhole was caused, in whole or in part, by Vulcan's negligent actions or failure to act. It is also alleged that Vulcan breached the salt lease, as well as an operating agreement with Texas Brine. Vulcan denies any liability in this matter and will vigorously defend the litigation. We cannot reasonably estimate any liability related to this matter.

It is not possible to predict with certainty the ultimate outcome of these and other legal proceedings in which we are involved and a number of factors, including developments in ongoing discovery or adverse rulings, or the verdict of a particular jury, could cause actual losses to differ materially from accrued costs. No liability was recorded for claims and litigation for which a loss was determined to be only reasonably possible or for which a loss could not be reasonably estimated. Legal costs incurred in defense of lawsuits are expensed as incurred. In addition, losses on certain claims and litigation described above may be subject to limitations on a per occurrence basis by excess insurance, as described in Note 1 under the caption Claims and Litigation Including Self-insurance.

NOTE 13: EQUITY

Our capital stock consists solely of common stock, par value $1.00 per share. Holders of our common stock are entitled to one vote per share. Our C ertificate of I ncorporation also authorize s preferred stock, of which no shares have been issued. The terms and provisions of such shares will be determined by our Board of Directors upon any issuance of preferred shares in accordance with our C ertificate of I ncorporation .

In 2014 and 2012 , we issued 715,004 and 60,855 shares , respectively, of common stock in connection with business acquisition s as described in Note 19.

We occasionally sell shares of common stock to the trustee of our 401(k) retirement plan to satisfy the plan participants' elections to invest in our common stock. Under this arrangement, the stock issuances and resulting cash proceeds for the years ended December 31 were as follows:

- 201 4 — issued 485,306 share s for cash proceeds of $30,620,000
- 201 3 — issued 71,208 share s for cash proceeds of $3,821,000
- 201 2 — issued no share s

During 2012, we reclassified the $10,764,000 stock election portion of our directors deferred compensation obligation from liability (current and noncurrent) to equity (capital in excess of par). The participants' elections are irrevocable and the stock component must be settled in shares of our common stock.

There were no shares held in treasury as of December 31, 20 14 , 201 3 and 201 2 and no shares purchased during any of these three years. As of December 31, 201 4 , 3,411,416 shares may be repurchased under the current purchase authorization of our Board of Directors.

NOTE 14: OTHER COMPREHENSIVE INCOME

Comprehensive income comprises two subsets: net earnings and other comprehensive income (OCI) . The components of other comprehensive income are presented in the accompanying Consolidated Statements of Comprehensive Income and Consolidated Statements of Equity, net of applicable taxes.

Amounts in accumulated other comprehensive income (AOCI), net of tax, at December 31, are as follows:

in thousands	***2014***	*2013*	*2012*
AOCI			
Cash flow hedges	**$ (20,322)**	$ (25,178)	$ (28,170)
Pension and postretirement plans	**(141,392)**	(74,453)	(197,347)
Total	**$ (161,714)**	$ (99,631)	$ (225,517)

Changes in AOCI, net of tax, for the three year s ended December 31, 2014 are as follows:

in thousands	*Cash Flow Hedges*	*Pension and Postretirement Benefit Plans*	*Total*
AOCI			
Balance as of December 31, 2011	$ (31,986)	$ (184,858)	$ (216,844)
Other comprehensive income (loss) before reclassifications	0	(24,454)	(24,454)
Amounts reclassified from AOCI	3,816	11,965	15,781
Net current year OCI changes	3,816	(12,489)	(8,673)
Balance as of December 31, 2012	$ (28,170)	$ (197,347)	$ (225,517)
Other comprehensive income (loss) before reclassifications	0	111,883	111,883
Amounts reclassified from AOCI	2,992	11,011	14,003
Net current year OCI changes	2,992	122,894	125,886
Balance as of December 31, 2013	$ (25,178)	$ (74,453)	$ (99,631)
Other comprehensive income (loss) before reclassifications	0	(69,051)	(69,051)
Amounts reclassified from AOCI	4,856	2,112	6,968
Net current year OCI changes	4,856	(66,939)	(62,083)
Balance as of December 31, 2014	**$ (20,322)**	**$ (141,392)**	**$ (161,714)**

Amounts reclassified from AOCI to earnings, are as follows:

in thousands	***2014***	*2013*	*2012*
Reclassification Adjustment for Cash Flow Hedge Losses			
Interest expense	**$ 7,988**	$ 5,077	$ 6,314
Benefit from income taxes	**(3,132)**	(2,085)	(2,498)
Total	**$ 4,856**	$ 2,992	$ 3,816
Amortization of Pension and Postretirement Plan Actuarial Loss and Prior Service Cost [1]			
Cost of revenues	**$ 2,789**	$ 14,516	$ 15,665
Selling, administrative and general expenses	**688**	3,616	4,109
Benefit from income taxes	**(1,365)**	(7,121)	(7,809)
Total	**$ 2,112**	$ 11,011	$ 11,965
Total reclassifications from AOCI to earnings	**$ 6,968**	$ 14,003	$ 15,781

[1] *See Note 10 for a breakdown of the 2014 and 2013 reclassifications among the curtailment gain, curtailment loss and amortization of actuarial loss and prior service cost.*

NOTE 15: SEGMENT REPORTING

We have four operating (and reporting) segments organized around our principal product lines: A ggregates, A sphalt M ix, C oncrete and Calcium (formerly Cement).

Th e Aggregates segment produces and sells aggregates (crushed stone, sand and gravel, sand, and other aggregates) and related products and services (transportation and other). During 201 4 , the Aggregates segment principally served markets in twenty states, Washington D.C. and Mexico with a full line of aggregates, and five additional states with railroad ballast. Customers use aggregates primarily in the construction and maintenance of highways, streets and other public works and in the construction of housing and commercial, industrial and other nonresidential facilities. Customers are served by truck, rail and water distribution networks from our production facilities and sales yards. Due to the high weight-to-value ratio of aggregates, markets generally are local in nature. Quarries located on waterways and rail lines allow us to serve remote markets where local aggregates reserves may not be available. We sell a relatively small amount of construction aggregates outside the United States. Nondomestic revenues were $14,699,000 in 2014, $12,339,000 in 2013 and $14,733,000 in 2012 .

The Asphalt Mix segment produces and sells asphalt mix in four states primarily in our southwestern and western markets.

The Concrete segment produces and sells ready-mixed concrete in six state s, Washington D.C. and the Bahamas . Subsequently, in January 2015 we swapped our ready-mixed concrete operations in California for asphalt mix operations, primarily in Arizona. In March 2014, we sold our concrete business in the Florida area (see Note 19) which in addition to ready-mixed concrete, included concrete block, precast concrete, as well as building materials purchased for resale.

The Calcium segment currently consists of a Florida facility that mines, produces and sells calcium products. Prior to the sale of our cement business in March 2014 (see Note 19), we produced and sold Portland and masonry cement in both bulk and bags from our Florida cement plant and imported and exported cement, clinker and slag and either resold, ground, blended, bagged or reprocessed those materials from other Florida facilities.

Aggregates comprise approximately 95% of asphalt mix by weight and 78% of ready-mixed concrete by weight. Our Asphalt Mix and Concrete segments are primarily supplied with their aggregates requirements from our Aggregates segment. These intersegment sales are made at local market prices for the particular grade and quality of product utilized in the production of asphalt mix and ready-mixed concrete. Customers for our Asphalt Mix and Concrete segments are generally served locally at our production facilities or by truck. Because asphalt mix and ready-mixed concrete harden rapidly, delivery is time constrained and generally confined to a radius of approximately 20 to 25 miles from the producing facility.

The vast majority of our activities are domestic. Long-lived assets outside the United States, which consist primarily of property, plant & equipment, were $139,427,000 in 2014, $140,504,000 in 2013 and $138,415,000 in 2012 . Equity method investments of $22,924,000 in 2014, $22,962,000 in 2013 and $22,965,000 in 2012 are included below in the identifiable assets for the Aggregates segment.

SEGMENT FINANCIAL DISCLOSURE

in millions		***2014***		*2013*		*2012*
Total Revenues						
Aggregates [1]	**$**	**2,346.4**	$	2,025.0	$	1,863.9
Asphalt Mix		**445.6**		407.7		398.4
Concrete [2]		**375.8**		471.7		406.4
Calcium [3]		**25.0**		99.0		85.8
Segment sales	**$**	**3,192.8**	$	3,003.4	$	2,754.5
Aggregates intersegment sales		**(189.4)**		(185.4)		(148.2)
Calcium intersegment sales		**(9.2)**		(47.3)		(39.0)
Total revenues	**$**	**2,994.2**	$	2,770.7	$	2,567.3
Gross Profit						
Aggregates	**$**	**544.1**	$	413.3	$	352.1
Asphalt Mix		**38.1**		32.7		22.9
Concrete [2]		**2.2**		(24.8)		(38.2)
Calcium [3]		**3.2**		5.7		(2.8)
Total	**$**	**587.6**	$	426.9	$	334.0
Depreciation, Depletion, Accretion and Amortization (DDA&A)						
Aggregates	**$**	**227.0**	$	224.8	$	240.7
Asphalt Mix		**10.7**		8.7		8.7
Concrete [2]		**19.9**		33.0		41.3
Calcium [3]		**1.6**		18.1		18.1
Other		**20.3**		22.5		23.2
Total	**$**	**279.5**	$	307.1	$	332.0
Capital Expenditures						
Aggregates	**$**	**180.0**	$	253.0	$	77.0
Asphalt Mix		**20.8**		17.1		7.2
Concrete [2]		**19.5**		13.1		9.2
Calcium [3]		**0.2**		0.2		1.2
Corporate		**2.6**		1.2		1.2
Total	**$**	**223.1**	$	284.6	$	95.8
Identifiable Assets [4]						
Aggregates	**$**	**7,311.3**	$	7,006.7	$	6,717.3
Asphalt Mix		**264.2**		195.0		218.9
Concrete [2]		**227.0**		370.1		412.3
Calcium [3]		**5.8**		413.3		398.1
Total identifiable assets		**7,808.3**		7,985.1		7,746.6
General corporate assets		**112.3**		80.3		104.5
Cash items		**141.3**		193.7		275.5
Total assets	**$**	**8,061.9**	$	8,259.1	$	8,126.6

[1] *Includes product sales, as well a freight, delivery and transportation revenues, and other revenues related to services.*

[2] *On March 7, 2014, we sold our concrete business in the Florida area (see Note 19).*

[3] *Includes cement and calcium products. On March 7, 2014, we sold our cement business (see Note 19).*

[4] *Certain temporarily idled assets are included within a segment's Identifiable Assets but the associated DDA&A is shown within Other in the DDA&A section above as the related DDA&A is excluded from segment gross profit.*

NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information referable to the Consolidated Statements of Cash Flows is summarized below:

in thousands	***2014***	*2013*	*2012*
Cash Payments			
Interest (exclusive of amount capitalized)	**$ 241,841**	$ 196,794	$ 207,745
Income taxes	**79,862**	30,938	20,374
Noncash Investing and Financing Activities			
Accrued liabilities for purchases of property, plant & equipment	**$ 17,120**	$ 18,864	$ 9,627
Amounts referable to business acquisitions			
Liabilities assumed	**26,622**	232	0
Fair value of noncash assets and liabilities exchanged	**2,414**	0	0
Fair value of equity consideration	**45,185**	0	0

NOTE 17: ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (AROs) are legal obligations associated with the retirement of long-lived assets resulting from the acquisition, construction, development and/or normal use of the underlying assets.

Recognition of a liability for an ARO is required in the period in which it is incurred at its estimated fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. The liability is accreted through charges to operating expenses. If the ARO is settled for other than the carrying amount of the liability, we recognize a gain or loss on settlement.

We record all AROs for which we have legal obligations for land reclamation at estimated fair value. Essentially all these AROs relate to our underlying land parcels, including both owned properties and mineral leases. For the years ended December 31, we recognized ARO operating costs related to accretion of the liabilities and depreciation of the assets as follows:

in thousands	***2014***	*2013*	*2012*
ARO Operating Costs			
Accretion	**$ 11,601**	$ 10,685	$ 7,956
Depreciation	**4,462**	3,527	5,599
Total	**$ 16,063**	$ 14,212	$ 13,555

ARO operating costs are reported in cost of revenues . AROs are reported within o ther noncurrent liabilities in our accompanying Consolidated Balance Sheets.

Reconciliations of the carrying amounts of our AROs for the years ended December 31 are as follows:

in thousands	***2014***	*2013*
Asset Retirement Obligations		
Balance at beginning of year	**$ 228,234**	$ 150,072
Liabilities incurred	**9,130**	69,111
Liabilities settled	**(26,547)**	(16,203)
Accretion expense	**11,601**	10,685
Revisions up, net	**4,147**	14,569
Balance at end of year	**$ 226,565**	$ 228,234

The ARO liabilities incurred during 2014 relate primarily to the 2014 acquisitions (see Note 19).

The increase in liabilities settled during 2014 and the ARO liabilities incurred during 2013 relate primarily to reclamation activities required under a development agreement and a conditional use permit at an aggregates facility on owned property in Southern California. Upward revisions to our ARO liability during 2013 are largely attributable to an adjacent aggregates facility on owned property. T he reclamation requirements at this property will result in the restoration and development of mined proper ty s uitable for commercial and retail developmen t . The estimated cost to fill and compact the property increased and the estimated settlement date decreased resulting in an upward revision to the ARO.

NOTE 18: GOODWILL AND INTANGIBLE ASSETS

Acquired identifiable intangible assets are classified into three categories: (1) goodwill, (2) intangible assets with finite lives subject to amortization and (3) intangible assets with indefinite lives. Goodwill and intangible assets with indefinite lives are not amortized; rather, they are reviewed for impairment at least annually. For additional information regarding our policies on impairment reviews, see Note 1 under the captions " Goodwill and Goodwill Impairment, " and " Impairment of Long-lived Assets excluding Goodwill. "

GOODWILL

Goodwill is recognized when the consideration paid for a business exceeds the fair value of the tangible and identifiable intangible assets acquired. Goodwill is allocated to reporting units for purposes of testing goodwill for impairment. There were no charges for goodwill impairment in the years ended December 31, 2014, 201 3 and 201 2 .

