

Vulcan Materials CO
Form 10-K
February 26, 2010

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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, 2009

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, including zip code, of registrant's principal executive offices)

(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 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 filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Aggregate market value of voting stock held by non-affiliates as of June 30, 2009: **\$ 5,362,319,558**

Number of shares of common stock, \$1.00 par value, outstanding as of February 19, 2010: **126,334,086**

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's annual proxy statement for the annual meeting of its shareholders to be held on May 14, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

VULCAN MATERIALS COMPANY
Annual Report on Form 10-K
Fiscal Year Ended December 31, 2009
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Unless otherwise stated or the context otherwise requires, references in this report to **Vulcan, the company, we, our, or us** refer to Vulcan Materials Company and its consolidated subsidiaries.

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PART I

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 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;

changes in interest rates;

the timing and amount of federal, state and local funding for infrastructure, including the federal stimulus funds;

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 action;

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 incurred by us;

volatility in pension plan asset values which may require cash contributions to our pension plans;

the timing and amount of any future payments to be received under the 5CP earn-out contained in the agreement for the divestiture of our Chemicals business;

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 manage and successfully integrate acquisitions;

the impact of the global economic recession on our business and financial condition and access to capital markets;

the potential impact of future legislation or regulations relating to climate change or greenhouse gas emissions;

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 Other Commitments and Contingencies to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data, all as set forth in this report; and

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

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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 unduly rely 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.

ITEM 1. BUSINESS

SUMMARY

Largest U.S. aggregates company by production and revenues

We are the nation's largest producer of construction aggregates, primarily crushed stone, sand and gravel. We are also a major producer of asphalt mix and ready-mixed concrete and a leading producer of cement in Florida.

We estimate that the ten largest aggregates producers account for approximately 30% to 35% of the total U.S. aggregates production. Although the industry leader, Vulcan's total U.S. market share is less than 10%. Other publicly traded companies among the ten largest U.S. aggregates producers include Cemex, CRH, Heidelberg, Holcim, Lafarge, MDU Resources and Martin Marietta Materials. The U.S. aggregates industry is highly fragmented with approximately 5,000 companies managing more than 10,000 operations. This industry structure provides considerable opportunities for consolidation and it is common for companies in the industry to grow by entering new markets or enhancing their market positions by acquiring existing facilities. Since our inception as a public company in 1956, we have grown mainly through mergers and acquisitions.

Reserves are essential to long-term success in the aggregates business. We have 14.2 billion tons of permitted and proven or probable reserves.

Reporting segments

We have three reporting segments organized around our principal product lines: aggregates, asphalt mix and concrete, and cement.

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STRATEGY

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

AGGREGATES-LED VALUE CREATION 2009 NET SALES

* Represents sales to external customers of our aggregates and our downstream products that use our aggregates

Aggregates focus

Attractive industry fundamentals Aggregates are used in virtually all types of public and private construction projects and there are practically no substitutes for quality aggregates. Because of barriers to entry created by zoning and permitting regulations and because of high transportation costs, the location of reserves is critical to long-term success. Our reserves are strategically located in high growth areas throughout the United States that will require large amounts of aggregates to meet construction demand. Aggregates operations have flexible production capabilities and require no raw material inputs other than owned or leased aggregates reserves.

Scale from being largest producer Each aggregates operation is unique because of its location within a local market and its geological characteristics. However, every operation utilizes a similar group of assets to produce saleable aggregates and provide customer service. As the largest aggregates company in the U.S., whether measured by production or revenues, our 317 aggregates facilities provide opportunities to standardize and procure equipment (fixed and mobile), parts, supplies and services either regionally or nationally in the most efficient and cost-effective manner possible. Additionally, we are able to share best practices across the organization and leverage our size in the areas of administrative support, customer service, accounts receivables and accounts payable, technical support and engineering.

Ability to generate strong cash flows, even in a recession A knowledgeable and experienced workforce and flexible production capabilities have allowed us to aggressively manage costs during the current recession. As a result, operating cash flow was \$453.0 million in 2009 and \$435.2 million in 2008.

Our downstream businesses (asphalt-mix and ready-mixed concrete) use Vulcan-produced aggregates
Virtually all of the aggregates used at our asphalt-mix and ready-mixed concrete plants are produced internally.

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Leverage coast-to-coast footprint

Demand for construction aggregates generally correlates with changes in population growth, household formation and employment. We have pursued a strategy to increase our presence in metropolitan areas that are expected to grow the most rapidly.

PERCENTAGE SHARE OF PREDICTED U.S. POPULATION GROWTH TO 2020

Source: Woods & Poole Economics and Moody's Economy.com

Large, high-growth markets We have aggregates operations in 9 of the 10 metropolitan areas that demographers expect to have the largest absolute growth in population over the next decade. Vulcan-served states are predicted to have 74% of the total growth in the U.S. population to 2020. Our top five revenue producing states are predicted to have 48% of the total growth in the U.S. population to 2020. This position gives us strategically located reserves where they are most needed. Additionally, many of these reserves are located in areas where zoning and permitting laws have made opening new quarries increasingly difficult.

Diversified regional exposure helps insulate Vulcan from variations in local weather and economies.

Profitable growth

Strategic acquisitions Since its inception as a public company in 1956, Vulcan has principally grown by merger and acquisition. For example, in 1999 we acquired CalMat, Inc., expanding our aggregates operations into California, Arizona and New Mexico and making us one of the nation's leading producers of hot-mix asphalt and ready-mixed concrete. In 2007, we acquired Florida Rock Industries, Inc. (Florida Rock), the largest acquisition in our history. The Florida Rock acquisition expanded our aggregates business in Florida and other southeastern and mid-Atlantic states, and added to our operations an extensive ready-mixed concrete business in Florida, Maryland, Virginia and Washington, D.C. and cement manufacturing and distribution facilities in Florida. In addition to these large acquisitions, we have completed many smaller acquisitions that over time have contributed significantly to our growth.

Tightly manage costs In a business where our aggregates sell, on average, for \$10.30 per ton, we are accustomed to rigorous cost management throughout economic cycles. Small savings per ton of production add up to significant cost reductions. We are able to rationalize production and adjust employment levels to meet changing market demands without jeopardizing our ability to capitalize on future increased demand.

Reinvestment opportunities with high returns It is estimated that 74% of the U.S. population growth over the next decade will occur in Vulcan-served states. The close proximity of our production facilities and our aggregates reserves to this projected population growth creates many opportunities to invest capital in high-return projects — projects that will add reserves, increase production capacity and improve costs.

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Effective land management

Responsible land management is important to Vulcan's success, not only with respect to social responsibility but also as a component of our business strategy. Good stewardship requires the careful use of existing resources. It also requires long-term planning, because mining, ultimately, is an interim use of the land. We therefore strive to achieve a balance between the value we create through our mining activities and the value created when properties can be reused at the conclusion of mining. We continue to expand our thinking and focus our actions on wise decisions regarding the life cycle management of the land we currently hold and will hold in the future.

AGGREGATES

Attractive U.S. market fundamentals for aggregates

There are a number of factors that affect the U.S. aggregates industry and our business.

Primarily local markets

Aggregates have a high weight-to-value ratio and, in most cases, must be produced near where they are used or transportation can cost more than the 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 aggregates. We serve these markets from inland quarries—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 Panamax-class, self-unloading ships.

Location and quality of reserves are critical

Vulcan currently has 14.2 billion tons of permitted and proven or probable reserves. The bulk of these reserves are located in areas we expect to have greater than average rates of growth in population, jobs and households, requiring new infrastructure, housing, offices, schools and other development, all of which require aggregates for construction. Zoning and permitting regulations have made it increasingly difficult for the aggregates industry to expand existing quarries or to develop new quarries in some markets. These restrictions could curtail expansion in certain areas but they could also increase the value of our reserves at existing locations.

Demand cycles characterized by short, steep declines followed by solid recovery

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, the declines have historically been followed by strong recovery, with each peak establishing a new historical high. In comparison to all other recent demand cycles, the current downturn has been unusually steep and long. It is therefore difficult to predict the timing or strength of any future recovery.

