



2019 ANNUAL REPORT AND FORM 10-K

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

I have had the privilege of serving on the Eagle Board for the better part of two decades, spanning from the time before Eagle became a fully stand-alone entity, during its successful navigation through an unprecedentedly challenging construction cycle, then through our period of heavy-side growth, and now to the enviable business position that Eagle enjoys today. This experience informs my perspectives as Board Chairman and my comments today.

Performance Leadership

Eagle has been tested over its history and has distinguished itself repeatedly and significantly each time. Eagle weathered the toughest construction cycle in US history and remained profitable every year. The company more than doubled the heavy-side of the business in recent years through an array of cement plant acquisitions, and returned several hundred million dollars to shareholders while maintaining the best balance sheet in the industry. We continue to believe that the forces shaping the future profitability of our US cement business are profoundly favorable for a well-positioned producer like Eagle.

The light side of our business has continued to improve on its widely-recognized low cost producer positions, both in gypsum wallboard and in the paperboard operations that support it. American Gypsum today represents the performance benchmark for the industry, across a broad set of measures, including operating margins, returns and customer satisfaction. It is a testament to this talented team and to the power of continuously “doing more with less”.

Each of our core businesses are unique -- both in their positioning and their prospects. Our US heartland cement business is like no other, and today it is truly a system rather than a collection of individual assets. Our wallboard business which operates across the US sunbelt is also uniquely distinguished, serving high growth markets as a low cost producer. Both businesses own and control ample raw material reserves that can serve these businesses for decades.

While substantially growing our productive capacity through acquisitions and returning significant cash to shareholders, the first company priority has been to invest in our assets to increase capacity, to lower our unit costs and to maintain our equipment in pristine condition. At any given point in time we have 30-50 discrete asset improvement projects underway, and it has been this way for as long as I can remember.

Leadership Succession

There are two notable transitions at Eagle, each of which underscores our organizational strength, commitment to planned continuity and our embrace of purposeful change. Rick Stewart took the helm as Board Chair in 2017 and has done a truly exemplary job. We enjoy a Board of exceptional strength, arguably of a caliber often seen only in companies many times our size. The Chair’s role in such a high-caliber Board is an important one, and the respect Rick has commanded of Board members and the management team cannot be underestimated. Rick will stay-on as a Board member rather than in the Chair capacity going forward, and we are extraordinarily grateful to him for his past and on-going contributions. I was honored to replace Rick earlier this year.

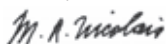
Dave Powers, our CEO, is retiring this summer and Michael Haack, our COO, has been slated to replace him. Dave is a legend in the wallboard industry and has been instrumental in grooming Michael for the role over the last four years. A hallmark of a great leader is to leave an organization even stronger than it had been before their tenure -- and to execute a great succession plan. Dave has done both exquisitely. Dave has agreed to move forward with us in a Board role as part of the transition we are now undertaking. Michael is extremely qualified and will make sure the company continues to improve while also playing a major role in the separation of the businesses.

Strategic Split of Businesses

Today Eagle is approaching another step in its natural evolution as a public company. The Board has discussed and analyzed for several years whether splitting the two core business units would make sense for our shareholders. The company has now reached the scale and prominence that would allow each business to realize its full potential as a stand-alone entity. To that end, in late May, we approved a plan to separate the businesses by means of a tax-free spin-off to Eagle shareholders, in order to enhance the businesses’ prospects and strategic flexibility. There is much work yet to be done to execute this promise, a promise born of a growth strategy we embarked upon in 2011 to create the optionality for a separation.

We have always been a shareholder-driven public company, and we have always strived to consider our alternatives with our shareholders at top-of-mind. We look forward to updating you on our progress in writing a new chapter in shareholder value creation in the near future.

Sincerely,



Mike Nicolais
Chairman

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

March 31, 2019

Commission File No. 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)

75-2520779 (I.R.S. Employer Identification No.)

5960 Berkshire Lane, Suite 900, Dallas, Texas 75225 (Address of principal executive offices)

(214) 432-2000 (Registrant's telephone number)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock (par value \$.01 per share) | EXP | 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 every Interactive Data File required to be submitted 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 such files). YES NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting stock held by nonaffiliates of the Company at September 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$4.0 billion.

As of May 21, 2019, the number of outstanding shares of common stock was:

| Class | Outstanding Shares |
|-------------------------------|--------------------|
| Common Stock, \$.01 Par Value | 44,117,946 |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders of Eagle Materials Inc. to be held on August 6, 2019 are incorporated by reference in Part III of this Report.

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PART I

ITEM 1. Business

OVERVIEW

Eagle Materials Inc., through its subsidiaries, (the Company, which may be referred to as we, our, or us) is a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are commodities that are essential in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction. Demand for these products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products across many United States markets, which provides us with regional economic diversification.

The Company was founded in 1963 as a building materials subsidiary of Centex Corporation (Centex). It operated as a public company under the name Centex Construction Products, Inc. from April 19, 1994 to January 30, 2004, at which time Centex completed a tax-free distribution of its shares to its shareholders, and the company was renamed Eagle Materials Inc. (NYSE: EXP).

Strategy

We consistently and rigorously pursue four overarching strategic objectives that differentiate us and contribute to our margin performance and growth: being a low-cost producer in all our markets, maintaining a decentralized operating structure, focusing solely in U.S. geographical markets, and achieving profitable growth through both strategic acquisitions and the organic development of our asset network.

Improve our low-cost producer position

Our goal and the bedrock of our strategy, is to be a low-cost producer in each of the markets in which we compete. We focus diligently on reducing costs and making our operations more efficient. Maintaining our low-cost position provides meaningful competitive, financial, and environmental benefits.

The products we make are basic necessities, and competition is often based largely on price, with consistent quality and customer service also important considerations. Thus, being a low-cost producer is a competitive advantage and can lead to higher margins, better returns and stronger free cash flow generation.

Being a low-cost producer is not only key to our commercial success, it also fully aligns with and advances our commitment to sustainable environmental practices. To maintain our low-cost producer position, we are always innovating our production processes with the aim of using fewer resources to make the same commodities. We regularly invest in technologies at our facilities to control emissions and to modify the fuels that we burn.

Maintain decentralized operating structure

The Company operates through a decentralized structure: operations are managed separately, and products are branded and marketed by our individual companies. This local-market strategy provides several benefits, including increased familiarity with our customers, higher brand recognition, and lower transportation costs, which is a meaningful advantage in the construction materials industry. We view our cement and wallboard plant systems each as integrated networks, allowing us to ship products and minimize freight costs. The impact of regional construction cycles on our businesses is mitigated to some degree by our geographic diversification and integrated network of plants.

Operate in attractive markets

Demand for our products depends on construction activity which tends to correlate with population growth. While the Company's markets include most of the United States, approximately 70% of our total revenue is generated in ten states: California, Colorado, Illinois, Missouri, Nebraska, Nevada, Ohio, Oklahoma, Texas, and Wyoming. Population growth, which is a major driver of construction products and building materials demand, is expected to grow approximately 28% between the 2010 census and 2040 for these ten states, compared to 23% population growth for the United States as a whole, according to the latest update in December 2018 by the Weldon Cooper Center at the University of Virginia. In our Light Materials sector, we have located operations primarily in the southern part of the United States, known as the Sun Belt. According to the same study, population in the Sun Belt is expected to grow by approximately 38% between the 2010 census and 2040.

Achieve profitable growth through acquisition and organic development

We seek to grow the Company through acquisitions and the organic development of our asset network. Since 2012, we have expanded the Heavy Materials sector principally through acquisitions, with total investments of approximately \$1.2 billion. Most recently, in 2017, we acquired a cement plant from Cemex in Fairborn, Ohio (the Fairborn Acquisition). These investments have more than doubled our U.S. cement capacity, making us the largest U.S.-owned cement producer.

The Fairborn Acquisition also expanded our geographic footprint so that we now have a contiguous, integrated cement system from California to Ohio and south to Texas. We have completed additional bolt-on acquisitions, which also contribute to our expanded geographic footprint.

The Company will continue to proactively pursue acquisition opportunities that further our growth across the Heavy Materials sector. Our free cash flow enables us to consider acquisitions and organic growth opportunities that align with our return on investment profitability objectives.

When an otherwise attractive potential acquisition or investment in organic growth does not meet our return requirements, our practice is to return cash to shareholders. Since becoming a public company in 1994, our share count is down approximately 35%, and we have returned approximately \$1.8 billion to our shareholders, through a combination of share repurchases and dividends.

Ongoing Strategic Portfolio Review

On April 18, 2019, we announced that the Company, with the support of our independent financial and legal advisors, is conducting a strategic review of its portfolio of businesses. The review is ongoing and the Company is carefully considering the full range of options for maximizing value to our shareholders, including a separation of our businesses, potential transactions with third parties and other strategic and financial alternatives. We do not intend to publicly discuss or announce developments with respect to the

review process until the Board has approved a definitive action or until the process has otherwise been concluded. There can be no assurance that the strategic portfolio review will result in any particular action or that a transaction will be consummated, nor can there be any assurance regarding the timing of any action or transaction.

EMPLOYEES

As of March 31, 2019, the Company had approximately 2,300 employees, of which approximately 800 were employed under collective bargaining agreements and various supplemental agreements with local unions.

INDUSTRY SEGMENT INFORMATION

Our business is organized into three sectors: Heavy Materials, which includes the Cement and Concrete and Aggregates segments; Light Materials, which includes the Gypsum Wallboard and Recycled Paperboard segments; and Oil and Gas Proppants, which are used in oil and gas extraction.

| Sector | Primary End Markets | Business Segments |
|-----------------------|---|-------------------------|
| Heavy Materials | Infrastructure | Cement |
| | Commercial and Residential construction | Concrete and Aggregates |
| Light Materials | Residential construction | Gypsum Wallboard |
| | | Recycled Paperboard |
| Oil and Gas Proppants | Oil and Gas Extraction | Frac Sand |

For information about the financial results of our business segments, including revenue, average net sales prices, sales volume and operating earnings, please see pages 45-52.

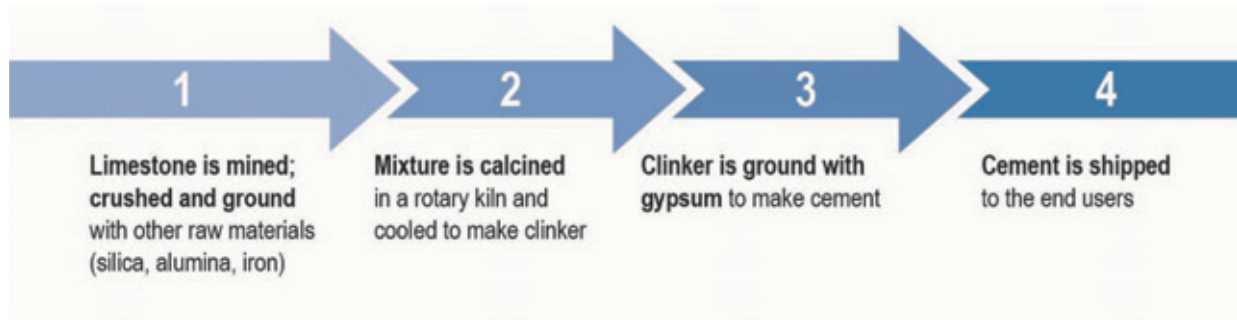
Heavy Materials

Our Heavy Materials sector provides cement and concrete and aggregates for use in infrastructure, commercial, and residential construction. This sector comprises the Cement and Concrete and Aggregates segments. Demand has been strong for these construction products over the last several years. Cement consumption in the United States, as estimated by the Portland Cement Association (PCA), was approximately 106.1 million short tons in calendar 2018, compared with 103.8 million short tons in calendar 2017, and imported cement consumption was 15% of total sales in calendar 2018 compared with 14% in calendar 2017.

CEMENT

Cement is the basic binding agent for concrete, a primary construction material. Some concrete mixes also include other cementitious materials, such as slag and fly ash, which act as cement extenders and improve the durability of concrete. The principal sources of demand for cementitious materials are infrastructure, commercial construction, and residential construction, with infrastructure accounting for approximately 50% of the demand for cement.

The manufacturing process for portland cement primarily involves four main steps, as shown in the graphic below:



All of our cement plants use dry-process technology, and approximately 75% of our clinker capacity is from preheater or preheater/pre-calciner kilns, which are generally more efficient kiln types.

We also sell slag cement and fly ash. Slag granules are obtained from a steel company and processed in our grinding facility. Slag is used in concrete mix designs to improve the durability of concrete and reduce future maintenance costs. Fly ash is a by-product of a coal-fired power plant and acts as an extender of cement in concrete.

Cement Plants

We operate seven cement plants (one of which is operated through a joint venture), one slag grinding facility, and 19 cement distribution terminals. Our 5.2 million tons of clinker capacity is approximately 5% of total U.S. clinker capacity. Our cement companies focus on the American heartland and operate as an integrated network selling product in Arkansas, California, Colorado, Indiana, Illinois, Iowa, Kansas, Michigan, Missouri, Nebraska, Nevada, Ohio, Oklahoma, Texas, Wisconsin and Wyoming. Our joint venture includes a minority interest in an import terminal in Houston, Texas, from which we can purchase up to 495,000 short tons annually. Our slag facility is located near Chicago, Illinois, and our slag product is sold primarily in Illinois, Pennsylvania, Iowa, Ohio, Minnesota, Missouri, and Kansas. The following table sets forth information regarding our cement plants (tons are in thousands of short tons):

| Plant Location | Owned or Leased Reserves | Rated Annual Clinker Capacity ⁽¹⁾ | Annual Grinding Capacity | Manufacturing Process | Number of Kilns | Kiln Dedication Date | Estimated Minimum Limestone Reserves ⁽²⁾ | Estimated Minimum Limestone Reserves (Years) ⁽³⁾ | Fiscal 2019 Tons Mined |
|---------------------------------|--------------------------|--|--------------------------|--------------------------------------|-----------------|----------------------|---|---|------------------------|
| Buda, TX | Owned | 1,300 ⁽⁴⁾ | 1,435 | Dry – 4 Stage Preheater/Pre-calciner | 1 | 1983 | 224,550 | 50+ | 1,700 |
| LaSalle, IL | Owned | 1,000 | 1,100 | Dry – 5 Stage Preheater/Pre-calciner | 1 | 2006 | 44,760 | 39 | 1,065 |
| Sugar Creek, MO | Owned | 1,000 | 1,100 | Dry – 5 Stage Preheater/Pre-calciner | 1 | 2002 | 126,300 | 50+ | 1,060 |
| | Leased | | | | | | 10,600 | | |
| Laramie, WY | Owned | 650 | 800 | Dry – 2 Stage Preheater | 1 | 1988 | 98,100 | 50+ | 845 |
| | Leased | | | | | | 99,700 | | |
| | | | | Dry – Long Dry Kiln | 1 | 1996 | | | |
| Tulsa, OK | Owned | 650 | 900 | Dry – Long Dry Kiln | 1 | 1961 | 38,900 | 42 | 815 |
| | | | | Dry – Long Dry Kiln | 1 | 1964 | | | |
| Fernley, NV | Owned | 500 | 550 | Dry – Long Dry Kiln | 1 | 1964 | 14,000 | 50+ | 635 |
| | Leased | | | Dry – 1 Stage Preheater | 1 | 1969 | 69,100 | | |
| Fairborn, OH | Owned | 730 | 980 | Dry – 4 Stage Preheater | 1 | 1974 | 25,600 | 29 | 915 |
| Total-Gross | | 5,830 | 6,865 | | | | | | |
| Total-Net ⁽⁵⁾ | | 5,180 | 6,150 | | | | | | |

⁽¹⁾ One short ton equals 2,000 pounds.

⁽²⁾ All limestone reserves are considered to be probable under the definition provided by Industry Guide 7.

⁽³⁾ Years of limestone reserves calculated using annual rated capacity.

⁽⁴⁾ The amount shown represents 100% of plant capacity and production. This plant is owned by a separate limited partnership in which the Company has a 50% interest.

⁽⁵⁾ Net of partner's 50% interest in the Buda, Texas plant.

All of our cement subsidiaries are wholly owned except the Buda, Texas plant (the Joint Venture), which is owned by Texas Lehigh Cement Company LP, a limited partnership joint venture owned 50% by us and 50% by Lehigh Cement Company LLC, a subsidiary of Heidelberg Cement AG.

Our cement production, including our 50% share of the cement Joint Venture production, totaled 4.9 million short tons in fiscal 2019 and 5.0 million short tons in fiscal 2018. Total net cement sales, including our 50% share of cement sales from the Joint Venture, were 5.3 million and 5.4 million short tons in fiscal 2019 and fiscal 2018, respectively.

Raw Materials and Fuel Supplies

The principal raw material used in the production of portland cement is calcium carbonate in the form of limestone. Limestone is obtained primarily through mining and extraction operations conducted at quarries that we own or lease, and that are located in close proximity to our plants. We believe that the estimated recoverable limestone reserves we own or lease will permit each of our plants to operate at our

present production capacity for at least 25 years. The Company is actively seeking additional limestone reserves close to our plants and believes it will be able to acquire more reserves in the future. Other raw materials used in substantially smaller quantities than limestone are sand, clay, iron ore, and gypsum. These materials are readily available and can either be obtained from Company-owned or -leased reserves or be purchased from outside suppliers.

Coal and petroleum coke are the primary fuels used in our cement plants, but the plants are equipped to burn natural gas, if necessary. The cost of fuel increased in fiscal 2019, compared with fiscal 2018. The increase was due to higher coal and petroleum coke costs, as well as inbound freight costs to deliver the coal and petroleum coke. The Tulsa plant burns fuel-quality wastes, as well as coal and petroleum coke, and the Sugar Creek plant burns alternative fuels and petroleum coke. When we acquired Sugar Creek and Tulsa in late 2012, both plants had existing alternative fuels programs managed by a company that supplied alternative fuels and materials to the cement plants. In keeping with our commitment to sustainability and cost management, we continue to use these alternative fuels and materials programs at the Sugar Creek and Tulsa plants.

We have a long-term agreement with a steel manufacturer to supply granules necessary for grinding slag. This agreement requires us to purchase up to 550,000 tons of granules, which meet certain specifications, made available by the steel manufacturer each year.

Electric power is also a major cost component in the manufacturing process for both cement and slag, and we have sought to diminish overall power costs by adopting interruptible power supply agreements at certain locations. These agreements may expose us to some production interruptions during periods of power curtailment. Historically, we have not had many production interruptions under these agreements.

Demand, Sales, and Distribution

The principal sources of demand for cement and slag are infrastructure, commercial, and residential construction, with public works infrastructure comprising more than 50% of total demand. Cement consumption in the U.S. increased approximately 2% during calendar 2018 from calendar 2017, and the Portland Cement Association forecasts cement consumption will increase another approximately 2% in calendar 2019. Demand for cement is seasonal, particularly in northern states where inclement winter weather often affects construction activity. Cement sales are generally greatest from Spring through the middle of Autumn. Demand for slag has increased as the availability of fly ash has decreased due to the conversion of power plants from coal to natural gas.

The cement industry is extremely competitive: there are multiple domestic suppliers and foreign producers who import cement through various terminal operations. Approximately 85% of the U.S. cement industry is owned by foreign international companies.

Because of cement's low value-to-weight ratio, the relative cost of transporting cement on land is high and limits the geographic area in which each company can market its products profitably. The low value-to-weight ratio generally limits shipments by truck to a 150-mile radius of each plant and up to 300 miles by rail; therefore, the U.S. cement industry is fragmented into regional geographic areas rather than a single national selling area. No single cement company has a distribution of plants extensive enough to serve all geographic areas, so profitability is sensitive to shifts in the balance between regional supply and demand.

Cement imports into the U.S. occur primarily to supplement domestic cement production or to supply a particular region. Cement is typically imported into deep water ports, along the coast or on the Great Lakes, or it is transported on the Mississippi River system near major population centers. This is done to take advantage of lower waterborne freight costs versus higher truck and rail transportation costs that U.S.-based manufacturers incur to deliver into the same areas.

The Portland Cement Association estimates that imports represented approximately 15% of cement used in the U.S. during calendar 2018, compared with 14% in calendar 2017. The PCA also estimates that imports will represent approximately 16% of calendar 2019 consumption. Based on the normal distribution of cement into the market, we believe that no less than approximately 5% to 10% of the total consumption will consistently be served by imported cement.

The following table sets forth information regarding the geographic areas served by each of our cement and slag plants and the location of our distribution terminals in each area. We have a total of 19 cement storage and distribution terminals that are strategically located to extend the sales areas of our plants.

| Plant Location | Type of Plant | Operating Company Name | Principal Geographic Areas | Distribution Terminals ⁽¹⁾ |
|------------------------------|---------------|--------------------------------|--|---|
| Buda, Texas | Cement | Texas Lehigh Cement Company LP | Texas and western Louisiana | Corpus Christi, Texas; Houston, Texas; Roanoke (Fort Worth), Texas; Waco, Texas; Houston Cement Company (Joint Venture), Houston, Texas |
| LaSalle, Illinois | Cement | Illinois Cement Company | Illinois, Michigan and southern Wisconsin | Hartland, Wisconsin; Ottawa, Illinois |
| Sugar Creek, Missouri | Cement | Central Plains Cement Company | Western Missouri, eastern Kansas, eastern Nebraska and Iowa | Sugar Creek, Missouri; Iola, Kansas; Wichita, Kansas; Omaha, Nebraska; Pleasant Hill, Iowa ⁽²⁾ ; Altoona, Iowa ⁽³⁾ ; Springfield, Missouri; |
| Tulsa, Oklahoma | Cement | Central Plains Cement Company | Oklahoma, western Arkansas and southern Missouri | Oklahoma City, Oklahoma |
| Laramie, Wyoming | Cement | Mountain Cement Company | Wyoming, Utah, Colorado and western Nebraska | Salt Lake City, Utah; Denver, Colorado; North Platte, Nebraska |
| Fernley, Nevada | Cement | Nevada Cement Company | Northern Nevada and northern California | Sacramento, California |
| Fairborn, Ohio | Cement | Fairborn Cement Company | Ohio, eastern Indiana and northern Kentucky | Columbus, Ohio |
| Chicago, Illinois | Slag | Skyway Cement Company | Illinois, Pennsylvania, Iowa, Ohio, Minnesota, Missouri and Kansas | Kansas City, Missouri; Etna, Pennsylvania; Fairfield, Ohio ⁽⁴⁾ |

⁽¹⁾ Each of the above distribution terminals are capable of handling both cement and slag.

⁽²⁾ Currently under lease, which terminates during fiscal 2020. This terminal will be replaced by the Altoona terminal.

⁽³⁾ We also intend to sell slag cement from this terminal.

⁽⁴⁾ This facility is being leased.

During fiscal 2019, the leases we had with the former owner of the Skyway Plant for terminals in Cincinnati, Ohio; Des Moines, Iowa; St. Paul, Minnesota; and Tarentum, Pennsylvania expired and were not renewed. The terminal in Tarentum, Pennsylvania was replaced by the terminal in Etna, Pennsylvania; the terminal in Cincinnati, Ohio was replaced by the terminal in Fairfield, Ohio; and the terminal in Des Moines, Iowa was replaced by the terminal in Pleasant Hills, Iowa. The lease for the terminal at Pleasant Hills, Iowa expires in fiscal 2020 and is not expected to be renewed, and the terminal will be replaced by

the terminal in Altoona, Iowa. We are currently constructing a cement dome at Altoona, Iowa, which is expected to be completed by the end of fiscal 2020. We are leasing the new terminal in Fairfield, Ohio under an initial term of two years, with two one-year options.

Cement and slag are distributed directly to our customers mostly through customer pickups, and also by common carriers from our plants or distribution terminals. We transport cement and slag by barge and rail to our storage and distribution terminals.

No single customer accounted for more than 10% of our Cement segment sales during fiscal 2019. We do not typically enter into long-term sales contracts or have a significant level of order backlog. Cement and slag are generally sold to companies in private industry that contract with state and local entities for infrastructure and other public works projects.

Environmental Matters

Our cement operations are subject to numerous federal, state, and local laws and regulations pertaining to health, safety, and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws) impose environmental-permitting requirements and govern the nature and amount of emissions that may be generated when conducting particular operations. Some laws, such as the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (and analogous state laws) impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim certain land upon completion of extraction and mining operations in our quarries. We believe that we have obtained all the material environmental permits that are necessary to conduct our operations. We further believe that we are conducting our operations in substantial compliance with these permits. In addition, none of our manufacturing sites is listed as a CERCLA Superfund site.

Eight environmental issues involving the cement manufacturing industry deserve special mention.

The first environmental issue involves cement kiln dust or CKD. The U.S. Environmental Protection Agency (EPA) has been evaluating the regulatory status of CKD under the Resource Conservation and Recovery Act (RCRA) for several years. In 1999, the EPA proposed a rule that would allow states to regulate properly managed CKD as a non-hazardous waste under state laws and regulations governing solid waste. In contrast, CKD that was not properly managed would be treated as a hazardous waste under RCRA. In 2002, the EPA confirmed its intention to continue to exempt properly managed CKD from the hazardous waste requirements of RCRA. The agency announced that it would collect additional data over the next three to five years to determine if the states' regulation of CKD is effective. To date, the EPA still has not completed its 1999 proposal to exempt properly managed CKD waste and establish protective CKD management standards. It is uncertain whether or when this proposal will be finalized. Nevertheless, in the interim, many state environmental agencies have been using the EPA's 1999 proposed CKD management standards as general industry guidelines.

Currently, substantially all CKD produced in connection with our ongoing operations is recycled, and therefore such CKD is not viewed as a waste under RCRA. However, CKD was historically collected and stored on-site at our Illinois, Nevada, Missouri, Oklahoma, and Wyoming cement plants and at a former plant site in Corpus Christi, Texas, which is no longer producing cement. If either the EPA or the states decide to reclassify or impose new management standards on this CKD at some point in the future, we could incur additional costs to comply with those requirements with respect to our historically collected CKD. CKD that comes in contact with water might produce a leachate with an alkalinity high enough to be classified as hazardous and might also leach certain hazardous trace metals therein.

The second environmental issue involves the historical disposal of refractory brick containing chromium. Such refractory brick was formerly used widely in the cement industry to line cement kilns. We currently use a small amount of refractory brick containing chromium, all of which is properly disposed under applicable federal and state laws. Except for such chromium containing refractory, we crush substantially all of our refractory brick and use the crushed material as raw feed in the kiln.

The third environmental issue involves the potential regulation of our emission of greenhouse gases (GHGs), including carbon dioxide, under the Clean Air Act (CAA). The consequences of GHG emission reduction regulations for our cement operations will likely be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel to generate very high kiln temperatures; and (2) the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide.

In response to the Supreme Court's ruling in *Massachusetts v. EPA*, 127 S. Ct. 1438 (2007), that GHGs are air pollutants and, thus, potentially subject to regulation under the CAA, the EPA has taken steps to regulate GHG emissions from mobile and certain stationary sources. On September 22, 2009, the EPA issued a Mandatory Reporting of Greenhouse Gases final rule, which took effect December 29, 2009. This rule established a comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to monitor and report their GHG emissions annually on a facility-by-facility basis. On December 15, 2009, the EPA published a final rule finding that current and projected concentrations of six key GHGs in the atmosphere threaten public health and welfare. Based on this finding, on May 7, 2010, the EPA promulgated a final rule establishing GHG emission standards for new motor vehicles under Title II of the CAA, which was the first nationwide rule controlling or limiting GHG emissions. According to the EPA, because of the issuance of the motor vehicle rule meant that GHGs were regulated pollutants under the CAA, it triggered construction and operating permit requirements for large stationary sources of GHGs, including cement plants, under Title I of the CAA. On May 13, 2010, the EPA promulgated a final rule, known as the Tailoring Rule, addressing the thresholds at which stationary sources of GHGs trigger prevention of significant deterioration (PSD) and Title V permitting requirements. PSD review requires an analysis of possible GHG controls and, potentially, the installation of GHG controls or emissions limitations.

On June 23, 2014, the U.S. Supreme Court issued an opinion with respect to the Tailoring Rule holding that the EPA can require PSD controls for GHG emissions only for sources that are already subject to PSD review based on another pollutant – *Util. Air Regulatory Grp. v. E.P.A.*, 134 S. Ct. 2427 (2014). Following the Supreme Court decision, the EPA issued a memorandum clarifying that the EPA intends to continue to apply PSD requirements to GHG emissions if a source emits or has the potential to emit 75,000 tons per year (tpy) or more of GHGs until the EPA establishes a *de minimis* threshold for GHG emissions below which a source would not be subject to GHG PSD permitting requirements. The EPA announced its intention to propose a rule addressing the *de minimis* threshold for GHG PSD permitting in the summer of 2016. To date, the EPA has yet to propose such rule. Until the EPA issues a final rule addressing the *de minimis* threshold for GHG emissions, any major modification of our existing plants or construction of a new plant that triggers PSD review for non-GHG emissions also would trigger PSD review for GHG emissions if the proposed major modification or construction would result in a GHG emission increase of at least 75,000 tpy.