We have four reportable segments organized around our principal product lines: A ggregates, A sphalt M ix, C oncrete and Calcium (formerly C ement) . Changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2014, 201 3 and 201 2 are summarized below:

in thousands	*Aggregates*	*Asphalt Mix*	*Concrete*	*Calcium* [1]	*Total*
Goodwill					
Total as of December 31, 2011	$ 2,995,083	$ 91,633	$ 0	$ 0	$ 3,086,716
Total as of December 31, 2012	$ 2,995,083	$ 91,633	$ 0	$ 0	$ 3,086,716
Goodwill of divested businesses [2]	(5,195)	0	0	0	(5,195)
Total as of December 31, 2013	$ 2,989,888	$ 91,633	$ 0	$ 0	$ 3,081,521
Goodwill of acquired businesses [2]	13,303	0	0	0	13,303
Total as of December 31, 2014	**$ 3,003,191**	**$ 91,633**	**$ 0**	**$ 0**	**$ 3,094,824**

[1] *The goodwill for the Calcium (formerly Cement) segment of $252,664 thousand was fully impaired in 2008 .*

[2] *Refer to Note 19 for additional details.*

We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. A decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, noncash write-down of goodwill.

INTANGIBLE ASSETS

Intangible assets acquired in business combinations are stated at their fair value determined as of the date of acquisition. Costs incurred to renew or extend the life of existing intangible assets are capitalized. These capitalized renewal/extension costs were immaterial for the years presented. Intangible assets consist of contractual rights in place (primarily permitting and zoning rights), noncompetition agreements, favorable lease agreements, customer relationships and trade names and trademarks. Intangible assets acquired individually or otherwise obtained outside a business combination consist primarily of permitting, permitting compliance and zoning rights and are stated at their historical cos t l ess accumulated amortization.

See Note 19 for the details of the intangible assets acquired in business acquisitions during 201 4 , 2013 and 2012 . Amortization of finite-lived intangible assets is computed based on the estimated life of the intangible assets. Contractual rights in place associated with aggregates reserves are amortized using the unit-of-production method based on estimated recoverable units. Other intangible assets are amortized principally by the straight-line method. Intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. There were no charges for impairment of intangible assets in the years ended December 31, 201 4 , 201 3 and 201 2 .

The gross carrying amount and accumulated amortization by major intangible asset class for the years ended December 31 are summarized below:

in thousands	***2014***	*2013*
Gross Carrying Amount		
Contractual rights in place [1]	**$ 812,373**	$ 737,619
Noncompetition agreements	**2,550**	1,200
Favorable lease agreements	**16,677**	16,677
Customer relationships [2]	**3,555**	14,393
Trade names and trademarks [2]	**0**	5,006
Other	**512**	2,014
Total gross carrying amount	**$ 835,667**	$ 776,909
Accumulated Amortization		
Contractual rights in place [1]	**$ (72,289)**	$ (65,461)
Noncompetition agreements	**(119)**	(925)
Favorable lease agreements	**(3,489)**	(3,053)
Customer relationships [2]	**(1,459)**	(7,275)
Trade names and trademarks [2]	**0**	(2,587)
Other	**(68)**	(30)
Total accumulated amortization	**$ (77,424)**	$ (79,331)
Total Intangible Assets Subject to Amortization, net	**$ 758,243**	$ 697,578
Intangible Assets with Indefinite Lives	**0**	0
Total Intangible Assets, net	**$ 758,243**	$ 697,578
Amortization Expense for the Year	**$ 10,966**	$ 11,732

[1] *Includes costs to obtain permitting, permitting compliance and zoning rights – both in a business combination or outside a business combination.*

[2] *All trade names and trademarks and a majority of our customer relationship intangibles were associated with our Florida cement and concrete businesses which were sold in 2014 (see Note 19).*

Estimated amortization expense for the five years subsequent to December 31, 201 4 is as follows:

in thousands	
Estimated Amortization Expense for Five Subsequent Years	
2015	$ 15,881
2016	15,992
2017	15,001
2018	15,876
2019	16,619

NOTE 19: ACQUISITIONS AND DIVESTITURES

201 4 ACQUISITIONS , DIVESTITURES AND PENDING DIVESTITURES

During 2014, we completed several acquisitions for total consideration of $ 331,836 ,000. Assets acquired include:

- two portable asphalt plants and an aggregates facility in southern California
- five aggregates facilities and associated downstream assets in Arizona and New Mexico
- two aggregates facilities in Delaware, serving northern Virginia and Washington, D.C.
- four aggregates facilities in the San Francisco Bay Area
- a rail-connected aggregates operation and two distribution yards that serve the greater Dallas/Fort Worth market
- a permitted aggregates quarry in Alabama

The 2014 acquisitions listed above are reported in our consolidated financial statements as of their respective acquisition dates. The amounts of total revenues, net earnings and acquisition related costs for these acquisitions (collectively) are included in our Consolidated Statements of Comprehensive Income for year ended December 31, 2014 as follows:

in thousands		*2014*
Actual Results		
Total revenues	$	**44,918**
Net earnings		**591**
Acquisition Related Costs		
Selling, administrative and general expenses	$	**1,491**

None of the 2014 acquisitions listed above are material to our results of operations or financial position either individually or collectively. The fair value of consideration transferred for these acquisitions and the preliminary amounts of assets acquired and liabilities assumed (based on their estimated fair values at their acquisition dates), are summarized below:

in thousands, except per share data		*2014*
Fair Value of Purchase Consideration		
Cash	$	**284,237**
Exchanges of real property and businesses		**2,414**
Vulcan Materials Company, common stock (715,004 shares)		**45,185**
Total fair value of purchase consideration	$	**331,836**
Identifiable Assets Acquired and Liabilities Assumed		
Accounts and notes receivable, net	$	**9,406**
Inventories		**13,229**
Other current assets		**203**
Property, plant & equipment, net		**194,031**
Other intangible assets		
Contractual rights in place		**126,036**
Noncompetition agreement		**2,250**
Deferred income taxes, net		**(14,058)**
Liabilities assumed		**(12,564)**
Net identifiable assets acquired	$	**318,533**
Goodwill	$	**13,303**

Estimated fair values of assets acquired and liabilities assumed are preliminary pending appraisals of contractual rights in place and property, plant & equipment.

The contractual rights in place noted above will be amortized against earnings using the unit-of-production method over an estimated weighted-average period in excess of 40 years and all but $36,921,000 will be deductible for income tax purposes over 15 years. The goodwill noted above (none of which will be deductible for income tax purposes) represents the balance of deferred tax liabilities generated from carrying over the seller's tax basis in the assets acquired.

In 2014, we sold:

- M arch 2014 — our cement and concrete businesses in the Florida area for net pretax cash proceeds of $721,359,000 resulting in a pretax gain of $227,910,000 . We retained all of our Florida aggregates operations, our former Cement segment's calcium operation in Brooksville, Florida and real estat e a ssociated with certain former ready-mixed concrete facilities. Under a separate supply agreement, we will continue to provide aggregates to the divested concrete facilities, at market prices, for a period of 20 years. As a result of the continuing cash flows (generated via the supply agreement and the retained operation and assets), the disposition is not reported as discontinued operations
- March 2014 — a previously mined and subsequently reclaimed tract of land in Maryland (Aggregates segment) for net pretax cash proceeds of $10,727,000 resulting in a pretax gain of $168,000
- January 2014 — unimproved land in Tennessee previously containing a sales yard (Aggregates segment) for net pretax cash proceeds of $5,820,000 resulting in a pretax gain of $5,790,000

The structure of these 2014 transactions — along with the 2013 reserve acquisition in southern California (noted below) — enabled us to defer income taxes on approximately $144,200,000 in ordinary and capital gains.

The p ending divestiture of 12 ready-mixed concrete facilities in California is presented in the accompanying Consolidated Balance Sheet as of December 31, 2014 as assets held for sale and liabi lities of assets held for sale. This transaction closed in January 2015 resulting in a n immaterial gain. T hese ready-mixed concrete facilities (representing all of our California concrete operations) were swapped for 13 asphalt mix operations , primarily in Arizo na. Likewise, the previously mined and subsequently reclaimed tract of lan d s old in the first quarter of 2014 (as noted above) is presented in the accompanying Consolidated Balan ce Sheet as of December 31, 2013 as assets held for sal e. The major classes of assets and liabilities of assets classified as held for sale as of December 31 are a s follows:

in thousands		***2014***		*2013*
Held for Sale				
Current assets	**$**	**1,773**	$	0
Property, plant & equipment, net		**12,764**		10,559
Other intangible assets, net		**647**		0
Total assets held for sale	**$**	**15,184**	$	10,559
Asset retirement obligations	**$**	**520**	$	0
Total liabilities of assets held for sale	**$**	**520**	$	0

201 3 ACQUISITIONS AND DIVESTITURES

In 2013, we acquired:

- land containing 136 million tons of aggregates reserves at an existing quarry in southern California for $117,000,000 . We previously operated this quarry under a lease which was scheduled to expire in 2017
- one aggregates production facility and four ready-mixed concrete facilities in Texas for $29,983,000 . As a result, we recognized $5,425,000 of amortizable intangible assets (contractual rights in place). The contractual rights in place will be amortized against earnings using the unit-of-production method over an estimated weighted-average period in excess of 50 years and will be deductible for income tax purposes over 15 years
- two aggregates production facilities in Georgia for $59,968,000 . After finalizing the purchase price allocation, we recognized $3,620,000 of amortizable intangible assets (contractual rights in place). The contractual rights in place will be amortized against earnings using the unit-of-production method over an estimated weighted-average period in excess of 20 years and will be deductible for income tax purposes over 15 years

In 2013, we sold:

- reclaimed land associated with a former site of a ready-mixed concrete facility in Virginia for net pretax cash proceeds of $11,261,000 resulting in a pretax gain of $9,027,000
- a percentage of the future production from aggregates reserves at certain owned quarries. The sale was structured as a volumetric production payment (VPP) for which we received gross cash proceeds of $154,000,000 and incurred transaction costs of $905,000 . The net proceeds were recorded as deferred revenue and are amortized on a unit-of-sales basis to revenues over the term of the VPP . See Note 1, caption Deferred Revenue, for the key terms of the VPP
- four aggregates production facilities in Wisconsin for net pretax cash proceeds of $34,743,000 resulting in a pretax gain of $21,183,000 . We allocated $4,521,000 of goodwill to these dispositions based on the relative fair values of the businesses disposed of and the portion of the reporting unit retained. Additionally, the dispositions of these facilities will likely result in a partial withdrawal from one of our multiemployer pension plans; therefore, we recognized a $4,000,000 liability related to this plan
- one aggregates production facility in Wisconsin and its related replacement reserve land for net pretax cash proceeds of $5,133,000 resulting in a pretax gain of $2,802,000 . We allocated $674,000 of goodwill to this disposition based on the relative fair value of the business disposed of and the portion of the reporting unit retained

2012 DIVESTITURES

In 2012, we sold :

- two t racts of lan d t otaling approximately 148 acres for net pretax cash proceeds of $57,690,000 resulting in a pretax gain of $41,155,000
- an aggregates production facility including approximately 197 acres of lan d for net pretax cash proceeds of $10,476,000 resulting in a pretax gain of $5,646,000
- a percentage of the future production from aggregates reserves at certain owned and leased quarries. The sale was structured as a VPP for which we received gross cash proceeds of $75,200,000 and incurred transactions costs of $1,617,000 . The net proceeds were recorded as deferred revenue and are amortized on a unit-of-sales basis to revenues over the term of the VPP . See Note 1, caption Deferred Revenue, for the key terms of the VPP
- mitigation credit s for net pretax cash proceeds of $13,469,000 resulting in a pretax gain of $12,342,000
- real estat e for net pretax cash proceeds of $9,691,000 resulting in a pretax gain of $5,979,000

Ef fe ctive land management is both a business strategy and a social responsibility. We strive to achieve value through our mining activities as well as incremental value through effective post-mining land management. Our land management strategy includes routinely reclaiming and selling our previously mined land. Additionally, this strategy includes developing conservation banks by preserving land as a suitable habitat for endangered or sensitive species. These conservation banks have received approval from the United States Fish and Wildlife Service to offer mitigation credits for sale to third parties who may be required to compensate for the loss of habitats of endangered or sensitive species.

NOTE 20: UNAUDITED SUPPLEMENTARY DATA

The following is a summary of selected quarterly financial information (unaudited) for each of the years ended December 31, 201 4 and 20 13 :

	2014			
	Three Months Ended			
in thousands, except per share data	*March 31*	*June 30*	*Sept 30*	*Dec 31*
Total revenues	$ 574,420	$ 791,143	$ 873,579	$ 755,027
Gross profit	34,092	174,788	209,042	169,660
Operating earnings [1]	194,669	103,246	140,331	99,892
Earnings from continuing operations [1]	54,505	46,511	67,781	38,349
Net earnings [1]	53,995	45,967	66,939	38,022
Basic earnings per share from continuing operations	$ 0.42	$ 0.35	$ 0.51	$ 0.29
Diluted earnings per share from continuing operations	$ 0.41	$ 0.35	$ 0.51	$ 0.29
Basic net earnings per share	$ 0.41	$ 0.35	$ 0.51	$ 0.29
Diluted net earnings per share	$ 0.41	$ 0.35	$ 0.50	$ 0.28

[1] *Includes a $227,910 thousand pretax gain on the sale of our cement and concrete businesses in the Florida area as described in Note 19, primarily recorded in the first quarter.*

	2013			
	Three Months Ended			
in thousands, except per share data	*March 31*	*June 30*	*Sept 30*	*Dec 31*
Total revenues	$ 538,162	$ 738,733	$ 813,568	$ 680,246
Gross profit	17,655	132,895	158,983	117,347
Operating earnings (loss)	(50,058)	86,866	99,767	53,829
Earnings (loss) from continuing operations	(61,619)	30,128	42,150	10,097
Net earnings (loss)	(54,836)	28,772	41,363	9,083
Basic earnings (loss) per share from continuing operations	$ (0.47)	$ 0.23	$ 0.32	$ 0.08
Diluted earnings (loss) per share from continuing operations	$ (0.47)	$ 0.23	$ 0.32	$ 0.08
Basic net earnings (loss) per share	$ (0.42)	$ 0.22	$ 0.32	$ 0.07
Diluted net earnings (loss) per share	$ (0.42)	$ 0.22	$ 0.31	$ 0.07

ITEM 9
CHANGES IN AND DISAGREEMENTS WITH ACCOUNTA NTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A
CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports we file with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. These disclosure controls and procedures (as defined in the Securities and Exchange Act of 1934 Rules 13a - 15(e) or 15d - 1 5(e)), include, without limitation, controls and procedures designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer, with the participation of other management officials, evaluated the effectiveness of the design and operation of the disclosure controls and procedures as of December 31, 201 4 . Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

As part of the divestiture of our cement and concrete businesses in the Florida area, we entered into a Transition Service s Agreement with the buyer, whereby we agreed to continue to provide certain services for the divested facilitie s d uring 2014. All services were performed utilizing our existing systems and under our current control environment. The service agreement d id not require significant changes to our current control environment beyond ensuring proper segregation of duties ove r p rocessing of third-party transactions. Controls were established and implemented to facilitate proper handling o f t hird-party data, including controls to protect against comingling of information and controls to prevent improper access to information. Procedures put in place to facilitate the Transition Services Agreement did not materially impact our controls over financial reporting during 2014.