Diverse markets

Large quantities of aggregates are used in virtually all types of public- and private-sector construction projects: highways, water and sewer systems, industrial manufacturing facilities, residential and nonresidential buildings. Aggregates also are widely used as railroad track ballast.

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ESTIMATED U.S. AGGREGATES DEMAND BY END-MARKET

Source: internal estimates

Highway construction is the most aggregates-intensive form of construction and residential construction is the least intensive. A dollar of spending for highway construction is estimated to consume seven times the quantity of aggregates consumed by a dollar of spending for residential construction. Other non-highway infrastructure markets like airports, sewer and waste disposal or water supply plants and utilities also require large quantities of aggregates in their foundations and structures. These types of infrastructure-related construction can be four times more aggregates-intensive than residential construction. Generally, nonresidential buildings require two to three times as much aggregates per dollar of spending as a new home with most of the aggregates used in the foundations, building structure and parking lots.

Highly fragmented industry

The U.S. aggregates industry is composed of approximately 5,000 companies managing more than 10,000 operations. This fragmented structure provides considerable opportunities for consolidation and it is common for companies in the industry to 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 historically has been more stable than privately funded construction. Public construction also has been less cyclical than private construction and it requires more aggregates per dollar of construction spending. Private construction (primarily residential and nonresidential buildings) typically is more subject to general economic cycles than public construction. Publicly funded projects (particularly highways, roads and bridges) tend to receive consistent levels of funding throughout economic cycles.

Limited product substitution

With few exceptions, there are no practical substitutes for quality aggregates. In some areas, typically urban locations, recycled concrete has limited applications as a lower-cost alternative to virgin aggregates. However, many types of construction projects cannot be serviced by recycled concrete but require the use of virgin aggregates to meet specifications and performance-based criteria for durability, strength and other qualities.

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Widely used in downstream products

In the production process, aggregates are processed for specific applications or uses. Two downstream products that utilize aggregates are asphalt mix and ready-mixed concrete. Aggregates comprise approximately 95% of asphalt mix by weight and 78% of ready-mixed concrete by weight.

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 ultimate use. The production does not require high start-up costs like continuous process manufacturing. Production capacity can be flexed efficiently by adjusting operating hours to meet changing market demand. For example, we reduced production during 2009 in response to the economic downturn and have the capacity to quickly increase production as economic conditions and demand improve.

No raw material inputs

Unlike much industrial manufacturing, the aggregates industry does not require raw material inputs beyond owned or leased aggregates reserves. Stone, sand and gravel are naturally occurring resources. Production does require the use of explosives, hydrocarbon fuels and electric power.

Our markets

Our markets are local yet national. Because transportation is a significant part of the delivered cost of aggregates, we focus on the areas of the U.S. with the greatest expected population growth and where construction is expected to expand. Thus, our distribution facilities are located in the markets they serve.

Public sector

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 2009, publicly funded construction accounted for 50% of our total aggregates shipments.

Generally, public sector construction spending is more stable than private sector construction. Public sector spending is less sensitive to interest rates and often is supported by multi-year legislation and programs. The federal transportation bill is a principal source of federal funding for public infrastructure and transportation projects. For over two decades, the federal funding component of these projects has been provided through a series of six-year bills. The multi-year aspect of these bills is critically important because it provides state departments of transportation with the ability to plan and execute long-term and complex highway projects. Federal highway spending has been governed by a six-year authorization bill, the most recent covering fiscal years 2004-2009, and annual budget appropriations using funds largely taken from the Federal Highway Trust Fund. This trust 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 2009, approximately 27% of our aggregates sales by volume were used in public highway construction projects.

The most recent federal transportation bill, known as SAFETEA-LU, expired on September 30, 2009. Following the expiration, Congress has yet to extend the legislation or pass a replacement bill. As a result, funds for highway construction are being provided by a series of relatively short continuing resolutions and at funding levels considerably below what would have been available had Congress extended the provisions of SAFETEA-LU. This uncertainty compelled many states to postpone highway maintenance and improvement projects.

Congress currently is working to finalize a jobs bill that includes provisions to restore highway funding at previously budgeted levels through the end of 2010. This action would be funded by the transfer of approximately \$20 billion in interest owed from the General Fund to the Highway Trust Fund. If passed, this legislation would be an important first step on the path to long-term highway funding stability that will occur with the ultimate passage of a multi-year highway bill.

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There is significant need for additional and ongoing investments in the nation's infrastructure. In 2009, a report by the American Society of Civil Engineers (ASCE) gave our nation's infrastructure an overall grade of "D" and estimated that an investment of \$2.2 trillion over a five-year period is needed for improvements. While the needs are clear, the source of funding for infrastructure improvements is not. In its report, the ASCE suggests that all levels of government, owners and users need to renew their commitment to infrastructure investments in all categories and that all available financing options should be explored and debated.

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009 to create jobs and restore economic growth through, among other things, the modernization of America's infrastructure and improving its energy resources. Included in the \$787 billion of economic stimulus funding is \$50 to \$60 billion of heavy construction, including \$27.5 billion for highways and bridges. This federal funding for highways and bridges, unlike typical federal funding programs for infrastructure, will not require states to provide matching funds. The nature of the projects that are being funded by ARRA generally will require considerable quantities of aggregates. Also, we expect construction activity will increase due to spending allocated to the following areas: \$1.1 billion for airports; \$8.4 billion for mass transit; \$8.0 billion for high speed rail; \$4.6 billion for the Army Corps of Engineers; \$6.0 billion for water and sewer projects; and \$4.2 billion for United States Department of Defense facilities. Other funding and tax relief that could generate additional demand for our products includes \$6.4 billion to clean nuclear weapon sites; \$6.0 billion to subsidize loans for renewable energy; \$20.0 billion for renewable energy tax incentives; \$6.3 billion to states for energy efficiency and clean energy grants; \$8.8 billion for the renovation of schools; and \$6.6 billion for a first time homebuyer credit of \$8,000.

Economic stimulus funds of \$27.5 billion designated for highway projects under ARRA buoyed contract awards for highways in the second half of 2009. Through December 2009, the Federal Highway Administration reported approximately \$15 billion of stimulus-related highway projects under construction with \$5.6 billion of these stimulus funds having been paid to contractors for work performed. During this same period, Vulcan-served states, which were apportioned 55% more funds than other states, lagged the rest of the country in awarding and starting stimulus-related highway construction projects. These differences in awarding projects and spending patterns result in part from the types of projects planned and the proportion sub-allocated to metropolitan planning organizations where project planning and execution can be more complicated and time consuming.

Despite the failure of Congress to pass a fully-funded extension of SAFETEA-LU, the previous highway authorization that expired on September 30, 2009, contract awards for highways in the fourth quarter increased 9% from the same period in the prior year. Moreover, contract awards for highway projects in Vulcan-served states increased 13% from the prior year fourth quarter versus a 2% increase in other states. We are encouraged by the increased award activity and are optimistic that stimulus-related highway projects in Vulcan-served states, after a slow start, are now moving forward and will increase demand for our products in 2010.

Our available production capacity and ongoing efforts to improve cash margins position Vulcan to participate efficiently and effectively in the \$50 to \$60 billion of stimulus-related heavy construction, including significant remaining portions of the \$27.5 billion for highways and bridges. We expect 2010 to be the largest year of stimulus-related highway demand for our products, followed by another solid year in 2011.

Private sector

This market includes both nonresidential buildings and residential construction and is more cyclical than public construction. In 2009, privately-funded construction accounted for 50% of our total aggregates shipments. Private nonresidential construction includes a wide array of project types and generally is more aggregates intensive per dollar of construction spending than residential construction but less aggregates intensive than public construction. Overall demand in private nonresidential construction is generally driven by job growth, vacancy rates, private infrastructure needs and demographic trends. The growth of the private workforce creates a 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.

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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 a small portion of the housing demand. Household formations in Vulcan's markets have grown faster than the U.S. as a whole in the last 10 years. During that time, U.S. household growth was only 11% compared to 14% in our markets. Construction activity in this end market is influenced by the cost and availability of mortgage financing. Demand for our products generally occurs early in the infrastructure phase of residential construction and later as part of driveways or parking lots.