In October 2015, the EPA published a rule establishing guidelines for states to regulate carbon dioxide emissions from existing fossil fuel power plants (the Clean Power Plan). The Clean Power Plan established national performance rates for steam generating units and stationary combustion turbines as well as state emission reduction goals based on the application of the performance rates to a state's unique generation mix. Numerous states and industry petitioners are challenging the Clean Power Plan

on multiple grounds. On February 9, 2016, the U.S. Supreme Court stayed implementation of the Clean Power Plan while the litigation is pending. The U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) held oral argument on the consolidated challenges to the Clean Power Plan on June 2, 2016. No opinion in that case has been issued. On April 28, 2017, at the request of the U.S. EPA, the D.C. Circuit issued a *per curiam* order holding the case in abeyance for 60 days to allow the U.S. EPA to determine whether to reconsider the Clean Power Plan. The EPA has indicated that it intends to significantly amend or repeal the Clean Power Plan. The D.C. Circuit has continued to hold the rule challenges in abeyance and the EPA must file status reports on its deliberations every 30 days.

On October 17, 2017, the EPA issued a proposal to repeal the Clean Power Plan and set out a broad outline of options for replacing the Clean Power Plan. On August 31, 2018, the EPA proposed a new rule to replace the Clean Power Plan. The proposed rule, informally called the Affordable Clean Energy (ACE) rule, would limit GHG emission reductions to those that can occur with the fence-line of a power plant. The proposed rule identifies several qualifying technologies to improve heat rate at power plants. Under the proposed rule, standards of performance for GHG emissions would be established on a case-by-case basis by each state based on the qualifying heat rate improvement technologies.

In the future, it is possible that the EPA will propose performance standards for GHG emissions for other sectors, including cement manufacturing, so the ultimate outcome of the GHG regulations for power plants could affect the timing and form of standards for cement plants.

Several states have individually implemented or are presently considering measures to reduce emissions of GHGs, primarily through the planned development of GHG inventories or registries, or regional GHG cap and trade programs. California's AB 32 program is the most advanced of such state initiatives, with regulations affecting all major sources of GHGs. The State of Washington also issued regulations imposing emission limitations on a broad set of industry sectors, although that rule, the Clean Air Rule, was invalidated by a state court judge on December 15, 2017. Washington appealed the ruling to its state supreme court, which heard oral arguments on March 19, 2019, but has not yet issued a decision. States also have joined together to form regional initiatives to reduce GHG emissions, including nine states in the Northeast and Mid-Atlantic under the Regional Greenhouse Gas Initiative (RGGI). Two additional states are in the process of joining RGGI.

It is not possible at this time to predict how any future legislation that may be enacted or final EPA regulations that may be adopted to address GHG emissions would impact our business. However, any imposition of raw materials or production limitations, fuel-use or carbon taxes, or emission limitations or reductions could have a significant impact on the cement manufacturing industry and a material adverse effect on us and our results of operations.

The fourth environmental issue is the EPA's promulgation on September 9, 2010 of final regulations establishing National Emissions Standards for Hazardous Air Pollutants for portland cement plants (PC NESHAP) pursuant to Section 112 of the CAA. For specific hazardous air pollutants (HAPs), the final rule requires cement plants to meet certain emission and operating standards. The rule sets limits on mercury emissions from existing portland cement kilns and increases the stringency of emission limits for new kilns. The rule sets emission limits for total hydrocarbons, and also sets emission limits for particulate matter as a surrogate for non-volatile metal HAPs, from cement kilns of all sizes, and reduces hydrochloric acid emissions from kilns that are large emitters. As a result of industry challenges to the regulations, the EPA issued a revised rule on February 12, 2013. The revised rule made two notable changes to the 2010 HAP regulations. First, the rule established less stringent emission standards for total hydrocarbons and particulate matter. Second, the rule extended the deadline for existing sources to comply with the HAP regulations to September 9, 2015. We do not believe we are placed at a competitive

disadvantage by the revised rule. Pursuant to CAA Sections 112(d) and (f), the EPA determined on July 25, 2018, that no revisions to the HAP regulations are necessary to address residual risk from HAP emissions from portland cement plants, nor to account for developments in practices, process or control technologies. This determination has been challenged by environmental groups in the D.C. Circuit. The litigation in the D.C. Circuit is being held in abeyance while the EPA considers the environmental groups' administrative petition for reconsideration of the determination.

A fifth environmental issue involves excess emissions that may occur during periods of startup, shutdown, or malfunction. In June 2015, the EPA issued a rule requiring revisions to 36 state implementation plans (SIPs) that allowed exemptions or contained affirmative defenses to excess emissions during periods of startup, shutdown, or malfunction (SSM rule). The SIP revisions were submitted to the EPA in November 2016. The states required to revise their SIPs include states where the company has cement operations, such as Illinois, Oklahoma, Missouri, and Texas. Under the revised SIPs, companies would be required to comply with their emissions limits at all times, including during startup, shutdown, and malfunctions. States and members of industry have challenged the SSM rule in the D.C. Circuit. In addition, the State of Texas filed a petition with the EPA on March 15, 2017, requesting that the Agency reconsider the SSM rule as it applied to the Texas SIP.

On April 24, 2017, at the request of the EPA, the D.C. Circuit issued an order holding in abeyance the consolidated challenges to the SSM rule and canceling oral argument, which had been scheduled for May 8, 2017. In its motion, the EPA argued that oral argument should be delayed in light of the recent change in Administration. According to the motion, the EPA "intends to closely review the SSM rule, and the prior positions taken by the Agency with respect to the SSM rule may not necessarily reflect its ultimate conclusions after that review is complete." The D.C. Circuit's order requires the EPA to file status reports on the Agency's review of the SSM rule at 90-day intervals. It further mandates that the parties file motions to govern future proceedings within 30 days of the EPA notifying the court and the parties what action it has or will be taking with respect to the SSM rule. As a result, we cannot predict how or whether the SSM rule will be changed.

On April 29, 2019, EPA Region 6 (which oversees a group of states that includes New Mexico, Oklahoma, and Texas) published a proposed finding that the affirmative defense provisions in Texas's SIP applicable to excess emissions during periods of SSM are narrowly tailored and limited enough to be consistent with the CAA. Accordingly, EPA Region 6 also is proposing to withdraw the SSM rule as it applies to the Texas SIP, which means Texas would no longer be required to revise its SIP to address its existing affirmative defense provisions. The EPA is accepting public comment on the proposed rule through June 28, 2019. At this time, EPA Region 6 is not proposing to address other states' affirmative defense SIP provisions; however, the Agency notes in the Texas proposal that it is considering reinstating the EPA's prior policy that affirmative defense SIP provisions are generally approvable in Region 6 states.

The sixth environmental issue is the EPA's promulgation pursuant to Section 129 of the CAA of revised regulations for Commercial and Industrial Solid Waste Incineration (CISWI) units. CAA Section 129 requires the EPA to set standards for solid-waste incineration units. Affected sources must comply with the revised CISWI regulations the earlier of three years after State CISWI plan approval, or five years from the date of the final rule on reconsideration. On June 23, 2016, the EPA published a final rule reconsidering four provisions of the February 7, 2013 final CISWI rule, including relaxing the particulate matter standard for solid waste-burning kilns and eliminating the affirmative defense to penalties for non-compliance during well-documented malfunction events. On January 11, 2017, the EPA published a proposed federal plan that would implement the previously promulgated limits for existing CISWI units in states that have not submitted and received approval for a state plan. The proposed federal plan would have required owners or operators of impacted CISWI units to achieve compliance by February 7, 2018;

however, the EPA has yet to finalize the proposed federal plan. The EPA has approved several states' implementation plans, including plans submitted by Colorado and Oklahoma. Compared to the PC NESHAP, the CISWI regulations contain requirements for more pollutants, and the requirement for dioxin/furans for existing and new sources is somewhat more stringent.

Whether a facility is a CISWI unit regulated under CAA Section 129 or a cement plant regulated under CAA Section 112 hinges on whether it combusts solid waste as that term is defined under Subtitle D of RCRA. On March 21, 2011, the EPA finalized (and on February 7, 2013, it revised) the Identification of Non-Hazardous Secondary Materials that Are Solid Waste (NHSM) rule. The NHSM rule's primary purpose is to provide the definition of solid waste that is used to determine if a cement kiln is regulated under CISWI regulations or the PC NESHAP regulations. The rule lays out processing and legitimacy criteria that are used to determine if a non-traditional fuel is a solid waste. Combustion of a solid waste triggers applicability of the CISWI requirements. On July 29, 2016, the D.C. Circuit issued an opinion in *U.S. Sugar v. EPA*, No. 11-1108, largely upholding the 2011 and 2013 CISWI rules.

At some of our operations, kilns are or will be using non-hazardous secondary materials as a replacement for traditional fuels used in the manufacturing process. These kiln systems are capable of beneficially utilizing a wide array of NHSM and may be subject to the CISWI requirements, depending on whether these materials are identified as solid wastes under the NHSM rule. The EPA issued a rule clarifying the definition of solid waste and establishing a uniform recycling standard for all hazardous secondary materials recycling on January 13, 2015, which became effective on July 13, 2015. Solid waste-burning kilns must meet the CISWI emission and operating standards. Nonwaste-burning kilns must prove any alternative fuels used are not solid wastes. We do not believe we are placed at a competitive disadvantage by either the NHSM or the CISWI rule.

The seventh environmental issue is a revision to the National Emission Standards for Hazardous Air Pollutants for hazardous waste combustors (HWC NESHAP). The Tulsa, Oklahoma cement facility utilizes hazardous waste as fuel and is required to meet the emission and operating standards of the HWC NESHAP. This facility has demonstrated and remains in compliance with all of the requirements of the current HWC NESHAP. On October 12, 2005, the EPA promulgated final HWC regulations, with compliance required for all facilities by 2008. On October 28, 2008, the EPA promulgated a final rule addressing eight issues for which the EPA granted reconsideration of the 2005 rule. The final rule on reconsideration did not change the compliance date for existing sources established by the 2005 rule. Environmental and industry organizations filed lawsuits in the D.C. Circuit challenging the 2005 and 2008 regulations. The EPA subsequently agreed to revise the HWC NESHAP in accordance with an agreement with litigants, and the court in August 2009 granted EPA's motion for voluntary remand, without vacatur, of the 2005 and 2008 regulations to the EPA for further consideration. The EPA has not indicated when it will issue a proposed rule amending the regulations. It is not possible to predict at this time the stringency or impact of revised HWC NESHAP regulations or timing required for compliance.

The eighth environmental issue is the EPA's ongoing review and implementation of the national ambient air quality standards (NAAQS) for ozone. In October 2015, the EPA strengthened the ozone NAAQS by lowering the primary (health-based) and secondary (welfare-based) standards from 75 parts per billion (ppb) to 70 ppb. As a result of this change, the EPA was required to make attainment/nonattainment designations for the revised standards by October 2017. In November 2017, the EPA released a partial list of 2,649 counties (representing about 85 percent of U.S. counties) that meet the 2015 standards for ground level ozone or are not classifiable. States containing the remaining undesignated areas were notified by the EPA in December 2017 of the Agency's intended recommendations and were given 120 days to provide additional information for the EPA to consider before making final designation decisions. On April 30, 2018, the agency released the area designations for all of the remaining undesignated

counties, except for eight counties in the San Antonio, Texas area. The EPA designated 51 areas as nonattainment, one area as unclassifiable, and the remaining areas as attainment/unclassifiable. Most of the nonattainment areas were classified as marginal nonattainment. On July 17, 2018, the EPA released the area designations for the eight remaining Texas counties, seven of which were designated as attainment/unclassifiable and one, Bexar County, classified as being in marginal nonattainment. Nonattainment designations in or surrounding our areas of operations could have a material impact on our consolidated financial results. The CAA requires the EPA to review, and if necessary, revise the NAAQS every five years. Accordingly, the EPA is in the process of reviewing the ozone NAAQS, and is scheduled to complete this review in 2020.

We believe that our current procedures and practices in our operations, including those for handling and managing hazardous materials, are consistent with industry standards and are in substantial compliance with applicable environmental laws and regulations. Nevertheless, because of the complexity of our operations and the environmental laws to which we are subject, there can be no assurance that past or future operations will not result in violations, remediation costs, or other liabilities or claims. Moreover, we cannot predict what environmental laws will be enacted or adopted in the future or how such future environmental laws or regulations will be administered or interpreted. Compliance with more stringent environmental laws, or stricter interpretation of existing environmental laws, could necessitate significant capital outlays.

In fiscal 2019, we had \$4.7 million of capital expenditures related to compliance with environmental regulations applicable to our cement operations. We anticipate spending \$7.0 million during fiscal 2020.

CONCRETE AND AGGREGATES

Readymix concrete is a versatile, low-cost building material used in almost all construction. The production of readymix concrete involves mixing cement, sand, gravel, or crushed stone and water to form concrete, which is then sold and distributed to numerous construction contractors. Concrete is produced in batch plants and transported to customers' job sites in mixer trucks.

The aggregates business consists of mining, extracting, producing, and selling crushed stone, sand, gravel, and lightweight aggregates such as expanded clays and shales. Construction aggregates of suitable characteristics are employed in virtually all types of construction, including the production of readymix concrete and asphaltic mixes used in highway construction and maintenance.

Concrete and Aggregates Plants

We have 17 concrete batching plants and four aggregates facilities. We produce and distribute readymix concrete from company-owned sites north of Sacramento, California; Austin, Texas; and the greater Kansas City area. The following table sets forth information regarding these operations.

| Location | Number of Plants | Number of Trucks |
|---------------------|------------------|------------------|
| Northern California | 3 | 25 |
| Austin, Texas | 6 | 85 |
| Kansas City Area | 8 | 91 |
| Total | 17 | 201 |

We conduct aggregate operations near our concrete facilities in northern California; Austin, Texas; and the greater Kansas City area. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company. The following table sets forth certain information regarding these aggregate facilities.

| Location | Owned or Leased | Types of Aggregates | Estimated Annual Production Capacity (Thousand tons) | Estimated Minimum Reserves (Thousand Tons) ⁽¹⁾ | Estimated Minimum Reserves (Years) | Fiscal 2019 Tons Mined (Thousand Tons) |
|---------------------|-----------------|---------------------|--|---|------------------------------------|--|
| Northern California | Owned | Sand and Gravel | 4,000 | 910,900 | 100+ | 1,500 |
| Austin, Texas | Owned | Limestone | 3,000 | 4,300 | 23 | 1,965 |
| | Leased | | | 65,300 | | |
| Kansas City Area | Owned | Limestone | 700 | 57,000 ⁽²⁾ | 50+ | 35 |

⁽¹⁾ All reserves are considered to be probable under the definition of Industry Guide 7.

⁽²⁾ Includes reserves located in our underground mine that we believe can be economically used for aggregate supply.

Our total net aggregate sales were 3.2 million tons in fiscal 2019 and 3.5 million tons in fiscal 2018. Total aggregates production was 3.4 million tons in fiscal 2019 and 3.9 million tons in fiscal 2018. A portion of our total aggregates production is used internally by our readymix concrete operations in Texas, the greater Kansas City area, and California.

Raw Materials and Fuel Supplies

We obtain cement and aggregates for our concrete businesses from related companies, including our Joint Venture, as outlined below:

| Location | Percentage of Internally Supplied | |
|---------------------|-----------------------------------|------------|
| | Cement | Aggregates |
| Northern California | 100% | 80% |
| Austin, Texas | 35% | 45% |
| Kansas City Area | 100% | 25% |

We obtain the balance of our cement and aggregates requirements from multiple outside sources in each of these areas.

We mine and extract limestone, sand, and gravel, the principal raw materials used in the production of aggregates, from quarries owned or leased by us and located near our plants. The quarry serving our northern California business is estimated to contain more than nine hundred million tons of sand and gravel reserves. One of the quarries serving our Austin, Texas market is covered by a lease that expires in 2060. Based on current production capacity, we estimate our northern California and Austin, Texas quarries contain reserves of more than 100 years and approximately 23 years, respectively. Including reserves in our underground mine, our quarries in the Kansas City market currently have approximately 50 years of reserves. We are actively seeking additional, more economical reserves to extend the life of our reserves in the Kansas City market.

Demand, Sales, and Distribution

Demand for readymix concrete and aggregates largely depends on local levels of construction activity. Construction activity is also subject to weather conditions, the availability of financing at reasonable rates, and overall fluctuations in local economies, and therefore tends to be cyclical. We sell readymix concrete to numerous contractors and other customers in each plant's marketing area. Our batch plants in Austin, Texas, the greater Kansas City area, and northern California are strategically located to serve each marketing area. Concrete is delivered from the batch plants primarily by company-owned trucks.

We sell aggregates to building contractors and other customers engaged in a wide variety of construction activities. Aggregates are delivered from our aggregate plants by common carriers and customer pick-up. We are continuing our efforts to secure a rail link from our principal aggregates deposit north of Sacramento, California to supply extended markets in northern California. No customer accounted for more than 10% of fiscal 2019 segment revenue.

The concrete and aggregates industry is highly fragmented, with numerous participants operating in each local area. Because the cost of transporting concrete and aggregates is very high relative to product values, producers of concrete and aggregates typically can profitably sell their products only in areas within 50 miles of their production facilities. Barriers to entry in each industry are low, except with respect to environmental permitting requirements for new aggregates production facilities and zoning of land to permit mining and extraction of aggregates.

Environmental Matters

The concrete and aggregates industry is subject to environmental regulations similar to those governing our Cement operations. (See pages 8-13.)

In fiscal 2019, we had \$0.5 million of capital expenditures related to compliance with environmental regulations applicable to our Concrete and Aggregates operations. We anticipate spending approximately \$0.5 million in fiscal 2020.

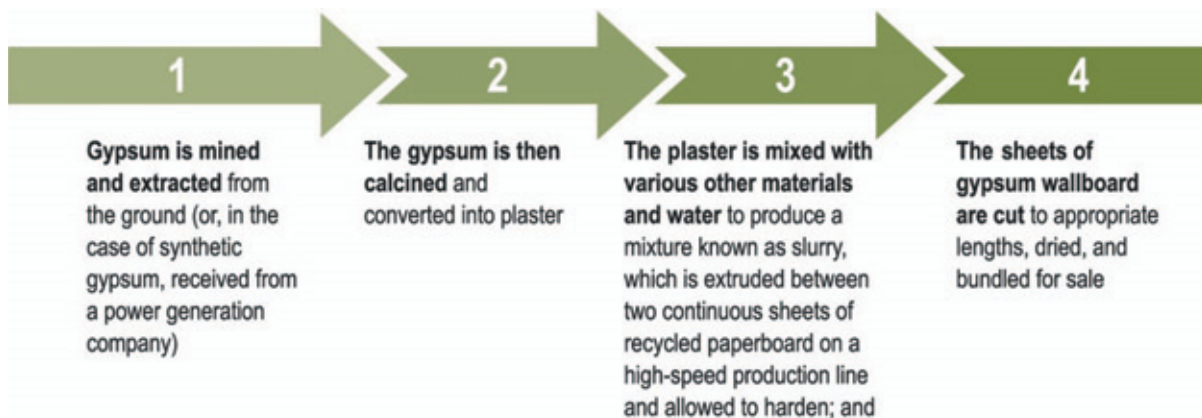
Light Materials

Our Light Materials sector produces gypsum wallboard, which is used in residential and commercial buildings, and recycled paperboard, which is used primarily in the manufacture of gypsum wallboard. The sector comprises the Gypsum Wallboard and Recycled Paperboard segments. Operations in this sector are concentrated in the Sun Belt of the United States, where the population is projected to grow approximately 38% between 2010 and 2040, according to the latest update in December 2018 by the Weldon Cooper Center at the University of Virginia. Population growth is a key long-term driver of demand for gypsum wallboard and recycled paperboard.

GYPSUM WALLBOARD

Gypsum wallboard is used to finish the interior walls and ceilings in residential, commercial, and industrial structures. Our gypsum wallboard products are marketed under the name American Gypsum.

The gypsum wallboard manufacturing process involves four main steps, as shown in the graphic below.



Gypsum Wallboard Plants

We own and operate five gypsum wallboard plants, outlined in the table below, and market our products under the name American Gypsum. We anticipate running all of our facilities at the level required to meet customer demand, up to maximum capacity. Our gypsum wallboard is distributed in the geographic markets nearest to our production facilities.

The following table sets forth certain information regarding our gypsum wallboard plants.

| Location | Owned or Leased Reserves ⁽¹⁾ | Approximate Annual Gypsum Wallboard Capacity (MMSF) ⁽²⁾ | Estimated Minimum Gypsum Reserves (Thousand Tons) ⁽³⁾ | Estimated Minimum Gypsum Reserves (Years) ⁽⁴⁾ | Fiscal 2019 Tons Mined (Thousand Tons) |
|---|---|--|--|--|--|
| Albuquerque, New Mexico | Owned | 425 | 10,490 ⁽⁵⁾ | 50+ ⁽⁵⁾ | 330 |
| | Leased | | 54,700 ⁽⁵⁾ | | |
| Bernalillo, New Mexico | | 550 | ⁽⁵⁾ | 50+ ⁽⁵⁾ | 105 |
| Gypsum, Colorado | Owned | 700 | 21,200 | 31 | 460 |
| Duke, Oklahoma | Owned | 1,300 | 22,550 | 23 | 685 |
| | Leased | | 2,900 | | |
| Georgetown, South Carolina ⁽⁶⁾ | | 900 | | 49 ⁽⁶⁾ | — |
| Total | | 3,875 | | | |

⁽¹⁾ Owned reserves include mining claims.

⁽²⁾ Million Square Feet (MMSF) based on anticipated product mix.

⁽³⁾ All gypsum tons are deemed probable under the definition provided by Industry Guide 7.

⁽⁴⁾ At 100% capacity utilization.

⁽⁵⁾ The same reserves serve both New Mexico plants.

⁽⁶⁾ We have a 60-year supply agreement with Santee Cooper for synthetic gypsum that expires in 2068.

Our Gypsum Wallboard production totaled 2,691 MMSF in fiscal 2019 and 2,614 MMSF in fiscal 2018. Total Gypsum Wallboard sales were 2,651 MMSF in fiscal 2019 and 2,555 MMSF in fiscal 2018.

Raw Materials and Fuel Supplies

We mine and extract natural gypsum rock, the principal raw material used in the manufacture of gypsum wallboard, from mines and quarries owned, leased, or subject to mining claims owned by the Company and located near our plants. Certain of our New Mexico reserves are under lease with the Pueblo of Zia. Gypsum ore reserves at the Gypsum, Colorado plant are contained within a total of 115 placer claims encompassing 2,300 acres. Included in this are 94 unpatented mining claims where mineral rights can be developed upon completion of permitting requirements. We currently own land containing gypsum in the area of Duke, Oklahoma, with additional reserves controlled through a lease agreement. Other gypsum deposits are located near the plant in Duke, which we believe may be obtained at a reasonable cost when needed. We are currently in the tenth year of a 60-year supply agreement (original 20-year term with two 20-year extension options) with a public utility in South Carolina for synthetic gypsum, which we use at our Georgetown, South Carolina plant. If the utility is unable to generate the agreed-upon amount of gypsum, it is responsible for providing gypsum from a third party to fulfill its obligations.

Through our modern low-cost paperboard mill, we manufacture sufficient quantities of paper necessary for our gypsum wallboard production. Paper is a significant cost component in the manufacture of gypsum wallboard, currently representing approximately one-third of our cost of production.

Our gypsum wallboard manufacturing operations use natural gas and electrical power. A significant portion of the Company's natural gas requirements for our gypsum wallboard plants are currently provided by three gas producers under gas-supply agreements expiring in August 2019 for New Mexico and October 2019 for South Carolina, Colorado, and Oklahoma. If the agreements are not renewed, we

anticipate being able to obtain our gas supplies from other suppliers at competitive prices. Electrical power is supplied to our New Mexico plants at standard industrial rates by a local utility. For our Albuquerque plant we have an interruptible power supply agreement, which may expose it to some production interruptions during periods of power curtailment. Power for our Gypsum, Colorado facility is generated at the facility by a cogeneration power plant that we own and operate. Currently, the cogeneration power facility supplies power and waste hot gases for drying to the gypsum wallboard plant. We do not sell any power to third parties. Gas costs represented approximately 8% of our production costs in fiscal 2019.

Demand, Sales, and Distribution

The principal sources of demand for gypsum wallboard are (i) residential construction, (ii) repair and remodeling, (iii) non-residential construction, and (iv) other markets such as exports and manufactured housing. Industry shipments of gypsum wallboard were approximately 24.9 billion square feet in calendar 2018, compared to 25.3 billion square feet in calendar 2017. We estimate that residential and repair and remodel construction accounted for more than 85% of calendar 2018 industry sales.

Demand for gypsum wallboard remains highly cyclical and closely follows construction industry cycles, particularly housing construction. Demand for wallboard can be seasonal and is generally highest from Spring through the middle of Autumn.

We sell Gypsum Wallboard to numerous building-materials dealers, gypsum wallboard specialty distributors, lumber yards, home-center chains, and other customers located throughout the United States, with the exception of the Northeast. Gypsum wallboard is sold on a delivered basis, mostly by truck. We generally use third-party common carriers for deliveries. Three customers accounted for approximately 30% of our Gypsum Wallboard segment sales during fiscal 2019.

Although gypsum wallboard is distributed principally in local areas, certain industry producers (including the Company) have the ability to ship gypsum wallboard by rail outside their usual regional distribution areas to regions where demand is strong. We own approximately 100 railcars for transporting gypsum wallboard. Our rail distribution capabilities permit us to service customers in markets on both the east and west coasts, except for the Northeast. Less than 10% of our Wallboard volume sold was delivered via rail.

There are seven manufacturers of gypsum wallboard in the U.S. operating a total of 62 plants, per the Gypsum Association. During 2018, Gebr. Knauf KG (Knauf) reached an agreement to acquire USG, and the transaction closed on April 24, 2019. We estimate that the three largest producers – Knauf, National Gypsum Company, and Koch Industries – account for approximately 60% of gypsum wallboard sales in the U.S.

Total wallboard-rated production capacity in the United States is currently estimated at approximately 40.0 billion square feet per year; however, certain lines have been curtailed and plants closed or idled. It is possible that previously closed plants or lines could be brought back into service.

Environmental Matters

The gypsum wallboard industry is subject to numerous federal, state, and local laws and regulations pertaining to health, safety, and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws), impose environmental permitting requirements and govern the nature and amount of emissions that may be generated when conducting particular operations. Some laws, such as CERCLA (and analogous state laws), impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim

certain land upon completion of extraction and mining operations in our quarries. None of our gypsum wallboard operations is the subject of any local, state, or federal environmental proceedings. We do not, and have not, used asbestos in any of our gypsum wallboard products.

On April 17, 2015, the EPA published its final rule addressing the storage, reuse, and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum (synthetic gypsum). We use synthetic gypsum in wallboard manufactured at our Georgetown, South Carolina plant. The rule, which applies only to electric utilities and independent power producers, establishes standards for the management of coal combustion residuals (CCRs) under Subtitle D of the Resource Conservation and Recovery Act, (RCRA), which is the Subtitle that regulates non-hazardous wastes. The rule imposes requirements addressing CCR surface impoundments and landfills, including location restrictions, design, and operating specifications; groundwater monitoring requirements; corrective action requirements; recordkeeping and reporting obligations; and closure requirements. Beneficial encapsulated uses of CCRs, including synthetic gypsum, are exempt from regulation. The rule became effective on October 19, 2015. Given the EPA's decision to continue to allow CCR to be used in synthetic gypsum and to regulate CCR under the non-hazardous waste sections of RCRA, we do not expect the rule to materially affect our business, financial condition, and results of operations. Similarly, material effects on our business, financial condition, and results of operations are unlikely to result from administrative reconsideration by the EPA of certain aspects of the final CCR rule, because none of these pending actions currently seek to overturn the management of CCR as non-hazardous waste or the regulatory exemption for beneficial encapsulated use of CCR.

As discussed in greater detail in the "Environmental Matters" section for Cement, the EPA in October 2015 strengthened the NAAQS for ozone by lowering the primary and secondary standards from 75 parts per billion (ppb) to 70 ppb. The EPA completed its attainment/nonattainment designations for the revised standards for all areas of the United States in July 2018. Nonattainment designations in or surrounding our areas of operations could have a material impact on our consolidated financial results. EPA is in the process of reviewing the ozone NAAQS, which it is required to do every five years to determine if it is necessary to revise the standards.

Our gypsum wallboard manufacturing process combusts natural gas. It is possible that GHG emissions from our manufacturing could become subject to regulation under the CAA. For a more detailed discussion of this issue, see the "Environmental Matters" section of our Cement business description on pages 8-13.

Although our Gypsum Wallboard operations could be adversely affected by federal, regional, or state climate change initiatives, at this time, it is not possible to accurately estimate how future laws or regulations addressing GHG emissions would impact our business. However, any imposition of raw materials or production limitations, fuel-use or carbon taxes, or emission limitations or reductions could have a significant impact on the gypsum wallboard manufacturing industry and a material adverse effect on the financial results of our operations.

There were \$0.2 million of capital expenditures related to compliance with environmental regulations applicable to our Gypsum Wallboard operations during fiscal 2019. We anticipate capital expenditures of approximately \$0.3 million related to our Gypsum Wallboard operations during fiscal 2020.