On November 1, 2014, we completed our obligations under the Transition Services Agreement for the sold concrete facilities and the buyer began processing the transactions for the newly acquired concrete facilities in their systems. We provided information support for the buyer’s concrete operations through December 31, 2014. A new Transition Services Agreement was put in place for cement operations through March 31, 2015.

No other changes were made d uring the fourth quarter of 201 4 to our internal controls over financial reporting or other factors that could materially affect these controls.

MANAGEMENT 'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of our internal control over financial reporting was conducted based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 201 4 .

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 201 4 . Deloitte & Touche LLP's report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting, follows this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM – INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Vulcan Materials Company:

We have audited the internal control over financial reporting of Vulcan Materials Company and its subsidiary companies (the "Company") as of December 31, 201 4 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 201 4 based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 201 4 and our report dated February 26 , 201 5 expressed an unqualified opinion on those financial statements .

Deloitte & Touche LLP

Birmingham, Alabama
February 26 , 201 5

None.

ITEM 10
DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

On or about March 27 , 201 5 , we expect to file a definitive proxy statement with the Securities and Exchange Commission pursuant to Regulation 14A (our " 201 5 Proxy Statement "). The information under the headings " Proposal 1 - Election of Director s, " " Co rporate Governance of our Company and Practices of our Board of Directors, " and " General Information - Section 16(a) Beneficial Ownership Reporting Compliance " included in the 201 5 Proxy Statement is incorporated herein by reference. See also the information set forth above in Part I, Item I " Business " of this report.

ITEM 11
EXECUTIVE COMPENSATION

The information under the headings "Compensation Discussion and Analysis," "Director Compensation ," "E xecutive Compensation , " “Corporate Governance of our Company and Practices of our Board of Directors,” and “Compensation Committee Report” included in our 201 5 Proxy Statement is incorporated herein by reference.

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

The information under the headings "Security Ownership of Certain Beneficial Owners and Management," "Equity Compensation Plans" and "Payment Upon Termination and Change in Control" included in our 201 5 Proxy Statement is incorporated herein by reference.

ITEM 13
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the headings " Corporate Governance of our Company and Practices of our Board of Directors " included in our 201 5 Proxy Statement is hereby incorporated by reference.

ITEM 14
PRINCIPAL ACCOUNT ING FEES AND SERVICES

The information required by this section is incorporated by reference from the information under the heading entitled "Independent Registered Public Accounting Firm" in our 201 5 Proxy Statemen t.

(a) (1) Financial statements

The following financial statements are included herein on the pages shown below:

	Page in Report
Report of Independent Registered Public Accounting Firm	57
Consolidated Statements of Comprehensive Income	58
Consolidated Balance Sheets	59
Consolidated Statements of Cash Flows	60
Consolidated Statements of Equity	61
Notes to Consolidated Financial Statements	6 2 - 1 08

(a) (2) Financial statement schedules

Financial statement schedule s are omitted because of the absence of conditions under which they are required or because the required information is provided in the financial statements or notes thereto.

Financial statements (and summarized financial information) of 50% or less owned entities accounted for by the equity method have been omitted because they do not, considered individually or in the aggregate, constitute a significant subsidiary.

(a) (3) Exhibits

The exhibits required by Item 601 of Regulation S-K are either incorporated by reference herein or accompany this report. See the Index to Exhibits set forth below.

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 on February 2 6 , 201 5 .

VULCAN MATERIALS COMPANY

J. Thomas Hill
President and Chief Executive Officer

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.

Signature	Title	Date
J. Thomas Hill	President , Chief Executive Officer and Director (Principal Executive Officer)	February 2 6, 201 5
John R. McPherson	Executive Vice President and Chief Financial and Strategy Officer (Principal Financial Officer)	February 2 6, 201 5
Ejaz A. Khan	Vice President, Controller and Chief Information Officer (Principal Accounting Officer)	February 2 6, 201 5

The following directors:

Elaine L. Chao	Director
Thomas A. Fanning	Director
O . B. Grayson Hall, Jr.	Director
C ynthia L. Hostetler	Director
Donald M. James	Director
Douglas J. McGregor	Director
Richard T. O'Brien	Director
James T. Prokopanko	Director
Donald B. Rice	Director
Lee J. Styslinger, III	Director
Vincent J. Trosino	Director
Kathleen Wilson-Thompson	Director

By _____ February 2 6, 201 5

Michael R. Mills
Attorney-in-Fact

Exhibit 2	Asset Purchase Agreement dated January 23, 2014, among Florida Rock Industries, Inc., Florida Cement, Inc., Argos Cement LLC and Argos Ready Mix, with the Company and Cementos Argos S.A. as Guarantors, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 23, 2014 [1]
Exhibit 3(a)	Certificate of Incorporation (Restated 2007) of the Company (formerly known as Virginia Holdco, Inc.), filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on November 16, 2007 [1]
Exhibit 3(b)	Amended and Restated By-Laws of the Compan y
Exhibit 4(a)	Supplemental Indenture No. 1 , dated as of November 16, 2007, among the Company, Legacy Vulcan Corp. and The Bank of New York Trust Company, N.A., as Trustee filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on November 21, 2007 [1]
Exhibit 4(b)	Senior Debt Indenture, dated as of December 11, 2007, between the Company and Wilmington Trust Company, as Trustee, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on December 11, 2007 [1]
Exhibit 4(c)	First Supplemental Indenture, dated as of December 11, 2007, between Vulcan Materials Company and Wilmington Trust Company, as Trustee, to that certain Senior Debt Indenture, dated as of December 11, 2007, between the Company and Wilmington Trust Company, as Trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K on December 11, 2007 [1]
Exhibit 4(d)	Second Supplemental Indenture , dated June 20, 2008 between the Company and Wilmington Trust Company, as Trustee, to that certain Senior Debt Indenture dated as of December 11, 2007, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 20, 2008 [1]
Exhibit 4(e)	T hird Supplemental Indenture , dated February 3, 2009, between the Company and Wilmington Trust Company, as Trustee, to that certain Senior Debt Indenture dated as of December 11, 2007 filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K filed on March 2, 2009 [1]
Exhibit 4(f)	Indenture , dated as of May 1, 1991, by and between Legacy Vulcan Corp. (formerly Vulcan Materials Company) and First Trust of New York (as successor trustee to Morgan Guaranty Trust Company of New York) filed as Exhibit 4 to the Form S-3 on May 2, 1991 (Registration No. 33-40284) [1]
Exhibit 10(a)	Underwriting Agreement, dated June 11, 2009, among the Company and Goldman , Sachs & Co., Merrill Lynch, Pierce , Fenner & Smith Incorporated, J . P. Morgan Securities, Inc. and Wachovia Capital Markets, LLC, as representatives of the several underwriters named therein filed as Exhibit 1.1 to the Company's Report on Form 8-K filed on June 17, 2009 [1]
Exhibit 10(b)	Underwriting Agreement, dated June 17, 2008, among the Company and Banc of America Securities, LLC, Goldman, Sachs & Co., J . P . Morgan Securities, Inc. and Wachovia Capital Markets, LLC as Representatives of several underwriters named therein filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed on June 20, 2008 [1]
Exhibit 10(c)	Amended and Restated Credit Agreement, dated as of March 25, 2014 , among the Company and SunTrust Bank as A dministrative A gent , and the Lenders and other parties named therein filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 31, 2014 [1,2]
Ex hibit 10(d)	Unfunded Supplemental Benefit Plan for Salaried Employees, as amended, filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(e)	Amendment No. 1 to the Unfunded Supplemental Benefit Plan for Salaried Employees filed as Exhibit 10 .1 to its Current Report on Form 8-K on January 7, 2014 [1,2]
Exhibit 10(f)	Deferred Compensation Plan for Directors Who Are Not Employees of the Company, as amended, filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]

Exhibit 10(g)	The 2006 Omnibus Long-Term Incentive Plan of the Company filed as Appendix C to Legacy Vulcan Corp.'s 2006 Proxy Statement on Schedule 14A filed on April 13, 2006 [1,2]
Exhibit 10(h)	Amendment to the 2006 Omnibus Long-Term Incentive Plan of the Company filed as Appendix A to the Company's 2011 Proxy Statement on Schedule 14A filed March 31, 2011 [1,2]
Exhibit 10(i)	Amendment to the 2006 Omnibus Long-Term Incentive Plan of the Company dated February 9, 2012, filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 9, 2012 [1,2]
Exhibit 10(j)	Deferred Stock Plan for Nonemployee Directors of the Company filed as Exhibit 10(f) to Legacy Vulcan Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 filed on March 27, 2002 [1,2]
Exhibit 10(k)	Restricted Stock Plan for Nonemployee Directors of the Company, as amended, filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(l)	Executive Deferred Compensation Plan, as amended, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(m)	Form of Change of Control Employment Agreement (Double Trigger) filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 2, 2008 [1,2]
Exhibit 10(n)	Change of Control and Noncompetition Agreement between the Company and John R. McPherson dated October 7, 2011, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 11, 2011 [1,2]
Ex hibit 10(o)	Waiver Agreement to Change of Control Employment Agreement of J. Thomas Hill dated December 20, 2013, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2013 [1,2]
Exhibit 10(p)	Waiver Agreement to Change of Control Employment Agreement of Michael R. Mills dated December 20, 2013, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2013 [1,2]
Exhibit 10(q)	Waiver Agreement to Change of Control Employment Agreement of Danny R. Shepherd dated December 20, 2013, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2013 [1,2]
Exhibit 10(r)	Waiver Agreement to Change of Control Employment Agreement of Donald M. James dated April 29, 2013, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 29, 2013 [1,2]
Exhibit 10(s)	Waiver Agreement to Change of Control Employment Agreement of Daniel F. Sansone dated December 20, 2013, filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 20, 2013 [1,2]
Exhibit 10(t)	Terms of Employment and General Release dated July 11, 2014 between the Company and Daniel F. Sansone, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed on November 5, 2014 [1,2]
Exhibit 10(u)	Executive Incentive Plan of the Company, as amended, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(v)	Supplemental Executive Retirement Agreement filed as Exhibit 10 to Legacy Vulcan Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 filed on November 2, 2001 [1,2]
Exhibit 10(w)	Form of Stock Option Agreement filed as Exhibit 10(o) to Legacy Vulcan Corp.'s Report on Form 8-K filed on December 20, 2005 [1,2]
Exhibit 10(x)	Form of Director Deferred Stock Unit Agreement filed as Exhibit 10.9 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(y)	Form of Performance Share Unit Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 11, 2010 [1,2]

Exhibit 10(z)	Form of Performance Share Unit Agreement (2012) filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2012 [1,2]
Exhibit 10(aa)	Form of Stock - Only Stock Appreciation Rights Agreement filed as Exhibit 10(p) to Legacy Vulcan Corp.'s Report on Form 10-K filed on February 26, 2007 [1,2]
Exhibit 10(bb)	Stock-Only Stock Appreciation Rights Agreement between the Company and John R. McPherson dated November 9, 2011, filed as Exhibit 10(a) to the Company's Current Report on Form 8-K filed on November 15, 2011 [1,2]
Exhibit 10(cc)	Form of Employee Deferred Stock Unit Amended Agreement filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed on December 17, 2008 [1,2]
Exhibit 10(dd)	2014 Compensation Decisions filed in the Company's Current Report on Amended Form 8-K filed on February 18 , 201 5 [1,2]
Exhibit 21	List of the Company's material subsidiaries as of December 31, 201 4
Exhibit 23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
Exhibit 24	Powers of Attorney
Exhibit 31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit 31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit 32(a)	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
Exhibit 32(b)	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
Exhibit 9 5	MSHA Citations and Litigation
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

[1] *Incorporated by reference.*

[2] *Management contract or compensatory plan .*

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-33841.

Exhibit 3(b)

AMENDED AND RESTATED BY-LAWS
OF
VULCAN MATERIALS COMPANY

(AS AMENDED THROUGH FEBRUARY 13, 2015)

ART I CL E I MEETIN G S OF SHAREHOLDERS

SECTION 1 .01 ANNUAL MEET I NGS

(a) The an n ual m eeting of the shareholders of t h e corporati o n m ay be held at s u ch place within or without the State of New Jersey as m ay be fixed by the Board of Directors, at 10 a. m ., local ti m e, or at such other hour as m ay be fix e d by the Board of Directors, on such day in April or May of each year as m ay be fixed by the Board of Directors, for the p urpose of electing directors and for the transaction of such oth e r business as m a y properly be brought before the m eeting.

(b) If the annual m eeting for the election of d i rectors is not held in one of the m onths set forth in Section 1.1(a), the Boa r d of Directors shall cause the m eeting to be held as soon thereafter as convenient.