U.S. housing starts peaked in 2005 at just over 2 million units. By the end of 2009, housing starts had declined to approximately 600,000 units, a 70% decline from the most recent peak and well below prior historical lows of approximately 1 million units annually. Multi-family starts have remained weak. However, in November 2009, single-family housing starts increased 28% as compared to the same period in 2008, breaking a string of 43 consecutive months of year-over-year declines. We believe this data, while not necessarily reflective of a long-term trend, is encouraging. Lower home prices, attractive mortgage interest rates and fewer existing homes for sale provide some optimism in single-family housing construction in 2010 and beyond.

Consistent with past cycles of private sector construction, private nonresidential construction remained strong after residential construction peaked in 2005. However, in late 2007, contract awards for nonresidential buildings peaked. In 2008, contract awards in the U.S. declined 24% from the prior year, and in 2009 fell sharply, declining 56% from 2008 levels. Contract awards for stores and office buildings were the weakest categories of nonresidential construction in 2009, declining more than 60% from the prior year.

Other markets

We sell ballast to railroads for construction and maintenance of railroad track. We also sell riprap and jetty stone for erosion control along waterways. In addition, stone also 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 also can be sold as agricultural lime.

Our competitive advantage

We are the largest producer of construction aggregates in the United States. The aggregates market is highly fragmented with many small, independent producers. Therefore, depending on the market, we may compete with large national or regional firms as well as relatively small local producers. Since construction aggregates are expensive to transport relative to their value, markets generally are local in nature. Thus, the cost to deliver product to the location where it is used is an important competitive factor.

DEMOGRAPHIC TRENDS 2010 TO 2020

Forecasted compound annual growth rate

Source: Woods & Poole Economics and Moody's Economy.com

We focus on serving metropolitan areas that demographers expect will experience the largest absolute growth in population in the future. A market often consists of a single metropolitan area or one or more counties where

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transportation from the producing location to the customer is by truck only. Approximately 84% of our total aggregates shipments are delivered locally by truck. Sales yards and other distribution facilities located on waterways and rail lines allow us to reach markets that do not have locally available sources of aggregates.

Zoning and permitting regulations in some markets have made it increasingly difficult to expand existing quarries or to develop new quarries. Any such regulations, while potentially curtailing expansion in certain areas, could also increase the value of our reserves at existing locations.

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. Non-domestic sales and long-lived assets outside the United States are reported in Note 15 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data.

ASPHALT MIX AND CONCRETE

We produce and sell asphalt mix and ready-mixed concrete primarily in our mid-Atlantic, Florida, southwestern and western markets. Additionally, we produce and sell in a limited number of these markets other concrete products such as block, prestressed and precast beams, and resell purchased building materials for use with ready-mixed concrete and concrete block.

This segment relies on our reserves of aggregates, functioning essentially as a customer to our aggregates operations or as a means of distributing products produced by our aggregates and cement businesses. Aggregates are a major component in asphalt mix and in ready-mixed concrete, comprising approximately 95% of asphalt mix by weight and 78% of ready-mixed concrete by weight. Our Asphalt mix and Concrete segment is almost wholly supplied with its aggregates requirements from our Aggregates segment. These product transfers are made at local market prices for the particular grade and quality of material required.

Customers for our Asphalt mix and Concrete segment are generally served locally from our production facilities or by truck. Because ready-mixed concrete and asphalt mix harden rapidly, delivery typically is confined to a radius of approximately 20 to 25 miles from the producing facility. Our Asphalt mix and Concrete segment constituted approximately 30% of our sales dollars before the elimination of intersegment sales in 2009, compared to 32% in 2008 and 24% in 2007.

Ready-mixed concrete production also requires cement. In the Florida market, cement requirements for ready-mixed concrete production is supplied substantially by our Cement segment. In other markets, we purchase cement from third-party suppliers. The asphalt production process requires liquid asphalt, which we purchase entirely from third-party producers. We do not anticipate any material difficulties in obtaining the raw materials necessary for this segment to operate.

CEMENT

Our Newberry, Florida cement plant produces Portland and masonry cement that we sell in both bulk form and bags to the concrete products industry. Our Tampa, Florida facility imports and exports cement and slag. Some of the imported cement is resold, and the balance of the cement is blended, bagged, or reprocessed into specialty cements that are then sold. The slag is ground and sold in blended or unblended form. Our Port Manatee, Florida facility imports cement clinker that is ground into bulk cement and sold. Our Brooksville, Florida plant produces calcium products for the animal feed, paint, plastics and joint compound industries.

The Cement segment's largest single customer is our ready-mixed concrete operations within the Asphalt mix and Concrete segment.

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During 2009, we substantially completed the project to expand our Newberry cement facility to double its production capacity to 1.6 million tons per year. This plant is supplied by limestone mined at the facility. These limestone reserves total 193.9 million tons. The new capacity is expected to become fully operational in 2010.

Our Brooksville calcium facility is supplied with high quality calcium carbonate material mined at the Brooksville quarry. The calcium carbonate reserves at this quarry total approximately 6.6 million tons.

OTHER BUSINESS RELATED ITEMS

Seasonality and cyclical nature of our business

Almost all our products are produced and consumed outdoors. Our financial results for any quarter do not necessarily indicate the results expected for the year because seasonal changes and other weather-related conditions can affect the production and sales volumes of our products. Normally, the highest sales and earnings are in the third quarter and the lowest are in the first quarter. Further, 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 changing interest rates, and demographic and population fluctuations.

Customers

No material part of our business is dependent upon one or a few customers, the loss of which would have a material adverse effect on our business. In 2009, our top five customers accounted for 4.2% of our total revenues (excluding internal sales), and no single customer accounted for more than 1.3% of our total revenues. Our products typically are sold to private industry and not directly to governmental entities. Although approximately 45% to 55% of our aggregates shipments have historically gone into 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.

Research and development costs

We conduct research and development and technical service activities at our Technical Service Center in Birmingham, Alabama. In general, these efforts are directed toward new and more efficient uses of our products and in supporting customers in pursuing the most efficient use of our products. We spent \$1.5 million in 2009 and 2008 and \$1.6 million in 2007 on research and development activities.

Environmental costs and governmental regulation

Our operations are subject to federal, state and local laws and regulations relating to the environment and to health and safety, including noise, water discharge, air quality, dust control, zoning and permitting. We estimate that capital expenditures for environmental control facilities in 2010 and 2011 will be approximately \$8.1 million and \$7.2 million, respectively.

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, adjusted for inflation and risk and including a reasonable profit margin. All reclamation obligations are reviewed at least annually. 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. 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.

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Patents and trademarks

We do not own or have a license or other rights under any patents, 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, but 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 (i.e., Aggregates, Asphalt mix and Concrete, and Cement).

As of January 1, 2010, we employed 8,227 people in the U.S., a reduction of 1,093 from January 1, 2009. Of these employees, 795 are represented by labor unions. We also employ 252 union hourly employees in Mexico. We do not anticipate any significant issues with such unions in 2010.

We do not consider our backlog of orders to be material to, or a significant factor in, evaluating and understanding our business.

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 and 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. Additionally, we have adopted a 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 Board of Directors has also adopted Corporate Governance Guidelines and charters for its Audit, Compensation and Governance Committees that are designed to meet all applicable SEC and New York Stock Exchange regulatory requirements. Each of these documents is 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.

ITEM 1A. RISK FACTORS

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.

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Our incurrence of additional debt to finance a portion of the Florida Rock merger significantly increased our interest expense, financial leverage and debt service requirements We incurred considerable short-term and long-term debt to finance the Florida Rock merger. Incurrence of this debt significantly increased our leverage and caused downgrades in our credit rating. There may be circumstances in which required payments of principal and/or interest on this debt could adversely affect our cash flows.