RECYCLED PAPERBOARD

Our Recycled Paperboard manufacturing operation, which we refer to as Republic Paperboard Company, is located in Lawton, Oklahoma, and has a technologically advanced paper machine designed primarily for gypsum liner production. The paper's uniform cross-directional strength and finish characteristics facilitate the efficiencies of new high-speed wallboard manufacturing lines and improve the efficiencies of the slower wallboard manufacturing lines. Although the machine was designed primarily to manufacture gypsum liner products, we are also able to manufacture several alternative products, including containerboard grades and lightweight packaging grades. To maximize manufacturing efficiencies, primarily recycled industrial paperboard grades are produced.

Our paper machine allows the paperboard operation to manufacture high-strength gypsum liner that is approximately 10-15% lighter in basis weight than generally available in the U.S. The low-basis weight product utilizes less recycled fiber to produce paper that, in turn, requires less energy (natural gas) to evaporate moisture from the board during the gypsum wallboard manufacturing process. The low-basis weight paper also reduces the overall finished board weight, providing our Wallboard operations with more competitive transportation costs for both the inbound and outbound segments.

We intend to invest approximately \$70.0 million to expand and enhance our papermill, which has been sold out for several years. This project will enable the facility to increase line speeds, which in turn increases output, and to replace high-cost raw materials with a lower-cost, more sustainable alternative. We expect the project to be completed by late spring 2020 and to increase our paper capacity by approximately 70,000 tons.

Raw Materials and Fuel Supplies

The principal raw materials in recycled paperboard are recycled paper fiber (recovered waste paper), water, and specialty paper chemicals. The largest waste paper source used by the operation is old cardboard containers (known as OCC). A blend of high grades (white papers consisting of ink-free papers such as news blank and unprinted papers) is used in the gypsum liner facing paper, white top linerboard, and white bag liner grades.

We believe that an adequate supply of OCC recycled fiber will continue to be available from sources located within a reasonable proximity of the paper mill. Although we have the capability to receive rail shipments, the vast majority of the recycled fiber purchased is delivered via truck. Prices are subject to market fluctuations based on generation of material (supply), demand, and the presence of the export market. Fiber prices in fiscal 2019 declined compared with fiber prices during fiscal 2018, which were higher than historical fiber prices. The current outlook for fiscal 2020 is for waste paper prices, namely OCC, to be lower compared with fiscal 2019. Current gypsum liner customer contracts include price escalators that partially offset and compensate for changes in raw material fiber prices. The chemicals used in the paper making operation, including size, retention aids, biocides, and bacteria controls, are readily available from several manufacturers at competitive prices.

The manufacture of recycled paperboard involves the use of a large volume of water in the production process. We have an agreement with the City of Lawton municipal services for supply of water to our manufacturing facility. Electricity, natural gas, and other utilities are available to us at either contracted rates or standard industrial rates in adequate supplies. These utilities are subject to standard industrial curtailment provisions.

Paperboard operations are generally large consumers of energy, primarily natural gas and electricity. We expect the cost of energy to remain consistent in fiscal 2020 compared with fiscal 2019. Electricity is supplied to the paper mill by Public Service of Oklahoma (PSO) and the Oklahoma Corporate Commission recently approved a 2% rate increase for the price of electricity. This power company is working to switch its fuel source dependency to natural gas, which could affect our electricity rates in future years. Oklahoma is a regulated state for electricity services, and all rate change requests must be presented to the Oklahoma Corporation Commission for review and approval before implementation. Natural gas costs in fiscal 2019 increased compared with fiscal 2018 but they are expected to decline in fiscal 2020. A significant portion of our natural gas requirements for our paper mill is provided under a gas supply agreement that expires in January 2020.

Demand, Sales, and Distribution

Our manufactured recycled paperboard products are sold to gypsum wallboard manufacturers and other industrial users. During fiscal 2019, approximately 40% of the recycled paperboard sold by our paper mill was consumed by the Company's Gypsum Wallboard manufacturing operations. We also have contracts with three other gypsum wallboard manufacturers that represent approximately 55% of our total segment revenue with the remaining volume shipped to other gypsum liner manufacturers. The current contracts with other gypsum wallboard manufacturers expire in four to six years. The loss of any of these contracts or a termination or reduction of their current production of gypsum wallboard, unless replaced by a commercially similar arrangement, could have a material adverse effect on the Company.

Environmental Matters

There were no capital expenditures related to compliance with environmental regulations applicable to our Recycled Paperboard operations during fiscal 2019, and none are expected in 2020.

Oil and Gas Proppants

The Oil and Gas Proppants sector produces frac sand used in oil and natural gas exploration, and provides transloading and storage for well servicing companies.

FACILITIES

We currently own two northern white frac sand mines, three frac sand wet processing plants, and four frac sand drying facilities. Our frac sand mines and wet plants are in New Auburn, Wisconsin and Utica, Illinois. Our frac sand drying facilities are currently in New Auburn, Wisconsin; Utica, Illinois; and Corpus Christi, Texas, as outlined in the table below. Sand is processed into various mesh sizes and marketed primarily to oil service companies.

The following table provides information regarding our frac sand production facilities at March 31, 2019.

| Wet Plant Location | Owned or Leased Reserves | Estimated Annual Wet Production Capacity (Thousand Tons) ⁽³⁾ | Estimated Minimum Reserves (Thousand Tons) ⁽¹⁾ | Estimated Minimum Reserves (Years) | Fiscal 2019 Tons Mined (Thousand Tons) ⁽²⁾ |
|--|--------------------------|---|---|------------------------------------|---|
| New Auburn, Wisconsin | Owned | 2,800 | 28,270 | 12 ⁽²⁾ | 1,700 |
| | Leased | | 7,660 | | |
| Utica, Illinois | Owned | 2,200 | 139,300 | 50+ | 645 |
| Dry Plant Location | | | | | Dry Plant Capacity (Thousand Tons) |
| New Auburn, Wisconsin (two lines) | | | | | 1,900 |
| Corpus Christi, Texas | | | | | 1,000 |
| Utica, Illinois | | | | | 1,600 |
| Total | | | | | 4,500 |

⁽¹⁾ All sand tons are deemed to be probable under the definition provided by Industry Guide 7.

⁽²⁾ We have an option to purchase property that, if purchased, will increase our estimated minimum reserves to approximately 20 years.

⁽³⁾ Represents throughput capacity.

During fiscal 2019, we completed the build-out of our Utica, Illinois facility that was started in fiscal 2018. The facility was completed in June 2018, and we began shipping sand out of this facility in July 2018. During fiscal 2018, we recommissioned our Corpus Christi plant which we idled in the fourth quarter of fiscal 2016. This plant operated for the first four months of fiscal 2019 before it was idled, and it remained idled through the end of the fiscal year. The Corpus Christi plant can be supplied with wet sand via barge from our mine in Utica, Illinois, or other outside sources. The cost of maintaining the idled Corpus Christi plant is not significant.

Raw Materials and Fuel Supplies

We mine our frac sand from open pit mines and process the sand in our wet plants. The excavation process includes stripping the overburden overlaying the planned mining area and then removing the sand through blasting or mechanically removing it with the use of mobile equipment. Processing includes washing the sand with water and screening to remove nonsalable material, after which the sand is dried and further screened to its final mesh sizes, which range from 20 mesh to 140 mesh. During the winter months, the cold weather adversely affects our ability to operate our wet processing plants, resulting in these plants being shut down for much of the winter. Generally, our New Auburn, Wisconsin facility is affected more by the weather than our Utica, Illinois facility.

Natural gas is the major fuel used in our dry plants. The cost of natural gas increased throughout fiscal 2019 and is not expected to fluctuate materially in fiscal 2020. Electricity and water are also a major cost component in our manufacturing process. We do not anticipate significant changes in the cost of these utilities in fiscal 2020.

DEMAND, SALES, AND DISTRIBUTION

Frac sand is currently sold into shale deposit zones across the United States. Demand for oil and gas proppants is driven primarily by rig counts and well-completion activity.

Drilling and completion activity for oil and gas is very cyclical in nature. Drilling activity is based on many factors, but the primary factor is oil and gas pricing. During the first half of calendar 2018, drilling activity was strong, and demand was steady. Demand declined during the second half of calendar 2018 as oil prices declined. Demand in the Permian Basin was also affected by the shortage of pipeline capacity, which made it difficult to move the oil from the basin to the refineries. Additional pipeline capacity is being

constructed, and is expected to be completed by the end of calendar 2019. Pricing for northern white sand was adversely affected by the decreased demand and the increased availability and use of in-basin sand, which has a lower cost due to the proximity of the sand to the wellhead.

A portion of the frac sand we produce is sold under long-term contracts that require our customers to pay a specified price per mesh size for a specified volume of sand each month or quarter, depending on the contract. The terms of our contracts, including pricing, delivery, and mesh distribution, vary by customer. Certain of our long-term customer contracts contain liquidated damages for non-performance by our customers. As the demand has slowed, we have negotiated new contract terms with certain of our customers. The renegotiated contracts reflect the reduced demand for frac sand in the current environment by restructuring the contracts to provide reduced contracted sales volume and prices in the near term, with the contracted minimums being increased in the later years. In addition to the long-term sales contracts, we sell frac sand through our distribution network under short-term pricing and other agreements. The terms of our short-term pricing agreements vary by customer.

We currently have contracts to provide frac sand to four customers, which comprised approximately 85% of our segment revenue for fiscal 2019. These contracts have an average remaining life of approximately two years.

The frac sand distribution business offers transload services to oil field service companies. These services are provided across several basins, through the following primary facilities:

| Location | Owned or Leased | Basin | Rail Access |
|------------------------------|-----------------|-------------|-------------|
| El Reno, Oklahoma | Leased | Midcon | Yes |
| Fairview, North Dakota | Owned | Bakken | Yes |
| New Town, North Dakota | Leased | Bakken | Yes |
| Hannibal, Ohio | Leased | Marcelus | Yes |
| Lemont Furnace, Pennsylvania | Leased | Marcelus | Yes |
| Kenedy, Texas | Owned | Eagle Ford | No |
| Fowlerton, Texas | Owned | Eagle Ford | No |
| Gonzales, Texas | Owned | Eagle Ford | Yes |
| Odessa, Texas | Owned | Permian | Yes |
| Batesville, Arkansas | Owned | Haynesville | Yes |

Our Hannibal, Ohio distribution terminal is served by barge as well as by rail, and the Kenedy, Texas and Fowlerton, Texas trans-load sites are served by truck from Corpus Christi, Texas. All other distribution locations are served by rail from either our Utica, Illinois or New Auburn, Wisconsin locations. At March 31, 2019, the Kenedy, Texas; Fowlerton, Texas; Gonzales, Texas; Odessa, Texas; and Batesville, Arkansas terminals were idled. The cost of maintaining these idled facilities is not significant.

At March 31, 2019, we had approximately 2,000 rail cars under lease, with an average term of approximately 3 years.

During the fourth quarter of fiscal 2019, continued declining prices and operating results in our Oil and Gas Proppants business indicated there were impairment indicators related to our long-lived assets. We reviewed our long-lived, intangible and other assets and determined that certain assets were impaired, and we recorded a \$220.3 million impairment loss at March 31, 2019. See Footnote (A) of the Notes to Consolidated Financial Statements for more information on this impairment.

ENVIRONMENTAL MATTERS

We and the commercial silica industry are subject to extensive governmental regulation pertaining to matters such as permitting and licensing requirements, plant and wildlife protection, hazardous materials, air and water emissions, and environmental contamination and reclamation. A variety of federal, state, and local agencies implement and enforce these regulations.

Federal Regulation

At the federal level, we may be required to obtain permits under Section 404 of the Clean Water Act from the U.S. Army Corps of Engineers for the discharge of dredged or fill material into waters of the United States, including wetlands and streams, in connection with our operations. We also may be required to obtain permits under Section 402 of the Clean Water Act from the EPA or the state environmental agencies, to which the EPA has delegated local implementation of the permit program, for discharges of pollutants into waters of the United States, including discharges of wastewater or storm-water runoff associated with construction activities. Failure to obtain these required permits, or to comply with their terms, could subject us to administrative, civil, and criminal penalties as well as injunctive relief.

The federal Clean Air Act and comparable state laws regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. These regulatory programs may require us to install expensive emissions abatement equipment, modify operational practices, and obtain permits for existing or new operations. Before commencing construction on a new or modified source of air emissions, such laws may require us to reduce emissions at existing facilities. As a result, we may be required to incur increased capital and operating costs to comply with these regulations. We could be subject to administrative, civil, and criminal penalties as well as injunctive relief for noncompliance with air permits or other requirements of the federal Clean Air Act and comparable state laws and regulations.

As part of our operations, we use or store petroleum products and other substances such as diesel fuel, lubricating oils, and hydraulic fluid. We are subject to regulatory programs pertaining to the storage, use, transportation, and disposal of these substances. Spills or releases may occur in the course of our operations, and we could incur substantial costs and liabilities as a result of such spills or releases, including claims for damage or injury to property and persons. CERCLA and comparable state laws may impose joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of hazardous substances into the environment. These persons include the owner or operator of the site where the release occurred, and anyone who disposed of, or arranged for disposal, including offsite disposal, of a hazardous substance generated or released at the site. Under CERCLA, such persons may be subject to liability for the costs of cleaning up the hazardous substances, for damages to natural resources, and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

In addition, RCRA and comparable state statutes regulate the generation, transportation, treatment, storage, disposal, and cleanup of hazardous and non-hazardous wastes. The EPA and state environmental agencies, to which the EPA has delegated portions of the RCRA program for local implementation, administer the RCRA program.

Our operations may also be subject to broad environmental review under the National Environmental Policy Act (NEPA). NEPA requires federal agencies to evaluate the environmental impact of all “major federal actions” significantly affecting the quality of the human environment. The granting of a federal permit for a major development project, such as a mining operation, may be considered a “major federal

action” that requires review under NEPA. Therefore, our projects may require review and evaluation under NEPA. As part of this evaluation, the federal agency considers a broad array of environmental impacts, including, among other things, impacts on air quality, water quality, wildlife (including threatened and endangered species), historic and archaeological resources, geology, socioeconomics, and aesthetics. NEPA also requires the consideration of alternatives to the project. The NEPA review process, especially the preparation of a full environmental impact statement, can be time consuming and expensive. The purpose of the NEPA review process is to inform federal agencies’ decision-making on whether federal approval should be granted for a project and to provide the public with an opportunity to comment on the environmental impacts of a proposed project. Though NEPA requires only that an environmental evaluation be conducted and does not mandate a particular result, a federal agency could decide to deny a permit or impose certain conditions on its approval, based on its environmental review under NEPA, or a third party could challenge the adequacy of a NEPA review in court and thereby delay or block the issuance of a federal permit or approval.

Federal agencies granting permits for our operations also must consider impacts to endangered and threatened species and their habitat under the Endangered Species Act. We also must comply with, and are subject to liability under, the Endangered Species Act, which prohibits and imposes stringent penalties for the harming of endangered or threatened species and their habitat. Federal agencies also must consider a project’s impacts on historic or archaeological resources under the National Historic Preservation Act, and we may be required to conduct archaeological surveys of project sites and to avoid or preserve historical areas or artifacts.

State and Local Regulation

We are also subject to a variety of state and local environmental review and permitting requirements. Some states, including Wisconsin where one of our operations is located, have state laws similar to NEPA; thus, our development of a new site or the expansion of an existing site may be subject to comprehensive state environmental reviews even if the project is not subject to NEPA. In some cases, the state environmental review may be more stringent than the federal review. Our operations may require state-law based permits in addition to federal permits, which obligate state agencies to consider a range of issues, many the same as federal agencies, including, among other things, a project’s impact on wildlife and their habitats, historic and archaeological sites, aesthetics, agricultural operations, and scenic areas. Wisconsin and some other states also have specific permitting and review processes for commercial silica mining operations, and state agencies may impose different or additional monitoring or mitigation requirements than federal agencies. The development of new sites and our existing operations also are subject to a variety of local environmental and regulatory requirements, including land use, zoning, building, and transportation requirements.

Some local communities have expressed concern regarding silica sand mining operations. These concerns have generally included exposure to ambient silica sand dust, truck traffic, water usage, and blasting. In response, certain state and local communities have developed, or are in the process of developing, regulations or zoning restrictions intended to minimize the potential for dust to become airborne, control the flow of truck traffic, significantly curtail the area available for mining activities, require compensation to local residents for potential impacts of mining activities and, in some cases, ban issuance of new permits for mining activities. We are not aware of any proposals for significant increased scrutiny on the part of state or local regulators in the jurisdictions in which we operate, or community concerns with respect to our operations that would reasonably be expected to have a material adverse effect on our business, financial condition, or results of operations going forward.

Existing operations could be more significantly affected by increased regulatory activity. In an effort to minimize these risks, we continue to be engaged with local communities in order to grow and maintain strong relationships with residents and regulators.

There were no capital expenditures related to compliance with environmental regulations applicable to our Oil and Gas Proppants operations during fiscal 2019, and we do not anticipate any such expenditures during fiscal 2020.

WHERE YOU CAN FIND MORE INFORMATION

We publish our annual reports on Form 10-K and Form DEF 14a, Annual Proxy Statement; our quarterly reports on Form 10-Q; and current reports on Form 8-K. These reports along with all amendments to them, are available free of charge through the Investor Relations page of our website, located at www.eaglematerials.com as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (SEC). This reference to our website is intended solely to inform investors where they may obtain additional information; the materials and other information presented on our website are not incorporated in and should not otherwise be considered part of this Report.

Additionally, investors may obtain information by contacting our Investor Relations department directly at (214) 432-2000 or by writing to Eagle Materials Inc., Investor Relations, 5960 Berkshire Lane, Suite 900, Dallas, Texas 75225.

ITEM 1A. Risk Factors

The foregoing discussion of our business and operations should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are or may become subject, many of which are outside of our control. These risks and uncertainties, together with other factors described elsewhere in this Report, have affected, or may in the future affect, our business, operations, financial condition and results of operations in a material and adverse manner.

We are affected by the level of demand in the construction industry.

Demand for our construction products and building materials is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially affected our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve; however, the rate and sustainability of such improvement remains uncertain. Infrastructure spending continues to be adversely affected by several factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential or commercial construction) could have a material adverse effect on our business, financial condition, and results of operations.

Our business is seasonal in nature, and this causes our quarterly results to vary significantly.

A majority of our business is seasonal with peak revenue and profits occurring primarily in the months of April through November when the weather in our markets is more suitable for construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly in the future. Such variations could have a negative impact on the price of our common stock.

We are subject to the risk of unfavorable weather conditions, particularly during peak construction periods, as well as other unexpected operational difficulties.

Unfavorable weather conditions, such as snow, cold weather, hurricanes, tropical storms, and heavy or sustained rainfall, can reduce construction activity and adversely affect demand for construction products. Such weather conditions can also increase our costs, reduce our production, or impede our ability to transport our products in an efficient and cost-effective manner. Similarly, operational difficulties, such as business interruption due to required maintenance, capital improvement projects, or loss of power, can increase our costs and reduce our production. In particular, the occurrence of unfavorable weather conditions and other unexpected operational difficulties during peak construction periods could adversely affect operating earnings and cash flow and could have a disproportionate impact on our results of operations for the full year.

We and our customers participate in cyclical industries and regional markets, which are subject to industry downturns.

A majority of our revenue is from customers who are in industries and businesses that are cyclical in nature and subject to changes in general economic conditions. For example, many of our customers operate in the construction industry, which is affected by a variety of factors, such as general economic conditions, changes in interest rates, demographic and population shifts, levels of infrastructure spending, and other factors beyond our control. In addition, since our operations are in a variety of geographic markets, our businesses are subject to differing economic conditions in each such geographic market. Economic downturns in the industries to which we sell our products or localized downturns in the regions where we have operations generally have an adverse effect on demand for our products and negatively affect the collectability of our receivables. In general, any downturns in these industries or regions could have a material adverse effect on our business, financial condition, and results of operations.

Many of our products are commodities, which are subject to significant changes in supply and demand and price fluctuations.

Many of the products sold by us are commodities, and competition among manufacturers is based largely on price. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions, and other market conditions beyond our control. Increases in the production capacity of industry participants for products such as gypsum wallboard, frac sand, or cement or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. Currently, there continues to be significant excess nameplate capacity in the gypsum wallboard industry in the United States. There can be no assurance that prices for products sold by us will not decline in the future or that such declines will not have a material adverse effect on our business, financial condition, and results of operations.

We are subject to risks and uncertainties related to our strategic portfolio review.

On April 18, 2019, we announced that the Company, with the support of our independent financial and legal advisors, is conducting a strategic review of its portfolio of businesses. The review is ongoing and the Company is carefully considering the full range of options for maximizing value to our shareholders, including a separation of our businesses, potential transactions with third parties and other strategic and financial alternatives. There can be no assurance that the strategic portfolio review will result in any particular action or that a transaction will be consummated, nor can there be any assurance regarding the timing of any action or transaction. We will incur expenses in connection with the strategic portfolio review and our future results may be affected by the pursuit or consummation of any specific transaction or other strategic alternative resulting from the review. While the strategic portfolio review is ongoing, we are exposed to certain risks and uncertainties, including potential risks and uncertainties in retaining and attracting employees during the review process; the diversion of management's time to the review; and exposure to potential litigation in connection with the review process or any specific transaction or other strategic alternative resulting therefrom, all of which could disrupt and negatively affect our business. Speculation regarding any developments related to the strategic portfolio review and perceived uncertainties related to the future of the Company could cause our stock price to fluctuate significantly. As of the date of this filing, there is no definite timetable for completion of the strategic portfolio, and we can provide no assurance that any transaction or other strategic alternative we may pursue will have a positive impact on our results of operations or financial condition.

Our business could be negatively affected as a result of a proxy contest.

On May 8, 2019, Sachem Head Capital Management LP, a stockholder of the Company, submitted a notice to us proposing to nominate two individuals to stand for election to our board of directors at our 2019 annual meeting of stockholders, in opposition to the nominees to be proposed by our board of directors. This proxy contest will require the Company to incur significant fees and expenses, and absorb significant time and attention by management and the board of directors. Furthermore, any perceived uncertainties as to our future direction and control could serve as a disruption to our long-term strategic plan, result in the loss of potential business opportunities, and impact our reputation and may make it more difficult to attract and retain qualified personnel and business partners, any of which could adversely affect our business, operating results and financial condition. At this time, we cannot predict the outcome, or the impact on the Company, of this proxy contest.

Our Cement business is capital intensive, resulting in significant fixed and semi-fixed costs. Therefore, our earnings are sensitive to changes in volume.

Due to the high levels of fixed capital required to produce cement, our profitability is susceptible to significant changes in volume. We believe that our current cash balance, along with our projected internal cash flows and our available financing resources will provide sufficient cash to support our currently anticipated operating and capital needs. However, if we are unable to generate sufficient cash to purchase and maintain the property and machinery necessary to operate our cement business, we may be required to reduce or delay planned capital expenditures or incur additional debt. In addition, given the level of fixed and semi-fixed costs within our Cement business and at our cement production facilities, decreases in volume could have an adverse effect on our financial condition, results of operations, and liquidity.

Our Oil and Gas Proppants business and financial performance depends on the level of activity in the oil and natural gas industries.

Our operations that produce frac sand are materially dependent on the levels of activity in oil and natural gas exploration, development, and production. More specifically, the demand for the frac sand we produce is closely related to the number of oil and natural gas wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in oil and natural gas prices. In recent years, oil and natural gas prices and, therefore, the level of exploration, development, and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East, and initiatives by the Organization of the Petroleum Exporting Countries, have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely affect the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely affect the demand for frac sand. A prolonged reduction in oil and natural gas prices would generally depress the level of oil and natural gas exploration, development, production and well completion activity, and would result in a corresponding decline in the demand for the frac sand we produce. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could have material adverse effect on our Oil and Gas Proppants business, even in a stronger oil and natural gas price environment.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our business and results of operations.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our revenue and cash flows, in particular with respect to our Oil and Gas Proppants business. Our contracts with our customers provide for different potential remedies to us in the event a customer fails to purchase the minimum contracted amount of product in a given period. If we were to pursue legal remedies in the event that a customer failed to purchase the minimum contracted amount of product under a fixed-volume contract or failed to satisfy the take-or-pay commitment under a take-or-pay contract, we may receive significantly less in a judgment or settlement of any claimed breach than we would have received had the customer fully performed under the contract. In the event of any customer's breach, we may also choose to renegotiate any disputed contract on less favorable terms (including with respect to price and volume) for us to preserve the relationship with that customer.

Volatility and disruption of financial markets could affect access to credit.

Difficult economic conditions can cause a contraction in the availability, and increase the cost, of credit in the marketplace. A number of our customers or suppliers have been and may continue to be adversely affected by unsettled conditions in capital and credit markets, which in some cases have made it more difficult or costly for them to finance their business operations. These unsettled conditions have the potential to reduce the sources of liquidity for the Company and our customers.

Our and our customers' operations are subject to extensive governmental regulation, including environmental laws, which can be costly and burdensome.

Our operations and those of our customers are subject to and affected by federal, state, and local laws and regulations with respect to such matters as land usage, street and highway usage, noise level, and health and safety and environmental matters. In many instances, various certificates, permits, or licenses are required in order for us or our customers to conduct business or carry out construction and related operations. Although we believe that we are in compliance in all material respects with applicable regulatory requirements, there can be no assurance that we will not incur material costs or liabilities in connection with regulatory requirements or that demand for our products will not be adversely affected by regulatory issues affecting our customers. In addition, future developments, such as the discovery of new facts or conditions, the enactment or adoption of new or stricter laws or regulations, or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us, or prevent us from opening, expanding, or modifying plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

For example, greenhouse gases (GHGs) currently are regulated as pollutants under the federal Clean Air Act and subject to reporting and permitting requirements. Future consequences of GHG permitting requirements and potential emission reduction measures for our operations may be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel; (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide; and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas. In addition, the EPA has proposed to regulate GHG emissions from existing fossil fuel-fired power plants as a result of the EPA's promulgation of new source performance standards for the same sources. In the future, the EPA is expected to propose new source performance standards for GHG emissions from cement manufacturing, which similarly will trigger a requirement for the EPA to promulgate

regulations relating to GHG emissions from existing cement manufacturing facilities. The timing of such regulation is uncertain.

The EPA finalized National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for portland cement plants (PC NESHAP). The PC NESHAP required a significant reduction in emissions of certain hazardous air pollutants from portland cement kilns, including mercury, total hydrocarbons, particulate matter (as a surrogate for metal pollutants), and acid gases from cement kilns of all sizes. The Clean Air Act requires the EPA to review and revise these standards within eight years based on any residual risk posed by emissions from cement plants, as well as periodically review and revise these standards to account for developments in practices, process or control technologies. EPA determined on July 25, 2018, that no revisions to the PC NESHAP are necessary to address residual risk or technological developments. This determination has been challenged by environmental groups in *Downwinders at Risk v. EPA*, No. 18-1260 (D.C. Cir.). The litigation in the D.C. Circuit is being held in abeyance while EPA considers the environmental groups' administrative petition for reconsideration of the determination. In the future, the EPA may propose to further strengthen the emission limitations applicable under the PC NESHAP to reflect future technological developments. It is not possible at this time to predict whether or when such a rule making may be undertaken or whether it would have a material effect on the Company's operations.

On March 21, 2011, the EPA issued a final rule revising the Standards of Performance for New Sources and Emissions Guidelines for Existing Sources for Commercial/Industrial Solid Waste Incinerators (the CISWI Rule) per Section 129 of the Clean Air Act, which created emission standards for four subcategories of industrial facilities, one of which is "Waste Burning Kilns." The EPA simultaneously stayed the CISWI Rule for further reconsideration. On February 7, 2013, the EPA finalized revisions to the CISWI Rule. For those cement kilns that utilize non-hazardous secondary materials (NHSM) as defined in the rule first finalized on March 21, 2011 (and slightly revised on February 7, 2013), the CISWI Rule requires significant reductions in emissions of certain pollutants from applicable cement kilns. The CISWI Rule sets forth emission standards for mercury, carbon monoxide, acid gases, nitrogen oxides, sulfur dioxide, certain metals (lead and cadmium), particulate matter, and more stringent standards than the PC NESHAP for dioxin/furans. The CISWI Rule required existing CISWI units (i.e., those that began construction before June 4, 2010) to be in compliance with emission limits in their state-submitted plans by the earlier of February 7, 2018 or three years after the effective date of state plan approval by the EPA. The Rule requires new CISWI units (i.e., those that began construction on or after June 4, 2010, or commenced reconstruction or modification after August 7, 2013) to be in compliance with the emission standards for new sources by the later of August 7, 2013, or the date of startup of the source. On January 11, 2017, the EPA published a proposed federal plan that would implement the emission limits for existing CISWI units in states that have not submitted and received approval for a state plan; however, the Agency has yet to finalize the proposed federal plan. On June 23, 2016, the EPA published a final rule reconsidering four provisions of the February 7, 2013 CISWI Rule, including relaxing the particulate matter standard for solid waste-burning kilns and eliminating the affirmative defense to penalties for non-compliance during well-documented malfunction events.