SECTION 1 .02 SPEC I AL MEET I NGS

(a) Spe c ial m eetings of the shareholders m ay be called by a m ajority of the entire B o ard of Directors, the chair m an of the Board of Directors or t h e c h ief executi v e officer.

(b) Special m eetings shall be held at such ti m e and date and at such place as shall have been fixed by a m ajority of the entire Board of Directors, the chair m an of the Board of Direct o rs or by the c h ief executive officer.

SECTION 1 .03 NOTICE AND PURPOSE OF MEETINGS

W ritten notice of the ti m e, place and purpose or p urposes of e very m eeting of shareholders shall be given, not less than ten nor more than 60 days before the m eeting, either personally o r by m ail, to each share h older of rec o rd entitled to vote at the m eeting. Any previously scheduled m eeting of shareholders m ay be postponed, and (except as otherwise required by law) any special m eeting of shareholders m ay be cancelled, by resolution of the Board of Directors upon public n o tice given prior to the ti m e previously scheduled for such m eeting of s hareholders.

SECTION 1 .04 NOTICE OF SHAREHO L DER BUSINESS AND NOM I NATIONS

(A) (1) No m i nations of per s ons for election to the Board of Directors and the proposal of other business to be considered by the shareholders m ay be m a de at an annual m eeting of shareholders (a) pursuant to the c o rp o ration's n o tice of m eeting, (b) by or at the direction of the

Board of Directors or (c) by a ny shareholder of the corporation who (i) was a shareholder of record at the ti m e of giving of notice provided for in this By-law and at the ti m e of the annual m eeting, (ii) is entitled to vote at the m eeting and (iii) co m pli e s with the notice procedures set f orth in t h is By-law as to such business or no m ination; clause (c) shall b e the exclu s ive m eans for a shareholder to m ake no m inations or sub m it other business (other than m atters properly brought under Rule 14a-8 under the Securiti e s E xchange Act of 1934, as a m ended (the "Exchange Act") and included in the corporation's notice of m eeting) before an annual m eeting of shareholders.

(2) W ithout qualification or li m itation, for a ny no m i nations or any other business to be properly brought before an annu a l m eeting by a shareholder pursu a nt to paragraph (a)(1)(c) of this By-law, the shareholder m ust have given timely notice t h ereof in writing to t h e S e cretary and such other business must other w ise be a pro p er m atter for shareholder action. To be ti m ely, a shareh o lder's notice s h all be d eli v ered to the S e cretary at t h e principal executi v e offices of the corporation not earli e r than the close of business on the 12 0 th day and not later than t h e close of business on the 90 th day prior to the f i rst anniversary of the preced i ng year's annual m eetin g ; provided, however, that in the event that the date of the annual m eeting is more than 30 days before or more than 60 days after such anniv e rsary date, notice by the shareholder to be ti m ely must be so delivered not earlier than the close of business on the 12 0 th day prior to the date of such annual m eeting and not later than the close of business on the later of the 9 0 th day prior to the date of such annual m eeting or, if the fir s t public announce m ent of the date of such annual m eeting is less than 100 days prior to the date of such annual m eeting, the 10 th day following the day on which public announce m ent of the date of s u ch m eeting is first m ade by the corporation. In no event shall any adjourn m ent or postpone m e nt of an annual m eeting or the announce m ent thereof com m ence a new ti m e period for the giving of a shareholder's notice as described above. To be in proper for m , a s hareholder's notice (wh e ther given pursuant to t h is para g r aph (A)(2) o r paragraph (B)) to the Secretary m u st: (a) set f o rt h, as to t h e s hareholder giving the notice and the beneficial owner, if any, on whose behalf the n om i nation or proposal is m ade (i) the na m e and address of such shareholder, as they appear on the corporation's books, a nd of such beneficial owner, if any, (ii) (A) the class or series and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such shareholder and such beneficial owner, (B) any option, warrant, convertible secu r ity, stock appreciation r i ght, or si m ilar right with an exercise or con v ersion p ri v ilege or a se ttle m ent payment or m echanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instru m ent or right shall be subject to settle m ent in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instru m e nt") directly or indire c tly owned beneficially by such shareholder and any other direct or indir e ct opportunity to profit or share in any profit derived from any increase or d e crease in the value of shares of the corporation, (C) any proxy, contract, arrange m ent, understandi n g, or relationship pursuant to which such shareholder has a right to vote any shares of any security of the corporation, (D) any "Short Interest" in any security of the corporation (for purposes of t h is By-law a person shall be dee m ed to have a "Short Interest" in a security if such person directly or i ndirectly, through any contract, arrange m ent, agree m ent, understanding, relationship or otherwi s e, including any repurchase or si m ilar so-called "stock borrowing" agree m ent or arrange m ent, involving such stockholder, directly o r indirectly, t h e purpose or effect of which is

to m itigate l o ss to, reduce the econo m ic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, m anage the risk of share price changes for, or increase or decrease the voting power of, such stockholder with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or v alue of the s ubject security), (E) any rights to dividends on the shares of the corporation owned beneficially by such share h older that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instru m ents held, dir e ctly or indirectly, by a general or li m i ted partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (G) any perfor m a nce-related fees (other than an asset-ba s ed fee) that such shareholder is entitled to based on any increase or decrease in the v a lue of shares of the corporation or Derivative Instru m ents, (H) any equity interes t s or any Derivative Instru m ents or Short Interests in any principal competitor of t h e corporation held by such shareholder, and (I) any direct or indirect interest of such shareholder in any c ontract with the corporation, any a ff iliate of the corpo r ation or any p r incip a l competitor of t h e corpo r ati o n (in c luding, in any such case, any employ m ent agree m ent, collective b argaining agree m ent or con s ulting agree m ent), if any, as of the date of such notice, including without li m itation any such interests held by m e mbers of such shareholder's immediate fa m ily sharing the sa m e hou s ehold (which infor m ation shall be supple m ented by such shareholder and beneficial owner, if any, not later than 10 days after the record date f or the m eeting to dis c lose s uch ownership as of the record date), and (iii) any other infor m ation relating to such shareholder and beneficial owner, if any, that would be required to be disclosed in a proxy state m ent or other filings required to be m ade in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of direct o rs in a conte s ted ele c tion pursuant to Section 14 of t h e Exchan g e Act and t h e rules and regulations pro m ulgated thereunder; (b) if the n o tice r el a tes to any busine s s other than a no m i nation of a director or dir e ctors that the shareholder proposes to bring before the m eeting, set forth (i) a brief description of the business desired to be brought before the m eeting, the reasons for conducting such business at the m eeting and any m aterial interest of such shareholder and beneficial owner, if any, in such busin e ss and (ii) a description of all agree m ents, arrange m ents and understandings between such s h areholder and beneficial owner, if any, and any other person or persons (in c luding their names) in connect i on with the proposal of such business by such share h older; (c) set forth, as to each person, if any, whom the share h older proposes to no m i nate for elect i on or reelection to the Board of Directors (i) all infor m ation relating to such person that would be required to be disclosed in a proxy state m ent or other filings required to be m ade in connection with sol i citations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations pro m ulgated thereunder (including such person ' s written consent to b e ing na m ed in the proxy state m ent as a no m inee and to ser v i n g as a director if elected) and (ii) a d e scription of all direct and indirect co m pensation and other m aterial m o netary agree m ents, arrange m ents and understandings during the past three years, and any other m aterial relationships, between or a m ong such sharehol d er and beneficial owner, if any, and their r e spective affiliates a n d associates, or others acting in concert therewith, on the one hand, and each proposed no m i nee, and his or h er res p ective a ff iliates a n d associ a tes, or othe r s a c ting in con c ert therewit h , on the other hand, including, without li m it a tion all infor m ation that would be required to be disclosed pursuant to Rule 404 pro m ulgated under Regu l ation S-K if the shareholder m aking the no m i nation and any beneficial owner on whose

behalf the no m i n a tion is m ade, if any, or any a ff iliate o r a ssoci a te t h e r eof or pers o n acting in c oncert the re with, were the "re g istr a nt" f or purposes of such rule and the no m inee were a director or executive officer of such registrant; and (d) with res p ect to each n o m inee for election or reelection to the Board of Direct o rs, i n clude a co m pleted and signed questionnaire, represent a tion and agree m ent required by Section 1.05 of these By-laws. The corporation m a y require any proposed no m i nee to furnish such other infor m ation as m ay reasonably be required by the corpo r ati o n to det e r m ine the e ligi b ility of such proposed no m i nee to serve as an independent director of the corporation or that could be m aterial to a reasonable shareholder's und e rstanding of the independence, or lack thereof, of such no m i nee.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this By-law to the co n t r a ry, in t h e e v ent th a t the nu m ber of directors to be elected to the Board of Direct o r s is increased and there is no public announce m ent by the corporation na m i ng all of the no m i nees for director or specifying the size of the increased B oard of Directors at least 100 days prior to the first an n i versary of the p rece d ing year's annual meeting, a shareholder's n otice required by this By-law shall also be co n sidered ti m ely, but on l y with resp e ct to no m inees f or any new positio n s cre a ted by s uch inc r eas e , if it sh a ll b e deli v ered to the Secretary at the principal exec u tive offices of the corporation not later than the close of business on the 10 th day following the day on which such public announce m e nt is first m ade by the corporation.

(B) Only such business shall be conducted at a special m eeting of shareholders as shall have been brought before the m eeting pursua n t to the corporation's notice of m eeting. No m i nations of persons for election to the Board of Directors m ay be m ade at a special m eeting of shareholders at which direc t ors are to be elected pursuant to the corp or atio n 's noti c e of m eeting (a) by or at the direct i on of the Board of Directors or (b) provided that the Board of Directors has deter m ined that directors shall be elected at such m eet i ng, by any shareholder of the corp o ration who (i) is a shareh o l d er of record at the ti m e of giving of notice provided for in this By-law and at the ti m e of the special m eeting, (ii) is entitl e d to vote at the m eeting, and (iii) co m plies with the notice procedures set forth in t h is By-law as to such no m i nation. In the event the corp o ration calls a s p ecial m eeting of shareholders for the purpose of electing one or m ore directors to the Board of Direc t ors, any such shareholder m ay n o m i nate a person or persons (as the ca s e m a y be) f or el e ction to such positio n (s) as speci fi ed in the c o rpo r atio n 's noti c e of m eeting, if the shareholder's notice required by par a graph (A)(2) of this B y -law with respect to any no m ination (including the co m p leted and signed questio n naire, repre s entation and agree m ent required by Section 1.05 of this By-law) shall be delivered to the Sec r etary at the principal executive offices of the corporation not earlier t h an the close of business on the 120 th day prior to the date of such special m eeting and not later than the close of business on the later of the 9 0 th d ay prior to the date of such special m eeting o r , if the first public a nnounce m ent of the date of such special m eeting is less than 100 days prior to the date of such special m eeting, the 10 th day following the day on which public announce m ent is fir s t m ade of the date of the special m eeting and of the no m inees proposed by the Board of D i rectors to be elected at such m eeting. In no event shall any adjourn m ent or postpone m ent of a s p ecial m eeting or the announce m e nt thereof commence a new ti m e period for the giving of a shareholder's notice as described above.

(C) (1) Only such pers o ns who are n o m inated in accorda n ce with the p r o cedures s et f orth in t h is By-law shall be eli g ible to serve as directors and only such b u siness s h all be conducted at a m eeting of shareholders as shall have been brought before the m eeting in accorda n ce with the p r o cedures s et f orth in this By-law. Except as o t herwise provi d ed by law, the Certificate of Incor p oration or t h ese By-la w s, the chair m an of the m e e ting shall have the power and duty to deter m ine whether a no m ination or any business proposed to be brought before the meeting was m ade or proposed, as t h e case m ay be, in acc o rdance with the proced ur es set forth in this By-law and, if any proposed no m ination or business is not in co m pliance with this By-law, to declare that such de f ecti v e proposal or no m ination shall be disregarded.

(2) For purposes of this By-law, "public announce m ent" shall m ean disclosure in a press release reported by a national news service or in a docu m ent publi c ly f iled by the corporation with the Securities and E xchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this By-law, a shareh o l der shall also co m ply with all ap p li c a b le req u ire m ents of the Exchange Act and t h e rules and regulations thereun d er with resp e ct to the m atte r s set f orth in this By-law; provided, however, that any references in these By-laws to the E xchange Act or the rules pro m ulg a ted thereunder are not intended to and shall not li m it the require m ents applicable to no m i nations or proposals as to any other business to be considered p u rsuant to paragraph (A)(1)(c) or paragraph (B) of this By-law. Nothing in this By-law s hall be d eemed to a ff ect any rights (i) of shareholders to request inclusion of proposals in the corporation's p r oxy state m ent pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock if a nd to the extent provided for under law, the Certi f icate of Incorporation or these By-laws.

SECTION 1.05 <u>SUBMISSION OF QUESTIONNA I RE, RE PRES E NTATION AND AGR E EM E NT</u>

To be eligible to be a no m i nee for election or reelection as a director of the corporation, a person m ust deliver (in accordance with the ti m e periods prescribed for delivery of notice under Section 1.05 of these By-laws) to the Secre t ary at the principal e x ecutive offices of the corporation a written q u estionnaire with respect to the b a ckground and qualification of such person and the background of any other person or entity on w hose behalf the no m ination is being m ade (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agree m ent (in the fo r m provided by the Secretary upon written request) that such person (A) is not a n d will not be co m e a party to (1) any agree m ent, arrange m ent or understan d ing with, and has not gi ve n any commit m e n t or as s urance to, any person or entity as to how such person, if elected as a direct o r of the corporation, will act or v ote on any i s sue or question (a "Com m i t m ent") that has not been disclosed to the corporation or (2) any Com m it m ent th a t could li m it or int e r f ere with s u ch person's ability to co m ply, if elected as a director of the corporation, with such person's f i duciary duties under applicable law, (B) is not and will n o t beco m e a party to any a g ree m ent, arrange m ent or understan d ing with any person or entity other than the corpora t ion with respect to any direct or indirect compensation, rei m bursement or indemnification in connection with service or action as a

director that has not been disclosed therein, and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the no m in a tion is being m ade, would be in compliance, if elected as a director of the corporation, and will co m ply w ith all ap p lica b le publicly d isclo s ed corporate governance, conflict of interest, con f identiality and stock ownership and trading policies and guidelines of the corporation.

