

# Martin Marietta Materials



2710 Wycliff Road  
Raleigh, North Carolina 27607  
Telephone (919) 783-4660  
Fax (919) 510-4700

**Anne H. Lloyd**  
Executive Vice President,  
Chief Financial Officer and Treasurer

November 29, 2010

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

## **Proposed Accounting Standards Update, *Leases* (File Reference No. 1850-100)**

Martin Marietta Materials, Inc. (the Corporation) appreciates the opportunity to comment on the Proposed Accounting Standards Update – *Leases*. The Corporation, the second largest producer of construction aggregates in the United States, reported total revenues of \$1.7 billion in 2009 and total assets of \$3.2 billion at December 31, 2009. The Corporation operates more than 275 quarries, distribution facilities and plants and is the lessee in more than 1,200 leases within the scope of the proposed standard.

The Corporation fully supports the Board's efforts on its goal of convergence of U.S. GAAP and International Financial Reporting Standards. After reviewing the Exposure Draft on *Leases*, the Corporation has the following comments.

### **Guidance On Distinguishing Service Contracts From Leases**

We believe the final standard needs to provide better guidance on distinguishing a service contract from a lease given the difference in accounting dependent on the classification. As an example, we have contracts of affreightment under which a third party ships material from one of our quarries to a distribution yard. The contract includes the use of an asset (ship or barge) and also a service component (the personnel operating the ship or barge from its origination point to its destination). We do not believe the exposure draft provides enough guidance to conclude whether these contracts are leases in accordance with the proposed new pronouncement or a service contract that would be excluded from the scope of being classified as a lease.

### **Transition**

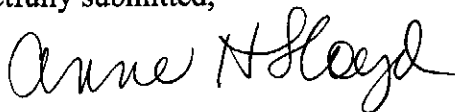
While we understand the goal of comparability and consistency, we believe the costs of the proposed simplified retrospective approach far outweigh the benefits. Factors considered in making this assessment are the following:

- Our experience with the investment community, in particular during the recent economic downturn, indicates that their focus is on companies' future operating results and cash generation as opposed to historical periods. Further, considering the many places that operating results are reported, including historical press releases and investor presentations, restating prior earnings periods may result in more confusion than benefit.
- There are numerous other projects that the Board is in the process of issuing as part of its convergence efforts. Further, the implementation of these projects coincides with the adoption and progressive requirements of XBRL as well as companies' preparation for other aspects of international financial reporting standards not addressed by the convergence. We believe companies will achieve a more effective implementation of the many differing projects by focusing on current and future financial statements and not restating past periods.
- Most companies have reduced headcount in efforts to control costs during the recent and ongoing downturn in the economy. We do not believe the use of economic resources; either through the addition of temporary or permanent headcount, to restate prior periods represents an investment that promotes an underlying goal of all public companies – to maximize long-term shareholder value and return.
- Lease accounting under current guidance results in the inclusion of lease and rental expense in the statement of operations. While the expense pattern over the life of a lease is not the same, we do not believe historical operating results would be significantly different for the majority of companies, including Martin Marietta Materials, Inc. Furthermore, a description of leases and rental agreements, the related expense and future commitments are currently disclosed in the notes to the financial statements. Future commitments are also included in the contractual obligations table in Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe this provides the necessary information for a user to assess the expense, cash flows and obligations of leases for historical periods.

Considering these factors, we believe the most cost-effective adoption process would be to allow registrants to adopt, at their option, either prospectively or retrospectively.

We appreciate your consideration of our comments.

Respectfully submitted,



Anne H. Lloyd  
Executive Vice President, Treasurer & Chief Financial Officer