On April 17, 2015, the EPA published its final rule addressing the storage, reuse, and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum (synthetic gypsum). We use synthetic gypsum in wallboard manufactured at our Georgetown, South Carolina plant. The rule, which applies only to electric utilities and independent power producers, establishes standards for the management of coal combustion residuals (CCRs) under Subtitle D of the Resource Conservation and Recovery Act (RCRA), which is the Subtitle that regulates non-hazardous wastes. The rule imposes requirements addressing CCR surface impoundments and landfills, including location restrictions, design and operating specifications, groundwater monitoring requirements, corrective action requirements,

recordkeeping and reporting obligations, and closure requirements. Beneficial encapsulated uses of CCRs, including synthetic gypsum, are exempt from regulation. The rule became effective on October 19, 2015, with many of the requirements phased in months or years after the effective date. Given the EPA's decision to continue to allow CCR to be used in synthetic gypsum and to regulate CCR under the non-hazardous waste sections of RCRA, we do not expect the rule to materially affect our business, financial condition, and results of operations. Similarly, material effects for our business, financial condition and results of operations are unlikely to result from administrative reconsideration by the EPA of certain aspects of the final CCR rule, because none of these pending actions currently seek to overturn the management of CCR as non-hazardous waste or the regulatory exemption for beneficial encapsulated use of CCR.

On October 1, 2015, the EPA lowered the primary (health-based) and secondary (welfare-based) ozone standards from the prior 8-hour standard of 75 parts per billion (ppb) to 70 ppb. An "area" (typically on the county level) will meet the ozone standards if the fourth-highest maximum daily 8-hour ozone concentration per year, averaged over three years, is equal to or less than 70 ppb. The EPA completed its area designations for all areas in the United States in July 2018. Areas with ozone levels above the standards were designated as "nonattainment" (with classifications ranging from marginal to extreme nonattainment), areas with ozone levels at or below the standards were designated as "attainment/unclassifiable," and areas with insufficient data for EPA to make an attainment determination were designated as "unclassifiable." In states with major emitting sources located in or near nonattainment areas, states are required to impose new and costly regulatory requirements. For areas that were determined to be in nonattainment, states are required to develop plans to bring the areas into attainment by as early as 2020 (depending on when the nonattainment designation was made and what the nonattainment classification is, e.g., marginal, moderate, severe, or extreme). Out of the 16 states where we have operations, 10 states contain at least one area that was designated as being in nonattainment for the 2015 ozone NAAQS (California, Colorado, Illinois, Missouri, Nevada, New Mexico, Ohio, Texas, Utah, and Wisconsin). We may be required to meet new control requirements requiring significant capital expenditures for compliance.

Our cement plant located in Fernley, Nevada is subject to certain obligations under a consent decree with the United States requiring the establishment of facility-specific emissions limitations for certain air pollutants. Limitations that significantly restrict emissions levels beyond current operating levels may require additional investments by us or place limitations on operations, any of which could have a material adverse effect on our financial condition or results of operations.

Our cement plant in Tulsa, Oklahoma is subject to a NESHAP for hazardous waste combustors (the HWC NESHAP), which imposes emission limitations and operating limits on cement kilns that are fueled by hazardous wastes. Compliance with the HWC NESHAP could impose additional liabilities on us or require additional investment by us, which could have a material adverse effect on our financial condition or results of operations. In addition, new developments, such as new laws or regulations, may impose new liabilities on us, require additional investment by us, or prevent us from operating or expanding plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations. For example, while the HWC NESHAP has not been updated since 2008, 73 Fed. Reg. 64068 (Oct. 28, 2008), future revisions to the HWC NESHAP regulations would apply to both of the cement kilns used at the cement plant in Tulsa, Oklahoma. Such revision could require new control requirements and significant capital expenditure for compliance.

Climate change and climate change legislation or regulations may adversely affect our business.

A number of governmental bodies have finalized, proposed, or are contemplating legislative and regulatory changes in response to the potential effects of climate change. Such legislation or regulation has and potentially could include provisions for a “cap and trade” system of allowances and credits or a carbon tax, among other provisions. Any future laws or regulations addressing GHG emissions would likely have a negative impact on our business or results of operations, whether through the imposition of raw material or production limitations, fuel-use, or carbon taxes emission limitations or reductions, or otherwise.

Other potential effects of climate change include physical effects such as disruption in production and product distribution as a result of major storm events and shifts in regional weather patterns and intensities. Production and shipment levels for our businesses correlate with general construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather patterns, seasonal changes, and other unusual or unexpected weather-related conditions, which can significantly affect our businesses. There is also a potential for climate change legislation and regulation to adversely affect the cost of purchased energy and electricity.

The effects of climate change on our operations are highly uncertain and difficult to estimate. However, because a chemical reaction inherent to the manufacture of portland cement releases carbon dioxide, a GHG, cement kiln operations may be disproportionately affected by future regulation of GHGs. Climate change and legislation and regulation concerning GHGs could have a material adverse effect on our financial condition, results of operations, and liquidity.

Silica-related legislation, health issues and litigation could have a material adverse effect on our business, reputation or results of operations.

The inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the frac sand industry and related transloading operations. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use or handling of frac sand, may have the effect of discouraging our customers’ use of our frac sand. The actual or perceived health risks of mining, processing, and handling frac sand could materially and adversely affect frac sand producers and those who transload frac sand, including us, through reduced use of frac sand, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers. We are currently subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory authorities, including MSHA and OSHA, may continue to propose and implement changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment. We may not be able to comply with any new laws and regulations that are adopted and required modifications or cessation of operations at our affected operations could have a material adverse effect on those businesses.

We may incur significant costs in connection with pending and future litigation.

We are, or may become, party to various lawsuits, claims, investigations, and proceedings, including but not limited to personal injury, environmental, antitrust, tax, asbestos, property entitlements and land use, intellectual property, commercial, contract, product liability, health and safety, and employment matters. The outcome of pending or future lawsuits, claims, investigations, or proceedings is often difficult to

predict and could be adverse and material in amount. Development in these proceedings can lead to changes in management's estimates of liabilities associated with these proceedings including the judge's rulings or judgments, settlements, or changes in applicable law. A future adverse ruling, settlement, or unfavorable development could result in charges that could have a material adverse effect on our results of operations and cash flows in a particular period. In addition, the defense of these lawsuits, claims, investigations, and proceedings may divert our management's attention, and we may incur significant costs in defending these matters. See Part II Item 1. Legal Proceedings of this report.

Our results of operations are subject to significant changes in the cost and availability of fuel, energy and other raw materials.

Major cost components in each of our businesses are the costs of fuel, energy, and raw materials. Significant increases in the costs of fuel, energy, or raw materials, or substantial decreases in their availability could materially and adversely affect our sales and operating profits. Prices for fuel, energy, or raw materials used in connection with our businesses could change significantly in a short period of time for reasons outside our control. Prices for fuel and electrical power, which are significant components of the costs associated with our Gypsum Wallboard and Cement businesses, have fluctuated significantly in recent years and may increase in the future. In the event of large or rapid increases in prices, we may not be able to pass the increases through to our customers in full, which would reduce our operating margin.

Changes in the cost or availability of raw materials supplied by third parties may adversely affect our operating and financial performance.

We generally maintain our own reserves of limestone, gypsum, aggregates, and other materials that we use to manufacture our products. However, we obtain certain raw materials used to manufacture our products, such as synthetic gypsum and slag granules, from third parties who produce such materials as by-products of industrial processes. While we try to secure our needed supply of such materials through long-term contracts, those contracts may not be sufficient to meet our needs, or we may be unable to renew or replace existing contracts when they expire or are terminated in the future. Should our existing suppliers cease operations or reduce or eliminate production of these by-products, our costs to procure these materials may increase significantly, or we may be obliged to procure alternatives to replace these materials, which may not be available on commercially reasonable terms or at all. Any such development may adversely affect our operations and financial condition.

We may become subject to significant cleanup, remediation, and other liabilities under applicable environmental laws.

Our operations are subject to state, federal, and local environmental laws and regulations, which impose liability for cleanup or remediation of environmental pollution and hazardous waste arising from past acts. These laws and regulations also require pollution control and prevention, site restoration and operating permits, and/or approvals to conduct certain of our operations or expand or modify our facilities. Certain of our operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. We are unable to estimate accurately the impact on our business or results of operations of any such law or regulation at this time. Risk of environmental liability (including the incurrence of fines, penalties, other sanctions, or litigation liability) is inherent in the operation of our businesses. As a result, it is possible that environmental liabilities and compliance with environmental regulations could have a material adverse effect on our operations in the future.

Significant changes in the cost and availability of transportation could adversely affect our business, financial condition, and results of operations.

Some of the raw materials used in our manufacturing processes, such as coal or coke, are transported to our facilities by truck or rail. In addition, transportation logistics play an important part in allowing us to supply products to our customers, whether by truck, rail, or barge. For example, we deliver gypsum wallboard to many areas of the United States, and the transportation costs associated with the delivery of our wallboard products represent a significant portion of the variable cost of our Gypsum Wallboard segment. Significant increases in the cost of fuel or energy can result in material increases in the cost of transportation, which could materially and adversely affect our operating profits. In addition, reductions in the availability of certain modes of transportation, such as rail or trucking, could limit our ability to deliver product and therefore materially and adversely affect our operating profits.

Our debt agreements contain restrictive covenants and require us to meet certain financial ratios and tests, which limit our flexibility and could give rise to a default if we are unable to remain in compliance.

Our Credit Facility, Senior Unsecured Notes, and Series 2007A Senior Unsecured Notes contain, among other things, covenants that limit our ability to finance future operations or capital needs or to engage in other business activities, including but not limited to our ability to:

- incur additional indebtedness;
- sell assets or make other fundamental changes;
- engage in mergers and acquisitions;
- pay dividends and make other restricted payments;
- make investments, loans, advances or guarantees;
- encumber our assets or those of our restricted subsidiaries;
- enter into transactions with our affiliates.

In addition, these agreements require us to meet and maintain certain financial ratios and tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including the changes in general business and economic conditions, may impair our ability to comply with these covenants or meet those financial ratios and tests. A breach of any of these covenants or failure to maintain the required ratios and meet the required tests may result in an event of default under these agreements. This may allow the lenders under these agreements to declare all amounts outstanding to be immediately due and payable, terminate any commitments to extend further credit to us, and pursue other remedies available to them under the applicable agreements. If this occurs, our indebtedness may be accelerated, and we may not be able to refinance the accelerated indebtedness on favorable terms, or at all, or repay the accelerated indebtedness. In general, the occurrence of any event of default under these agreements could have a material adverse effect on our financial condition or results of operations.

We have incurred substantial indebtedness, which could adversely affect our business, limit our ability to plan for or respond to changes in our business, and reduce our profitability.

Our future ability to satisfy our debt obligations is subject, to some extent, to financial, market, competitive, legislative, regulatory, and other factors that are beyond our control. Our substantial debt obligations could have negative consequences to our business, and, in particular, could impede, restrict, or delay the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. For example:

- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, capital expenditures, or strategic acquisitions;
- we may not be able to generate sufficient cash flow to meet our substantial debt service obligations or to fund our other liquidity needs. If this occurs, we may have to take actions such as selling assets, selling equity, or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, or restructuring our debt;
- as a result of the amount of our outstanding indebtedness and the restrictive covenants to which we are subject, if we determine that we require additional financing to fund future working capital, capital investments, or other business activities, we may not be able to obtain such financing on commercially reasonable terms, or at all; and
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited, thereby placing us at a competitive disadvantage compared with our competitors that have less indebtedness.

Our production facilities may experience unexpected equipment failures, catastrophic events, and scheduled maintenance.

Interruptions in our production capabilities may cause our productivity and results of operations to decline significantly during the affected period. Our manufacturing processes are dependent upon critical pieces of equipment. Such equipment may, on occasion, be out of service as a result of unanticipated events such as fires, explosions, violent weather conditions, or unexpected operational difficulties. We also have periodically scheduled shut-downs to perform maintenance on our facilities. Any significant interruption in production capability may require us to make significant capital expenditures to remedy problems or damage as well as cause us to lose revenue and profits due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

Increases in interest rates and inflation could adversely affect our business and demand for our products, which would have a negative effect on our results of operations.

Our business is significantly affected by the movement of interest rates. Interest rates have a direct impact on the level of residential, commercial, and infrastructure construction activity by impacting the cost of borrowed funds to builders. Higher interest rates could result in decreased demand for our products, which would have a material adverse effect on our business and results of operations. In addition, increases in interest rates could result in higher interest expense related to borrowings under our Credit Facility. Inflation can result in higher interest rates. With inflation, the costs of capital increase, and the purchasing power of our cash resources can decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation, which could have a direct and indirect adverse impact on our business and results of operations.

Any new business opportunities we may elect to pursue will be subject to the risks typically associated with the early stages of business development or product line expansion.

We are continuing to pursue opportunities which are natural extensions of our existing core businesses and which allow us to leverage our core competencies, existing infrastructure, and customer relationships. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Executive Summary.” Our likelihood of success in pursuing and realizing these opportunities must be considered in light of the expenses, difficulties, and delays frequently encountered in connection with the early phases of business development or product line expansion, including the difficulties involved in obtaining permits; planning and constructing new facilities; transporting and storing products; establishing, maintaining, or expanding customer relationships; as well as navigating the regulatory environment in which we operate. There can be no assurance that we will be successful in the pursuit and realization of these opportunities.

We may be adversely affected by decreases or shifts in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing.

Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells through hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than ceramic proppant, which is also used in hydraulic fracturing to stimulate and maintain oil and natural gas production. A significant shift in demand from frac sand to other proppants, such as ceramic proppants, or a shift in demand from higher-margin frac sand to lower-margin frac sand, could have a material adverse effect on our Oil and Gas Proppants business. The development and use of new technology for effective alternative proppants, or new technologies allowing for improved placement of proppants at reduced volumes, or the development of new processes to replace hydraulic fracturing altogether could also cause a decline in demand for the frac sand we produce and could have a material adverse effect on our Oil and Gas Proppants business. Similarly, the continued presence of lower cost in-basin frac sand in the Permian and Eagle Ford basins, could continue to adversely affect our Oil and Gas Proppants business.

Our operations are dependent on our rights and ability to mine our properties and on our having renewed or received the required permits and approvals from governmental authorities and other third parties.

We hold numerous governmental, environmental, mining, and other permits, water rights, and approvals authorizing operations at many of our facilities. A decision by a governmental agency or other third parties to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility. Expansion of our existing operations is also predicated on securing the necessary environmental or other permits, water rights, or approvals, which we may not receive in a timely manner or at all.

Title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have title to one or more of our properties or lack appropriate water rights could cause us to lose any rights to explore, develop, and extract any minerals on that property, without compensation for our prior expenditures relating to such property. Our business may suffer a material adverse effect in the event one or more of our properties are determined to have title deficiencies.

In some instances, we have received access rights or easements from third parties, which allow for a more efficient operation than would exist without the access or easement. A third party could take action to suspend the access or easement, and any such action could be materially adverse to our results of operations or financial conditions.

A cyber-attack or data security breach affecting our information technology systems may negatively affect our businesses, financial condition, and operating results.

We use information technology systems to collect, store, and transmit the data needed to operate our businesses, including our confidential and proprietary information. Although we have implemented industry-standard security safeguards and policies to prevent unauthorized access or disclosure of such information, we cannot prevent all cyber-attacks or data security breaches. If such an attack or breach occurs, our businesses could be negatively affected, and we could incur additional costs in remediating the attack or breach and suffer reputational harm due to the theft or disclosure of our confidential information.

We may pursue acquisitions, joint ventures and other transactions that are intended to complement or expand our businesses. We may not be able to complete proposed transactions, and even if completed, the transactions may involve a number of risks that may result in a material adverse effect on our business, financial condition, operating results, and cash flows.

As business conditions warrant and our financial resources permit, we may pursue opportunities to acquire businesses or technologies and to form joint ventures that we believe could complement, enhance, or expand our current businesses or product lines or that might otherwise offer us growth opportunities. We may have difficulty identifying appropriate opportunities, or if we do identify opportunities, we may not be successful in completing transactions for a number of reasons. Any transactions that we are able to identify and complete may involve one or more of a number of risks, including:

- the diversion of management's attention from our existing businesses to integrate the operations and personnel of the acquired business or joint venture;
- possible adverse effects on our operating results during the integration process;
- failure of the acquired business or joint venture to achieve expected operational, profitability, and investment return objectives;
- the incurrence of significant charges, such as impairment of goodwill or intangible assets, asset devaluation, or restructuring charges;
- the assumption of unanticipated liabilities and costs for which indemnification is unavailable or inadequate;
- unforeseen difficulties encountered in operating in new geographic areas; and
- the inability to achieve other intended objectives of the transaction.

In addition, we may not be able to successfully or profitably integrate, operate, maintain, and manage our newly acquired operations or their employees. We may not be able to maintain uniform standards, controls, procedures, and policies, which may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional indebtedness.

Our bylaws include a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any internal corporate claims within the meaning of the Delaware General Corporation Law (DGCL), (ii) any derivative action or proceeding brought on our behalf, (iii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or to our stockholders, or (iv) any action asserting a claim arising pursuant to any provision of the DGCL, will be a state or federal court located within the State of Delaware in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. This forum selection provision in our bylaws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that, notwithstanding the forum selection clause included in our bylaws, a court could rule that such a provision is inapplicable or unenforceable.

This report includes various forward-looking statements, which are not facts or guarantees of future performance and which are subject to significant risks and uncertainties.

This report and other materials we have filed or will file with the SEC, as well as information included in oral statements or other written statements made or to be made by us contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates, or other expectations regarding future events. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "may," "can," "could," "might," "will," and similar expressions identify forward-looking statements, including statements related to expected operating and performing results, planned transactions, plans, and objectives of management, future developments, or conditions in the industries in which we participate, including future prices for our products, audits, and legal proceedings to which we are a party, and other trends, developments, and uncertainties that may affect our business in the future.

Forward-looking statements are not historical facts or guarantees of future performance but instead represent only our beliefs at the time the statements were made regarding future events, which are subject to significant risks, uncertainties, and other factors, many of which are outside of our control. Any or all of the forward-looking statements made by us may turn out to be materially inaccurate. This can occur as a result of incorrect assumptions, changes in facts and circumstances, or the effects of known risks and uncertainties. Many of the risks and uncertainties mentioned in this report or other reports filed by us with the SEC, including those discussed in the risk factor section of this report, will be important in determining whether these forward-looking statements prove to be accurate. Consequently, neither our stockholders nor any other person should place undue reliance on our forward-looking statements and should recognize that actual results may differ materially from those that may be anticipated by us.

All forward-looking statements made in this report are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed in this report will increase with the passage of time. We undertake no obligation, and disclaim any duty, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in our expectations, or otherwise.

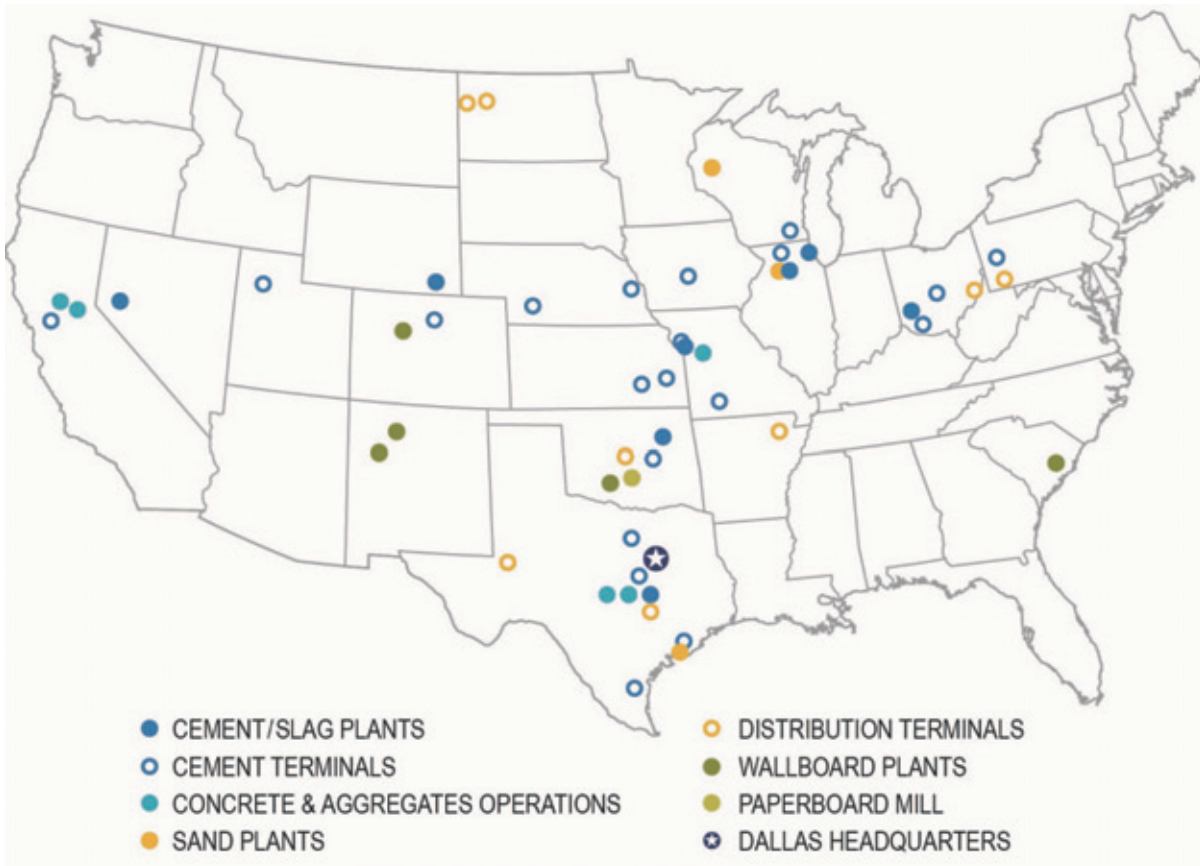
ITEM 1B. Unresolved Staff Comments

There are no unresolved Staff comments.

ITEM 2. Properties

Our operating facilities span the U.S. They include cement plants, quarries, and related facilities; aggregate plants and quarries; gypsum wallboard plants; a recycled paperboard mill; frac sand mines and processing plants; as well as distribution terminals and our headquarters in Dallas. Other than our leased cement plant located in Sugar Creek, Missouri, none of our facilities are pledged as security for any debts. Please see the Industry Segment Information section on pages 3-25 for more information about the location of our facilities.

The following map shows the locations of our operating facilities, by type of facility:



ITEM 3. Legal Proceedings

DOMESTIC WALLBOARD ANTITRUST LITIGATION

Since late December 2012, several purported class action lawsuits were filed in various federal district courts, against the Company's subsidiary, American Gypsum Company LLC (American Gypsum) and other wallboard manufacturers, alleging that the defendant wallboard manufacturers conspired to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The Company and American Gypsum denied all allegations that they conspired to increase the price of drywall and asserted affirmative defenses to the plaintiffs' claims.

On December 29, 2017, American Gypsum and the Company, entered into a settlement agreement (the Direct Purchaser Settlement Agreement) with counsel representing the direct purchaser class to settle all claims made against the Company, American Gypsum, and other manufacturers in the direct purchaser class action. The Direct Purchaser Settlement Agreement, in which the Company and American Gypsum deny all wrongdoing, also includes releases by the participating class members of the Company and American Gypsum as well as their subsidiaries, affiliates, and other related parties, for the time period from January 1, 2012, through the date of execution of the Direct Purchaser Settlement Agreement. On January 5, 2018, American Gypsum entered into a settlement agreement (the Indirect Purchaser Settlement Agreement) with counsel representing the indirect purchaser class to settle all claims against American Gypsum and the other manufacturers in the indirect purchaser class action. Under the Direct and Indirect Purchaser Settlement Agreements, the Company and American Gypsum agreed to pay a total of approximately \$39.1 million in cash to settle the claims against them. These claims were accrued during March 2018, and we deposited approximately \$38.8 million into a qualified settlement fund. The amount accrued under the Direct Purchaser Settlement Agreement was paid in July 2018 after approval by the District Court.

In March 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. Effective May 8, 2018, American Gypsum and the homebuilder plaintiffs entered into a settlement agreement (the Homebuilder Settlement Agreement) to settle all claims made against American Gypsum. The Homebuilder Settlement Agreement, in which American Gypsum denies all wrongdoing, includes releases by the homebuilder plaintiffs of American Gypsum as well as its subsidiaries, affiliates, and other related parties, for the time period prior to and including the date of execution of the Homebuilder Settlement Agreement. Under the Homebuilder Settlement Agreement, American Gypsum agreed to pay a total of \$6.0 million in cash to settle the claims against it. At March 31, 2018, we accrued the total amount of this settlement, and this amount was paid in May 2018.

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, was related to the same subject matter at issue in the litigation described above. On August 24, 2018, the Antitrust Division notified us that the investigation had been closed.

ITEM 4. Mine Safety Disclosures

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

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

STOCK PRICES AND DIVIDENDS

As of May 18, 2019, there were approximately 1,300 holders of record of our Common Stock which trades on the New York Stock Exchange under the symbol EXP.

SHARE REPURCHASES

Purchases of the Company's common stock during the quarter ended March 31, 2019 were as follows:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs |
|--------------------------------------|----------------------------------|------------------------------|--|--|
| January 1 through January 31, 2019 | 415,000 | \$ 65.50 | 415,000 | |
| February 1 through February 28, 2019 | 315,600 | 74.56 | 315,600 | |
| March 1 through March 31, 2019 | 389,970 | 75.60 | 389,970 | |
| Quarter 4 Totals | <u>1,120,570</u> | <u>\$ 71.57</u> | <u>1,120,570</u> | <u>10,879,758</u> |

On April 18, 2019, the Board of Directors authorized us to repurchase an additional 10,000,000 shares, which have been included in the table above. Including the authorization on August 10, 2015, our Board of Directors has approved the repurchase in the open market of a cumulative total of 48,393,305 shares of our Common Stock since we became publicly held in April 1994. We have repurchased approximately 37.5 million shares from April 1994 through March 31, 2019.

Subsequent to March 31, 2019, we repurchased an additional 1,031,110 shares through May 21, 2019, at an average price per share of \$88.79. After these repurchases, and the additional authorization discussed above, we have authorization to repurchase an additional 9,848,648 shares.

Share repurchases may be made from time to time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by the Company's management, based on its evaluation of market and economic conditions and other factors. In some cases, repurchases may be made pursuant to plans, programs, or directions established occasionally by the Company's management, including plans to comply with the safe harbor provided by Rule 10b5-1.

The Equity Compensation Plan information set forth in Part III, Item 12 of this Form 10-K is hereby incorporated by reference into this Part II, Item 5.