SECTION 1.06 QUORUM AND ADJOURN M ENTS

(a) A quorum at all m eetings of shareholders shall consist of the ho l ders of record of a m ajority of the shares of the issued and outstanding capital stock of the corporation, entitled to vote thereat, present in person or by proxy, e x cept as otherwise provided by law or the Certificate of Incorporation.

(b) A shareholder s ' m e eting m ay be adjour n ed to another ti m e or place by the pers o n presiding at the m eeting, whether or not there is a quorum and wi t hout necessity of action of the sharehol d ers, and, if no new record d ate is fixed, it shall n o t b e necessary to give notice of the adjourned m eeting if the ti m e and place to which the m eeting is adjo u rned are announced at t h e m eeting at which the adjourn m ent is taken, and at the adjourned m eeting only such business is transacted as m i ght have been transacted at t h e original m eeting. If after the adjourn m ent a new record date is fixed by the Board of Direct o rs, n otice of the adjourned m eeting shall be given to shareholders of record on the new record date entitled to vote.

SECTION 1.07 ORGANIZATION

Meetings of the shareholders shall be presided over by the chief executive officer, or, if he is not present, by a chair m an to be chosen by a m ajority of the shareholders entitled to vote who are present in person or by proxy at the m e e ting. The Secretary of the corporation, or, in his or her absence, an Assistant Sec r etary, shall act as secretary of every m eeting, but if neither the Secretary nor an Assistant Secretary is present, the person presiding at the m eeting shall choose any person present to act as secretary of the m eeting.

SECTION 1.08 VOTING

(a) At all m eetings of t h e shareholders the voting need not be by ball o t, except that all elections for directors shall be by ballot, and except that the voting shall be by ballot on all other m atters upon which voting by ballot is expressly required by the Ce r tificate of Incorporation or by the laws of the State of New Jersey.

(b) Except to the extent that the vote of a greater number or voting by classes is required by New Jersey law or pursuant to the Certificate of Incorporation and except in the event of a "contested election" of directors, a majority of the votes cast at any meeting of the shareholder s for the election of directors at which a quorum is present shall elect directors. For purposes of this By-law , a majority of votes cast shall mean that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to that director's election. Votes cast with respect to a director's election shall include votes "for" and direction to withhold authority and shall exclude abstentions and broker non-votes. In the event

of a "contested election" of directors, directors shall be elected by the vote of a plurality of the votes cast at any meeting of the shareholder s for the election of directors at which a quorum is present. For purposes of this By-law , a "contested election" shall mean any election of directors in which the number of candidates for election as directors exceeds the number of directors to be elected, with the determination thereof being made by the Secretary as of the close of the applicable notice of nomination period set forth in paragraph (a) of Article I, Section 1.04 of these By-law s or under applicable law, based on whether one or more notice(s) of nomination were timely filed in accordance with said paragraph (a) of Article I, Section 1.04 of these By-laws ; provided, however, that the determination that an election is a "contested election" shall be determinative only as to the timeliness of a notice of nomination and not otherwise as to the validity of the nomination. If, prior to the time the corporation mails its initial proxy statement in connection with such election of directors, one or more notices of nomination are withdrawn such that the number of candidates for election as director no longer exceeds the number of directors to be elected, the election shall not be considered a "contested election," but in all other cases, once an election is determined to be a "contested election," directors shall be elected by the vote of a plurality of the votes cast.

(c) If a nominee for director who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall promptly tender his or her resignation to the Board of Directors. The Governance Committee (or similar committee of the Board of Directors) shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors shall act on the tendered resignation, taking into account the Governance Committee's (or similar committee of the Board of Directors') recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Governance Committee (or similar committee of the Board of Directors) in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Governance Committee (or similar committee of the Board of Directors) or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until his or her successor is duly elected and qualified, or his or her earlier death, resignation or removal. If a director's resignation is accepted by the Board of Directors pursuant to this By-law , or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board of Directors pursuant to the provisions of these By-Laws and the Certificate of Incorporation.

(d) The poll at all elections of di r ectors shall be opened and c l osed in accordance with the laws of the State of New Jersey and the person presiding at the m eeting shall fix and announce during the m e e ting the d a te(s) and ti m e(s) of the open i ng of the polls and of the closing of the polls for m atters to be voted upon at the m eeting. After the polls are closed, no additional votes nor any changes of votes shall be received o r recog n ize d , regardless of whether

votes have been or re m ain to be tabulated and res u lts have been or re m ain to be reported, and the inspectors s hall be p rohibited from accepting any ball o ts, pr o xies or v o tes or any rev o catio n s thereof or c h anges thereto a f ter the closing of the polls.

(e) Subject to the foregoing provisions, the right of any shareho l der to vote at a m eeting of shareholders shall be deter m ined on the basis of the nu m ber of shares r e gistered in his or her na m e on the date fixed as the r e cord date for said m eeting.

(f) Exce p t as otherwise provided by stat u te or t h ese By-laws, any m atter sub m itted to a vote of shareholders shall be *viva v o ce* unless the person presiding at the m eeting deter m ines that the voting s hall be by b all o t or unl e ss the c irc u m sta n ces a r e such th a t the will of t h e holders of a m ajority of shares entitled to vote cannot be det e r m ined with certainty a n d the holder of a share entitled to vote or his or her proxy shall de m and a vote by ballot. In either of such events a vote by ballot shall be taken.

SECTION 1 .09 SELECTION OF I N SPECTORS

(a) The Board of Directors m ay in advance of any shareholders' m eeting or any proposed shareholder action witho u t a m eeting appoint one or more inspectors to act at the m eeting or any adjourn m ent thereof or to receive consents of shareholders. If inspectors are not so appointed for a shareholders' m eeting or s h all f ail to qualify, the person presiding at the shareholders' m eeting may, and upon the request of a ny shareholder entitled to vote thereat shall, m ake such appoint m ent.

(b) In case any person appointed as i n spector fails to appear or act, the vacancy m ay be f illed by ap p oint m ent m ade by the B o ard of Directors in adva n ce of the m e eting o r at t h e m eeting by the person presiding.

(c) Each inspector, before entering upon the discharge of his or her duties, shall take and sign an o a th f aith f ully to execute the duties of inspector at such m eeting or in tabulating consents with stri c t imparti a lity a nd accor d i n g to the b e st of his or her ability.

(d) No person shall be elected a direc t or in an election for w hi c h he has served as an inspe c tor.

SECTION 1.10 DUTIES OF INSPECTORS

The inspectors shall deter m ine the nu m ber of shares outstanding and the voting power of each, the s h ares repre s ented at the m eeting or the shares e n titled to co n sent, t h e existence of a quoru m , the validity and effect of proxies, and shall receive votes or consents, hear and deter m ine all challenges and ques t io n s ari s ing in c onnection w ith the right to vote, count and tabulate all votes or consents, deter m ine the res u lt, and do such acts as are proper to conduct the election or vote or consents with fairness to all s harehol d ers. If there are three o r m ore inspectors, the act of a m ajority shall govern. On request of the person presiding at the m eeting or any shareholder entitled to vote thereat or of any off icer, the inspe c to r s shall m ake a repo r t in

writing of any challenge, question o r m atter d e te r m ined by the m . Any report m ade by them shall be pri m a facie evi d ence of the facts therein s tate d , and such report shall be filed with the m i nutes of the m eeting.

ART I C LE II DIR E CTORS

SECTION 2.01 NU M BER, QUALIFICATION, TENURE, TERM, QUORUM

(a) Nu m ber, Qualification and Tenur e . The business and affairs of the corporation shall be m anaged by or under the direction of its B o ard of Directors. The nu m b e r of directors constituting the Board of Directo r s shall not be less than nine nor m ore than thirteen , with the actual nu m ber of directors to be fixed, from ti m e to ti m e, by resolution adopted by a m ajority of the entire B oard of Directors. Directors shall be at least 25 y ears of age and need not be United States citizens or re s i de n ts of New Jersey or shareho l ders of the corporation.

Any outside director shall not be no m inated for election or re-election to the Board of Directors following the director's 7 4 th birthday; provided, however, the Board m ay no m i nate a director who has reached such ret i re m ent age for an additional term if the Board deter m ines such no m i nation is in the best i n terest of the corporati o n and its shareholders. Any outside director who ceases to h o ld the po s ition with the business o r professional organization with which such person was associated when m o st recently elected a d i rector sh a ll auto m atically be dee m ed to have offered his or her resignation as a di r ector of the corporation, and the Governance C o mmittee shall m ake a rec o mmendation to the Board of Directors with respect to such resignation; and, if the dee m ed offer to r e sign is accepted by the Board of Direct o rs, s u ch resig n ation shall b e effective as of the next annual m eeting of shareholders.

Any inside director shall retire from the Board of Directors at the annual m eeting next following his or her 65th birthda y ; provided, however, that any inside director who has served as chief executive officer o f the corporation and w h o has been requested by the Board of Directors to do so shall serve u n til the next annual m eeting following his or her 69th birthday, but not thereafter.

An inside director is one who is or has been in the full-ti m e employ m ent of the corporation, and an outside dir e ctor is any other director.

(b) Ter m . Directors shall be divided into three c l asses, with the term of office of one class ex p i ri n g each year. Except as ot herwise pr o vided in the Certificate o f Incorporation or these By-laws, direct o r s shall b e ch o sen at ann u al m eetings of the shareholders, and each director shall b e ch o sen to serve until the t h ird succee d i n g annual m eeting of shareholders following his or her election and until his or her successor shall have been elected and qualified .

(c) Quoru m . A m ajority of the m e mbers of the B o ard of Directors then acting, but, in no event less t h an one-t h i rd of the entire Board of Directors, acting at a m eeting duly assembled, shall constitute a quorum for the transaction of business. Directors having a personal or conflicting interest in any m atter to be acted upon m ay be counted in deter m ining the presence of a quoru m . If at any m eeting of the Board of Direc t ors there shall be less than a

quorum present, a m ajority of those present m ay adjourn the m eeting, without further notice, from ti m e t o ti m e until a quor u m shall have been obtai n ed.

SECTION 2 .02 MEETINGS OF THE BOARD OF DIRECTORS

(a) Meetin g s of the Board of Directors sha l l be held at such place within or without the State of New Jersey and at such ti m e and date as m ay from ti m e to ti m e be fixed by the Board of Directors, or, if not so fixed, as m ay be specified in the notice of the m eeting. A m eeting of the Board of Directors shall be held without notice immediately aft e r the annual meeting of the shareholders.

(b) Regular m eetings of the Board of Directors shall be held on such day of such m onths as m ay be f i xed by the B oard of Directors. At a n y regular m e eting of the Board of Directors any business that co m es before such m eeting m ay be transacted e x cept where s pecial notice is required by these By-la w s.

(c) Special m eetings of the Board of Directors may be held on the call of the chair m an of the Board of Direct o rs, the presi d ing dire c tor, the chief executive officer or a m ajority of the directors then in office.

(d) Notice o f each regular m eeting of the Board of Directors, other than the m eeting following the annual m eeting of sha r eholders, shall be given not l e ss than seven days before the date on which such regular m eeting is to be held. Notice of each special meeting of the Board of Direct o rs s h all be g i ven to each m e mber of the Board of Directors n o t le s s than two d ays before the date upon which such m eeting is held. Noti c e of any such m eeting may be given by m ail, telegraph, telephone, telex, facsi m ile trans m issio n , personal service or by personally advising the director orally. Notice of a m eeting of the Board of Directors m ay be waived before or after the m eeting, and attendance of a person at a m eeting shall constitute a waiver of notice of such m eeting, except when the person attends a m eet i ng for the express purpose of objecting, at the beginning of the m eeting, to the transaction of a n y business b ecause the m eeting is not lawfully called or convened, in which case waiver of notice shall not be dee m ed m ade. Meetings m ay be held at any ti m e without notice if all the directors are present. N o tice of special m eetings of the Board of Directors shall specify the purpose or purposes of the m eeting. Neither the business to be transacted nor the purpose or purposes of any m eeting of the Board of Directors need be specified in the notice of regular m eetings or in the waiver of notice of any regular or special m eeting of the Board of Directors.

(e) Notice of an adjourned m eeting of the Board of Directors need not be given if the ti m e and place are fixed at the m eeting adjour nin g and if the period of adjourn m ent does not exceed ten d ays in any o ne adjourn m ent.

SECTION 2 .03 COMMITTEES OF THE BOARD OF DIRECTORS

(a) The Board of Directors, by resolution a dopted by a m ajority of the e n tire Board of Direct o rs, may appoint from a m ong its m e mbers an Executive Com m ittee and one or more other com m ittees, each of which shall h ave at least t h ree m e m bers. To the extent provided in

such resol u tion each such c o mmittee s h all have and m ay exercise all the authority of the Board of Direct o rs, except as ex p ressly li m ited by t h e New Jersey Business Corporation Act.

(b) The Board of Directors, by resolution a dopted by a m ajority of the entire Board of Direct o r s, may: (1) fill any vacancy in any such com m ittee; (2) appoi n t o ne or m ore directors to serve as ad d itio n al m e mbers of any s uch com m ittee; (3) appoint one or m ore direct o rs to serve as alt e rnate m e mbers of any such com m ittee, to a c t in t h e abs e nce or di s ability of m e mbers of any such com m i ttee with all the powers o f such abs e nt or disabled m e m bers; (4) abolish any such com m ittee at its p leasure; and (5) remove any director from m embership on such c o mmittee at any ti m e, with or without cause.

(c) The Executive Com m ittee shall m eet at such ti m e or times, and at s u ch place within or outside the State of New Jersey, as it shall designate or, in the absence of such designation, as shall be designated by the person or persons calling the m eeting; and it shall m ake its own rules of procedure. Meetings m ay be held at any t i m e without notice if all m embers of the Executive Com m ittee are present, or if at any ti m e before or after the meeting those not present waive notice of the m eeting in writing. A m ajority of the m e mbers of the Executive Com m i t tee shall constitute a quorum thereof, but at any m eeting of the Com m ittee at which all the m e m bers are not present no action shall be taken except by the unani m ous vote of those present.