There are various financial and restrictive covenants in our debt instruments. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity. A default under our debt instruments may also significantly affect our ability to obtain additional or alternative financing.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

Construction, both commercial and residential, is dependent upon the overall U.S. economy which remains weak and could weaken further Commercial and residential construction levels generally move with economic cycles; when the economy is strong, construction levels rise and when the economy is weak, construction levels fall. The overall U.S. economy has been hurt by the changes in the financial services sector, including failures of several large financial institutions, significant merger and acquisition activity within that industry and the resulting constraints on credit availability. The commercial construction market declined in 2008 and 2009, due mostly to the recession and disruptions in credit availability. Also, continued weakness in the residential construction market negatively affected the commercial construction market. The residential construction market further softened in 2009 as a result of the housing market downturn. The overall weakness in the economy and the uncertainty in the credit markets could cause commercial and residential construction to remain at low levels or weaken further.

The collapse of the subprime mortgage market and, in turn, the housing market could continue to negatively affect demand for our products In most of our markets, particularly Florida and California, sales volumes have been negatively impacted by the collapse of the subprime mortgage market and a significant decline in residential construction. Our sales volumes and earnings could continue to be depressed and negatively impacted by this segment of the market until the slowdown in residential construction improves.

A decline in public sector construction and reductions in governmental funding could adversely affect our operations and results In 2009, 50% of our sales volume of construction aggregates was made to contractors on publicly funded construction projects. If, as a result of a loss of federal funding, a protracted delay by Congress to extend or replace the multi-year federal transportation bill that expired on September 30, 2009, or a significant reduction in state or federal budgets, spending on publicly funded construction were to be reduced significantly, our earnings and cash flows could be negatively affected. Further, any delays in expenditure of stimulus funds designated for highways and other public work projects pursuant to the American Recovery and Reinvestment Act of 2009 could negatively impact our earnings for 2010.

Difficult and volatile conditions in the credit markets could affect our financial position, results of operations and cash flows The current credit environment has negatively affected the U.S. economy and demand for our products. Commercial and residential construction could continue to decline if companies and consumers are unable to finance construction projects or if the economic slowdown continues to cause delays or cancellations of capital projects. A recessionary economy can also increase the likelihood we will not be able to collect on our accounts receivable from our customers. We have experienced payment delays from some of our customers during this economic downturn.

The credit environment could limit our ability to issue commercial paper. Additional financing or refinancing might not be available and, if available, may not be at economically favorable terms. Interest rates on new issuances of long-term public debt in the market may increase due to higher credit and risk premiums. There is no guarantee we will be able to access the capital markets at economical interest rates, which could negatively affect our business.

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We may be required to obtain financing in order to fund certain strategic acquisitions, if they arise, or to refinance our outstanding debt. We are also exposed to risks from tightening credit markets, through the interest payable on our outstanding short-term debt and the interest cost on our commercial paper, to the extent it is available to us. While it is our objective to maintain our credit ratings at investment grade levels, we cannot be assured these ratings will remain at those levels. While we believe that we will continue to have adequate credit available to meet our needs, there can be no assurance of such credit availability.

Weather can materially affect our quarterly results Almost all of our products are used 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 since their work also can be hampered by weather. Therefore, our results can be negatively affected by inclement weather.

Within our local markets, we operate in a highly competitive industry The construction aggregates industry is highly fragmented with a large number of independent local producers in a number of our markets. However, in most markets, we also compete against large private and public companies, some of which are more vertically integrated than we are. This results in intense competition in a number of markets in which we operate. Significant competition could lead to lower prices, lower sales volumes and higher costs in some markets, negatively affecting our earnings and cash flows. In certain markets, vertically integrated competitors have acquired some asphalt mix and ready-mixed concrete customers and this trend may continue to accelerate.

Our long-term success is dependent upon securing and permitting aggregates reserves in strategically located areas

Construction 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 very localized around our quarry sites. New quarry sites often take a number of years to develop, so 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 is dependent in part on acquiring other businesses in our industry and successfully integrating them with our existing operations The expansion of our business is dependent in part on the acquisition of existing businesses that own or control aggregates reserves. Credit and financing availability could make it more difficult to capitalize on potential acquisitions. Additionally, with regard to the acquisitions we are able to complete, our future results will be dependent in part on our ability to successfully integrate these businesses with our existing operations.

Changes in legal requirements and governmental policies concerning zoning, land use, environmental and other areas of the law impact our business 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, there is the inherent risk of liability in the operation of our business, especially from an environmental standpoint. These potential liabilities could have an adverse impact on our operations and profitability. Our operations require numerous governmental approvals and permits, which often require us to make significant capital and maintenance expenditures to comply with zoning and environmental laws and regulations. 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.

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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 the extraction and production of construction aggregates, profitability as measured in absolute dollars and as a percentage of net sales (margins) can be greatly impacted due to changes in volume.

Our products are transported by truck, rail, barge or ship, primarily 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. Costs 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.

Our future success depends greatly 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 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 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 interrupting 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.

The costs of providing pension and healthcare benefits to our employees have risen in recent years. Continuing increases in such costs could negatively affect our earnings The costs of providing pension and healthcare benefits to our employees have increased substantially over the past several years. We have instituted measures to help slow the rate of increase. However, if these costs continue to rise, this could have an adverse effect on our financial position, results of operations, or cash flows.

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 class action and complex litigation proceedings, some arising from our previous ownership and operation of our Chemicals business. 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.

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 including pending U.S. legislation that, if enacted, would limit and reduce greenhouse gas emissions through a cap and trade system of allowances and credits, among other provisions. In addition, the Environmental Protection Agency (EPA) has for the first time required large emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions and has proposed a permitting process for large emitters. We have determined that our Newberry cement plant would likely be subject to this permitting under the regulations as currently proposed. These regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly through customers or our supply chain. Any such cap-and-trade

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system or other limitations imposed on the emission of greenhouse gases could have a material adverse effect on our financial position, results of operation or cash flows.

The potential physical impacts of climate change on our operations are highly uncertain, and will be particular to the specific geographic location of our facilities and operations. These may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. The impact of these laws and regulations could also potentially increase our energy costs. These effects may adversely impact the cost, production and financial performance of our operations.

We use estimates in accounting for a number of significant items. Changes in our estimates could 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 goodwill and goodwill impairment; impairment of long-lived assets excluding goodwill; reclamation costs; pension and other postretirement benefits; environmental compliance; claims and litigation including self-insurance; and income taxes. Although we believe we have sufficient experience and reasonable procedures to enable us to make appropriate assumptions and formulate reasonable estimates, these assumptions and estimates could change significantly in the future and could result in a material adverse effect on our financial position, results of operations, or cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

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 markets in 21 states, the District of Columbia 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 predicted 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 14.2 billion tons of proven and probable aggregates reserves reflects a decrease of 0.2 billion tons, on a comparable basis, from the estimate at the end of 2008. 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/or quality 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 and grade and/or 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,

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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 14.2 billion tons of estimated aggregates reserves reported at the end of 2009 include reserves at inactive and greenfield (undeveloped) sites. We reported proven and probable reserves of 13.3 billion tons at the end of 2008. That determination excluded reserves at inactive and greenfield sites that otherwise qualified as proven or probable reserves and could be economically and legally extracted. Including inactive and greenfield sites, proven and probable reserves at the end of 2008 were 14.4 billion tons. This table presents, by division, the tons of proven and probable aggregates reserves as of December 31, 2009 and the types of facilities operated.

	Reserves (billions of tons)	Number of Aggregates Operating Facilities ¹		
		Stone	Sand and Gravel	Sales Yards
By Division:				
Florida Rock	0.5	5	11	6
Mideast	3.7	39	2	25
Midsouth	2.1	40	1	0
Midwest	1.9	17	5	4
Southeast	2.2	34	0	3
Southern and Gulf Coast	2.0	23	1	27
Southwest	0.9	13	1	13
Western	0.9	2	27	1
Total	14.2	173	48	79

¹ In addition to the facilities included in the table above, we operate 17 recrushed concrete plants which are not dependent on reserves.

Of the 14.2 billion tons of aggregates reserves, 8.0 billion tons or 56% are located on owned land and 6.2 billion tons or 44% are located on leased land. While some of our leases run until reserves at the leased sites are exhausted, generally our leases have definite expiration dates, which range from 2010 to 2159. Most of our leases have renewal options to extend them well beyond their current terms at our discretion.