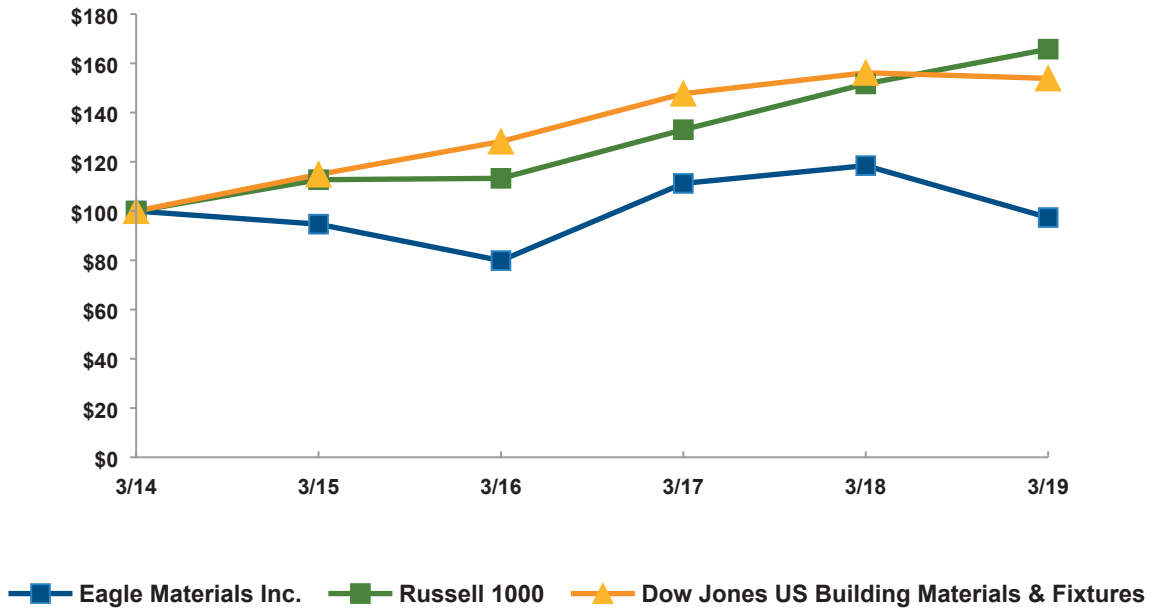
PERFORMANCE GRAPH

The following performance graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares the cumulative 5-year total return to holders of Eagle Materials Inc. common stock with the cumulative total returns of the Russell 1000 index and the Dow Jones US Building Materials & Fixtures index. The graph assumes that the value of the investment (including the reinvestment of dividends) in the Company's common stock and in each of the indices was \$100 on March 31, 2014, and tracks it through March 31, 2019.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Eagle Materials, Inc., the Russell 1000 Index
and the Dow Jones US Building Materials & Fixtures Index



*\$100 invested on 3/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

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| | 3/14 | 3/15 | 3/16 | 3/17 | 3/18 | 3/19 |
|--|--------|--------|--------|--------|--------|--------|
| Eagle Materials Inc. | 100.00 | 94.67 | 79.88 | 111.23 | 118.46 | 97.37 |
| Russell 1000 | 100.00 | 112.73 | 113.30 | 133.05 | 151.64 | 165.75 |
| Dow Jones US Building Materials & Fixtures | 100.00 | 114.85 | 128.24 | 147.70 | 156.17 | 153.88 |

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. Selected Financial Data

SUMMARY OF SELECTED FINANCIAL DATA ⁽¹⁾

| | For the Fiscal Years Ended March 31, | | | | |
|-------------------------------------|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (amounts in thousands, except per share data) | | | | |
| Revenue | \$ 1,393,241 | \$ 1,386,520 ⁽³⁾ | \$ 1,211,220 ⁽⁴⁾ | \$ 1,143,492 ⁽⁵⁾ | \$ 1,066,368 ⁽⁶⁾ |
| Earnings Before Income Taxes | 79,735 ⁽²⁾ | 271,962 ⁽³⁾ | 294,519 ⁽⁴⁾ | 219,252 ⁽⁵⁾ | 252,927 ⁽⁶⁾ |
| Net Earnings | 68,860 ⁽²⁾ | 256,632 ⁽³⁾ | 198,219 ⁽⁴⁾ | 152,592 ⁽⁵⁾ | 186,853 ⁽⁶⁾ |
| Diluted Earnings Per Share | 1.47 ⁽²⁾ | 5.28 ⁽³⁾ | 4.10 ⁽⁴⁾ | 3.05 ⁽⁵⁾ | 3.71 ⁽⁶⁾ |
| Cash Dividends Per Share | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Total Assets | 2,169,163 | 2,368,003 | 2,247,124 | 1,883,635 | 1,880,326 |
| Total Debt | 691,592 | 620,922 | 686,467 | 507,714 | 512,759 |
| Stockholders' Equity | 1,209,487 | 1,417,690 | 1,203,450 | 1,040,531 | 1,010,593 |
| Book Value Per Share At Year End | \$ 26.81 | \$ 29.36 | \$ 24.84 | \$ 21.44 | \$ 20.11 |
| Average Dilutive Shares Outstanding | 46,932 | 48,646 | 48,361 | 50,071 | 50,372 |

⁽¹⁾ The Summary of Selected Financial Data should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements for matters that affect the comparability of the information presented above.

⁽²⁾ Includes impairment losses of approximately \$220.3 million related to our Oil and Gas Proppants segment.

⁽³⁾ Includes operations related to Wildcat Minerals from July 27, 2017 through March 31, 2018.

⁽⁴⁾ Includes operations related to Fairborn Cement from February 10, 2017 through March 31, 2017.

⁽⁵⁾ Includes operations related to Skyway Cement from July 14, 2015 through March 31, 2016.

⁽⁶⁾ Includes operations related to CRS from November 14, 2014 through March 31, 2015.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

Eagle Materials Inc. is a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are used in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors: Heavy Materials, which includes the Cement and Concrete and Aggregates segments; Light Materials, which includes the Gypsum Wallboard and Recycled Paperboard segments; and Oil and Gas Proppants, which are used in oil and natural gas extraction. Financial results and other information for the fiscal years ended March 31, 2019, 2018, and 2017, respectively, are presented on a consolidated basis and by these business segments – Cement, Concrete and Aggregates, Gypsum Wallboard, Recycled Paperboard, and Oil and Gas Proppants. During the quarter ended December 31, 2018, we changed our segment presentation to reflect the reorganization of our Oil and Gas Proppants and frac sand distribution businesses. Under this reorganization, the distribution business, which we acquired in fiscal 2018, became a division of the Oil and Gas Proppants business. Prior to the reorganization, the operations of the frac sand distribution business had been reported in the Other segment. We have adjusted the prior period segment presentation to reflect this change for comparative purposes.

We conduct one of our cement operations through a joint venture, Texas Lehigh Cement Company LP, which is located in Buda, Texas (the Joint Venture). We own a 50% interest in the Joint Venture and account for our interest under the equity method of accounting. We proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings in the presentation of our Cement segment, which is the way management organizes the segments within the Company for making operating decisions and assessing performance.

Our business activities are conducted in the U.S., and include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material that is the essential binding ingredient in concrete) and specialty oil well cement; the grinding and sale of slag cement; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; the mining and sale of aggregates (crushed stone, sand, and gravel); and the mining and sale of sand used in hydraulic fracturing (frac sand).

Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products throughout most of the United States, except the Northeast, which provides us with regional economic diversification. However, general economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition, and results of operations.

On July 27, 2017, we acquired all of the outstanding equity interests in Wildcat Minerals LLC (the Wildcat Acquisition). Wildcat Minerals LLC operates transload facilities serving the oil and gas industry in several oil and gas basins across the United States. The purchase price (the Wildcat Purchase Price) of the Wildcat Acquisition was approximately \$36.8 million, and the results of the operations of Wildcat Minerals are included in our results for the period from July 27, 2017 through March 31, 2018 and for all of fiscal 2019.

MARKET CONDITIONS AND OUTLOOK

The outlook for calendar 2019 continues to be positive as the basic underlying fundamentals of low unemployment, low interest rates, and higher wages remain favorable. We believe these factors should positively affect both our Heavy and Light Materials sectors, comprising the Cement, Concrete and Aggregates, Gypsum Wallboard, and Recycled Paperboard segments.

Our integrated cement sales network stretches across the heartland of America. Adjusting for the effects of unusually wet weather in calendar 2018, demand for cement in most of our markets improved compared with the prior year. The Portland Cement Association is estimating cement consumption will increase in calendar 2019 over 2018 by approximately 2%. In addition to weather, cement and concrete and aggregates markets are affected by infrastructure spending, residential home building, and industrial construction activity.

Our primary gypsum wallboard sales network stretches across the southern half of the United States, consistent with our facility network. Wallboard demand is heavily influenced by new residential housing construction as well as repair and remodeling activity. We expect single family housing starts to remain strong in calendar 2019. Our Recycled Paperboard business primarily sells paper into the gypsum wallboard market and demand for paper will generally follow the demand for gypsum wallboard. The primary raw material for the paperboard business is OCC. We are expecting OCC prices in fiscal 2020 to be slightly lower than they were in fiscal 2019. We anticipate that demand for paper products will remain strong in fiscal 2020 based on the robust housing market driving the demand for paper.

Sales volume and sales prices for our frac sand products were negatively affected by industry wide weakness in completion activity, which was greater than anticipated. In addition, pricing pressure resulted from a combination of low demand and increased use of local sand during calendar 2018. Faced with these market conditions, which are not expected to recover in the near term, we recorded long-lived asset and goodwill impairments related to this business during the fourth quarter of fiscal 2019. The effect was a non-cash accounting charge of approximately \$220.3 million. See Footnote (A) to the Consolidated Financial Statements for more information about the impairment. As discussed earlier in Item 1. Business, we are engaged in a strategic review of our portfolio of businesses. If this review results in an alternative use or disposition of operating facilities in this segment, further recoverability assessments will be required which may result in additional impairment charges.

RESULTS OF OPERATIONS

FISCAL YEAR 2019 COMPARED WITH FISCAL YEAR 2018

| | For the Years Ended March 31, | | Percentage Change |
|--|--|-------------------|-------------------|
| | 2019 (in thousands, except per share) | 2018 | |
| Revenue | \$ 1,393,241 | \$ 1,386,520 | — |
| Cost of Goods Sold | (1,066,673) | (1,047,764) | 2% |
| Gross Profit | 326,568 | 338,756 | (4)% |
| Equity in Earnings of Unconsolidated Joint Venture | 38,565 | 43,419 | (11)% |
| Corporate General and Administrative | (37,371) | (41,205) | (9)% |
| Impairment Losses | (220,265) | — | — |
| Litigation Settlements and Losses | (1,800) | (45,098) | (96)% |
| Other Non-Operating Income | 2,412 | 3,728 | (35)% |
| Interest Expense, net | (28,374) | (27,638) | 3% |
| Earnings Before Income Taxes | 79,735 | 271,962 | (71)% |
| Income Tax Expense | (10,875) | (15,330) | (29)% |
| Net Earnings | \$ 68,860 | \$ 256,632 | (73)% |
| Diluted Earnings per Share | \$ 1.47 | \$ 5.28 | (72)% |

REVENUE

Revenue increased in fiscal 2019 by \$6.7 million to \$1,393.2 million. The Wildcat Acquisition contributed approximately \$2.5 million to the increase in Revenue. Excluding the Revenue from the Wildcat Acquisition, Revenue increased approximately \$4.2 million, primarily due to improved Average Gross Sales Prices of approximately \$4.5 million, partially offset by lower Sales Volume of approximately \$0.3 million.

COST OF GOODS SOLD

Cost of Goods Sold increased by \$18.9 million, or 2%, to \$1,066.7 million in fiscal 2019. Approximately \$3.8 million of the increase was related to the Wildcat Acquisition. The remaining increase in Cost of Goods Sold was due to increased operating costs, which increased Cost of Goods Sold by approximately \$17.3 million, partially offset by lower Sales Volume of approximately \$2.2 million. The increase in operating costs related primarily to our Cement, Concrete and Aggregates, and Gypsum Wallboard segments, and is discussed further on pages 48-50.

GROSS PROFIT

Gross Profit decreased by 4% to \$326.6 million in fiscal 2019. Approximately \$1.5 million of the decrease in Gross Profit was related to the Wildcat Acquisition. Excluding the impact of the Wildcat Acquisition, the decrease in Gross Profit was primarily related to higher operating costs, partially offset by increased Sales Volume, as noted above. The gross margin declined to 23% from 24%, primarily because of the higher operating costs.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE

Equity in Earnings of Unconsolidated Joint Venture decreased by \$4.8 million, or 11%. The decline was primarily due to lower Gross Sales Prices and Sales Volume of approximately \$0.3 million and \$0.6 million, respectively, as well as increased operating expenses of \$3.9 million. The increase in operating costs was due primarily to higher freight and purchased cement costs of approximately \$1.9 million and \$0.8 million, respectively.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses decreased 9% to \$37.4 million in fiscal 2019. The decrease was due primarily to lower stock and incentive compensation, profit sharing, and legal expense of approximately \$0.7 million, \$1.3 million, and \$1.6 million, respectively. The decrease in stock and incentive compensation was primarily due to reduced earnings from operations. The decrease in profit sharing was due to a one-time increase in fiscal 2018, and the decline in legal expense was related to the fiscal 2018 settlement of the Domestic Wallboard Antitrust Litigation.

IMPAIRMENT LOSSES

Impairment Losses were approximately \$220.3 million in fiscal 2019 and related to impairment charges taken in our Oil and Gas Proppants segment. The charges included a \$211.3 million impairment of property and equipment, and a \$9.0 million impairment of goodwill and intangible, and other assets. The Impairment Losses have not been included in the Oil and Gas Proppants' segment Operating Earnings. See Footnote (A) of the Notes to Consolidated Financial Statements for more information.

LITIGATION SETTLEMENTS AND LOSSES

Litigation Settlements and Losses for fiscal 2019 pertain to third-party property damage that occurred several years ago related to our Recycled Paperboard business. The loss in fiscal 2018 was due to the settlement of the Domestic Wallboard Antitrust Litigation. During December 2017 and January 2018, we entered into the Direct Purchaser and Indirect Purchaser Settlement Agreements, respectively, under which we agreed to pay a total of approximately \$39.1 million to settle all outstanding claims under these class action cases. At March 31, 2018, we accrued \$6.0 million to settle all outstanding claims with a group of homebuilders (Homebuilder Settlement Agreement), under which we agreed to pay a total of approximately \$6.0 million to settle all outstanding claims. All amounts related to the Domestic Wallboard Antitrust Litigation and the Homebuilder Settlement Agreement litigation have been settled and paid at March 31, 2019. The expense related to legal settlements was not included in the Gypsum Wallboard segment's Operating Earnings.

OTHER NON-OPERATING INCOME

Other Non-Operating Income was \$2.4 million in fiscal 2019, compared with Other Non-Operating Income of \$3.7 million in fiscal 2018. Other Non-Operating Income consists of a variety of items that are non-segment operating in nature, including non-inventoried Aggregates income, Gypsum Wallboard distribution center income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net, increased by approximately \$0.8 million in fiscal 2019. The increase in Interest Expense, net was due primarily to higher interest expense from our Credit Facility of approximately \$3.6 million, partially offset by a decrease of approximately \$2.7 million in interest from our Private Placement Senior Unsecured Notes. The decrease in interest related to the Private Placement Senior Unsecured Notes was due to notes maturing, while the increase in the Credit Facility was due primarily to increased borrowings related to the repayment of the Private Placement Senior Unsecured Notes and to our share repurchase program.

EARNINGS BEFORE INCOME TAXES

Earnings Before Income Taxes decreased to \$79.7 million during fiscal 2019, primarily due to the Impairment Losses of approximately \$220.3 million and lower Equity in Earnings from Unconsolidated Joint Venture of approximately \$4.8 million. These were partially offset by lower Corporate General and Administrative expense and Litigation Settlements and Losses of approximately \$3.8 million and \$43.3 million, respectively.

INCOME TAX EXPENSE

Income Tax Expense was approximately \$10.9 million and \$15.3 million for fiscal 2019 and fiscal 2018, respectively. The tax rate for fiscal 2019 was approximately 14%, compared with 6% for fiscal 2018. The increase in the fiscal 2019 tax rate was primarily due to the enactment of tax reform which created a onetime discrete benefit in fiscal 2018, partially offset by the decrease in Earnings Before Income Taxes related to the impairment. The lower fiscal 2018 tax rate reduced deferred tax liabilities by approximately \$61.2 million. See Footnote (G) to the Consolidated Financial Statements for more information on the change in corporate tax rates.

NET EARNINGS AND DILUTED EARNINGS PER SHARE

Net Earnings decreased 73% in fiscal 2019 to \$68.9 million. Diluted Earnings per Share in fiscal 2019 were \$1.47, compared with \$5.28 for fiscal 2018. Lower Net Earnings and Diluted Earnings per Share were primarily due to the impairment losses recognized during the fourth quarter of fiscal 2019, as discussed above.

FISCAL YEAR 2019 vs FISCAL YEAR 2018 RESULTS BY SEGMENT

The following presents results within our three business sectors in fiscal 2019 and fiscal 2018. Revenue and operating results are organized by sector and discussed by individual business segment within each respective business sector.

Heavy Materials

CEMENT ⁽¹⁾

| | For the Years Ended March 31, | | Percentage Change |
|---|--|--------------|-------------------|
| | 2019 | 2018 | |
| | (in thousands, except per ton information) | | |
| Gross Revenue, including Intersegment and Joint Venture | \$ 656,759 | \$ 651,750 | 1% |
| Less Intersegment Revenue | \$ (14,408) | \$ (16,442) | (12)% |
| Less Joint Venture Revenue | \$ (104,493) | \$ (105,884) | (1)% |
| Gross Revenue, as reported | \$ 537,858 | \$ 529,424 | 2% |
| Freight and Delivery Costs billed to Customers | (42,614) | (38,693) | 10% |
| Net Revenue | \$ 495,244 | \$ 490,731 | 1% |
| Sales Volume (M Tons) | 5,340 | 5,365 | — |
| Average Net Sales Price, per ton ⁽²⁾ | \$ 108.15 | \$ 107.28 | 1% |
| Operating Margin, per ton | \$ 30.86 | \$ 33.39 | (8)% |
| Operating Earnings | \$ 164,782 | \$ 179,151 | (8)% |

(1) Total of wholly owned subsidiaries and proportionately consolidated 50% interest of the Joint Venture's results.

(2) Net of freight per ton, including the Joint Venture.

Cement Revenue was \$656.8 million for fiscal 2019, a 1% increase over fiscal 2018. The increase in Revenue was primarily due to an increase in gross sales prices, which positively affected Revenue by \$8.1 million, partially offset by lower Sales Volume, which negatively affected Revenue by approximately \$3.1 million.

Cement Operating Earnings decreased 8% to \$164.8 million for fiscal 2019. The decrease in Operating Earnings was due primarily to lower Sales Volume and increased operating costs of approximately \$1.0 million and \$21.5 million, respectively, partially offset by increased gross sales prices, which positively affected Operating Earnings by approximately \$8.1 million. The increase in operating cost was primarily due to freight, maintenance, and energy costs of approximately \$3.4 million, \$11.2 million, and \$5.3 million, respectively. The Operating Margin declined to 25% in fiscal 2019, compared with 27% in fiscal 2018.

CONCRETE AND AGGREGATES

| | For the Years Ended March 31, | | Percentage Change |
|---------------------------------------|---|------------|-------------------|
| | 2019 | 2018 | |
| | (in thousands, except net sales prices) | | |
| Gross Revenue, including intersegment | \$ 140,173 | \$ 157,013 | (11)% |
| Less intersegment Revenue | (1,422) | (1,335) | 7% |
| Gross Revenue, as reported | \$ 138,751 | \$ 155,678 | (11)% |
| Sales Volume - | | | |
| M Cubic Yards of Concrete | 1,074 | 1,228 | (13)% |
| M Tons of Aggregate | 3,168 | 3,503 | (10)% |
| Average Net Sales Price - | | | |
| Concrete - Per Cubic Yard | \$ 102.98 | \$ 100.38 | 3% |
| Aggregates - Per Ton | \$ 9.29 | \$ 9.39 | (1)% |
| Operating Earnings | \$ 12,866 | \$ 17,854 | (28)% |

Concrete and Aggregates Revenue decreased 11% to \$140.2 million for fiscal 2019. The primary reason for the decrease in Revenue was the 13% and 10% decrease in Sales Volume for concrete and aggregates, respectively. These results adversely affected segment Revenue by approximately \$18.5 million. A decrease of 1% in gross sales prices for Aggregates also adversely affected Revenue by approximately \$1.1 million. This decrease was partially offset by increased gross sales prices of 3% for Concrete, which positively affected Revenue by \$2.8 million.

Operating Earnings declined by 28% to approximately \$12.9 million for fiscal 2019. The decline resulted from increased operating costs and lower Sales Volume, which adversely affected Operating Earnings by approximately \$4.5 million and \$2.2 million, respectively. This decrease was partially offset by increased gross sales prices, which positively affected Operating Earnings by approximately \$1.7 million. The increased operating expenses were primarily related to higher cost of materials of approximately \$5.0 million, partially offset by lower maintenance costs of approximately \$0.2 million.

Light Materials

GYPSUM WALLBOARD

| | For the Years Ended March 31, | | Percentage Change |
|--|---|------------|-------------------|
| | 2019 | 2018 | |
| | (in thousands, except per MMSF information) | | |
| Gross Revenue, as reported | \$ 532,712 | \$ 491,779 | 8% |
| Freight and Delivery Costs billed to Customers | (107,685) | (92,467) | 16% |
| Net Revenue | \$ 425,027 | \$ 399,312 | 6% |
| Sales Volume (MMSF) | 2,651 | 2,555 | 4% |
| Average Net Sales Price, per MMSF ⁽¹⁾ | \$ 160.30 | \$ 156.27 | 3% |
| Freight, per MMSF | \$ 40.62 | \$ 36.19 | 12% |
| Operating Margin, per MMSF | \$ 68.21 | \$ 62.06 | 10% |
| Operating Earnings | \$ 180,831 | \$ 158,551 | 14% |

(1) Net of freight per MSF

Gypsum Wallboard Revenue increased 8% to \$532.7 million in fiscal 2019, primarily due to a 4% and 3% increase in Sales Volume and gross sales prices, respectively. The increase in Sales Volume and gross sales prices positively affected Revenue by approximately \$18.4 million and \$22.5 million, respectively. Our market share was essentially unchanged during fiscal 2019, with the higher Sales Volume being primarily due to increased construction activity in the markets we serve.

Operating Earnings increased by 14% to \$180.8 million for fiscal 2019. This was primarily due to increased gross sales prices and Sales Volume of approximately \$22.5 million, and \$6.0 million, respectively. This increase was partially offset by higher operating costs of approximately \$6.3 million. The increase in operating costs was primarily related to higher freight and energy costs of approximately \$11.7 million and \$0.4 million, respectively, partially offset by decreases in other production costs, primarily raw materials, of approximately \$6.7 million. During fiscal 2019, Gypsum Wallboard Operating Margin improved to 34% from 32% in fiscal 2018, primarily due to the increase in gross sales prices, partially offset by higher operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in volume have a relatively minor impact on our operating cost per unit.

RECYCLED PAPERBOARD

| | For the Years Ended March 31, | | Percentage Change |
|---|--|------------|-------------------|
| | 2019 | 2018 | |
| | (in thousands, except per ton information) | | |
| Gross Revenue, including intersegment | \$ 167,656 | \$ 181,742 | (8)% |
| Less intersegment Revenue | (66,723) | (70,347) | (5)% |
| Gross Revenue, as reported | \$ 100,933 | \$ 111,395 | (9)% |
| Freight and Delivery Costs billed to Customers | (4,805) | (4,452) | 8% |
| Net Revenue | \$ 96,128 | \$ 106,943 | (10)% |
| Sales Volume (M Tons) | 311 | 317 | (2)% |
| Average Net Sales Price, per ton ⁽¹⁾ | \$ 523.05 | \$ 559.22 | (6)% |
| Freight, per ton | \$ 15.45 | \$ 14.04 | 10% |
| Operating Margin, per ton | \$ 113.66 | \$ 103.34 | 10% |
| Operating Earnings | \$ 35,349 | \$ 32,758 | 8% |

(1) Net of freight per ton.

Recycled Paperboard Revenue decreased 8% to \$167.7 million for fiscal 2019. The decrease in Revenue was due to decreased gross sales prices and Sales Volume, which adversely affected Revenue by approximately \$10.8 million and \$3.3 million, respectively. The decrease in gross sales prices was due to the price-adjustment provisions in our long-term sales agreements.

Operating Earnings increased 8% to \$35.3 million for fiscal 2019. The increase in Operating Earnings was primarily due to lower operating costs, which positively affected Operating Earnings by approximately \$14.0 million. This was partially offset by decreased gross sales prices and Sales Volume of approximately \$10.8 million and \$0.6 million, respectively. The decrease in operating costs was due primarily to input and energy costs, which declined by approximately \$14.9 million, partially offset by increased freight expense, which increased operating costs by approximately \$0.9 million. During fiscal 2019, Operating Margin increased to 21% from 18% in fiscal 2018, primarily due to lower operating costs, partially offset by decreased gross sales prices.

OIL AND GAS PROPPANTS

| | For the Years Ended March 31, | | Percentage Change |
|---|---|------------|-------------------|
| | 2019 | 2018 | |
| | (in thousands, except net sales prices) | | |
| Gross Revenue, as reported | \$ 82,978 | \$ 98,244 | (16)% |
| Sales Volume (M Tons) | 1,574 | 1,483 | 6% |
| Average Net Sales Price, per ton ⁽¹⁾ | \$ 43.65 | \$ 51.55 | (15)% |
| Operating Earnings | \$ (28,695) | \$ (6,139) | 367% |

(1) Net of freight per ton.

Revenue from our Oil and Gas Proppants segment decreased 16% to \$83.0 million for fiscal 2019. Excluding approximately \$2.5 million in Revenue from the Wildcat Acquisition, Revenue decreased approximately \$17.7 million. The decrease in Revenue was primarily due to lower gross sales prices, which adversely affected Revenue by approximately \$23.0 million, partially offset by higher Sales Volume, which positively affected Revenue by approximately \$5.3 million.

Operating Loss for fiscal 2019 was approximately \$28.7 million, an increase of 367% over the Operating Loss of \$6.1 million in fiscal 2018. Excluding Operating Loss of \$1.3 million from the Wildcat Acquisition, Operating Loss increased by \$21.3 million in fiscal 2019. Operating Loss was adversely affected by lower gross sales prices of approximately \$23.0 million, partially offset by lower operating costs of approximately \$1.7 million. The decrease in operating expenses was primarily due to freight expense, which declined by approximately \$7.5 million, partially offset by increased lease and energy costs of approximately \$4.1 million and \$1.6 million, respectively.

During the fourth quarter of fiscal 2019, we recognized an Impairment Loss of approximately \$220.3 million related to property and equipment, goodwill and intangible, and other assets. The Impairment Loss is not included in Operating Earnings disclosed above. See Footnote (A) of the Notes to Consolidated Financial Statements for more discussion of the Impairment Loss.

FISCAL YEAR 2019 COMPARED WITH FISCAL YEAR 2018

Please see our Form 10-K for fiscal year 2018 for the discussion of our Results of Operations and results of Revenue and Operating Income by segment for fiscal 2018 compared with fiscal 2017. Our 2018 Form 10-K can be found on the investor page of our website, at www.eaglematerials.com.

CRITICAL ACCOUNTING POLICIES

Certain of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Although our accounting policies are in compliance with generally accepted accounting principles, a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

Impairment of Long-Lived Assets

We assess our long-lived assets, including mining and related assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Long-lived assets, or groups of assets, are evaluated for impairment at the lowest level for which cash flows are largely independent of the cash flows of other assets. We assess recoverability of assets, or group of assets, by comparing the carrying amount of an asset, or group of assets, to the future undiscounted net cash flows that we expect the asset, or group of assets, to generate. These impairment evaluations are significantly affected by estimates of future revenue, costs and expenses, and other factors. If the carrying value of the assets, or group of assets, exceeds the undiscounted cash flows, then an impairment is indicated. If such assets, or group of assets, are considered to be impaired, the impairment is recognized as the amount by which the carrying amount of the asset, or group of assets, exceeds the fair value of the asset, or group of assets.

During the latter part of fiscal 2019, continued declining sales prices, sales volume and operating results in our Oil and Gas Proppants business indicated that impairment indicators were present. The decline in sales volume was primarily related to decreased demand from the Permian Basin. The decline in orders is due to several factors, including reduced completion budgets, limited pipeline take away capacity in the Permian Basin, and an increase in the usage of in-basin regional sand. The capacity for in-basin sand has increased in recent years, and certain of our customers have shifted their purchases from northern white sand to lower cost regional sand.

Because of the continuing shift in demand to regional sand, and the decline in our operating results, we concluded in the fourth quarter of fiscal 2019 that the reduction in sales volumes and operating losses were other than temporary and that long-lived asset impairment indicators were present in our Oil and Gas Proppants segment. Prior to performing tests to determine whether an impairment was present, we grouped the long-lived assets of the segment into the lowest level where cash flows are generated, which is considered the operating facility or distribution level. We then performed recoverability tests on each group of assets using probability weighted estimates of forecasted undiscounted cash flows over the remaining estimated life of each asset group based on a variety of scenarios. Based on these forecasts we concluded that the carrying values exceeded the undiscounted cash flows for two of the operating facilities and several of the distribution facilities, indicating impairment.

For those impaired asset groups, we calculated an estimated fair value using either a discounted cash flow model or real estate appraisals when it was determined the value of the real estate was the highest and best use of the property. In preparing the discounted cash flow model, we utilized a weighted-average cost of capital which was determined from relevant market comparisons and adjusted for specific risks. The analysis resulted in an impairment loss of approximately \$211.3 million.

As discussed earlier in Item 1. Business, we are engaged in a strategic review of our portfolio of businesses. If this review results in an alternative use or disposition of operating facilities in this segment, further recoverability assessments will be required which may result in additional impairment charges.

Goodwill

We annually assess Goodwill for impairment in the fourth quarter of our fiscal year, or more frequently when indicators of impairment exist. Impairment testing for Goodwill is done at the reporting unit, which is consistent with our reportable segment.

Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. Prior to performing the Step 1 quantitative analysis, we may, at our discretion, perform an optional qualitative analysis, or we may choose to proceed directly to the Step 1 quantitative analysis. The qualitative analysis considers the impact of the following events and circumstances on the reporting unit being tested: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and other relevant entity-specific events. If, as a result of this qualitative analysis, we conclude that it is more likely than not (a likelihood of greater than 50%) that the fair value of the reporting unit exceeds its carrying value, then an impairment does not exist and the quantitative Step 1 analysis is not required. If we are unable to conclude that it is more likely than not that the fair value of the reporting unit exceeds its carrying value, then we proceed to the quantitative Step 1 analysis.

Step 1 of the quantitative test for impairment compares the fair value of the reporting unit to its carrying value. If the carrying value exceeds the fair value, then an impairment is indicated. If facts and circumstances related to our business change in subsequent years, we may choose to perform a quantitative analysis in those future years. If we perform a Step 1 analysis, and the carrying value of the reporting unit exceeds its fair value, then an impairment charge equal to the difference, not to exceed the total amount of Goodwill, is recorded.