(d) Meetings of any committee m a y be called b y the chairman of the Board of Directors, the chief executive officer, the c h air m an of the committee, by any two m e mbers of the com m ittee or as pro v ided in the res o lution a ppointing t h e c o mmittee. Notice of such m eeting shall b e given to each m ember of the com m ittee by m ail, tele g raph, telep h one, telex, facsi m ile trans m ission, personal service or by personally advising the me m ber orally. Said notice shall state the time and place of any m eeting of any such com m ittee and shall be fixed by the person or persons calling the m eeting.

(e) Actions taken at a meeting of any c o m m ittee shall b e re p orted to the Board of Directors at its next m eeting followi n g such com m ittee m eeting; exce p t that, when t h e m eeting of the Board of Directors is held within two d a ys after the committee m e eting, such report shall, if not m ade at the first m eeting, be made to the Board of Directors at its second m eeting following such com m ittee m eeting.

SECTION 2 .04 PARTICIPATION IN M EETINGS BY MEANS OF CONFERENCE TELEPHONE OR SIMILAR INSTRUMENT

Where appropriate communication f acilities are available, any or all directors m ay participate in all or any part of a m e eting of the Board of Directors o r in a m eeting of any com m ittee of the Board of Directors by m eans of a conference telephone or any m eans of communication by which the persons partici p ating in the m eeting a re able to hear each other as though he was or they w ere present in person at such m eeting. Such participation without protesting prior to the conclusion of such participation the lack of notice of such m eeting shall constitute a waiver of notice by s u ch participating director or d i rectors with respect to business transacted during such participation.

SECTION 2 .05 ACTION OF BOARD OF DIRECTORS AND COMMITTEES W I THOUT A MEETING

Any action r equired o r p er m itted to b e taken p u r s uant to a u t h oriz a tion v o ted at a m eeting of the Board of Directors or any com m ittee of the Board of Directors m ay be taken without a m eeting if, prior or subsequent to such action, a ll m e mbers of the Board of Directors or of such com m ittee, as the case m ay be, consent t h ereto in writing and such written consents are filed with the m i nutes of the p rocee d ings o f the Board of Directors or com m ittee.

SECTION 2.06 DIVIDENDS

Subject to the provisions of the laws of the State of New Jersey and the C ertificate of Incorporation, the Board of Directors shall have full power to deter m ine whether any and, if any, what part of any funds of the corporation shall be declared in dividends a n d paid to shareholders; the division of the whole or any p a rt of such funds of the corporation shall rest wholly within t h e lawful discretion of the Board of Directors, and it shall not be r e quired at any ti m e, against such discretion, to divide or pay any part of such funds a m ong or to the shareholders as dividends or otherwise, and the Board of Directors m ay fix a sum which m ay be set aside or reserved over and above the capital paid in of the corporation as w o rking capital for the corporation or as a reserve for any proper purpose, and from ti m e to t i m e m ay increase, di m i nish and vary the sa m e in its absolute judg m ent and discretion.

SECTION 2.07 CONFLICT OF INTEREST

No contract or other transaction bet w een the corporation and one or m ore of its directors, or between the corporation and any do m estic or foreign corporation, firm or association of any type or kind in which one or m ore of its directors are directors or are o th e rwise i n te r e s ted, sh a ll be void or voidable solely by r eason of such common directorship or interest, or solely because such direct o r or directors are prese n t at the m eeting of the Board of Directors or a co mm ittee thereof which authorizes or app r oves the contract or t r a n sa c ti o n, or sol e ly because his or their votes are counted for such purpose, if any of the f ollowing is t r ue: (1) the contract or other transaction is fair and reasonable as to the cor por ation a t the ti m e it is authorized, approved or ratified; or (2) the fact of the common directorship or interest is disclosed or known to the Board of Directors or com m ittee and the Board of D i rectors or committee authorizes, approves, or ratifies the contract by unani m ous written consent, provided at least one d i rector so consenting is disinterested, or by the a f fir m ative vote of a m aj o rity of the disinterested directors, even though the disinterested directors be less than a quoru m ; or (3) the fact of the common directorship or interest is disclosed or known to the shareholders, and they a u thorize, approve or ratify the contract or transaction.

The Board of Directors, by the affir m ative vo t e of a m ajority of directors in office and irrespective of any personal interest of any of them, shall have authority to establish reasonable co m pensation of direct or s for services to the cor p oration as directors, officers or otherwise .

ARTICLE III
OFFICERS

SECTION 3.01

(a) Corporate Officer s . Each year t h e Board of Direct o rs s h all elect officers of the corporation, including a Chair m an of the Board, a President, one or m ore Vice Presidents, with such designations, if any, as it m ay deter m ine, a General Counsel, a Secretary, a Treasurer, and a Controller. From t i m e to ti m e, the Board or t h e Chief Executive Officer m ay appoint one or m ore Assista n ts to any of such officers, and such one or more Assistant Secretaries, Assistant Treasurers, and Assistant Controllers as m ay be dee m ed appropriate. Any two or m o r e offices m ay be con c urrently held by the sa m e person at the sa m e time. The Chair m an of the Board shall be chosen from a m ong the directors.

(b) Group Officer s . The Chief Executive Officer of the corporation m a y appoint such officers of any group of the corporation as he m a y deem proper, except that group senior vice presidents m ay be appointed only by the Board of Directors. A group off i cer shall not be an officer of the corporation, and shall serve as an officer only of the group to which he is appointed, but a person who holds a group office m a y also hold a corporate office or a regional office, or both.

(c) Regional Officers . The Chief Executive Off i cer of t h e corporation may appoint such officers of any region of the corporation as he m ay deem proper, except that chair m en, presidents and senior vice presidents of a region m ay be appointed only by the Board of Directors. A regional officer shall not be an officer of the cor p oration, and shall serve as an officer only of the region to which appointed, but a person who holds a regional office m ay also hold a corporate office or a group office, or both.

SECTION 3.02

(a) Term and R e m oval of Officers of the Corporatio n . The term of office of all officers shall b e one year and u n til t h eir respective s u cce s sors are elected and qualify, but any officer m ay be r e moved from office, either with or wit h out cause, at any ti m e, by the a ff irmative v o te of a m ajority of the m e mb er s of the Board of Di r ectors then in office; provided, however, that any officer appointed by the Chief Executive Officer m ay be r e moved from office by the Chief Executive O fficer.

(b) Term and R e m oval of Group and Regional Officer s . Group senior vice presidents and regional chair m en, presidents and senior vice presidents shall s erve a t the pl e asure of the Board of Directors. Group senior vice preside n ts and regional chair m en, presidents and senior vice presidents m ay be re m oved from office, either with or without cause, at any time, by the Board of Directors. Other group and regional officers shall serve at the pleasure of the Chief Executive O fficer of the corporation. Any other g r oup or regional officer m ay be r e moved from office as a group or regional officer, either with or without cause, at any ti m e, by the Chief Executive O fficer of the corporation.

SECTION 3.03 CHAIRMAN AND VICE CHAIRMAN

(a) Chair m an of the Board . The Chair m an of the Board m ay e xecute bonds, m ortgages, and bills of sale, assign m ents, conveyances, and all other contracts, except those required by law to be otherwise signed and e x ecuted, or exce p t when the s i gning and execution t h ere o f when per m itted by law shall be expres s ly d eleg a ted by the Board of Direct o rs to so m e other o ff icer or agent of the corporation. The Chair m an of the Board shall preside at all meetings of the Board of Direct o rs. T he Chair m an of the Board shall per f orm such other duties as m ay be assigned to him by the Board of Directors.

(b) Vice Chair m a n . The Vice Chair m an shall advise and co u nsel with the Chair m an of the Board, and with other officers of the cor po ration on any or all a cti v ities in which t h e corporation m ay engage, and sha l l perform such other duties as m ay be assigned to him by the Chair m an of the Board or the Board of Directors.

SECTION 3.04 CHIEF EXECUTIVE OFFICER

The Chief Executi v e Officer m ay execute bonds, mortgages, and bills of s ale, assign m ents, conveyances, and all other contracts, except those required by law to be otherwise signed and e xecuted, o r except when the sig n ing and executi o n thereof when per m itted by law shall be expressly delegated by the B oard of Dir e ctors to some other officer or agent of the corporation. The Chief Executive O f ficer shall be responsible to the Board of Directors for planning and directing the busin e ss of the corporation and for initiating and directing those actio n s ess e nti a l to its p r o f itable g r ow th and develop m ent and shall perform such other duties as m ay be assigned to him by the Board of Directors.

SECTION 3.05 CHIEF OPERATING OFFICER

The Chief Operating Officer m ay execute bonds, mortgages, and bills of s ale, assign m ents, conveyances, and all other contracts, except those required by law to be otherwise signed and e xecuted, o r except when the sig n ing and executi o n thereof when per m itted by law shall be expressly delegated by the B oard of Dir e ctors to some other officer or agent of the corporation. The Chief Operating Officer shall, subject to the authority and direction of the Chief Executive O fficer, have general and active m an a ge m ent of the operating affairs of the corporation and shall carry into effect the resolutions of the Board of Directors and the orders of the Chief Executive Off i cer with respect to the operating affairs of the corporation.

SECTION 3.06 PRES I D ENT

The President m ay execute bonds, mortgages, and bills of s ale, as s i gnments, conveyances, and all other contracts, except tho s e required by law to be otherwise signed and executed, o r except wh e n the sig n i n g and execution th e reof when per m itted by law s hall be expressly delegated by the Board of Directors to so m e other officer or agent of the corporation. The President shall per f orm such other duties as m ay be delegated to him by the Board of Direct o r s or the Chief Executi v e Off i cer.

SECTION 3.07 CHIEF AD M INISTRATIVE OFFICER

The Chief Ad m i nistrati v e Officer shall be the c h ief ad m i nistrative officer of the corporation and shall supervise a nd m anage the ad m i nistrative affairs of the corporation. He shall supervi s e a n d direct tho s e officers a n d agents of the corporation who are engaged in the ad m i nistrative affairs of the corporation. He sh a ll perform su c h functions for the corporation as m ay be designated by the chief executive officer or the chief operating officer, and shall carry into effect t h e resol u tio n s of the Board of Direct o r s and the or ders of the chief executive officer or the chief operating officer with respect to such functions.

SECTION 3.08 VICE PRESIDENTS

Each Vice P r eside n t of the corporation m a y execute bonds, mortgages, bills of sale, assign m ents, conveyances, and all other contracts, except where required by law to be otherwise signed and executed. Each Vice President of the corporation shall perform such functions for the corporation as m ay be designated by the chief executive officer of the corporation, and shall carry into e f fect the res o lutions of t h e Board of Direct o rs a n d the orders of the chief executive officer of the corporation with respect to such functions.

SECTION 3.09 GENERAL COUNSEL

The General Counsel shall be the chief leg a l officer of the corporation and shall have overall responsibility f o r all legal affairs of the corpora t ion. The General Counsel shall have m anag e m ent responsibility for the corporation's legal depart m ent and its relationships with outside counsel. The General Counsel's duties shall include provid i ng legal advice to corporate, group and regional officers, confir m i ng co m pliance with ap pl icable laws, overseeing liti g ation, reviewing si gnificant a g ree m ent s , participating in i m portant negotiations, and sele c ting all outside counsel. He shall perfo r m su c h other functions for the c o rporation as m ay be designated by the Board of Direct o r s or t h e chief executive officer.

SECTION 3.10 ASSOC I ATE GENERAL COUNSEL

The Associate General Counsel shall be the deputy chief legal off i cer who shares legal depart m ent m anag e m ent responsibilities with and reports to the general counsel and w ho acts for him under certain circu m stances. He shall perfo r m such other functions for the corporation as m ay be designated by the Board of Directors, the chief executive officer or the general counsel.

SECTION 3.11 SECRETARY

The Secretary shall k eep or cause to b e kept the minutes of all m eetings of the shareholders, of the Board of Directors, of the Executi v e Com m ittee, and unless ot h erwise directed by the Board of Directors, the m i nutes of m eetings of other com m ittees of the Board of Directors. He shall attend to the giving or servi n g of all notices required to be given by law or by the By-laws or as directed by the Board of Directors or t h e c h ief executi v e officer of the corporation. He shall have custody of the seal of the corporation and shall have authority to affix or cause the sa m e or a facsi m ile thereof to be affixed to any instru m ent requiring the seal

and to attest the sa m e. He shall perform su c h other functions for the c o rporation as m ay be designated by the Board of Directors or the chief executive officer of the corporati o n.

SECTION 3.12 TREASURER

The Treasurer shall be responsible for safeguarding the cash and securities of the corporation and shall keep or cause to be kept a f ull and accurate account of the receipts and disburse m ents of the corporation. He shall perfo r m such other functions for the corporation as m ay be designated by the Board of Directors or the chief executive officer of the corporation.

SECTION 3.13 CONTROLLER

The Controller shall be the principal accoun t ing officer of the corporation, shall have supervision over the accounting r ecords of the corporation and shall be responsible for the preparation of financial state m e n ts. He shall perfo r m such other functions for the corporation as m ay be designated by the Board of Directors or by the chief executive officer of the corporation.

SECTION 3.14 OTHER OFFICERS

The other o f ficers of the corporation sh a ll have such powers and duties as generally pertain to t h eir respecti v e offices as well as s u ch powers and duties as f r om ti m e to ti m e may be designated by the Board of Directors or by the c h ief executive officer of the corporati o n.