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 contributes more than 5% to our net sales.

Location**Reserves**

(nearest major metropolitan area)	(millions of tons)
Playa del Carmen (Cancun), Mexico	665.2
Hanover (Harrisburg), Pennsylvania	563.7
McCook (Chicago), Illinois	445.9
Dekalb (Chicago), Illinois	366.5
Gold Hill (Charlotte), North Carolina	294.9
Rockingham (Charlotte), North Carolina	259.3
1604 Stone (San Antonio), Texas	214.1
Grand Rivers (Paducah), Kentucky	179.6
Macon, Georgia	179.5
Gray Court (Greenville), South Carolina	170.2

Table of Contents**Asphalt mix, Concrete and Cement**

We also operate a number of other facilities in several of our divisions:

Division	Asphalt mix Facilities	Concrete Facilities¹	Cement Facilities²
Florida Rock	0	75	4
Northern Concrete	0	32	0
Southwest	11	4	0
Western	27	15	0

¹ Includes ready-mixed concrete, concrete block and other concrete products facilities.

² Includes one cement manufacturing facility, two cement import terminals and a calcium plant.

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 Cement segment operates two limestone quarries in Florida:

Location	Reserves (millions of tons)
Newberry	193.9
Brooksville	6.6

Headquarters

Our headquarters are located in an office complex in Birmingham, Alabama. The office space is leased through December 31, 2013, with two five-year renewal periods, and consists of approximately 184,125 square feet. The annual rental costs 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.

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No matter was submitted to our security holders through the solicitation of proxies or otherwise during the fourth quarter of 2009.

Executive officers of the registrant

The names, positions and ages, as of February 20, 2010, of our executive officers are as follows:

Name	Position	Age
Donald M. James	Chairman and Chief Executive Officer	61
Robert A. Wason IV	Senior Vice President, General Counsel	58
Ronald G. McAbee	Senior Vice President, Construction Materials-West	62
Daniel F. Sansone	Senior Vice President, Chief Financial Officer	57
Danny R. Shepherd	Senior Vice President, Construction Materials-East	58
Ejaz A. Khan	Vice President, Controller and Chief Information Officer	52

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

Donald M. James was named Chief Executive Officer and Chairman of the Board of Directors in 1997.

Robert A. Wason IV was elected Senior Vice President, General Counsel in August 2008. Prior to that, he served as Senior Vice President, Corporate Development since December 1998.

Ronald G. McAbee was elected Senior Vice President, Construction Materials-West in February 2007. Prior to that date, he served as President, Western Division from June 2004 through January 2007. Prior to that, he served as President, Mideast Division.

Daniel F. Sansone was elected Senior Vice President, Chief Financial Officer in May 2005. Prior to that date, he served as President, Southern and Gulf Coast Division and its predecessor businesses from May 1997 through May 2005.

Danny R. Shepherd was elected Senior Vice President, Construction Materials-East in February 2007. Prior to that date, he served as President, Southeast Division from May 2002 through January 2007.

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

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the New York Stock Exchange (ticker symbol VMC). As of February 19, 2010, the number of shareholders of record was 5,201. 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 2009 and 2008.

	Common Stock Prices		Dividends Declared
	High	Low	
2009			
First quarter	\$ 71.26	\$ 34.30	\$ 0.49
Second quarter	53.94	39.65	0.49
Third quarter	62.00	39.14	0.25
Fourth quarter	54.37	44.70	0.25
2008			
First quarter	\$ 79.75	\$ 60.20	\$ 0.49
Second quarter	84.73	59.26	0.49
Third quarter	100.25	49.39	0.49
Fourth quarter	77.95	39.52	0.49

Our policy is to pay out a reasonable share of net cash provided by operating activities as dividends, while maintaining debt ratios within what we believe to be prudent and generally acceptable limits. The future payment of dividends is within the discretion of our Board of Directors and depends on our profitability, capital requirements, financial condition, debt reduction, growth, business opportunities and other factors which our Board of Directors may deem relevant. We are not a party to any contracts or agreements that currently materially limit, or are likely to limit in the future, our ability to pay dividends.

Issuer Purchases of Equity Securities

We did not have any repurchases of stock during the fourth quarter of 2009. We did not have any unregistered sales of equity securities during the fourth quarter of 2009.

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The selected statement of earnings, per share data and balance sheet data for each of the five years ended December 31, 2009, set forth below 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:

*Amounts in millions,
except per share data*

<i>For the years ended December 31</i>	2009	2008	2007	2006	2005
		(As Restated 1)			
Net sales	\$ 2,543.7	\$ 3,453.1	\$ 3,090.1	\$ 3,041.1	\$ 2,615.0
Total revenues	\$ 2,690.5	\$ 3,651.4	\$ 3,327.8	\$ 3,342.5	\$ 2,895.3
Gross profit	\$ 446.0	\$ 749.7	\$ 950.9	\$ 931.9	\$ 708.8
Earnings from continuing operations ²	\$ 18.6	\$ 3.4	\$ 463.1	\$ 480.2	\$ 344.1
Earnings (loss) on discontinued operations, net of tax ³	\$ 11.7	\$ (2.4)	\$ (12.2)	\$ (10.0)	\$ 44.9
Net earnings	\$ 30.3	\$ 0.9	\$ 450.9	\$ 470.2	\$ 389.1
Basic earnings (loss) per share					
Earnings from continuing operations	\$ 0.16	\$ 0.03	\$ 4.77	\$ 4.92	\$ 3.37
Discontinued operations	0.09	(0.02)	(0.12)	(0.10)	0.44
Net earnings	\$ 0.25	\$ 0.01	\$ 4.65	\$ 4.82	\$ 3.81
Diluted earnings (loss) per share					
Earnings from continuing operations	\$ 0.16	\$ 0.03	\$ 4.66	\$ 4.81	\$ 3.31
Discontinued operations	0.09	(0.02)	(0.12)	(0.10)	0.43
Net earnings	\$ 0.25	\$ 0.01	\$ 4.54	\$ 4.71	\$ 3.74
Total assets	\$ 8,533.0	\$ 8,916.6	\$ 8,936.4	\$ 3,427.8	\$ 3,590.4
Long-term debt	\$ 2,116.1	\$ 2,153.6	\$ 1,529.8	\$ 322.1	\$ 323.4
Shareholders' equity	\$ 4,052.0	\$ 3,553.8	\$ 3,785.6	\$ 2,036.9	\$ 2,133.6
Cash dividends declared per share	\$ 1.48	\$ 1.96	\$ 1.84	\$ 1.48	\$ 1.16

¹ See Note 20
Correction of
Prior Period
Financial
Statements in
Item 8 Financial
Statements and

Supplementary
Data.

- ² Earnings from continuing operations during 2008 includes an after tax goodwill impairment charge of \$227.6 million, or \$2.05 per diluted share, for our Cement segment in Florida.
- ³ Discontinued operations include the results from operations attributable to our former Chloralkali and Performance Chemicals businesses, divested in 2005 and 2003, respectively.

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

EXECUTIVE SUMMARY

KEY DRIVERS OF VALUE CREATION

**Source: Woods & Poole Economics and Moody's Economy.com*

Financial highlights for 2009

Net earnings from continuing operations were \$18.6 million compared to \$3.4 million in the prior year

EBITDA was \$548.4 million compared to adjusted EBITDA of \$886.5 million in the prior year

Aggregates shipments declined 26%, reducing earnings by \$333.7 million

Aggregates pricing increased 3%, increasing earnings by \$48.3 million

Cost management and productivity improvements reduced the effects of lower volumes on our earnings and cash flow

Aggregates cash fixed costs decreased \$48.7 million, or 14%

Selling, administrative and general expense decreased 6%

Cash provided by operating activities increased 4% to \$453.0 million in 2009 compared to \$435.2 million in 2008

Full year capital spending was reduced 69% to \$109.7 million compared to \$353.2 million in the prior year

Free cash flow increased to \$343.3 million in 2009 compared to \$82.0 million in 2008

Private placement debt offering in the first quarter raised \$394.6 million in net proceeds

Public offering of equity in the second quarter raised \$520.0 million in net proceeds

Total debt was reduced by \$809.8 million

In 2009, we faced declining demand for our products due to economic conditions that resulted in a sharp slowdown in the private construction market. New home construction declined to historically low levels, while tight credit and business failures contributed to a sharp decrease in construction of nonresidential buildings, particularly stores and offices. Construction activity funded by the public sector, typically less affected in economic cycles, was weak as

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well in 2009. Declining state revenues reduced the amount of funds available at the state level for public construction projects. The effects of The American Recovery and Reinvestment Act of 2009 (ARRA) were helpful, but the bulk of funds for transportation infrastructure under this Act will be spent in 2010 and 2011. The positive effects of ARRA spending in 2009 were somewhat offset by the failure of Congress to extend or reauthorize the most recent multi-year federal transportation bill, which expired on September 30, 2009. As a result, funds for highway construction are being provided by a series of relatively short continuing resolutions and at funding levels considerably below what would have been available had Congress extended the provisions of SAFETEA-LU. This uncertainty compelled many states to postpone highway maintenance and improvement projects.