The fair values of the reporting units are estimated by using both the market and income approaches. The market approach considers market factors and certain multiples in comparison to similar companies, while the income approach uses discounted cash flows to determine the estimated fair values of the reporting units. We also perform an overall comparison of all reporting units to our market capitalization in order to test the reasonableness of our fair value calculations.

We performed qualitative assessments of our Cement, Gypsum Wallboard, and Recycled Paperboard reporting units in the fourth quarter of fiscal 2019. As a result of these qualitative assessments, we determined that it was not more likely than not that an impairment existed; therefore, we did not perform a Step 1 quantitative impairment test.

We performed a quantitative Step 1 impairment test on our Oil and Gas Proppants reporting unit. We estimated the reporting unit's fair value using a discounted cash flow model. Key assumptions in the model were: estimated average net sales prices, sales volumes and the discount rate, which was estimated at 11%. Based on the results of the Step 1 impairment analysis, we concluded that the entire balance of Goodwill in the Oil and Gas Proppants reporting unit was impaired, and we recorded an impairment loss of approximately \$6.8 million in the reporting unit in the fourth quarter of fiscal 2019.

Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. The most important assumption underlying our estimates is the projection of construction spending in the U.S. over the next several years. Actual results may differ materially from those estimates. Changes in market conditions, market trends, interest rates or other factors outside of our control could cause us to change key assumptions and our judgment about a reporting unit's prospects. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

The segment breakdown of Goodwill at March 31, 2019 and 2018, following the Impairment Loss discussed above, was as follows:

| | For the Years Ended March 31, | |
|------------------------------|-------------------------------|----------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Cement | \$ 74,214 | \$ 74,214 |
| Gypsum Wallboard | 116,618 | 116,618 |
| Paperboard | 7,538 | 7,538 |
| Oil and Gas Proppants | — | 6,841 |
| | 198,370 | 205,211 |

Business Combinations

The acquisition method of accounting requires that we recognize the assets acquired and liabilities assumed at their acquisition date fair values. Goodwill is measured as the excess of consideration transferred over the acquisition date net fair values of the assets acquired and the liabilities assumed.

The measurement of the fair values of assets acquired and liabilities assumed requires considerable judgment. Although independent appraisals may be used to assist in the determination of the fair values of certain assets and liabilities, the appraised values are usually based on significant estimates provided by management, such as forecasted revenue or profit.

In determining the fair value of intangible assets, an income approach is generally used and may incorporate the use of a discounted cash flow method. In applying the discounted cash flow analysis, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate based on an estimated weighted average cost of capital for the building materials industry. These cash flow projections are based on management's estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures, and working capital requirements.

While we use our best estimates and assumptions as part of the process to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. During the measurement period, which occurs before finalization of the purchase price allocation, changes in assumptions and estimates that result in adjustments to the fair values of assets acquired and liabilities assumed are recorded on a retroactive basis as of the acquisition date, with the corresponding offset to Goodwill. Any adjustments subsequent to the conclusion of the measurement period will be recorded to our Consolidated Statements of Earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table provides a summary of our Cash Flows:

| | For the Fiscal Years Ended March 31, | |
|--|--------------------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Net Cash Provided by Operating Activities: | \$ 350,284 | \$ 337,665 |
| Investing Activities: | | |
| Additions to Property, Plant and Equipment | (168,873) | (131,957) |
| Acquisitions | — | (36,761) |
| Proceeds from Sales of Property, Plant and Equipment | 2,281 | — |
| Net Cash Used in Investing Activities | (166,592) | (168,718) |
| Financing Activities: | | |
| Increase in Credit Facility | 70,000 | 15,000 |
| Repayment of Private Placement Senior Unsecured Notes | — | (81,214) |
| Dividends Paid to Stockholders | (18,927) | (19,438) |
| Purchase and Retirement of Common Stock | (271,988) | (61,078) |
| Proceeds from Stock Option Exercises | 2,103 | 24,264 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (4,347) | (4,974) |
| Net Cash Used in Financing Activities | (223,159) | (127,440) |
| Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash | \$ (39,467) | \$ 41,507 |

Cash Flows from Operating Activities increased by \$12.6 million to \$350.3 million for fiscal 2019. The increase was largely attributable to higher net earnings (adjusted for non-cash activity) and distributions from our Joint Venture of approximately \$67.8 million and \$2.8 million, respectively, partially offset by \$58.0 million of decreased cash flows from operating assets and liabilities. Cash Flows from operating assets and liabilities were negatively affected by increases of \$13.9 million and \$7.5 million in Inventories and Other Assets and a \$56.1 million reduction in Accounts Payable and Accrued Liabilities. This was partially offset by decreased Accounts and Notes Receivable and Income Tax Receivable of approximately \$12.7 million and \$6.8 million, respectively.

Working capital decreased by \$31.1 million to \$248.3 million at March 31, 2019, primarily due to lower restricted cash and increased current maturities of long-term debt, which reduced working capital approximately \$38.8 million and \$36.5 million, respectively. These reductions were partially offset by increased Prepaid and Other Current Assets and lower Accounts Payable and Accrued Liabilities of approximately \$4.6 million and \$36.5 million, respectively. The decreases in both Restricted Cash and Accounts Payable and Accrued liabilities were due primarily to payment of a legal settlement of approximately \$45.1 million that was accrued at the end of fiscal 2018 and paid during fiscal 2019. The increase in current maturities of long-term debt is due to the upcoming scheduled maturity in the third quarter of fiscal 2020 of the final tranche of our Private Placement Senior Unsecured Notes.

The decrease in Accounts and Notes Receivable at March 31, 2019 was primarily due to the timing of sales and collections in the fourth quarter of fiscal 2019 compared with fiscal 2018. As a percentage of quarterly sales generated in the fiscal fourth quarters, Accounts Receivable was 45% at March 31, 2019, and 50% at March 31, 2018. Management measures the change in accounts receivable by monitoring the day's sales outstanding monthly to determine if any deterioration has occurred in the collectability of the Accounts Receivable. No significant deterioration in the collectability of our Accounts Receivable was identified at March 31, 2019. Notes Receivable are monitored on an individual basis, and no significant deterioration in the collectability of Notes Receivable was identified at March 31, 2019.

Our inventory balance increased by approximately \$17.0 million, or 7%, at March 31, 2019. Within our inventory, raw materials and materials in process, finished cement, paperboard, and fuel and coal increased by approximately \$4.2 million, \$3.7 million, \$7.1 million, and \$2.2 million, respectively. The increases in raw materials and materials in process, finished cement, and fuel and coal were mostly due to timing. Our paperboard inventory has increased primarily in anticipation of shut-downs in fiscal 2020 in connection with a project to expand and enhance the papermill. The largest individual balance in our inventory is repair parts. The size and complexity of our manufacturing plants, as well as the age of certain of our plants, creates the need to stock a high level of repair parts inventory. We believe all of these repair parts are necessary, and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventories have a low risk of obsolescence given that they are basic construction materials.

Net Cash Used in Investing Activities during fiscal 2019 was approximately \$166.6 million, which is consistent with \$168.7 million during fiscal 2018. Excluding \$36.8 million related to the Wildcat Acquisition in fiscal 2018, capital expenditures increased by approximately \$36.9 million in fiscal 2019. This increase was primarily due to capital expenditures in our Cement, Paperboard, and Corporate and Other segments, which increased Cash Flows Used in Investing Activities by approximately \$31.4 million, \$11.4 million, and \$5.6 million, respectively. This was partially offset by lower capital expenditures in our Gypsum Wallboard and Oil and Gas Proppants segments of approximately \$8.7 million and \$4.6 million, respectively. The capital expenditures increase in our Cement segment was primarily related to the construction of distribution terminals to replace terminals we previously leased from a third party. The capital expenditures increase in our Paperboard segment was due primarily to new equipment at the plant that is necessary to upgrade our paper machine and improve efficiency. The increase in Corporate and Other was related to the build-out of our new office space.

Net Cash Used in Financing Activities increased approximately \$95.8 million to \$223.2 million during fiscal 2019. The increase in Net Cash Used in Financing Activities was primarily due to the increase of approximately \$210.9 million related to the purchase and retirement of common stock as well as an approximately \$22.3 million decrease in cash received from the exercise of stock options. This was partially offset by an increase of approximately \$55.0 million in borrowings from our Credit Facility and a decrease in Senior Notes repayments of approximately \$81.2 million.

Our debt-to-capitalization ratio and net-debt-to-capitalization ratio was 36.4% and 36.1%, respectively, at March 31, 2019, compared with 30.5% and 30.1%, respectively, at March 31, 2018.

Debt Financing Activities

BANK CREDIT FACILITY

We have a \$500.0 million revolving credit facility (the Credit Facility), including a swingline loan sublimit of \$25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The Credit Facility also provides the Company the option to increase the borrowing capacity by up to \$250.0 million (for a total of \$750.0 million in available borrowings), provided that the existing lenders, or new lenders, agree to such increase. The debt under the Credit Facility is not rated by rating agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) The London Interbank Offered Rate (LIBOR) for the selected period, plus an applicable rate (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation, and amortization, to the

Company's consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus 0.5% per annum plus an applicable rate (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the applicable interest period. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt; encumber our assets; sell assets; make or enter into certain investments, loans, or guaranties, and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We were in compliance with all financial ratios and tests at March 31, 2019, and throughout the fiscal year. We had \$310.0 million of borrowings outstanding at March 31, 2019. Subsequent to March 31, 2019, we increased our borrowings under the Credit Facility, resulting in borrowings outstanding of \$425.0 million at May 21, 2019. Based on our Leverage Ratio, and the increased borrowings between March 31, 2019 and May 21, 2019, we had \$67.3 million of available borrowings, net of the outstanding letters of credit, at May 21, 2019.

The Credit Facility has a \$40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At March 31, 2019, we had \$7.7 million of letters of credit outstanding.

4.500% SENIOR UNSECURED NOTES DUE 2026

On August 2, 2016, the Company issued \$350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semi-annually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2019, we may redeem with the proceeds of certain equity offerings up to 40% of the original aggregate principal amount of the Senior Unsecured Notes at a redemption price of 104.5% of the principal amount of the notes. On or after August 1, 2019 and prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a make-whole premium. Beginning on August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

| | Percentage |
|----------------------------|------------|
| 2021 | 102.25% |
| 2022 | 101.50% |
| 2023 | 100.75% |
| 2024 and thereafter | 100.00% |

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company's Senior Unsecured Notes are fully and unconditionally and jointly and severally guaranteed by each of our subsidiaries that is

a guarantor under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (D) of the Notes to Consolidated Financial Statements for more information on the guarantors of the Senior Unsecured Notes.

Our Senior Unsecured Notes are rated by Moody's Investor Service (Moody's) and Standard and Poor's Global Ratings (S&P). The ratings are typically monitored by stockholders, creditors, or suppliers, and they serve as indicators of the Company's viability. Below is a summary of the ratings published by the agencies as of the date indicated:

| | Moody's | S&P |
|--------------------------------|-------------|-----------|
| Corporate/Family Rating | Baa2 | BBB |
| Outlook | Stable | Stable |
| Guaranteed Senior Notes | Baa2 | BBB |
| Date of Latest Report | August 2018 | July 2018 |

PRIVATE PLACEMENT SENIOR UNSECURED NOTES

We entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of \$200.0 million of senior unsecured notes, designated as Series 2007A Senior Unsecured Notes (the Series 2007A Senior Unsecured Notes) in a private placement transaction on October 2, 2007. The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. At March 31, 2019, the amount outstanding for this tranche is as follows:

| | Principal | Maturity Date | Interest Rate |
|------------------|----------------|-----------------|---------------|
| Tranche D | \$36.5 million | October 2, 2019 | 6.48% |

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2007 Note Purchase Agreement are equal in right of payment with all other senior unsecured indebtedness of the Company, including our indebtedness under the Credit Facility and Senior Unsecured Notes. The 2007 Note Purchase Agreement contains customary restrictive covenants, including, but not limited to, covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties.

The 2007 Note Purchase Agreement requires us to maintain a Consolidated Debt to Consolidated EBITDA (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, depletion, amortization, certain transaction-related deductions, and other non-cash charges) ratio of 3.50:1.00 or less, and to maintain an interest coverage ratio (Consolidated EBITDA to Consolidated Interest Expense [calculated as consolidated EBITDA, as defined above, to consolidated interest expense]) of at least 2.50:1.00. In addition, the 2007 Note Purchase Agreement requires the Company to ensure that at all times either (i) Consolidated Total Assets equal at least 80% of the consolidated total assets of the Company and its Subsidiaries, determined in accordance with GAAP, or (ii) consolidated total revenue of the Company and its Restricted Subsidiaries for the period of four consecutive fiscal quarters most recently ended equals at least 80% of the consolidated total revenue of the Company and its Subsidiaries during such period. We were in compliance with all financial ratios and tests at March 31, 2019.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and make-whole amounts (as defined in the 2007 Note Purchase Agreement) on the Series 2007A Senior Unsecured Notes and the other payment and performance obligations of the Company contained in the 2007 Note Purchase Agreement. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Series 2007A Senior Unsecured Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a make-whole amount. The make-whole amount is computed by discounting the remaining scheduled payments of interest and principal of the Series 2007A Senior Unsecured Notes being prepaid at a discount rate equal to the sum of 50 basis points and the yield to maturity of U.S. Treasury securities having a maturity equal to the remaining average life of the Series 2007A Senior Unsecured Notes being prepaid.

OTHER INFORMATION

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. At the expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

Other than the Credit Facility, we have no other source of committed external financing in place. In the event the Credit Facility should be terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if any balance were outstanding on the Credit Facility at the time of termination, and an alternative source of financing could not be secured, it would have a material adverse impact on our business. Our Credit Facility is not rated by the rating agencies.

We do not have any off-balance sheet debt, except for approximately \$75.0 million of operating leases, which have an average remaining term of approximately 15 years. Also, we have no outstanding debt guarantees. We have available under the Credit Facility a \$40.0 million Letter of Credit Facility. At March 31, 2019, we had \$7.7 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$26.3 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures, and dividend and debt service requirements for at least the next 12 months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Credit Facility, the level of competition, and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

As market conditions warrant, the Company may from time to time seek to purchase or repay its outstanding debt securities or loans, including the Series 2007A Senior Unsecured Notes, 4.500% Senior Unsecured Notes, and borrowings under the Credit Facility, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the

agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new debt. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases of the notes offered hereby may be with respect to a substantial amount of such notes, with an attendant reduction in the trading liquidity of such notes.

Cash Used for Share Repurchases and Stock Repurchase Program

See table under Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” for additional information.

On April 18, 2019, the Board of Directors authorized the Company to repurchase up to an additional 10,000,000 shares, for a total outstanding authorization, as of that date, of 10,724,758 shares. During fiscal 2019, 2018, and 2017, we repurchased 3,309,670; 627,772; and 788,000 shares, respectively, at average prices of \$82.18, \$97.30, and \$76.08, respectively. Subsequent to March 31, 2019, we repurchased an additional 1,031,110 shares through May 21, 2019, at an average price per share of \$88.79. Including the share repurchases made subsequent to March 31, 2019, we have authorization to repurchase an additional 9,848,648 shares.

Share repurchases may be made from time to time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by the Company’s management, based on its evaluation of market and economic conditions and other factors. In some cases, repurchases may be made pursuant to plans, programs, or directions established from time to time by the Company’s management, including plans to comply with the safe harbor provided by Rule 10b5-1.

Capital Expenditures

The following table shows Capital Expenditures in fiscal years 2019 and 2018:

| | For the Fiscal Years Ended March 31, | |
|------------------------------------|--------------------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Land and Quarries | \$ 10,702 | \$ 5,669 |
| Plants | 111,846 | 115,294 |
| Buildings, Machinery and Equipment | 46,325 | 10,994 |
| Total Capital Expenditures | \$ 168,873 | \$ 131,957 |

Capital expenditures for fiscal 2020 are expected to range from \$140.0 million to \$155.0 million and to be allocated across the Heavy and Light Materials sectors. Identified projects include a \$70.0 million investment to expand and enhance our papermill, which has been sold out for several years. This project will enable the facility to increase line speeds, which in turn increases output, and to replace high-cost raw materials with a lower-cost, more sustainable alternative. We expect the project to be completed by late spring 2020 and to increase our paper capacity by approximately 70,000 tons.

Contractual and Other Obligations

We have certain Contractual Obligations arising from indebtedness, operating leases, and purchase obligations. Future payments due, aggregated by type of contractual obligation, are set forth as follows:

CONTRACTUAL OBLIGATIONS

| | Payments Due by Period | | | | |
|--|------------------------|---------------------|-------------------------------------|------------------|----------------------|
| | Total | Less than 1 year | 1-3 years (dollars in thousands) | 3-5 years | More than 5 years |
| Credit Facility ⁽¹⁾ | \$ 310,000 | \$ — | \$ 310,000 | \$ — | \$ — |
| Senior Unsecured Notes | 350,000 | — | — | — | 350,000 |
| Private Placement Senior Unsecured Notes | 36,500 | 36,500 | — | — | — |
| Interest on Credit Facility ⁽²⁾ | 17,755 | 10,093 | 7,662 | — | — |
| Interest on Senior Unsecured Notes | 115,500 | 15,750 | 31,500 | 31,500 | 36,750 |
| Interest on Private Placement Senior Unsecured Notes | 1,183 | 1,183 | — | — | — |
| Operating Leases | 79,000 | 14,611 | 21,466 | 18,130 | 24,793 |
| Purchase Obligations ⁽³⁾ | 57,238 | 31,246 | 3,250 | 8,442 | 14,300 |
| Total | \$ 967,176 | \$ 109,383 | \$ 373,878 | \$ 58,072 | \$ 425,843 |

⁽¹⁾ The Credit Facility expires in August 2021.

⁽²⁾ At March 31, 2019, we had \$310.0 million outstanding under the Credit Facility. Interest on the outstanding amounts is based on LIBOR plus a margin based on our leverage ratio. We also pay a commitment fee, which is calculated based on the available amount of borrowings at 0.35% per annum through the expiration of the facility in August 2021. We estimated the future cash flows for interest by assuming a level repayment of the Credit Facility over the remainder of the agreement. Actual amounts paid, as well as the payment time periods, will likely differ from this estimate.

⁽³⁾ Purchase obligations are non-cancelable agreements to purchase coal, natural gas, slag, and synthetic gypsum, to pay royalty amounts and to fund capital expenditure commitments.

Based on our current actuarial estimates, we anticipate making contributions to our defined benefit plans of approximately \$0.5 million for fiscal year 2020.

Dividends

Dividends paid in fiscal years 2019 and 2018 were \$18.9 million and \$19.4 million, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors.

Inflation and Changing Prices

The Consumer Price Index rose approximately 1.9% in calendar 2018, 2.1% in 2017, and 2.1% in 2016. Prices of materials and services, with the exception of power, natural gas, coal, petroleum coke, and transportation freight, have remained relatively stable over the three-year period. During calendar 2018, the Consumer Price Index for energy decreased approximately 0.3%, while the Consumer Price Index for transportation increased approximately 2.8%. The decrease in energy prices did not have a material effect on our manufacturing businesses but had an adverse impact on our Oil and Gas Proppants segment as demand for oil fell during the latter part of calendar 2018, lowering the demand for frac sand. Freight costs increased in early 2018, but they are expected to remain more stable in calendar 2019. The ability to increase sales prices to cover future increases varies with the level of activity in the construction industry: the number, size, and strength of competitors; and the availability of products to supply a local market.

GENERAL OUTLOOK

See “Market Conditions and Outlook” within Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations on pages 44-45.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Footnote (A) of the Notes to Consolidated Financial Statements for information regarding recently issued accounting pronouncements that may affect our financial statements.

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the SEC, as well as information included in oral statements or other written statements made or to be made by us, contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when we are discussing our beliefs, estimates or expectations. From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-K, 10-Q, and 8-K; press releases and presentations, on our web site and in other material released to the public. We specifically disclaim any duty to update any of the information set forth in this report, including any forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future events and, therefore, involve a number of risks and uncertainties. Management cautions that forward-looking statements are not guarantees, and our actual results could differ materially from those expressed or implied in the forward-looking statements. See Item 1A. – Risk Factors for a more detailed discussion of specific risks and uncertainties.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our Credit Facility. We have occasionally utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. We have a \$500.0 million Credit Facility available at March 31, 2019 under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$310.0 million of borrowings at March 31, 2019 would increase our interest expense by \$3.1 million on an annual basis. We do not presently utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas, and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing use of alternative fuels.

ITEM 8. Financial Statements and Supplementary Data

FINANCIAL INFORMATION

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EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS

| | For the Years Ended March 31, | | |
|--|---|--------------|--------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands, except share and per share data) | | |
| Revenue | \$ 1,393,241 | \$ 1,386,520 | \$ 1,211,220 |
| Cost of Goods Sold | 1,066,673 | 1,047,764 | 899,175 |
| Gross Profit | 326,568 | 338,756 | 312,045 |
| Equity in Earnings of Unconsolidated Joint Venture | 38,565 | 43,419 | 42,386 |
| Corporate General and Administrative Expense | (37,371) | (41,205) | (33,940) |
| Impairment Losses | (220,265) | — | — |
| Litigation Settlements and Losses | (1,800) | (45,098) | — |
| Other Non-Operating Income | 2,412 | 3,728 | 2,139 |
| Acquisition-Related Expense | — | — | (5,480) |
| Interest Expense, Net | (28,374) | (27,638) | (22,631) |
| Earnings Before Income Taxes | 79,735 | 271,962 | 294,519 |
| Income Taxes | (10,875) | (15,330) | (96,300) |
| Net Earnings | 68,860 | 256,632 | 198,219 |
| EARNINGS PER SHARE | | | |
| Basic | \$ 1.48 | \$ 5.33 | \$ 4.14 |
| Diluted | \$ 1.47 | \$ 5.28 | \$ 4.10 |
| AVERAGE SHARES OUTSTANDING | | | |
| Basic | 46,620,894 | 48,141,226 | 47,931,518 |
| Diluted | 46,932,380 | 48,645,986 | 48,361,286 |
| CASH DIVIDENDS PER SHARE | \$ 0.40 | \$ 0.40 | \$ 0.40 |

See Notes to Consolidated Financial Statements.

**EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF
COMPREHENSIVE EARNINGS**

| | For the Years Ended March 31, | | |
|--|-------------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Net Earnings | \$ 68,860 | \$ 256,632 | \$ 198,219 |
| Net Actuarial Change in Defined Benefit Plans: | | | |
| Unrealized gain during the period, net of tax expense of \$68, \$1,995, and \$1,544 | 224 | 3,407 | 2,765 |
| Amortization of net actuarial loss, net of tax benefit of \$149, \$301, and \$760 | 472 | 955 | 1,248 |
| Reclassification of Income Tax Effects to Retained Earnings | — | (978) | — |
| Comprehensive Earnings | \$ 69,556 | \$ 260,016 | \$ 202,232 |

See Notes to Consolidated Financial Statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

| | March 31, | |
|--|------------------------|---------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| ASSETS | | |
| Current Assets - | | |
| Cash and Cash Equivalents | \$ 8,601 | \$ 9,315 |
| Restricted Cash | — | 38,753 |
| Accounts and Notes Receivable, net | 128,722 | 141,685 |
| Inventories | 275,194 | 258,159 |
| Income Tax Receivable | 5,480 | 5,750 |
| Prepaid and Other Assets | 9,624 | 5,073 |
| Total Current Assets | 427,621 | 458,735 |
| Property, Plant, and Equipment, net | 1,426,939 | 1,595,299 |
| Notes Receivable | 2,898 | 115 |
| Investment in Joint Venture | 64,873 | 60,558 |
| Goodwill and Intangible Assets, net | 229,115 | 239,342 |
| Other Assets | 17,717 | 13,954 |
| | \$ 2,169,163 | \$ 2,368,003 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities - | | |
| Accounts Payable | \$ 80,884 | \$ 73,459 |
| Accrued Liabilities | 61,949 | 105,870 |
| Current Portion of Long-term Debt | 36,500 | — |
| Total Current Liabilities | 179,333 | 179,329 |
| Long-term Debt | 655,092 | 620,922 |
| Other Long-term Liabilities | 34,492 | 31,096 |
| Deferred Income Taxes | 90,759 | 118,966 |
| Total Liabilities | 959,676 | 950,313 |
| Stockholders' Equity - | | |
| Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued | — | — |
| Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 45,117,393 and 48,282,784 Shares, respectively. | 451 | 483 |
| Capital in Excess of Par Value | — | 122,379 |
| Accumulated Other Comprehensive Losses | (3,316) | (4,012) |
| Retained Earnings | 1,212,352 | 1,298,840 |
| Total Stockholders' Equity | 1,209,487 | 1,417,690 |
| | \$ 2,169,163 | \$ 2,368,003 |

See Notes to Consolidated Financial Statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Years Ended March 31, | | |
|---|-------------------------------|------------|------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Earnings | \$ 68,860 | \$ 256,632 | \$ 198,219 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of Effect of Non-Cash Activity: | | | |
| Depreciation, Depletion and Amortization | 122,535 | 114,015 | 91,791 |
| Inventory Adjustment to Net Realizable Value | — | — | 8,492 |
| Impairment Losses | 220,265 | — | — |
| Reduction of Prepaid Sand Liability | — | — | (2,000) |
| Deferred Income Tax Provision | (28,371) | (49,354) | 2,203 |
| Stock Compensation Expense | 15,109 | 14,079 | 12,069 |
| Excess Tax Benefits from Share-Based Payment Arrangements | — | — | (10,349) |
| Equity in Earnings of Unconsolidated Joint Venture | (38,565) | (43,419) | (42,386) |
| Distributions from Joint Venture | 34,250 | 31,500 | 43,250 |
| Changes in Operating Assets and Liabilities: | | | |
| Accounts and Notes Receivable | 10,180 | (2,560) | (14,235) |
| Inventories | (19,016) | (5,114) | (6,636) |
| Accounts Payable and Accrued Liabilities | (31,949) | 24,173 | 33,687 |
| Other Assets | (3,284) | 4,196 | 788 |
| Income Taxes Payable (Receivable) | 270 | (6,483) | 16,705 |
| Net Cash Provided by Operating Activities | 350,284 | 337,665 | 331,598 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to Property, Plant, and Equipment | (168,873) | (131,957) | (56,938) |
| Acquisition Spending | — | (36,761) | (400,488) |
| Proceeds from Sales of Property, Plant, and Equipment | 2,281 | — | — |
| Net Cash Used in Investing Activities | (166,592) | (168,718) | (457,426) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (Decrease) in Credit Facility | 70,000 | 15,000 | (157,000) |
| Repayment of Private Placement Senior Unsecured Notes | — | (81,214) | (8,000) |
| Issuance of Senior Unsecured Notes | — | — | 350,000 |
| Dividends Paid to Stockholders | (18,927) | (19,438) | (19,341) |
| Purchase and Retirement of Common Stock | (271,988) | (61,078) | (60,013) |
| Proceeds from Stock Option Exercises | 2,103 | 24,264 | 22,108 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (4,347) | (4,974) | (4,468) |
| Payment of Debt Issuance Costs | — | — | (6,637) |
| Excess Tax Benefits from Share-Based Payment Arrangements | — | — | 10,349 |
| Net Cash Provided by (Used in) Financing Activities | (223,159) | (127,440) | 126,998 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | (39,467) | 41,507 | 1,170 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 48,068 | 6,561 | 5,391 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | \$ 8,601 | \$ 48,068 | \$ 6,561 |

See Notes to Consolidated Financial Statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Losses | Total |
|---|------------------------|--------------------------------|---------------------|--|---------------------|
| | (dollars in thousands) | | | | |
| Balance at March 31, 2016 | \$ 485 | \$ 168,969 | \$ 882,486 | \$ (11,409) | \$ 1,040,531 |
| Net Earnings | — | — | 198,219 | — | 198,219 |
| Stock Option Exercises and Restricted Share Vesting | 8 | 22,100 | — | — | 22,108 |
| Tax Benefit-Stock Option Exercise | — | 10,349 | — | — | 10,349 |
| Purchase and Retirement of Common Stock | (9) | (60,004) | — | — | (60,013) |
| Dividends to Stockholders | — | — | (19,358) | — | (19,358) |
| Stock Compensation Expense | 1 | 12,068 | — | — | 12,069 |
| Shares Redeemed to Settle Employee Taxes | — | (4,468) | — | — | (4,468) |
| Unfunded Pension Liability, net of tax | — | — | — | 4,013 | 4,013 |
| Balance at March 31, 2017 | \$ 485 | \$ 149,014 | \$ 1,061,347 | \$ (7,396) | \$ 1,203,450 |
| Net Earnings | — | — | 256,632 | — | 256,632 |
| Stock Option Exercises and Restricted Share Vesting | 3 | 24,261 | — | — | 24,264 |
| Purchase and Retirement of Common Stock | (5) | (61,073) | — | — | (61,078) |
| Dividends to Stockholders | — | — | (19,404) | — | (19,404) |
| Stock Compensation Expense | — | 14,079 | — | — | 14,079 |
| Cumulative Impact of the Adoption of ASU 2016-09 | — | 713 | (713) | — | — |
| Reclassification of Income Tax Effects to Retained Earnings | — | — | 978 | (978) | — |
| Shares Redeemed to Settle Employee Taxes | — | (4,974) | — | — | (4,974) |
| Other | — | 359 | — | — | 359 |
| Unfunded Pension Liability, net of tax | — | — | — | 4,362 | 4,362 |
| Balance at March 31, 2018 | \$ 483 | \$ 122,379 | \$ 1,298,840 | \$ (4,012) | \$ 1,417,690 |
| Net Earnings | — | — | 68,860 | — | 68,860 |
| Stock Option Exercises and Restricted Share Vesting | 1 | 2,103 | — | — | 2,104 |
| Purchase and Retirement of Common Stock | (33) | (135,243) | (136,712) | — | (271,988) |
| Dividends to Stockholders | — | — | (18,636) | — | (18,636) |
| Stock Compensation Expense | — | 15,108 | — | — | 15,108 |
| Shares Redeemed to Settle Employee Taxes | — | (4,347) | — | — | (4,347) |
| Unfunded Pension Liability, net of tax | — | — | — | 696 | 696 |
| Balance at March 31, 2019 | <u>\$ 451</u> | <u>\$ 0</u> | <u>\$ 1,212,352</u> | <u>\$ (3,316)</u> | <u>\$ 1,209,487</u> |

See Notes to Consolidated Financial Statements.