SECTION 3.15 VOTING COR P ORATION'S SECURITIES

Unless otherwise ordered by the Board of Di r ectors, the c h ief executive officer or his or her delegate, or, in the event of his or her ina b ility to act, such other officer as m ay be designated by the Board of Direct o r s to act in the abse n ce o f the chief executi v e officer shall ha v e full power and authority on behalf of the corporation to attend and to act and to vote, and to execute a proxy or proxies e m powering others to attend and to act and to vote, at any m eetings of security holders of the corporations in which the corporation m ay hold securities, and at such m eetings the chief executive officer or such other officer of the corporation, or such proxy, shall possess and m ay ex e r cise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the corporation m ight have possessed and exercised, if present. The Secretary or any Assistant Secre t ary m ay a ffix the corporate seal to any such proxy or proxies so executed by the chief executive officer or such oth er officer a n d attest t h e s a m e. The Board of Directors by resolution f rom t i m e to ti m e m a y confer like powers upon any other person or persons.

ART I C LE IV
INDEMN I FICATION OF DIRECTO R S, OFFICERS AND EM PL OYEES

(a) Subject to the provisions of this Article IV, the corpora t ion shall indemnify the f ollowing p e rsons to the f ullest e x te n t per m itted a nd in the m anner provi de d by and the circu m stances described in the laws of the State of New Jersey, including Section 14A:3-5 of the New Jersey Business Corporation Act and any a m endments thereof or supple m ents thereto:

(i) any person who is or was a director, officer, employee or agent of the corporation; (ii) any person who is or was a director, officer, e m ployee or agent of any constituent corporation absorbed by the corporation in a consolidation or m erger, but only to the e xtent that (a) the constituent corporation was obligated to inde m n ify such per s on at the effecti v e date o f the m erger or consolidation or (b) the claim or potential claim of such person for inde m nification was disclosed to the corporation and the operative m erger or consolidation docu m ents contain an express a g ree m ent by the corporati o n to pay the sa m e; (iii) any person who is or was serving at the req u est o f the corporation as a director, officer, trustee, fiduciary, e m p l oyee or agent of any other do m estic or foreign corporation, or any partn e rship, joint venture, sole proprietorship, trust, e m ployee bene f it plan o r other e n ter p rise, whet he r or not f or p r o f it; and (i v) the legal representative of any of the foregoing persons (coll e ctively, a "Corporate Agent").

(b) Anything herein to the contrary notwithstanding, the corporation shall not be obligated under this Article IV to provide inde m nification (i) to any bank, trust co m p a ny, insurance company, partnership or other enti t y, or any director, officer, employee or agent thereof or (ii) to any other per s on who is not a director, officer or e m ployee of the corporation, in respect of any service by such p e rson or entity, whether at the request of the corporation or by agree m ent therewith, as invest m ent advisor, actuary, custodian, trustee, fiduciary or consultant to any e m ployee benefit plan.

(c) To the extent that any right of i n de m nification granted hereunder requires any deter m inati o n that a Corporate Age n t shall have been successful on the m erits or otherwise in any Procee d ing (as hereinafter defined) or in d e fense of any clai m , issue or m atter therein, the Corporate A gent shall be dee m ed to have been "successful" if, without any settle m ent having been m ade by the Corporate Agent, (i) such Proceeding shall have been dis m issed or otherwise ter m inated or abandoned without any judg m ent or order having been entered against the Corporate A gent, (ii) such clai m , iss u e or o t h e r matt e r th e r ein shall ha ve been dis m issed or otherwise eli m inated or abandoned as against the Corporate Agent, or (iii) with respect to any threatened P rocee d ing, the Procee d ing shall h a v e been aba n doned or there shall have been a failure for any reason to institute the Proceeding within a rea s onable ti m e after the sa m e shall have been threatened or after any inquiry or investigation that could have led to any such Proceeding shall h ave b een com m enced. The Board of Directors or any a uthorized c o mmittee thereof sh a ll have the ri g ht to d e ter m ine what co n stit u tes a "r e asonable ti m e" or an "abandon m e nt" for purposes of this paragraph (c), and any such deter m ination shall be conclusive and final.

(d) To the extent that any right of inde m nification granted hereunder shall require any deter m inati o n that the Corporate Agent has been involved in a Procee d i n g by reason of his or her being or having been a C orporate Agent, the Co r porate Agent shall be dee m ed to have been so involved if the Procee d ing involves action allegedly taken by the Corporate Agent for the benefit of the corporation or in the perfor m a nce of his or her duties or the course of his or her e m ploy m ent for the corporation.

(e) If a Corporate Agent shall be a p a rty defendant in a Proceeding, other than a Proceeding by or in t h e right of the corporation, and the Board of Direct o rs or a d u ly authorized com m ittee of disinterested directo r s shall d et e rmine th a t it is in the b e st intere s ts of the

corporation for the corporation to assu m e the defense of any such Proceeding, the Board of Direct o rs or such com m i ttee m ay authorize and d i rect that the corporation assu m e the defense of the Proceeding and pay all expenses in connecti o n therewith without req u iring such Corporate Agent to undertake to pay or repay any part thereof. Such assu m pt i on shall not affect the right of any such Corporate Agent to e m ploy his or her own counsel or to re c over inde m nification under this By-law to the e x tent that he m ay be entitled thereto.

(f) As used herein, the term "Proceeding" shall m ean and include any pending, threatened or co m pleted civil, cri m inal, ad m inistrative or arbitrative action, suit or proceeding, and any appeal therein and any i nquiry or investigation which could lead to such action, suit or procee d ing.

(g) The rights conferred upon indemnitees under this Article IV shall not be exclusive of any other rights to which any Corporate A g ent seeking inde m nification hereunder m ay be entitled. The rights conferred upon inde m nitees under t h is Article IV shall be contract rights that vest at the ti m e of such person's service to or at the req u est o f the corporation and such rights shall continue as to an inde m n itee who has ceased to be a Corpo r ate A gent and sh a ll in u r e to t h e benefit of the inde m nitee ' s heirs, executors and ad m i nistrators.

(h) Any amend m ent, modificat i on, alteration or repeal of this Article IV that in any way di m i nishes, li m its, restricts, adversely affects or eli m inates any right of an inde m nitee or his or her successors to inde m n ificat i on, advance m ent of expenses or otherwise shall be prospective only and shall not in any way di m i nish, li m it, res t rict, adversely affect or eli m inate any such right with respect to any actual or alleged state of facts, occurrence, action or o m ission then or previously existing, o r any action, s u it or p rocee d ing pre v iously or t h erea f ter broug h t or threatened based in whole or in part upon any such actual or alleged state of facts, occurrence, action or omission.

ART I CL E V
CERTIFICATES OF STOCK

SECTION 5.01 TRANSFER OF SHARES

Stock of the corporation shall b e t r a n s f erable in a ccor d ance with the provisions of Chapter 8 of the Uniform Commercial Code as adopted in New Jersey (N.J.S. 12A:8-101, et seq.) as a m ended from ti m e to t i m e, except as otherwise provided in the New Jersey Business Corporation Act.

SECTION 5 .02 TRANSFER AGENT AND R E GISTRAR

The Board of Directors m ay appoint one or m ore transfer agents and one or m ore regi s tr a rs of transfers a n d m ay require all stock certificates to bear t h e si g natures of s u ch transf e r agent and registrar, one of which signatures m ay be a facsi m ile.

SECTION 5.03 FIXING RECORD DATE

For the purpose of deter m ining the sharehold e rs entitled to n otice of or to vote at any m eeting of s hareholders or any adjourn m ent thereof, or to express consent to or dissent from any proposal without a m eeting, or for the purpose of deter m ining shareholders entitled to receive pay m ent of any dividend or allot m ent of any r i ght, or for the purpose of any other action, the Board of Directors m ay fix, in advance, a date as the record date for any such deter m i nation of shareholders. Such date shall not be more than 60 nor less than ten days before the date of such m eeting, nor m ore than 60 days prior to any other action.

SECTION 5.04 LOST, STOLEN OR DESTROYED CERTIFICATES

(a) W here a certificate for shares has been l o st, apparently destroyed, or w r ongfully taken and the owner thereof fails to so notify the corpora t ion or t h e trans f er ag e nt of that f a c t within a reasonable ti m e a f ter he has notice of it and the transfer agent or the c o rp o ration re g isters a transfer of the shares before receiving such a notification, the owner s h all be precluded from asserting a g ainst the c o rporation any claim for r e gistering the transfer of s uch shares o r any
claim to a new certificate.

(b) Subject to the foregoing, where the own e r of shares clai m s that the certificate representing shares has been lost, destroyed or wrongfully taken, the corporation shall issue a new certificate in p l ace of the origi n al certificate if the owner thereof req u ests t h e iss u e of a new certificate before the corporation has notice that the certificate has been acquired by a bona fide purchaser, m akes proof in affidavit fo r m , satisfac t ory to the Secretary or Assista n t Secretary of the corporation and to its transfer agent, of his or her ownership of the shares represented by the certificate and that the certificate has been lost, destroyed or wrong f ully taken; files an inde m nity bond for an open or unspecified a m ount or if authorized in a specific case by the corporation, for such fixed amount as the chief executive officer, or a Vice President, or the Secretary of the corporation m ay specify, in such form and with such surety as m ay be approved by the transfer agent and the Secretary or Assistant Secretary of the corpor a tion, inde m nifying the corporation and the tran sf er agent a n d regi s trar o f the corporation against all loss, cost and da m age which m ay arise from issuance of a new certificate in p lace of the o rigi n al certificate; and sa tisfies any other reasonable require m ents i m po s ed by the co r poration or transfer agent. In ca s e o f the surrender of the original certifica t e, in lieu of which a new certi f icate has been issued, or the surrender of such new certificate, for cancellation, the bond of inde m nity given as a co n dition of the iss u ance of such new certificate may be surre n dered.

ART I CL E VI
MISCELLANEOUS

SECTION 6.01 FISCAL YEAR

The fiscal y ear of the c o rporation s h all be g in on the first day of January in each year and shall end on the 31st day of Dec e m b e r next f o llowing, unless otherwise deter m ined by the Board of Directors.

SECTION 6.02 CORPORATE SEAL

The corporate seal of the corporation shall have inscribed thereon the na m e of the corporation, the year 1956 and the wor d s "Corporate Seal, N ew Jersey."

SECTION 6 .03 DELEGATION OF AUTHORITY

Any provision of these By-laws granting autho r ity to the B o ard of D i rectors shall not be construed as indicating that such authority m ay not be delegated by the Board of Directors to a com m ittee to the extent authorized b y the New Jersey Business Corporation Act and these By-laws.

SECTION 6.04 NOTICES

In co m puting the pe r iod of ti m e f or the giving of any noti c e r equired o r p er m itted f or any purpose, the day on which the notice is given shall be excluded and the day on which the m atter noticed is to occur sh a ll be i n cluded. If notice is given by m a il, tele g raph, telex o r f a c si m ile trans m ission, the notice shall be deemed to be g i ven when deposited in the m ail, delivered to the tele g r aph or telex o ff i ce or tra n s m itt e d via f acsi m ile trans m itter, add r ess e d to the p e r s on to
whom it is directed at his or her last address as it appears on the records of the corporation, with postage or charges prepaid the r eon; provided, however, that notice m ust be given by telegraph, telephone, telex, facsi m ile trans m ission, personal service or by person a lly advising the person orally when, as authorized in the s e By-laws, l e ss than t h ree d ays' not i ce is given. Notice to a shareholder shall be addressed to the address of s uch shareh ol der as it ap p ears on t h e s tock transfer records of the corporation.

ART I C LE VII
AMEND M ENTS

Subject to the rights, if any, of the holders of any series of Preference Stock then outstanding, the By-laws of the corporation shall be subject to alteration, a m endment or repeal, and new By-laws not inconsistent with any provisions of the Certi f icate of Incorporation and not inconsi s te n t with the laws of the State of New Jersey m ay be m ade, either by the affir m ative vote of a m ajority of the votes cast at any annual or special m eeting of shar e holders by the holders of shares entitled to vote thereon, or, except with respect to B y -laws adopted by the shareholders of the corporation which by their ter m s m ay not be altered, a m ended or repealed by the Board of Direct o rs, b y the a ff irmative v o te of a m ajority of the whole Board of Directors at any regular or special m eeting of the Board of Directors.

ART I C LE VIII
NATIONAL EMER G ENCY

For the purpose of this Article VIII a national emergency is hereby defined as any period following an ene m y attack on the co n tine n tal United States of A m erica or any nuclear or ato m ic disaster as a result of which and during the p e riod that com m unication or the m eans of travel a m ong states in which the corporation's plants or offices are disrupted or m ade uncertain or unsafe. Persons not directors of the corporation m ay conclusively rely upon a deter m i nation by the Board of Directors of the corporation, at a m eeting held or purporting to be held pursuant

to this Article VIII that a n ational e m ergency as hereinabove defined exists regar d less o f the correctness of such deter m ination. During t h e existence of a national e m ergency under the foregoing provisions of this Article VIII the following provisions sh a ll b eco m e operative b u t no other provisions of the s e By-laws shall beco m e inoperative in such event unless directly in conflict with this Arti c l e VIII or a cti o n taken pur s uant hereto:

(a) W hen it is deter m ined in good faith by a ny director that a nat i onal emergency exists, special m eetings of the Board of Directors m ay be called by such director and at any such special m eeting two directors shall constitute a quorum for the transaction of business including without li m iting the generality h ereof the filling of v aca n cies a m ong directors a n d officers of the corporation and the election of additional officers. The act of a m ajority o f the direct o rs pre s ent ther e at sh a ll be the a c t of the Board o f Directors. If at any such special m e eting of the Board of Directors there shall be only one director present such director present may adjourn the m eeting from ti m e to ti m e until a quorum is obtained, and no further n otice thereof need be gi v en of any such adjourn m ent. The director calling any such special m eeting shall m a ke a reasonable effort to notify all other directors of the time and place of such special m eeting, and such effort shall be dee m ed to constit u te the giving of r e asonable n o tice of such s peci a l m eeting and eve r y dire c tor shall be dee m ed to have waived any require m ent, of law or otherwise, that any other notice of such special m eeting be given. The d irectors p re s ent at any s u ch special meeting shall m ake reasonable effort to notify all abs e nt directors of any action taken t h ereat, but failure to give such notice shall not affect t h e validity of the action taken at any such m eeting. Any action taken at any such special m eeting m ay be conclusively relied upon by all directors, officers, employees, and agents of, and all persons dealing with, the corporation.