ARRA includes economic stimulus funding of \$50 to \$60 billion for heavy construction projects that use our products, including \$27.5 billion for highways and bridges. Vulcan-served states were apportioned 55% more funds than other states, with California, Texas and Florida receiving nearly 23% of the total for highways and bridges. Beginning in mid-year 2009, highway construction awards were buoyed by stimulus-related funding. Through December 2009, the Federal Highway Administration reported that approximately 85% of the \$27.5 billion of funding for highway and bridge projects had been obligated, \$15 billion was under construction and \$5.6 billion had been paid to contractors for work performed. During this period, most Vulcan-served states lagged the rest of the country in awarding and starting stimulus-related highway construction projects. These differences in awarding projects and spending patterns were due in part to the types of projects planned and to the proportion sub-allocated to metropolitan planning organizations where project planning and execution can be more complicated and time consuming. However, in the fourth quarter, contract awards for highways in Vulcan-served states increased 13% from 2008 compared to a 2% increase in other states. This provides some evidence that construction activity in Vulcan-served states will improve in 2010.

Despite these challenging conditions, we have worked diligently to manage effectively those aspects of the business that we are able to control. We were able to achieve modest price increases, which helped offset lower sales volumes. We reduced selling, administrative and general expenses by \$21.0 million compared to 2008. We adjusted production levels to meet demand and, as a result, employment levels across the company were 12% lower than in 2008. These effective cost management efforts have allowed us to maximize cash flow in a period of unprecedented and prolonged economic downturn.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Free cash flow and EBITDA are not defined by Generally Accepted Accounting Principles (GAAP); thus, they should not be considered as an alternative to net cash provided by operating activities or any other liquidity or earnings measure defined by GAAP. These metrics are presented for the convenience of investment professionals that use such metrics in their analysis and to provide our shareholders with an understanding of the metrics we use to assess performance and to monitor our cash and liquidity positions. These metrics are often used by the investment community as indicators of a company's ability to incur and service debt. We internally use free cash flow, EBITDA and other such measures to assess the operating performance of our various business units and the consolidated company. We do not use these metrics as a measure to allocate resources internally. Reconciliations of these metrics to their nearest GAAP measures are presented below:

Free cash flow

Free cash flow deducts purchases of property, plant & equipment from net cash provided by operating activities.

<i>in millions</i>	2009	2008	2007
Net cash provided by operating activities	\$453.0	\$ 435.2	\$ 708.1
Less			
Purchases of property, plant & equipment	(109.7)	(353.2)	(483.3)
Free cash flow	\$343.3	\$ 82.0	\$ 224.8

Table of Contents**EBITDA and adjusted EBITDA**

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. We adjusted EBITDA in 2008 to exclude the noncash charge for goodwill impairment.

<i>in millions</i>	2009	2008	2007
Net cash provided by operating activities	\$ 453.0	\$ 435.2	\$ 708.1
Decrease in assets before initial effects of business acquisitions and dispositions	(95.7)	(16.7)	(25.2)
(Increase) decrease in liabilities before initial effects of business acquisitions and dispositions	5.4	101.9	(4.4)
Other net operating items (providing) using cash	62.2	(130.4)	43.9
(Earnings) loss on discontinued operations, net of tax	(11.7)	2.4	12.2
Provision for income taxes	(37.8)	71.7	204.4
Interest expense, net	173.0	169.7	41.6
EBITDA	\$ 548.4	\$ 633.8	\$ 980.6
Plus			
Goodwill impairment		252.7	
Adjusted EBITDA	n/a	\$ 886.5	n/a

<i>in millions</i>	2009	2008	2007
Operating earnings	\$ 148.5	\$ 249.1	\$ 714.4
Other income (expense), net	5.3	(4.4)	(5.3)
Plus			
Depreciation, depletion, accretion and amortization	394.6	389.1	271.5
EBITDA	\$ 548.4	\$ 633.8	\$ 980.6
Plus			
Goodwill impairment		252.7	
Adjusted EBITDA	n/a	\$ 886.5	n/a

RESULTS OF OPERATIONS

On November 16, 2007, we acquired 100% of the outstanding common stock of Florida Rock Industries, Inc., a leading producer of construction aggregates, cement, ready-mixed concrete and concrete products in the southeastern and mid-Atlantic states. The results of operations discussed below include Florida Rock for the periods from November 16, 2007 through December 31, 2007, and the full calendar years 2008 and 2009. We include intersegment sales in our comparative analysis of segment revenue at the product line level. Net sales and cost of goods sold exclude intersegment sales and delivery revenues and cost. This presentation is consistent with the basis on which we review results of operations. We discuss separately our discontinued operations, which consist of our former Chemicals business.

Table of Contents**Consolidated operating results**

*Amounts and shares in millions,
except per share data*

<i>For the years ended December 31</i>	2009	2008	2007
Net sales	\$ 2,543.7	\$ 3,453.1	\$ 3,090.1
Cost of goods sold	2,097.7	2,703.4	2,139.2
Gross profit	\$ 446.0	\$ 749.7	\$ 950.9
Operating earnings	\$ 148.5	\$ 249.1	\$ 714.4
Earnings (loss) from continuing operations before income taxes	\$ (19.2)	\$ 75.1	\$ 667.5
Earnings from continuing operations	\$ 18.6	\$ 3.4	\$ 463.1
Earnings (loss) on discontinued operations, net of income taxes	11.7	(2.5)	(12.2)
Net earnings	\$ 30.3	\$ 0.9	\$ 450.9
Basic earnings (loss) per share			
Continuing operations	\$ 0.16	\$ 0.03	\$ 4.77
Discontinued operations	0.09	(0.02)	(0.12)
Net earnings	\$ 0.25	\$ 0.01	\$ 4.65
Diluted earnings (loss) per share			
Continuing operations	\$ 0.16	\$ 0.03	\$ 4.66
Discontinued operations	0.09	(0.02)	(0.12)
Net earnings	\$ 0.25	\$ 0.01	\$ 4.54
EBITDA (adjusted EBITDA in 2008)	\$ 548.4	\$ 886.5	\$ 980.6

The economic downturn and other external factors affecting the construction industry continued to present challenges for our business. Continued weakness in private construction activity, both residential and nonresidential, and the uncertainty surrounding the timing and amount of either a formal extension or reauthorization of the multi-year federal highway program offset the benefits of stimulus-related construction activity in 2009. Furthermore, construction activity on stimulus-related highway projects varied widely in Vulcan-served states, and in certain key states lagged the rest of the country.

We continue to run the business in a cost-efficient manner, with a focus on effectively managing those aspects of cost we can control or influence in order to maximize our cash generation during the economic downturn. Our efforts

contributed to reductions in cash fixed costs in our operations as well as reductions in overhead expenses. The average selling price for aggregates increased 3% in 2009 despite lower shipments, reflecting attractive pricing fundamentals of our business. The higher selling price for aggregates reflects increased market prices as well as proportionately greater levels of higher priced aggregates used for highway construction. As a result of these actions, the cash earnings generated on each ton of aggregates sold in 2009 nearly matched the record level achieved in 2008. The increased level of unit profitability supports our optimism about the earnings potential of our business when demand begins to recover.