Eagle Materials Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

(A) SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (the Company), which may be referred to as we, our, or us. All intercompany balances and transactions have been eliminated. The Company is a holding company whose assets consist of its investments in its subsidiaries, joint venture, intercompany balances and holdings of cash and cash equivalents. The businesses of the consolidated group are conducted through the Company's subsidiaries. The Company conducts one of its cement plant operations through a joint venture, Texas Lehigh Cement Company L.P., which is located in Buda, Texas (the Joint Venture). Our investment in the Joint Venture is accounted for using the equity method of accounting, and those results have been included for the same period as our March 31 fiscal year end.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash Equivalents include short-term, highly liquid investments with original maturities of three months or less and are recorded at cost, which approximates market value.

Restricted Cash

Restricted Cash included amounts deposited in a qualified settlement fund. These amounts were deposited in relation to our settlement of a class action lawsuit and upon final approval of the District Court, these funds were transferred to the plaintiff's attorneys. See Footnote (H) for more information regarding the lawsuit and settlement.

Accounts and Notes Receivable

Accounts and Notes Receivable have been shown net of the allowance for doubtful accounts of \$9.9 million and \$8.6 million at March 31, 2019 and 2018, respectively. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based on analysis of economic trends in the construction and oil and gas industries, detailed analysis of the expected collectability of accounts receivable that are past due, and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had Notes Receivable totaling approximately \$3.6 million at March 31, 2019, of which approximately \$0.7 million has been classified as current and presented with accounts receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at 4.5%. Remaining unpaid amounts, plus accrued interest, mature in fiscal 2026. The notes are collateralized by certain assets of the borrowers, namely property and equipment. We monitor the credit risk of each borrower by focusing on the timeliness of payments, review of credit history, and credit metrics and interaction with the borrowers.

Inventories

Inventories are stated at the lower of average cost (including applicable material, labor, depreciation, and plant overhead) or net realizable value. Inventories consist of the following:

| | March 31, | |
|--|------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Raw Materials and Materials-in-Progress | \$ 125,828 | \$ 121,628 |
| Finished Cement | 27,826 | 24,089 |
| Aggregates | 7,351 | 7,787 |
| Gypsum Wallboard | 7,124 | 8,477 |
| Paperboard | 15,660 | 8,602 |
| Frac Sand | 2,557 | 1,696 |
| Repair Parts and Supplies | 80,676 | 79,878 |
| Fuel and Coal | 8,172 | 6,002 |
| | \$ 275,194 | \$ 258,159 |

Property, Plant, and Equipment

Property, Plant, and Equipment are stated at cost. Major renewals and improvements are capitalized and depreciated. Annual maintenance is expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of depreciable assets and totaled \$118.2 million, \$109.6 million, and \$86.0 million for the years ended March 31, 2019, 2018, and 2017, respectively. Raw material deposits are depleted as such deposits are extracted for production utilizing the units-of-production method. Costs and accumulated depreciation applicable to assets retired or sold are eliminated from the accounts and any resulting gains or losses are recognized at such time. The estimated lives of the related assets are as follows:

| | |
|--------------------------------|----------------|
| Plants | 20 to 30 years |
| Buildings | 20 to 40 years |
| Machinery and Equipment | 3 to 25 years |

We periodically evaluate whether current events or circumstances indicate that the carrying value of our depreciable assets may not be recoverable. During fiscal 2019, we recorded an impairment of approximately \$211.3 million related to property and equipment in our Oil and Gas Proppants segment. See Impairment or Disposal of Long-lived and Intangible Assets below for more information about the impairment.

Goodwill and Intangible Assets

GOODWILL

We annually assess Goodwill in the fourth quarter of our fiscal year, or more frequently when indicators of impairment exist. Impairment testing for Goodwill is done at the reporting unit, which is consistent with the reportable segment.

Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. Prior to performing the Step 1 quantitative analysis, we may, at our discretion, perform an optional qualitative analysis, or it may choose to proceed directly to the Step 1 quantitative analysis. The qualitative analysis considers the impact of the following events and circumstances on the reporting unit being tested: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and other relevant entity-specific events. If, as a result of this qualitative analysis, we conclude that it is more likely than not (a likelihood of greater than 50%) that the fair value of the reporting unit exceeds its carrying value, then an impairment does not exist and the quantitative Step 1 analysis is not required. If we are unable to conclude that it is more-likely-than-not that the fair value of the reporting unit exceeds its carrying value, then we proceed to the quantitative Step 1 analysis.

Step 1 of the quantitative test for impairment compares the fair value of the reporting unit to its carrying value. If the carrying value exceeds the fair value, then an impairment is indicated. If facts and circumstances related to our business change in subsequent years, we may choose to perform a quantitative analysis in those future years. If we perform a Step 1 analysis, and the carrying value of the reporting unit exceeds its fair value, then an impairment charge equal to the difference, not to exceed the total amount of Goodwill, is recorded.

The fair values of the reporting units are estimated by using both the market and income approaches. The market approach considers market factors and certain multiples in comparison to similar companies, while the income approach uses discounted cash flows to determine the estimated fair values of the reporting units. We also perform an overall comparison of all reporting units to our market capitalization in order to test the reasonableness of our fair value calculations.

We performed qualitative assessments of our Cement, Gypsum Wallboard, and Recycled Paperboard reporting units in the fourth quarter of fiscal 2019. As a result of these qualitative assessments, we determined that it was not more likely than not that an impairment existed; therefore, we did not perform a Step 1 quantitative impairment test.

We performed a quantitative Step 1 impairment test on our Oil and Gas Proppants reporting unit. We estimated the reporting unit's fair value using a discounted cash flow model. Key assumptions in the model were: estimated average net sales prices, sales volumes and the discount rate, which was estimated at 11%. Based on the results of the Step 1 impairment analysis, we concluded that the entire balance of Goodwill in the Oil and Gas Proppants reporting unit was impaired, and we recorded an impairment loss of approximately \$6.8 million in the reporting unit in the fourth quarter of fiscal 2019.

INTANGIBLE ASSETS

Intangible Assets, including the impact of the impairment charges discussed above, at March 31, 2019 and 2018, consist of the following:

| | Amortization Period | March 31, 2019 | | | Net |
|---|---------------------|-------------------|--|-------------------|-------------------|
| | | Cost | Accumulated Amortization (dollars in thousands) | Impairment | |
| Goodwill and Intangible Assets: | | | | | |
| Customer Contracts and Relationships | 15 years | \$ 72,260 | \$ (61,009) | \$ (178) | \$ 11,073 |
| Sales Contracts | 4 years | 2,500 | (2,500) | — | — |
| Permits | 40 years | 28,640 | (8,968) | — | 19,672 |
| Goodwill | | 205,211 | — | (6,841) | 198,370 |
| Total Goodwill and Intangible Assets | | \$ 308,611 | \$ (72,477) | \$ (7,019) | \$ 229,115 |

| | Amortization Period | March 31, 2018 | | | Net |
|---|---------------------|-------------------|--|-----------|-------------------|
| | | Cost | Accumulated Amortization (dollars in thousands) | | |
| Goodwill and Intangible Assets: | | | | | |
| Customer Contracts and Relationships | 15 years | \$ 72,260 | \$ (58,732) | \$ | 13,528 |
| Sales Contracts | 4 years | 2,500 | (2,500) | | — |
| Permits | 40 years | 28,640 | (8,037) | | 20,603 |
| Goodwill | | 205,211 | — | | 205,211 |
| Total Goodwill and Intangible Assets | | \$ 308,611 | \$ (69,269) | \$ | \$ 239,342 |

At March 31, 2019 and 2018, approximately \$0.3 million and \$1.6 million, respectively, of customer contracts and relationships were related to our Oil and Gas Proppants sector.

During fiscal 2017, we wrote off a customer contract in our Oil and Gas Proppants segment valued at \$1.3 million due to the termination of the contract. At March 31, 2016, we had a \$2.0 million liability related to prepayment for sand under one of our contracts. This contract expired on June 30, 2016, at which time the customer prepayment was forfeited under the terms of the contract. The \$2.0 million was recorded as a reduction of Cost of Goods Sold in our fiscal 2017 Consolidated Statement of Earnings.

During fiscal 2017, sales contracts with two of our customers in our Oil and Gas Proppants segment expired or were terminated. These customers had not purchased their contractually required amounts at the time the contracts expired or were terminated, and we entered into settlement agreements with those customers in connection with their failure to purchase the contractually required amounts. Based on these agreements, we received settlement payments of approximately \$12.9 million in exchange for releasing our claims against such customers. The settlement payments were recorded as a reduction of Cost of Goods Sold in our fiscal 2017 Consolidated Statement of Earnings.

Amortization expense of intangibles was \$4.3 million, \$4.4 million, and \$4.8 million for the years ended March 31, 2019, 2018, and 2017, respectively. Amortization expense is expected to be approximately \$2.2 million for fiscal year 2020 and \$1.7 million for each of fiscal years 2021 through 2024.

Impairment or Disposal of Long-Lived and Intangible Assets

We assess our long-lived assets, including mining and related assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Long-lived assets, or groups of assets, are evaluated for impairment at the lowest level for which cash flows are largely independent of the cash flows of other assets. We assess recoverability of assets, or group of assets, by comparing the carrying amount of an asset, or group of assets, to the future

undiscounted net cash flows that we expect the asset, or group of assets, to generate. These impairment evaluations are significantly affected by estimates of future revenue, costs and expenses, and other factors. If the carrying value of the assets, or group of assets, exceeds the undiscounted cash flows, then an impairment is indicated. If such assets, or group of assets, are considered to be impaired, the impairment is recognized as the amount by which the carrying amount of the asset, or group of assets, exceeds the fair value of the asset, or group of assets. Any assets held for sale are reflected at the lower of their carrying amount or fair value less cost to sell.

During the latter part of fiscal 2019, continued declining sales prices, sales volume and operating results in our Oil and Gas Proppants business indicated that impairment indicators were present. The decline in sales volume was primarily related to decreased demand from the Permian Basin. The decline in orders is due to several factors, including reduced completion budgets, limited pipeline take away capacity in the Permian Basin, and an increase in the usage of in-basin regional sand. The capacity for in-basin sand has increased in recent years, and certain of our customers have shifted their purchases from northern white sand to lower cost regional sand.

Because of the continuing shift in demand to regional sand, and the decline in our operating results, we concluded in the fourth quarter of fiscal 2019 that the reduction in sales volumes and operating losses were other than temporary and that long-lived asset impairment indicators were present in our Oil and Gas Proppants segment. Prior to performing tests to determine whether an impairment was present, we grouped the long-lived assets of the segment into the lowest level where cash flows are generated, which is considered the operating facility or distribution level. We then performed recoverability tests on each group of assets using probability weighted estimates of forecasted undiscounted cash flows over the remaining estimated life of each asset group based on a variety of scenarios. Based on these forecasts we concluded that the carrying values exceeded the undiscounted cash flows for two of the operating facilities and several of the distribution facilities, indicating impairment.

For those impaired asset groups, we calculated an estimated fair value using either a discounted cash flow model (Level 3) or real estate appraisals (Level 2) when it was determined the value of the real estate was the highest and best use of the property. In preparing the discounted cash flow model, we utilized a weighted-average cost of capital which was determined from relevant market comparisons and adjusted for specific risks. The analysis resulted in impairment losses to Property, Plant, and Equipment as well as Goodwill, Intangible, and Other Assets of approximately \$211.3 million and \$9.0 million, respectively, which is included in Impairment Losses in the Consolidated Statement of Earnings for fiscal year 2019. There was no impairment of long-lived assets or intangible assets during fiscal 2018 and 2017.

Other Assets

Other Assets are primarily composed of financing costs related to our revolving credit facility, deferred expenses, and deposits.

Income Taxes

We account for Income Taxes using the asset and liability method. The effect on deferred taxes of a change in tax rates is recognized in earnings in the period that includes the enactment date. We recognize deferred taxes for the differences between financial statement carrying amounts and the tax bases of existing assets and liabilities by applying enacted statutory tax rates for future years. In addition, we recognize future tax benefits to the extent that such benefits are more likely than not to be realized.

Stock Repurchases

On April 18, 2019, the Board of Directors authorized the Company to repurchase up to an additional 10,000,000 shares, for a total outstanding authorization of 10,724,758 shares. During fiscal 2019, 2018, and 2017, we repurchased 3,309,670; 627,722; and 788,800 shares, respectively, at average prices of \$82.18, \$97.30, and \$76.08, respectively. Subsequent to March 31, 2019, we repurchased an additional 1,031,110 shares through May 21, 2019, at an average price per share of \$88.79. Including the share repurchases made subsequent to March 31, 2019, we have authorization to repurchase an additional 9,848,648 shares.

Revenue Recognition

On April 1, 2018, we adopted the new accounting standard ASU 2014-09 (Topic 606), "Revenue from Contracts with Customers," and all the related amendments to contracts using the modified retrospective method. The adoption of ASU 2014-09 had no impact on our financial statements at the time of the adoption.

We earn Revenue primarily from the sale of products, which include cement, concrete, aggregates, gypsum wallboard, recycled paperboard, and frac sand. The vast majority of Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard is originated by purchase orders from our customers, who are primarily third-party contractors and suppliers. Revenue from our Recycled Paperboard and Oil and Gas Proppants segments is generated primarily through long-term supply agreements that mature between 2018 and 2025. We also earn Revenue from transload services and storage; we recognize Revenue from these services when the product is transferred from the rail car to the truck or silo, or from the silo to the railcar or truck. We invoice customers upon shipment, and our collection terms range from 30-65 days. Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard that is not related to long-term supply agreements is recognized upon shipment of the related products to customers, which is when title and ownership are transferred, and the customer is obligated to pay.

Revenue from sales under our long-term supply agreements is also recognized upon transfer of control to the customer, which generally occurs at the time the product is shipped from the production facility or transload location. Our long-term supply agreements with customers define, among other commitments, the volume of product that we must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under our agreements are generally market-based but are subject to certain contractual adjustments. Historically the pricing and volume requirements under certain of these contracts have been renegotiated during volatile market conditions. Shortfall amounts, if applicable under these arrangements, are constrained and not recognized as Revenue until agreement is reached with the customer and there is no risk of reversal.

The Company offers certain of its customers, including those with long-term supply agreements, rebates and incentives, which we treat as variable consideration. We adjust the amount of revenue recognized for the variable consideration using the most likely amount method based on past history and projected volumes in the rebate and incentive period. Any amounts billed to customers for taxes are excluded from Revenue.

The Company has elected to treat freight and delivery charges we pay for the delivery of goods to our customers as a fulfillment activity rather than a separate performance obligation. When we arrange for a third party to deliver products to customers, fees for shipping and handling that are billed to the customer are recorded as Revenue, while costs we incur for shipping and handling are recorded as expenses and included in Cost of Goods Sold.

Approximately \$169.6 million, \$158.3 million, and \$138.0 million of freight for the years ended March 31, 2019, 2018 and 2017, respectively, were included in both revenue and Cost of Goods Sold in our Consolidated Statement of Earnings.

Other Non-Operating Income includes lease and rental income, asset sale income, non-inventoried aggregates sales income, distribution center income, and trucking income, as well as other miscellaneous revenue items and costs which have not been allocated to a business segment.

See Footnote (F) of the Notes to Consolidated Financial Statements for disaggregation of Revenue by segment.

Comprehensive Income/Losses

As of March 31, 2019, we have an Accumulated Other Comprehensive Loss of \$3.3 million, which is net of income taxes of \$1.1 million, in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

Consolidated Cash Flows – Supplemental Disclosures

Interest payments made during the years ended March 31, 2019, 2018, and 2017 were \$28.2 million, \$28.9 million, and \$19.0 million, respectively.

We made net payments of \$40.0 million, \$69.4 million, and \$76.1 million for federal and state income taxes in the years ended March 31, 2019, 2018, and 2017, respectively.

Statements of Consolidated Earnings – Supplemental Disclosures

Maintenance and repair expenses are included in each segment's costs and expenses. We incurred \$116.3 million, \$107.3 million, and \$101.5 of maintenance and repairs expense million in the years ended March 31, 2019, 2018, and 2017, respectively, which is included in Cost of Goods Sold on the Consolidated Statement of Earnings.

Selling, General and Administrative Expenses

Selling, General, and Administrative expenses of the operating units are included in Cost of Goods Sold on the Consolidated Statements of Earnings. Corporate General and Administrative (Corporate G&A) expenses include administration, financial, legal, employee benefits, and other corporate activities, and are shown separately in the Consolidated Statements of Earnings. Corporate G&A also includes stock compensation expense. See Footnote (I) for more information.

Total Selling, General, and Administrative expenses for each of the periods are summarized as follows:

| | For the Years Ended March 31, | | |
|---|-------------------------------|--------------------------|-------------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Operating Units Selling, G&A | \$ 53,787 | \$ 62,529 | \$ 57,004 |
| Corporate G&A | 37,371 | 41,205 | 33,940 |
| | <u>\$ 91,158</u> | <u>\$ 103,734</u> | <u>\$ 90,944</u> |

Earnings Per Share

| | For the Years Ended March 31, | | |
|--|-------------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| Weighted-Average Shares of Common Stock Outstanding | 46,620,894 | 48,141,226 | 47,931,518 |
| Effect of Dilutive Shares: | | | |
| Assumed Exercise of Outstanding Dilutive Options | 539,135 | 1,013,764 | 1,000,556 |
| Less Shares Repurchased from Proceeds of Assumed Exercised Options | (374,380) | (727,904) | (726,223) |
| Restricted Stock Units | 146,731 | 218,900 | 155,435 |
| Weighted-Average Common Stock and Dilutive Securities Outstanding | 46,932,380 | 48,645,986 | 48,361,286 |

The line Less Shares Repurchased from Proceeds of Assumed Exercised Options includes unearned compensation related to outstanding stock options.

There were 461,575; 98,362; and 513,262 stock options at an average exercise price of \$90.32 per share, \$98.75 per share, and \$80.59 per share, respectively, that were excluded from the computation of diluted earnings per share for the years ended March 31, 2019, 2018, and 2017, respectively, because such inclusion would have been anti-dilutive.

Share-Based Compensation

All share-based compensation is valued at the grant date and expensed over the requisite service period, which is generally identical to the vesting period of the award. Forfeitures of share-based awards are recognized in the period in which they occur.

Fair Value Measures

Certain assets and liabilities are required to be recorded or disclosed at fair value. The estimated fair values of those assets and liabilities have been determined using market information and valuation methodologies. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations, or cash flows. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices for identical assets and liabilities in active markets;

Level 2 – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Recent Accounting Pronouncements

RECENTLY ADOPTED

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” which revises the accounting for periodic pension and postretirement expense. This ASU requires net periodic benefit cost, with the exception of service cost, to be presented retrospectively as nonoperating expense. Service cost will remain a component of Cost of Goods Sold and represent the only cost of pension and postretirement expense eligible for capitalization. We adopted the standard on April 1, 2018 using the

retrospective method for presentation of service cost and other components in the income statement. We prospectively adopted the requirement to limit the capitalization of benefit cost to the service cost component. The impact of adopting this standard was not material to our financial statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," which eliminates the second step of the goodwill impairment test. Under the new standard, an entity should recognize an impairment charge for the amount by which the carrying value of the reporting unit exceeds the reporting unit's fair value. We adopted this standard effective April 1, 2018.

PENDING ADOPTION

In February 2016, the FASB issued ASU 2016-02, "Leases," which supersedes existing lease guidance to require lessees to recognize right-of-use assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. The new standard provides a number of practical expedients for transition and elections for the future application of the policy. We will elect the "package of practical expedients", which permits us to not reassess prior conclusions about lease identification and classification. We will also elect the practical expedient allowing the use of hindsight, which allowed the inclusion of certain renewal options that were not previously considered using the former lease guidance. We have also chosen to exclude short-term leases, which are those leases with terms of less than twelve month.

We will adopt this standard on April 1, 2019 using the modified-retrospective transition approach. Under this approach, we will record a right-of-use asset and lease liability for all leases outstanding (excluding short-term leases) as of that date, and will not restate periods prior to the date of adoption. We expect to recognize an operating lease liability in the range of approximately \$70.0 million to \$75.0 million, with a corresponding right-of-use asset in the range of approximately \$67.0 million to \$72.0 million. We do not expect the adoption of this standard to materially impact annual lease expense.

In January 2018, the FASB issued ASU 2018-01, "Land Easement Practical Expedient for Transition to Topic 842." This ASU permits the election not to evaluate land easements under the new lease guidance that existed or expired before the adoption of the ASU 2016-02 and that were not previously accounted for as leases. We will adopt ASU 2018-01 concurrently with the adoption of ASU 2016-02, and have elected not to evaluate land easements that existed or expired before adoption.

Acquisition-Related Expense

Acquisition-Related Expense consists primarily of expenses incurred during the acquisition of our cement plant in Fairborn, Ohio in February 2017.

(B) PROPERTY, PLANT, AND EQUIPMENT

Cost by major category and Accumulated Depreciation are summarized as follows:

| | March 31, | |
|------------------------------------|------------------------|---------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Land and Quarries | \$ 379,337 | \$ 368,776 |
| Plants | 2,006,870 | 1,925,980 |
| Buildings, Machinery and Equipment | 219,556 | 187,484 |
| Construction in Progress | 85,886 | 104,288 |
| | 2,691,649 | 2,586,528 |
| Accumulated Depreciation | (1,264,710) | (991,229) |
| | <u>\$ 1,426,939</u> | <u>\$ 1,595,299</u> |

(C) ACCRUED EXPENSES

Accrued expenses consist of the following:

| | As of March 31, | |
|-------------------------------------|------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Payroll and Incentive Compensation | \$ 26,225 | \$ 25,290 |
| Benefits | 12,673 | 13,785 |
| Interest | 3,852 | 3,852 |
| Property Taxes | 5,058 | 5,422 |
| Power and Fuel | 1,644 | 1,545 |
| Litigation Settlements and Expenses | 1,900 | 46,533 |
| Sales and Use Tax | 2,167 | 890 |
| Other | 8,430 | 8,553 |
| | <u>\$ 61,949</u> | <u>\$ 105,870</u> |

(D) INDEBTEDNESS

Long-term debt consists of the following:

| | As of March 31, | |
|--|------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Bank Credit Facility | \$ 310,000 | \$ 240,000 |
| 4.500% Senior Unsecured Notes Due 2026 | 350,000 | 350,000 |
| Private Placement Senior Unsecured Notes | 36,500 | 36,500 |
| Total Debt | 696,500 | 626,500 |
| Less: Current Portion of Long-term Debt | (36,500) | — |
| Less: Debt Origination Costs | (4,908) | (5,578) |
| Long-term Debt | <u>\$ 655,092</u> | <u>\$ 620,922</u> |

The weighted-average interest rate of our Private Placement Senior Unsecured Notes was 6.5%, 6.0%, and 6.0% during fiscal 2019, 2018, and 2017, respectively, while the interest rate was 6.5% at both March 31, 2019 and 2018.

The weighted-average interest rate of borrowings under our Credit Facility during fiscal 2019, 2018, and 2017 was 3.4%, 2.6%, and 1.9%, respectively. The interest rate on the Credit Facility was 3.8% and 3.2% at March 31, 2019 and 2018, respectively.

Our maturities of long-term debt during the next five fiscal years and thereafter are as follows:

| Fiscal Year | Amount |
|--------------|-------------------|
| 2020 | \$ 36,500 |
| 2021 | — |
| 2022 | 310,000 |
| 2023 | — |
| 2024 | — |
| Thereafter | 350,000 |
| Total | \$ 696,500 |

Credit Facility

We have a \$500.0 million revolving credit facility (the Credit Facility), including a swingline loan sublimit of \$25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The Credit Facility also provides the Company the option to increase the borrowing capacity by up to \$250.0 million (for a total of \$750.0 million in available borrowings), provided that the existing lenders, or new lenders, agree to such increase. The debt under the Credit Facility is not rated by ratings agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, to the Company's consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus $\frac{1}{2}\%$ per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be a period of up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt; encumber our assets; sell assets; make or enter into certain investments, loans or guaranties, and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We were in compliance with all financial ratios and tests at March 31, 2019, and throughout the fiscal year. We had \$310.0 million of borrowings outstanding at March 31, 2019. Subsequent to March 31, 2019, we increased our borrowings under the Credit Facility, resulting in borrowings outstanding of \$425.0 million at May 21, 2019. Based on our Leverage Ratio and the increased borrowings between March 31, 2019 and May 21, 2019, we had \$67.3 million of available borrowings, net of the outstanding letters of credit, at May 21, 2019.

The Credit Facility has a \$40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At March 31, 2019, we had \$7.7 million of letters of credit outstanding.

4.500% Senior Unsecured Notes Due 2026

On August 2, 2016, the Company issued \$350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semi-annually on February 1 and August 1 of each year until all outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2019, we may redeem with the proceeds of certain equity offerings up to 40% of the original aggregate principal amount of the Senior Unsecured Notes at a redemption price of 104.5% of the principal amount of the notes. On or after August 1, 2019, and prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a make-whole premium. Beginning August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

| | Percentage |
|----------------------------|------------|
| 2021 | 102.25% |
| 2022 | 101.50% |
| 2023 | 100.75% |
| 2024 and thereafter | 100.00% |

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit existence of certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company's Senior Unsecured Notes are fully, unconditionally, jointly, and severally guaranteed by each of our subsidiaries that are guarantors under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (D) of the Notes to Consolidated Financial Statements for more information on the guarantors of the Senior Unsecured Notes.

Private Placement Senior Unsecured Notes

On October 2, 2007, in a private placement transaction, we entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of \$200.0 million of senior unsecured notes, designated as Series 2007A Senior Unsecured Notes (the Series 2007A Senior Unsecured Notes). The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches.

At March 31, 2019, the amount outstanding for the remaining tranche is as follows:

| | Principal | Maturity Date | Interest Rate |
|------------------|----------------|-----------------|---------------|
| Tranche D | \$36.5 million | October 2, 2019 | 6.48% |

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2007 Note Purchase Agreement are equal in right of payment with all other senior unsecured debt of the Company, including our debt under the Credit Facility and Senior Unsecured Notes. The 2007 Note Purchase Agreement contains customary restrictive covenants, including, but not

limited to, covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties.

The 2007 Note Purchase Agreement requires us to maintain a Consolidated Debt to Consolidated EBITDA (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, depletion, amortization, certain transaction-related deductions and other non-cash charges) ratio of 3.50:1.00 or less, and to maintain an interest coverage ratio (Consolidated EBITDA to Consolidated Interest Expense [calculated as Consolidated EBITDA, defined above, to consolidated interest expense]) of at least 2.50:1.0. In addition, the 2007 Note Purchase Agreement requires the Company to ensure that at all times either (i) Consolidated Total Assets equal at least 80% of the consolidated total assets of the Company and its Subsidiaries, determined in accordance with GAAP, or (ii) Consolidated Total Revenue of the Company and its Restricted Subsidiaries for the period of four consecutive fiscal quarters most recently ended equals at least 80% of the consolidated total revenue of the Company and its Subsidiaries during such period. We were in compliance with all financial ratios and tests at March 31, 2019, and throughout the fiscal year.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and make-whole amounts (as defined in the 2007 Note Purchase Agreement) on the Series 2007A Senior Unsecured Notes and the other payment and performance obligations of the Company contained in the 2007 Note Purchase Agreement. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Series 2007A Senior Unsecured Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount, plus a make-whole amount. The make-whole amount is computed by discounting the remaining scheduled principal and interest payments at a discount rate of 50 basis points above the yield to maturity of U.S. Treasury securities having a maturity equal to the remaining average life of the Series 2007A Senior Unsecured Notes being prepaid.

Other Information

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. Upon expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

(E) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our senior notes has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair values of our Private Placement Senior Unsecured Notes and Senior Unsecured Notes at March 31, 2019 are as follows:

| | | Fair Value (dollars in thousands) |
|---|----|--------------------------------------|
| Series 2007A Tranche D | \$ | 36,969 |
| 4.500% Senior Unsecured Notes Due 2026 | \$ | 356,115 |

The estimated fair value of our long-term debt was based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable, and accrued liabilities approximate their fair values at March 31, 2019, due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at March 31, 2019.