(b) The Board of Directors shall have t h e power to alter, a m end, or repeal any Articles of these By-laws by the affir m ative vote of at least t w o-thirds of the directo r s pre s ent at any special m eeting attended by two or m ore directors and held in the manner prescribed in paragraph (a) of this Article, if it is deter m ined in good faith by s a id two-thirds that such alteration, a m endment or repeal would be conducive to the proper d i rection of the corporation's affairs.

SUBSIDIARIES AS OF DECEMBER 31, 201 4

	State or Other Jurisdiction of Incorporation or Organization	% Owned Directly or Indirectly by Vulcan
CalMat Co.	Delaware	100
Florida Rock Industries, Inc.	Florida	100
Harper Bros. Inc.	Florida	100
Legacy Vulcan Corp.	New Jersey	100
The Arundel Corporation	Maryland	100
Virginia Concrete Company, Incorporated	Virginia	100
Vulcan Gulf Coast Materials, Inc.	New Jersey	100
Vulcan Lands, Inc.	New Jersey	100

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-1 97519 and 333-196819 on Form S-3 and Registration Statements No. 333-1 82498 , 333-1 60302 , 333-14 8993, 333-148238, 333-147450 , and 333-147449 on Form S-8 of our reports dated February 2 6 , 201 5 , relating to the consolidated financial statements of Vulcan Materials Company and its subsidiary companies (the “Company”) and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K of Vulcan Materials Company for the year ended December 31, 201 4 .

/s/ DELOITTE & TOUCHE LLP

Birmingham, Alabama
February 26 , 201 5

The undersigned director of Vulcan Materials Company, a New Jersey corporation, hereby nominates, constitutes and appoints Michael R. Mills, Amy M. Tucker and Jerry F. Perkins Jr. and each of them, the true and lawful attorneys of the undersigned to sign the name of the undersigned as director to the Annual Report on Form 10-K for the year ended December 31, 201 4 of said corporation to be filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and to any and all amendments to said report.

The undersigned hereby grants to said attorneys full power of substitution, resubstitution and revocation, all as fully as the undersigned could do if personally present, hereby ratifying all that said attorneys or their substitutes may lawfully do by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Vulcan Materials Company has executed this Power of Attorney this 13 th day of February, 201 5 .

/s/ Elaine L. Chao
Elaine L. Chao

/s/ Thomas A. Fanning
Thomas A. Fanning

/s/ O.B. Grayson Hall, Jr.
O.B. Grayson Hall, Jr.

/s/ Cynthia L. Hostetler
Cynthia L. Hostetler

/s/ Donald M. James
Donald M. James

/s/ Douglas J. McGregor
Douglas J. McGregor

/s/ Richard T. O'Brien
Richard T. O'Brien

/s/ James T. Prokopanko
James T. Prokopanko

/s/ Donald B. Rice
Donald B. Rice

/s/ Lee J. Styslinger, III
Lee J. Styslinger, III

/s/ Vincent J. Trosino
Vincent J. Trosino

/s/ Kathleen Wilson-Thompson
Kathleen Wilson-Thompson

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, J. Thomas Hill , certify that:

1. I have reviewed this annual report on Form 10- K of Vulcan Materials Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date February 2 6, 201 5

J. Thomas Hill
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John R. McPherson , certify that:

1. I have reviewed this annual report on Form 10- K of Vulcan Materials Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date February 2 6, 201 5

John R. McPherson , Executive Vice President
and Chief Financial and Strategy Officer

EXHIBIT 32(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
OF
VULCAN MATERIALS COMPANY
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

I, J. Thomas Hill , President and Chief Executive Officer of Vulcan Materials Company, certify that the Annual Report on Form 10- K (the "report") for the year ended December 3 1 , 201 4 , filed with the Securities and Exchange Commission on the date hereof:

(i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

(ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Vulcan Materials Company.

J. Thomas Hill
President and Chief Executive Officer
February 26, 201 5

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Vulcan Materials Company and will be retained by Vulcan Materials Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
OF
VULCAN MATERIALS COMPANY
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

I, John R. McPherson , Executive Vice President and Chief Financial and Strategy Officer of Vulcan Materials Company, certify that the Annual Report on Form 10- K (the "report ") for the year ended December 31, 201 4 , filed with the Securities and Exchange Commission on the date hereof:

(i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

(ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Vulcan Materials Company.

John R. McPherson , Executive Vice President
a nd Chief Financial and Strategy Officer
February 26, 201 5

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Vulcan Materials Company and will be retained by Vulcan Materials Company and furnished to the Securities and Exchange Commission or its staff upon request.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted. Section 1503 of the Dodd-Frank Act requires companies that are “operators” (as such term is defined in the Federal Mine Safety and Health Act of 1977 (the Mine Act)) to disclose certain mine safety information in each periodic report to the Securities and Exchange Commission. This information is related to the enforcement of the Mine Act by the Mine Safety and Health Administration (MSHA).

The Dodd-Frank Act and the subsequent implementing regulation issued by the SEC require disclosure of the following categories of violations, orders and citations: (1) Section 104 S&S Citations, which are citations issued for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard; (2) Section 104(b) Orders, which are orders issued upon a follow up inspection where the inspector finds the violation previously cited has not been totally abated in the prescribed time period; (3) Section 104(d) Citations and Orders, which are issued upon violations of mandatory health or safety standards caused by an unwarrantable failure of the operator to comply with the standards; (4) Section 110(b)(2) Violations, which result from the reckless and repeated failure to eliminate a known violation; (5) Section 107(a) Orders, which are given when MSHA determines that an imminent danger exists and results in an order of immediate withdrawal from the area of the mine affected by the condition; and (6) written notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under Section 104(e). In addition, the Dodd-Frank Act requires the disclosure of the total dollar value of proposed assessments from MSHA under the Mine Act and the total number of mining related fatalities.

The following disclosures are made pursuant to Section 1503.

During the twelve months ended December 31, 2014, none of our operations: (i) received any orders under Section 104(b), which are issued upon a follow up inspection where the inspector finds the violation previously cited has not been totally abated in the prescribed time period; (ii) had any flagrant violations under Section 110(b)(2); (iii) received any Section 107(a) Orders, which are given when MSHA determines that an imminent danger exists and results in an order of immediate withdrawal from the area of the mine affected by the condition; (iv) received notice from MSHA of a pattern of violations of mandatory health or safety standards under Section 104(e); or (v) had any mining-related fatalities.

CALENDAR YEAR 201 4

The table below sets forth, by mine, the total number of citations and/or orders issued by MSHA during the period covered by this report under the indicated provisions of the Mine Act, together with the total dollar value of proposed assessments, if any, from MSHA, received during the twelve months ended December 31, 201 4 . Of our 266 active MSHA-regulated facilities during the year, we received 481 federal mine safety inspections at 216 facilities during the reporting period. Of our inspected facilities, 172 did not receive any reportable citations or orders.

Name of Operation	Number of Inspections	Total Number of S&S Citations	Mine Act § 104 (b) Orders	Mine Act § 104(d) Citations and Orders	Mine Act § 110(b)(2) Violations	Mine Act § 107 (a) Orders	Total Dollar Value of Proposed MSHA Assessments (dollars in thousands)	Total Number of Mining Related Fatalities	Received Written Notice under Mine Act § 104(e) (yes/no)
ASTATULA SAND PLANT, FL	3	1	0	0	0	0	0.6	0	No
BARTLETT UG BLUFF CITY, IL	8	2	0	0	0	0	0.8	0	No
BLACKSBURG, SC	2	1	0	0	0	0	0.1	0	No
BOLINGBROOK STONE, IL	4	1	0	0	0	0	0.5	0	No
BROOKSVILLE FL Rock QUARRY, FL	1	1	0	0	0	0	0	0	No
CARROLL CANYON S&G, CA	2	1	0	0	0	0	0.2	0	No
CENTRAL SERVICES, NC	5	1	0	0	0	0	0.8	0	No
CHATTANOOGA QUARRY, TN	3	4	0	0	0	0	2.2	0	No
CHEROKEE QUARRY, GA	3	1	0	0	0	0	0.1	0	No
CHILDERSBURG, AL	4	1	0	0	0	0	0.1	0	No
CLEVELAND QUARRY, TN	3	1	0	0	0	0	0.2	0	No
DALTON, GA	1	1	0	0	0	0	0.7	0	No
FORT MYERS MINE, FL	4	1	0	0	0	0	0.1	0	No
FORT PIERCE MINE, FL	2	1	0	0	0	0	0	0	No
GRAND RIVERS QUARRY, KY	4	4	0	0	0	0	1.6	0	No
HANOVER QUARRY, PA	3	1	0	0	0	0	0.4	0	No
HARDIN COUNTY, KY	1	1	0	0	0	0	0.2	0	No
HARRISON COUNTY QRY, IN	2	1	0	0	0	0	0.2	0	No
KEUKA SAND PLANT, FL	4	1	0	0	0	0	0.6	0	No
KODAK QUARRY, TN	3	3	0	0	0	0	1.1	0	No
LACON, AL	3	1	0	0	0	0	0	0	No
LEMONT, IL	4	1	0	0	0	0	0.3	0	No
LITHIA SPRINGS, GA	3	3	0	0	0	0	1.3	0	No
LOS BANOS S&G, CA	2	1	0	0	0	0	0.2	0	No
LYMAN, SC	2	1	0	0	0	0	0.1	0	No
MACON QUARRY, GA	3	1	0	0	0	0	0.2	0	No
MARYVILLE QUARRY, TN	2	2	0	0	0	0	0.6	0	No
MCCOOK, IL	4	5	0	3	0	0	3.3	0	No
MORRISTOWN QUARRY, TN	1	1	0	0	0	0	0.7	0	No
MSD MACH & SERV, TN	3	1	0	0	0	0	0.7	0	No
PLAINFIELD STONE, IL	2	1	0	0	0	0	0.2	0	No
PLEASANTON S&G, CA	2	3	0	0	0	0	1.7	0	No
RELIANCE S&G, CA	3	1	0	0	0	0	0.7	0	No
RICHMOND RD QUARRY, KY	4	2	0	0	0	0	1.4	0	No
SACRAMENTO PLANT, CA	2	1	0	0	0	0	0.1	0	No
SANDLAND PLANT, FL	2	1	0	0	0	0	0.2	0	No
SANGER S&G, CA	2	1	0	0	0	0	0.8	0	No
SPICEWOOD, TX	1	2	0	0	0	0	0.4	0	No
SYCAMORE STONE, IN	2	4	0	0	0	0	0	0	No
TABLE MOUNTAIN PLANT, CA	3	1	0	0	0	0	0.3	0	No
TAMPA CEMENT GRINDING PLANT, FL	1	1	0	0	0	0	0.2	0	No
TUSCALOOSA, AL	3	1	0	0	0	0	0.3	0	No
WEST 43RD SAND & GRAVEL, AZ	1	4	0	0	0	0	0.5	0	No
WITHERSPOON SAND PLANT, FL	1	1	0	0	0	0	0	0	No
OTHER OPERATIONS - 172	363	0	0	0	0	0	0	0	No
Total	**481**	**70**	**0**	**3**	**0**	**0**	**24.5**	**0**	

The total dollar value of proposed assessments received during the twelve months ended December 31, 201 4 for all other citations, as well as proposed assessments received during the reporting period for citations previously issued, is $ 163,312 .

The table below sets forth, by mine, category of legal action and number of legal actions pending before the Federal Mine Safety and Health Review Commission as of December 3 1 , 201 4 .

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
BLACKSBURG QUARRY, SC	1	0	0
CALERA QUARRY, AL	1	0	0
CENTRAL SERVICES ID G526, NC	1	0	0
GRAND RIVERS QUARRY *APPEAL DISCRIMINATION CLAIM, KY	1	0	1*
HOUSTON SALES YARD, TX	1	0	0
KODAK QUARRY, TN	1	0	0
LITHIA SPRINGS QUARRY,GA	2	0	0
MCCOOK QUARRY, IL	1	0	0
NOTASULGA QUARRY, AL	1	0	0
PUDDLEDOCK SAND & GRAVEL, VA	1	0	0
WEST PLANT, AZ	1	0	0

The table below sets forth, by mine, category of legal action and number of legal actions filed before the Federal Mine Safety and Health Review Commission during the twelve months ended December 3 1 , 201 4 .

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
BROWNWOOD QUARRY, TX	1	0	0
EAST FORSYTH, NC	1	0	0
GRAND RIVERS QUARRY, KY	1	0	0
LAKESIDE QUARRY, SC	1	0	0
LITHIA SPRINGS QUARRY, GA	1	0	0
MACON QUARRY, GA	1	0	0

The table below sets forth, by mine, category of legal action and number of legal actions resolved by the Federal Mine Safety and Health Re view Commission during the twelve months ended December 3 1 , 201 4 .

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
1604 QUARRY, TX	1	0	0
BARTLETT UNDERGROUND QUARRY,IL	1	0	0
BLACK ANGUS PLANT, AZ	1	0	0
BOLINGBROOK UNDERGROUND,IL	3	0	0
CHEROKEE QUARRY, AL	1	0	0
COOKEVILLE QUARRY, TN	1	0	0
DREYFUS QUARRY, SC	1	0	0
ELKIN, NC	1	0	0
GLENCOE QUARRY, AL	1	0	0
GRAHAM-VIRGINIA, VA	1	0	0
GRAND RIVERS QUARRY, KY	0	0	7
GREYSTONE, NC	1	0	0
KANKAKEE QUARRY & MILL, IL	1	0	0
KEUKA SAND PLANT,FL	1	0	0
LAWRENCEVILL, VA	1	0	0
MECKLEBURG ROCK, VA	1	0	0
PLAINFIELD STONE, IL	2	0	0
ROCHESTER SAND & GRAVEL, IL	1	0	0
ROCKMART QUARRY, GA	1	0	0
ROCKINGHAM QUARRY, NC	1	0	0
ROYAL STONE, VA	1	0	0
STAFFORD , VA	2	0	0
SUN CITY PLANT, AZ	1	0	0
TAMPA CEMENT GRINDING PLANT, FL	1	0	0