The 2008 results include an estimated \$227.6 million, or \$2.05 per diluted share, after tax goodwill impairment charge for our Cement segment which is located in Florida. The 2008 results also include net earnings per diluted share of \$0.34 from the sale of mining operations divested as a condition for approval by the Department of Justice of the Florida Rock acquisition. Results in 2007 include net earnings per diluted share of \$0.24 from the sale of real estate in California. Additionally, higher energy-related costs lowered earnings by \$0.86 per diluted share in 2008 as compared to 2007.

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Year-over-year changes in earnings from continuing operations before income taxes are summarized below (in millions of dollars):

2007	\$ 668
Lower aggregates earnings due to	
Lower volumes	(210)
Higher selling prices	115
Higher costs	(76)
Lower asphalt mix and concrete earnings	(48)
Higher cement earnings	18
Higher selling, administrative and general expenses	(53)
Goodwill impairment cement	(253)
Gain on divestitures	74
Gain on 2007 sale of California real estate	(44)
Higher interest expense, net	(128)
All other	12
2008	\$ 75
Lower aggregates earnings due to	
Lower volumes	(334)
Higher selling prices	48
Lower costs	21
Lower asphalt mix and concrete earnings	(20)
Lower cement earnings	(20)
Lower selling, administrative and general expenses	21
2008 goodwill impairment cement	253
Lower gain on sale of PP&E and divestitures	(67)
All other	4
2009	\$ (19)

Operating results by segment

We present our results of operations by segment at the gross profit level. We have three reporting segments organized around our principal product lines: aggregates, asphalt mix and concrete, and cement. Management reviews earnings for the product line segments principally at the gross profit level.

Aggregates**Revenues and Gross Profits**

in millions

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Unit Shipments

Customer and internal¹ tons, in millions

¹ Represents tons shipped primarily to our downstream operations (e.g., asphalt mix and ready-mixed concrete)

Our year-over-year aggregates shipments declined 26% in 2009, 12% in 2008 and 9% in 2007. Most of our geographic markets reported double-digit percentage declines in aggregates volumes in 2009. Pricing for our products remained strong and helped to partially offset the earnings effect of lower volumes. Our year-over-year pricing improved 3% in 2009, 7% in 2008 and 13% in 2007. We are tightly managing plant operating costs and overhead expenses as we continue to adjust our cost structure to match weak demand. We have limited operating hours, streamlined our work force, and focused on achieving production efficiencies at reduced operating rates in the face of a sharp decline in demand for our products. As a result, our cash earnings per ton of aggregates, while essentially flat compared to 2008 and 2007, is 45% higher than the 2005 level, which was a year of peak demand for aggregates. We will continue to manage controllable costs aggressively and to focus on cash margins and earnings.

Asphalt mix and Concrete

Revenues and Gross Profits

in millions

Shipments of asphalt mix declined 22% in 2009 compared to 2008 and declined by 9% in 2008 compared to 2007. Asphalt materials margins were higher than the prior year as slightly lower selling prices for asphalt mix were more than offset by a 29% decline in the costs for liquid asphalt. Ready-mixed concrete shipments declined by 32% in 2009. From 2007 to 2008, the sharp increase in ready-mixed concrete shipments resulted from the inclusion of a full year of sales from the acquired Florida Rock concrete operations. Ready-mixed concrete pricing remained relatively flat during the three-year period.

Selling Price

Freight-adjusted average sales price per ton²

² Freight-adjusted sales price is calculated as total sales dollars (internal and external) less freight to remote distribution sites divided by total sales units (internal and external)

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Cement

Revenues and Gross Profits

in millions

Cement earnings declined from last year because of weaker sales volumes, slightly offset by lower energy costs. Cement pricing declined 1% year over year. We acquired the Cement segment in November 2007 as part of the Florida Rock acquisition, so we reported no comparable revenues or earnings for the first ten months of 2007.

Selling, administrative and general expenses

in millions

Selling, administrative and general expenses (SAG) include \$8.5 million in 2009 and \$10.5 million in 2008 of expenses for property donations recorded at fair value. The gains from these donations, which are equal to the excess of the fair value over the carrying value, are included in gain on sale of property, plant & equipment in the Consolidated Statements of Earnings. Excluding the effect of these property donations, SAG in 2009 declined \$19.0 million, or 5.5%. The year-over-year decline is due mostly to reductions in employee-related expenses which more than offset a year-over-year increase in project costs related to the replacement of legacy IT systems. Employment levels across Vulcan are down 12% from the prior year. The SAG increase in 2008 over 2007 was primarily attributable to including a full year of expenses for the former Florida Rock businesses. Employment levels in 2008 were down 14% from 2007.

Goodwill impairment

There were no charges for goodwill impairment in 2009 and 2007. During 2008, we recorded a \$252.7 million pretax goodwill impairment charge related to our Cement segment in Florida, representing the entire balance of goodwill at this reporting unit. We acquired these operations as part of the Florida Rock transaction in November 2007. For additional details regarding this impairment, see the Goodwill and Goodwill Impairment Critical Accounting Policy.

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Table of Contents**Gain on sale of property, plant & equipment and businesses, net***in millions*

The 2009 gains were primarily related to sales and donations of real estate, mostly in California. Included in the 2008 gains was a \$73.8 million pretax gain for quarry sites divested as a condition for approval by the Department of Justice of the Florida Rock acquisition. The 2007 gain includes a \$43.8 million pretax gain on the sale of real estate in California.

Interest expense*in millions*

The increase in interest expense in 2009 and 2008 was due primarily to debt incurred for the acquisition of Florida Rock. Excluding capitalized interest credits, gross interest expense for 2009 was \$186.0 million compared to \$187.1 million in 2008 and \$53.3 million in 2007.

Income taxes

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

<i>in millions</i>	2009	2008	2007
Earnings (loss) from continuing operations before income taxes	\$ (19.2)	\$ 75.1	\$ 667.5
(Benefit) provision for income taxes	(37.9)	71.7	204.4
Effective tax rate	197.0%	95.5%	30.6%

The change in our 2009 tax provision resulted from the relatively greater effect of certain items such as statutory depletion, undistributed earnings from foreign operations, loss on the sale of the stock of a subsidiary, and charitable contributions of property, coupled with the significantly lower level of earnings. The 2008 provision included the unfavorable impact of the goodwill impairment charge. Excluding the impact of the goodwill impairment charge, the 2008 income tax provision for continuing operations was \$96.8 million, or an effective tax rate of 29.5%. A reconciliation of the federal statutory rate of 35% to our effective tax rates for 2009, 2008 and 2007 is presented in Note 9, *Income Taxes* in Item 8 *Financial Statements and Supplementary Data*.

Discontinued operations

Pretax operating results from discontinued operations were a gain of \$18.6 million in 2009 compared to losses of \$4.1 million in 2008 and \$19.3 million in 2007. The 2009 pretax gain from discontinued operations resulted primarily from settlements with two of our insurers in the Modesto perchloroethylene cases which are associated with our former Chemicals business. These settlements resulted in pretax gains of \$23.5 million. The insurance proceeds and associated gain represent a partial recovery of legal and settlement costs recognized in prior years. The

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2008 and 2007 pretax losses from discontinued operations, and the remaining results from 2009, reflect charges primarily related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals businesses. For additional information regarding discontinued operations, see Note 2 Discontinued Operations in Item 8 Financial Statements and Supplementary Data.

CASH AND LIQUIDITY

Our primary source of liquidity is cash provided by our operating activities. Our additional financial resources include unused bank lines of credit and access to the capital markets. We believe these financial resources are sufficient to fund our business requirements in the future, including debt service obligations, cash contractual obligations, capital expenditures, dividend payments and potential future acquisitions.

We operate a centralized cash management system using zero-balance disbursement accounts; therefore, our operating cash balance requirements are minimal. When cash on hand is not sufficient to fund daily working capital requirements, we issue commercial paper or draw down on our bank lines of credit. During 2009, bank borrowings generally were more expensive than commercial paper. Since July 2009, we have funded all our short-term cash needs by issuing commercial paper ranging in maturity from overnight to 91 days. The amount outstanding during the second half of 2009 averaged \$279.8 million. The weighted average all-in interest rate, including commissions paid to commercial paper broker dealers and the cost of back-up lines of credit, was 0.59% during that period and was 0.49% at year-end.

Current maturities and short-term borrowings

As of December 31, 2009, we have \$385.4 million of current maturities of long-term debt that are due as follows:

<i>in millions</i>	2010 Maturities
First quarter	\$ 15.0
Second quarter	15.0
Third quarter	15.0
Fourth quarter	340.0

There are various maturity dates for the remaining \$0.4 million. We expect to retire this debt using available cash generated from operations, by issuing commercial paper or drawing on our line of credit or by accessing the capital markets.

Net short-term borrowings at December 31 consisted of the following (in millions of dollars):

	2009	2008
Bank borrowings	\$ 0.0	\$ 1,082.5
Commercial paper	236.5	0.0
Total short-term borrowings	\$ 236.5	\$ 1,082.5
Bank borrowings		
Maturity	n/a	2 days
Weighted-average interest rate	n/a	1.63%
Commercial paper		
Maturity	42 days	n/a
Weighted-average interest rate	0.39%	n/a

Our outstanding bank credit facility, which provides \$1.5 billion of liquidity, expires November 16, 2012. Borrowings under this credit facility, which are classified as short-term, bear an interest rate based on London Interbank Offer

Rate (LIBOR) plus a credit spread. This credit spread was 30 basis points (0.3%) based on our long-term debt ratings at December 31, 2009. As of December 31, 2009, there were no borrowings under the \$1.5 billion line of credit, \$236.5 million was used to support outstanding commercial paper and \$59.2 million was used to back outstanding letters of credit, resulting in available lines of credit of \$1,204.3 million. This amount provides a

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sizable level of borrowing capacity that strengthens our financial flexibility. Not only does it enable us to fund working capital needs, it provides liquidity to fund large expenditures, such as long-term debt maturities, on a temporary basis without being forced to issue long-term debt at times that are disadvantageous. Interest rates referable to borrowings under these credit lines are determined at the time of borrowing based on current market conditions for LIBOR. Our policy is to maintain committed credit facilities at least equal to our outstanding commercial paper.

Short-term debt ratings/outlook

Standard and Poor's A-2/stable (last rating attained in August 2009)

Moody's P-2/negative (last rating attained in September 2009)

Working capital

Working capital, current assets less current liabilities, is a common measure of liquidity used to assess a company's ability to meet short-term obligations. Our total current liabilities exceeded total current assets as follows:

\$113.4 million in 2009

\$769.2 million in 2008

The \$655.8 million improvement in working capital reflects our focus on generating and conserving cash. During 2009, we managed production of aggregates to levels below current demand, resulting in reduced levels of inventory. While lowering inventory levels negatively impacted our earnings, it generated cash. Accounts and notes receivable decreased \$89.0 million from 2008 to 2009 resulting from a 26% year-over-year decline in net sales. Despite the weak economy and lower sales, the collection period on our accounts receivable was relatively flat from 2008 to 2009. Proceeds from long-term debt issued in February and proceeds from stock issued in June were primarily used to reduce short-term borrowings by \$846.0 million.

Cash flows***Cash flows from operating activities***

Net cash provided by operating activities is derived primarily from net earnings before deducting noncash charges for depreciation, depletion, accretion and amortization and goodwill impairment.

<i>in millions</i>	2009	2008	2007
Net earnings	\$ 30.3	\$ 0.9	\$450.9
Depreciation, depletion, accretion and amortization	394.6	389.1	271.5
Goodwill impairment	0.0	252.7	0.0
Other operating cash flows, net	28.1	(207.5)	(14.3)
Net cash provided by operating activities	\$453.0	\$ 435.2	\$708.1

Net earnings before noncash deductions for depreciation, depletion, accretion and amortization, and goodwill impairment were \$424.9 million in 2009 compared to \$642.6 million in 2008. Despite the \$217.7 million decrease in earnings before these noncash deductions, we were able to increase cash provided by operating activities by \$17.8 million in 2009 compared to 2008. Our efforts to manage the business to generate cash are reflected in favorable year-over-year changes in our working capital accounts. Changes in working capital accounts generated \$89.7 million of cash in 2009 as compared to using \$86.7 million of cash in 2008.

Net cash provided by operating activities decreased by \$272.9 million in 2008 compared to 2007. Net earnings before deducting noncash charges for depreciation, depletion, accretion and amortization and goodwill impairment accounted for \$79.7 million of the decrease. Reductions in trade payables and other accruals accounted for an additional \$102.6 million decrease in cash provided by operating activities.

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Cash flows from investing activities

Net cash used for investing activities totaled \$80.0 million in 2009 compared to \$189.0 million in 2008, a decrease of \$109.0 million. We closely evaluated the nature and timing of all capital projects in an effort to conserve cash. The generally good condition of our property, plant & equipment afforded us the opportunity to delay expending replacement capital without reducing operating efficiency. Cash used for the purchase of property, plant & equipment totaled \$109.7 million in 2009, down \$243.5 million from 2008. These cash savings were partially offset by a year-over-year reduction in proceeds from the sale of businesses of \$209.7 million. Cash used for investing activities in 2007 of \$3,654.3 million was largely attributable to the acquisition of Florida Rock, which required cash payments of \$3,239.0 million, net of cash acquired and including our direct transaction costs.

Cash flows from financing activities

Net cash used for financing activities totaled \$361.0 million in 2009, compared to \$270.8 million during 2008. Debt reduction and achieving target debt ratios remain a priority use of cash flows. During 2009, proceeds from issuing long-term debt of \$394.6 million, net of debt issuance costs, and common stock of \$606.5 million were primarily used to reduce total debt by \$809.8 million. We reduced our dividend per share beginning in the third quarter of 2009 from \$0.49 per quarter to \$0.25 per quarter, resulting in \$43.3 million of cash savings that further contributed to debt reduction. During 2008, proceeds from issuing long-term debt of \$943.4 million were used to pay down short-term borrowings drawn during 2007 to fund the Florida Rock acquisition. Refer to Note 6 Credit Facilities, Short-term Borrowings and Long-term Debt in Item 8 Financial Statements and Supplementary Data for further discussion.

CAPITAL STRUCTURE AND RESOURCES

We actively manage our capital structure and resources consistent with the policies, guidelines and objectives listed below in order to maximize shareholder wealth, as well as to attract equity and fixed income investors who support us by investing in our stock and debt securities. We pursue attractive investment opportunities and fund acquisitions using internally generated cash or by issuing debt or equity securities.

Maintain our investment grade ratings

Maintain debt ratios within what we believe to be prudent and generally acceptable limits of 35% to 40% of total capital

Pay out a reasonable share of net cash provided by operating activities as dividends

Being a leader in the U.S. aggregates industry and maintaining investment grade credit ratings has afforded us the opportunity to raise debt and equity capital even in some of the most challenging times in the modern history of U.S. capital markets. During 2009, we completed two financing transactions in the face of unsettled economic conditions and during a period of very weak markets for our products. These transactions strengthened our balance sheet and improved our financial flexibility. In February, we issued \$400 million of debt capital, using the proceeds to retire \$250 million of 10-year notes (that matured April 1, 2009) and increase liquidity. In June, we completed a public equity offering that was significantly oversubscribed and yielded \$520.0 million in net proceeds. Proceeds were used to reduce leverage to a level closer to our target debt to equity ratio of 35% to 40%. At the same time as our equity offering, we reduced the quarterly dividend for the first time in our history. The lower quarterly dividend will reduce annualized cash outflows by about \$120 million. We issued an additional \$86.6 million of equity in 2009 to fund the acquisition of two quarries and to fund share requirements in our 401(k) plans.

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Long-term debt

The calculations of our total debt as a percentage of total capital and the weighted-average stated interest rates on our long-term debt as of December 31 are summarized below (amounts in millions, except percentages):

	2009	2008
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