(F) BUSINESS SEGMENTS

Operating segments are defined as components of an enterprise that engage in business activities that earn revenue, incur expenses, and prepare separate financial information that is evaluated regularly by our chief operating decision maker in order to allocate resources and assess performance. During the quarter ended December 31, 2018, we changed our segment presentation to reflect the reorganization of our Oil and Gas Proppants and frac sand distribution businesses. Under this reorganization, the distribution business, which was acquired in fiscal 2018, became a division of the Oil and Gas Proppants business. The operations of the frac sand distribution business had previously been reported in the Other segment. For comparative purposes, we have adjusted the prior period segment presentation to reflect this change.

We are a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are commodities that are essential in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors within which there are five reportable business segments. The Heavy Materials sector includes the Cement and Concrete and Aggregates segments. The Light Materials sector includes the Gypsum Wallboard and Recycled Paperboard segments. The Oil and Gas Proppants segment produces frac sand used in oil and gas extraction.

Our business activities are conducted in the U.S. and include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material which is the essential binding ingredient in concrete) and specialty oil well cement; the grinding and sale of slag cement; the mining of gypsum, for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; and the mining and sale of aggregates (crushed stone, sand, and gravel) and sand used in hydraulic fracturing (frac sand).

We operate seven cement plants, one slag grinding facility, 19 cement distribution terminals, five gypsum wallboard plants, a recycled paperboard mill, 17 readymix concrete batch plants, four aggregates processing plants, two frac sand processing facilities, four frac sand drying facilities, and five frac sand trans-load locations. The principal markets for our cement products are Texas, Illinois, the central plains, Michigan, Iowa, the Rocky Mountains, northern Nevada, southern Ohio, and northern California. Gypsum wallboard and recycled paperboard are distributed throughout the continental U.S., with the exception of the Northeast. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area; north of Sacramento, California; and the greater Kansas City, Missouri area, while frac sand is currently sold into shale deposits across the United States.

We conduct one of our seven cement plant operations, Texas Lehigh Cement Company LP in Buda, Texas, through a Joint Venture. For segment reporting purposes only, we proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings, consistent with the way management reports the segments within the Company for making operating decisions and assessing performance.

We account for intersegment sales at market prices. The table below sets forth certain financial information relating to our operations by segment. We do not allocate interest or taxes at the segment level, only at the consolidated company level.

| | For the Years Ended March 31, | | |
|-----------------------------|-------------------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Revenue - | | | |
| Cement | \$ 656,759 | \$ 651,750 | \$ 566,321 |
| Concrete and Aggregates | 140,173 | 157,013 | 154,592 |
| Gypsum Wallboard | 532,712 | 491,779 | 473,651 |
| Paperboard | 167,656 | 181,742 | 167,065 |
| Oil and Gas Proppants | 82,987 | 98,244 | 34,623 |
| | 1,580,287 | 1,580,528 | 1,396,252 |
| Less: Intersegment Revenue | (82,553) | (88,124) | (79,116) |
| Less: Joint Venture Revenue | (104,493) | (105,884) | (105,916) |
| | \$ 1,393,241 | \$ 1,386,520 | \$ 1,211,220 |

| | For the Years Ended March 31, | | |
|---------------------------------------|-------------------------------|------------------|------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Intersegment Revenue - | | | |
| Cement | \$ 14,408 | \$ 16,442 | \$ 15,781 |
| Concrete and Aggregates | 1,422 | 1,335 | 1,262 |
| Paperboard | 66,723 | 70,347 | 62,073 |
| | \$ 82,553 | \$ 88,124 | \$ 79,116 |
| Cement Sales Volume (M tons) - | | | |
| Wholly Owned | 4,441 | 4,453 | 3,934 |
| Joint Venture | 899 | 912 | 937 |
| | 5,340 | 5,365 | 4,871 |

| | For the Years Ended March 31, | | |
|---|-------------------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Operating Earnings - | | | |
| Cement | \$ 164,782 | \$ 179,151 | \$ 153,525 |
| Concrete and Aggregates | 12,866 | 17,854 | 18,072 |
| Gypsum Wallboard | 180,831 | 158,551 | 159,866 |
| Paperboard | 35,349 | 32,758 | 37,601 |
| Oil and Gas Proppants | (28,695) | (6,139) | (14,633) |
| Sub-Total | 365,133 | 382,175 | 354,431 |
| Corporate General and Administrative Expense | (37,371) | (41,205) | (33,940) |
| Impairment Losses | (220,265) | — | — |
| Litigation Settlements and Losses | (1,800) | (45,098) | — |
| Other Non-Operating Income | 2,412 | 3,728 | 2,139 |
| Acquisition and Litigation Expense | — | — | (5,480) |
| Earnings Before Interest and Income Taxes | 108,109 | 299,600 | 317,150 |
| Interest Expense, net | (28,374) | (27,638) | (22,631) |
| Earnings Before Income Taxes | \$ 79,735 | \$ 271,962 | \$ 294,519 |
| Cement Operating Earnings - | | | |
| Wholly Owned | \$ 126,217 | \$ 135,732 | \$ 111,139 |
| Joint Ventures | 38,565 | 43,419 | 42,386 |
| | \$ 164,782 | \$ 179,151 | \$ 153,525 |
| Capital Expenditures - | | | |
| Cement | \$ 76,504 | \$ 45,088 | \$ 32,790 |
| Concrete and Aggregates | 6,649 | 4,977 | 6,528 |
| Gypsum Wallboard | 10,724 | 19,382 | 11,393 |
| Paperboard | 16,603 | 5,177 | 3,996 |
| Oil and Gas Proppants | 52,286 | 56,872 | 1,534 |
| Other, net | 6,107 | 461 | 697 |
| | \$ 168,873 | \$ 131,957 | \$ 56,938 |
| Depreciation, Depletion and Amortization - | | | |
| Cement | \$ 52,802 | \$ 50,891 | \$ 36,727 |
| Concrete and Aggregates | 8,176 | 7,931 | 7,931 |
| Gypsum Wallboard | 20,020 | 18,179 | 18,728 |
| Paperboard | 8,541 | 8,694 | 8,425 |
| Oil and Gas Proppants | 31,328 | 26,872 | 18,255 |
| Corporate and Other | 1,668 | 1,448 | 1,725 |
| | \$ 122,535 | \$ 114,015 | \$ 91,791 |
| | As of March 31, | | |
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Identifiable Assets | | | |
| Cement | \$ 1,289,468 | \$ 1,247,504 | \$ 1,234,617 |
| Concrete and Aggregates | 95,084 | 104,851 | 110,413 |
| Gypsum Wallboard | 372,206 | 386,041 | 379,414 |
| Paperboard | 138,614 | 123,819 | 124,356 |
| Oil and Gas Proppants | 236,357 | 444,826 | 376,306 |
| Other, net | 37,434 | 60,962 | 22,018 |
| | \$ 2,169,163 | \$ 2,368,003 | \$ 2,247,124 |

Segment Operating Earnings, including the proportionately consolidated 50% interest in the revenue and expenses of the Joint Venture, represent Revenue less direct operating expenses, segment Depreciation, and segment Selling, General, and Administrative expenses. Segment Operating Earnings don't include certain non-recurring losses, such as impairment and legal settlements. We account for intersegment sales at market prices. Corporate assets consist primarily of cash and cash equivalents, general office assets, and miscellaneous other assets.

The basis used to disclose Identifiable Assets; Capital Expenditures; and Depreciation, Depletion, and Amortization conforms with the equity method, and is similar to how we disclose these accounts in our Consolidated Balance Sheets and Consolidated Statements of Earnings.

The segment breakdown of Goodwill at March 31, 2019 and 2018 is as follows:

| | For the Years Ended March 31, | |
|-----------------------|-------------------------------|-------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Cement | \$ 74,214 | \$ 74,214 |
| Gypsum Wallboard | 116,618 | 116,618 |
| Paperboard | 7,538 | 7,538 |
| Oil and Gas Proppants | - | 6,841 |
| | <u>\$ 198,370</u> | <u>\$ 205,211</u> |

Summarized financial information for the Joint Venture that is not consolidated is set out below (this summarized financial information includes the total amount for the Joint Venture and not our 50% interest in those accounts.)

| | For the Years Ended March 31, | |
|------------------------------|-------------------------------|------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Revenue | \$ 212,818 | \$ 216,533 |
| Gross Margin | \$ 83,270 | \$ 91,647 |
| Earnings Before Income Taxes | \$ 77,131 | \$ 86,838 |

| | March 31, 2019 | March 31, 2018 |
|---------------------|------------------------|----------------|
| | (dollars in thousands) | |
| Current Assets | \$ 71,688 | \$ 71,089 |
| Non-Current Assets | \$ 88,834 | \$ 66,856 |
| Current Liabilities | \$ 19,309 | \$ 20,671 |

(G) INCOME TAXES

The provision for income taxes includes the following components:

| | For the Years Ended March 31, | | |
|---------------------------------------|-------------------------------|-------------------------|-------------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Current Provision (Benefit) - | | | |
| Federal | \$ 32,710 | \$ 58,695 | \$ 86,459 |
| State | 6,536 | 5,989 | 7,638 |
| | <u>39,246</u> | <u>64,684</u> | <u>94,097</u> |
| Deferred Provision (Benefit) - | | | |
| Federal | (21,039) | (52,333) | 7,274 |
| State | (7,332) | 2,979 | (5,071) |
| | <u>(28,371)</u> | <u>(49,354)</u> | <u>2,203</u> |
| Provision for Income Taxes | <u>\$ 10,875</u> | <u>\$ 15,330</u> | <u>\$ 96,300</u> |

The effective tax rates vary from the federal statutory rates due to the following items:

| | For the Years Ended March 31, | | |
|--|-------------------------------|--------------------------|--------------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Earnings Before Income Taxes | <u>\$ 79,735</u> | <u>\$ 271,962</u> | <u>\$ 294,519</u> |
| Income Taxes at Statutory Rate | <u>\$ 16,744</u> | <u>\$ 85,804</u> | <u>\$ 103,082</u> |
| Increases (Decreases) in Tax Resulting from - | | | |
| State Income Taxes, net | (629) | 6,139 | 1,668 |
| Statutory Depletion in Excess of Cost | (3,834) | (6,341) | (1,216) |
| Domestic Production Activities Deduction | — | (5,995) | (7,615) |
| Excess Tax Benefit from Stock Compensation | (651) | (4,129) | — |
| Meals and Entertainment Disallowance | 610 | 567 | 626 |
| Limitation on Officer's Compensation | 1,434 | 246 | — |
| Impact of Tax Cuts and Jobs Act of 2017 | — | (61,692) | — |
| Credits | (940) | — | — |
| Valuation Allowance | (2,100) | — | — |
| Other | 241 | 731 | (245) |
| Provision for Income Taxes | <u>\$ 10,875</u> | <u>\$ 15,330</u> | <u>\$ 96,300</u> |
| Effective Tax Rate | 14% | 6% | 33% |

Components of deferred income taxes are as follows:

| | March 31, | |
|--|------------------------|---------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Items Giving Rise to Deferred Tax Liabilities - | | |
| Excess Tax Depreciation and Amortization | \$ (108,505) | \$ (106,367) |
| Depletion | — | (11,069) |
| State Income Taxes, net | (9,236) | (14,265) |
| Other | (5,628) | (5,957) |
| Total Deferred Tax Liabilities | \$ (123,369) | \$ (137,658) |
| Items Giving Rise to Deferred Tax Assets - | | |
| Change in Accruals | \$ 8,601 | \$ 8,965 |
| Depletable Assets | 8,995 | — |
| Inventory | 6,046 | 4,276 |
| Bad Debts | 2,169 | 1,891 |
| Long-term Incentive Compensation Plan | 5,154 | 4,616 |
| Credits and Other Carryforwards | 12,289 | 12,879 |
| Pension | 921 | 1,108 |
| Subtotal | 44,175 | 33,735 |
| Valuation Allowance | (11,565) | (15,043) |
| Total Deferred Tax Assets | \$ 32,610 | \$ 18,692 |

We record Deferred Tax assets and Liabilities based upon estimates of their realizable value with such estimates based upon likely future tax consequences. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the Deferred Tax Assets. If, based on the weight of available evidence, it is more likely than not that a Deferred Tax Asset will not be realized, we record a valuation allowance.

We have state income tax investment credits of \$2.0 million, net of Valuation Allowances. The state investment credits may be carried forward indefinitely.

During fiscal 2019, we recorded a decrease in the valuation allowance against our Deferred Tax Assets of \$2.1 million. This decrease relates to changes in estimates of the realizability of certain deferred tax assets related to the long-term incentive compensation plan.

Uncertain tax positions

We are subject to audit examinations at federal, state, and local levels by tax authorities in those jurisdictions who may challenge the treatment or reporting of any return item. The tax matters challenged by the tax authorities are typically complex; therefore, the ultimate outcome of these challenges is subject to uncertainty. There were no uncertain tax positions at March 31, 2019, 2018, and 2017.

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act, among other changes, reduces the U.S. federal corporate tax rate from 35% to 21%, allows for the immediate 100% deductibility of certain capital expenditures, repeals the domestic production deduction, and further limits the deductibility of certain executive compensation. In December 2017, we recorded a tax benefit of \$61.0 million related to the change in corporate tax rates that reduced our deferred tax liabilities after the initial assessment of the tax effects of the Act. In the quarter ended December 31, 2018, we finalized our accounting for the Act with no material changes from our provisional calculations.

(H) COMMITMENTS AND CONTINGENCIES

Our operations and properties are subject to extensive and changing federal, state, and local laws; regulations and ordinances governing the protection of the environment; as well as laws relating to worker health and workplace safety. We carefully consider the requirements mandated by such laws and regulations and have procedures in place at all of our operating units to monitor compliance. Any matters which are identified as potential exposures under these laws and regulations are carefully reviewed by management to determine our potential liability. Although management is not aware of any exposures which require an accrual under generally accepted accounting principles, there can be no assurance that prior or future operations will not ultimately result in violations, claims, or other liabilities associated with these regulations.

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At March 31, 2019, we had contingent liabilities under these outstanding letters of credit of approximately \$7.7 million.

We are currently contingently liable for performance under \$26.3 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various federal district courts, against the Company's subsidiary, American Gypsum Company LLC (American Gypsum) and other wallboard manufacturers, alleging that the defendant wallboard manufacturers conspired to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases, related provisions of state law. The Company and American Gypsum denied all allegations that they conspired to increase the price of drywall and asserted affirmative defenses to the plaintiffs' claims.

On December 29, 2017, American Gypsum and the Company, entered into a settlement agreement (the Direct Purchaser Settlement Agreement) with counsel representing the direct purchaser class to settle all claims made against the Company, American Gypsum, and other manufacturers in the direct purchaser class action. The Direct Purchaser Settlement Agreement, in which the Company and American Gypsum deny all wrongdoing, also includes releases by the participating class members of the Company and American Gypsum as well as their subsidiaries, affiliates, and other related parties, for the time period from January 1, 2012 through the date of execution of the Direct Purchaser Settlement Agreement. On January 5, 2018, American Gypsum entered into a settlement agreement (the Indirect Purchaser Settlement Agreement) with counsel representing the indirect purchaser class to settle all claims against American Gypsum and the other manufacturers in the indirect purchaser class action. Under the Direct and Indirect Purchaser Settlement Agreements, the Company and American Gypsum agreed to pay a total of approximately \$39.1 million in cash to settle the claims against them. These claims were accrued during March 2018, and we deposited approximately \$38.8 million into a qualified settlement fund. The amount accrued under the Direct Purchaser Settlement Agreement was paid in July 2018 after approval by the District Court.

In March 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. Effective May 8, 2018, American Gypsum and the homebuilder plaintiffs entered into a settlement agreement (the Homebuilder Settlement Agreement) to settle all claims made against American Gypsum. The Homebuilder Settlement Agreement, in which American Gypsum denies all wrongdoing, includes releases by the homebuilder plaintiffs of American Gypsum as well as its subsidiaries, affiliates, and other related parties, for the time period prior to and including the date of execution of the Homebuilder Settlement Agreement. Under the Homebuilder Settlement Agreement, American Gypsum agreed to pay a total of \$6.0 million in cash to settle the claims against it. At March 31, 2018, we accrued the total amount of this settlement, and this amount was paid in May 2018.

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, was related to the same subject matter at issue in the litigation described above. On August 24, 2018, the Antitrust Division notified us that the investigation had been closed.

Other

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as the sale of a business. These indemnifications might include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, construction contractor, and other commercial contractual relationships; and financial matters. While the maximum amount to which we may be exposed under such agreements cannot be estimated, it is the opinion of management that these indemnifications are not expected to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. We currently have no outstanding guarantees of third-party debt.

We have certain forward purchase contracts, primarily for natural gas, that expire during calendar 2019 and 2020. The contracts are for approximately 25% of our anticipated natural gas usage.

We have certain operating leases covering manufacturing, transportation, a quarry and certain other facilities and equipment. Rental expense for fiscal years 2019, 2018, and 2017 totaled \$12.3 million, \$12.0 million and \$11.3 million, respectively. Minimum annual rental commitments as of March 31, 2019, under noncancelable leases are set forth as follows (dollars in thousands):

| Fiscal Year | Amount |
|-------------------|-----------|
| 2020 | \$ 14,613 |
| 2021 | \$ 11,487 |
| 2022 | \$ 9,979 |
| 2023 | \$ 9,784 |
| 2024 | \$ 8,347 |
| Thereafter | \$ 24,793 |

(I) STOCK OPTION PLANS

On August 7, 2013, our stockholders approved the Eagle Materials Inc. Amended and Restated Incentive Plan (the Plan), which increased the shares we are authorized to issue as awards by 3,000,000 (1,500,000 of which may be stock awards). Under the terms of the Plan, we may issue equity awards, including stock options, restricted stock units (RSUs), restricted stock, and stock appreciation rights to employees of the Company and members of the Board of Directors. Awards that were already outstanding prior to the approval of the Plan remained outstanding. The Compensation Committee of our Board of Directors specifies the terms for grants of equity awards under the Plan.

Long-Term Compensation Plans

OPTIONS

In May 2018, the Compensation Committee of the Board of Directors approved the granting to certain officers and key employees of an aggregate of 62,179 performance vesting stock options that are earned only if certain performance conditions are satisfied (the Fiscal 2019 Employee Performance Stock Option Grant). The performance criterion for the Fiscal 2019 Employee Performance Stock Option Grant is based upon the achievement of certain levels of return on equity (as defined in the option agreements), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2019. All stock options are earned if the return on equity is 20.0% or greater, and the percentage of shares earned are reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all stock options granted will be forfeited. During fiscal 2019, the adjusted return on equity was approximately 16.6%; therefore, 53,617 options were earned, with the remaining options forfeited. The earned stock options will lapse ratably over four years, with the first fourth lapsing promptly following the determination date, and the remaining options vesting on March 31, 2020 through 2022. The stock options have a term of 10 years from the date of grant. The Compensation Committee also approved the granting of 51,814 time-vesting stock options to the same officers and key employees, which vest ratably over a four-year period (the Fiscal 2019 Employee Time-Vesting Stock Option Grant). The stock options have a term of 10 years from the date of grant.

In August 2018, we granted to members of the Board of Directors 1,741 stock options (the Fiscal 2019 Board of Directors Stock Option Grant). Stock options granted under the Fiscal 2019 Board of Directors Stock Option Grant vest immediately and can be exercised from the date of grant until their expiration on the tenth anniversary of the date of grant. The Fiscal 2019 Employee Performance Stock Option Grant, the Fiscal 2019 Employee Time-Vesting Stock Option Grant, and Fiscal 2019 Board of Directors Stock Option Grant were valued at the grant date using the Black-Scholes option pricing model.

All stock options issued during fiscal 2019 and 2018 were valued at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| Dividend Yield | 1.3% | 1.3% |
| Expected Volatility | 32.7% | 36.5% |
| Risk Free Interest Rate | 2.85% | 2.10% |
| Expected Life | 6.0 years | 6.0 years |

Stock option expense for all outstanding stock option awards was approximately \$3.8 million, \$4.3 million, and \$5.3 million for the years ended March 31, 2019, 2018, and 2017, respectively. At March 31, 2019, there was approximately \$6.8 million of unrecognized compensation cost related to outstanding stock options which is expected to be recognized over a weighted-average period of 2.4 years.

The following table shows stock option activity for the years presented:

| | For the Years Ended March 31, | | | | | |
|---|-------------------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
| | 2019 | | 2018 | | 2017 | |
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Outstanding Options at Beginning of Year | 958,136 | \$ 72.52 | 1,323,379 | \$ 66.07 | 1,817,763 | \$ 53.03 |
| Granted | 125,734 | \$ 103.53 | 119,986 | \$ 100.20 | 202,364 | \$ 77.76 |
| Exercised | (38,748) | \$ 54.27 | (448,295) | \$ 60.27 | (677,566) | \$ 34.46 |
| Cancelled | (2,197) | \$ 100.88 | (36,934) | \$ 79.97 | (19,182) | \$ 70.30 |
| Outstanding Options at End of Year | 1,042,925 | \$ 76.88 | 958,136 | \$ 72.52 | 1,323,379 | \$ 66.07 |
| Options Exercisable at End of Year | 651,218 | | 651,218 | | 874,116 | |
| Weighted Average Fair Value of Options Granted during the Year | | \$ 33.11 | | \$ 33.37 | | \$ 25.22 |

The following table summarizes information about stock options outstanding at March 31, 2019:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|---------------------------|------------------------------|---|---------------------------------|------------------------------|---------------------------------|
| | Number of Shares Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number of Shares Outstanding | Weighted Average Exercise Price |
| \$23.17 - \$29.84 | 65,912 | 2.35 | \$ 23.27 | 65,912 | \$ 23.27 |
| \$33.43 - \$37.34 | 81,288 | 3.21 | \$ 33.99 | 81,288 | \$ 33.99 |
| \$53.22 - \$77.67 | 303,163 | 6.20 | \$ 71.34 | 219,673 | \$ 70.69 |
| \$79.73 - \$106.24 | 592,562 | 7.01 | \$ 91.55 | 394,691 | \$ 87.02 |
| | 1,042,925 | 6.18 | \$ 76.88 | 761,564 | \$ 71.13 |

At March 31, 2019, the aggregate intrinsic value for outstanding and exercisable options was approximately \$12.8 million and \$11.8 million, respectively. The total intrinsic value of options exercised during the fiscal year ended March 31, 2019 was approximately \$2.1 million.

RESTRICTED STOCK

In May 2018, the Compensation Committee approved the granting to certain officers and key employees an aggregate of 57,756 shares of performance vesting restricted stock that will be earned if certain performance conditions are satisfied (the Fiscal 2019 Employee Restricted Stock Performance Award). The performance criterion for the Fiscal 2019 Employee Restricted Stock Performance Award is based upon the achievement of certain levels of return on equity (as defined in the agreement), ranging from 10.0% to 20.0%, for the fiscal year ended March 31, 2019. All restricted shares will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all awards will be forfeited. During fiscal 2019, the adjusted return on equity was approximately 16.6%; therefore approximately 48,185 shares were earned, with the remaining shares forfeited. Restrictions on the earned shares will lapse ratably over four years, with the first fourth lapsing promptly following the determination date and the remaining restrictions lapsing on March 31, 2020 through 2022. The Compensation Committee also approved the granting of 48,130 shares of time-vesting restricted stock to the same officers and key employees, which vest ratably over four years (the Fiscal 2019 Employee Restricted Stock Time-Vesting Award). Both of the Fiscal 2019 Employee Restricted Stock Performance Award and the Fiscal 2019 Employee Restricted Stock Time-Vesting Award were valued at the closing price of the stock on the date of grant and are being expensed over a four-year period.

In August 2018, we granted to members of the Board of Directors 15,950 shares of restricted stock (the Board of Directors Fiscal 2019 Restricted Stock Award) which vested six months after the grant date. The Board of Directors Fiscal 2019 Restricted Stock Awards were valued at the closing price of the stock on the date of the grant and were expensed over a six-month period.

The fair value of restricted stock is estimated based on the stock price at the date of the grant. The following table summarizes the activity for nonvested restricted shares during the fiscal years ended March 31, 2019 and 2018:

| | For the Years Ended March 31, | | | |
|--|-------------------------------|--|------------------|--|
| | 2019 | | 2018 | |
| | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
| Nonvested Restricted Stock at Beginning of Year | 328,059 | \$ 72.52 | 371,213 | \$ 66.07 |
| Granted | 121,836 | \$ 105.73 | 107,964 | \$ 100.20 |
| Vested | (147,790) | \$ 75.94 | (119,187) | \$ 60.27 |
| Forfeited | (1,990) | \$ 100.88 | (31,931) | \$ 79.97 |
| Nonvested Restricted Stock at End of Year | 300,115 | \$ 78.94 | 328,059 | \$ 72.52 |

Expense related to restricted shares was \$11.3 million, \$9.6 million, and \$6.8 million in fiscal years ended March 31, 2019, 2018, and 2017, respectively. At March 31, 2019, there were approximately 300,000 shares with remaining restrictions, for which \$17.7 million of unearned compensation will be recognized over a weighted-average period of 2.2 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights, and restricted stock under the Plan was 3,978,814 at March 31, 2019. Of the available shares, a total of 1,252,143 can be used for future restricted stock and restricted stock unit grants.

(J) NET INTEREST EXPENSE

The following components are included within Interest Expense, net:

| | For the Years Ended March 31, | | |
|------------------------------|-------------------------------|------------------|------------------|
| | 2019 | 2018 | 2017 |
| | (dollars in thousands) | | |
| Interest Income | \$ (123) | \$ (14) | \$ (40) |
| Interest Expense | 27,329 | 26,433 | 21,595 |
| Other Expenses | 1,168 | 1,219 | 1,076 |
| Interest Expense, net | \$ 28,374 | \$ 27,638 | \$ 22,631 |

Interest Income includes interest earned on investments of excess cash. Components of Interest Expense include interest associated with the Credit Facility, Senior Unsecured Notes, Private Placement Senior Unsecured Notes, and commitment fees based on the unused portion of the Credit Facility. Other Expenses include amortization of debt issuance costs, and bank credit facility costs.

(K) PENSION AND PROFIT SHARING PLANS

We offer our employees multiple retirement and profit sharing plans.

Pension Plans

We have several defined benefit and defined contribution retirement plans which together cover substantially all of our employees. Benefits paid under the defined benefit plans covering certain hourly employees are based on years of service and each employee's qualifying compensation over the last few years of employment. Our funding policy is to generally contribute amounts that are deductible for income tax purposes. The annual measurement date is March 31 for the benefit obligations, fair value of plan assets, and the funded status of the defined benefit plans.

The following table provides a reconciliation of the obligations and fair values of plan assets for all defined benefit plans over the two-year period ended March 31, 2019, and a statement of the funded status as of March 31, 2019 and 2018:

| | For the Years Ended March 31, | |
|---|-------------------------------|-----------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Reconciliation of Benefit Obligations - | | |
| Benefit Obligation at April 1, | \$ 33,370 | \$ 40,589 |
| Service Cost - Benefits Earned During the Period | 399 | 710 |
| Interest Cost on Projected Benefit Obligation | 1,347 | 1,466 |
| Actuarial (Gain) Loss | (306) | (4,505) |
| Settlement | — | (3,857) |
| Benefits Paid | (1,080) | (1,033) |
| Benefit Obligation at March 31, | \$ 33,730 | \$ 33,370 |
| Reconciliation of Fair Value of Plan Assets - | | |
| Fair Value of Plan Assets at April 1, | \$ 33,412 | \$ 26,410 |
| Actual Return on Plan Assets | 2,169 | 2,805 |
| Employer Contributions | 2,040 | 9,087 |
| Settlement | — | (3,857) |
| Benefits Paid | (1,080) | (1,033) |
| Fair Value of Plans at March 31, | 36,541 | 33,412 |
| Funded Status - | | |
| Funded Status at March 31, | \$ 2,811 | \$ 42 |
| Amounts Recognized in the Balance Sheet Consist of - | | |
| Other Assets | \$ 2,811 | \$ — |
| Prepaid and Other Assets | — | 538 |
| Accrued Benefit Liability | — | (496) |
| Accumulated Other Comprehensive Losses: | | |
| Net Actuarial Loss | 4,346 | 5,198 |
| Prior Service Cost | 19 | 80 |
| Accumulated Other Comprehensive Losses | \$ 4,365 | \$ 5,278 |
| Reclassification to Retained Earnings | — | 978 |
| Tax impact | (1,049) | (2,244) |
| Accumulated Other Comprehensive Losses, net of tax | \$ 3,316 | \$ 4,012 |

The table below summarizes the Company's Projected Benefit Obligation, Accumulated Benefit Obligation and Fair Value of Plan Assets at March 31, 2019 and 2018:

| | March 31, | |
|---------------------------------------|------------------------|-----------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Projected Benefit Obligation | \$ 33,730 | \$ 33,370 |
| Accumulated Benefit Obligation | \$ 33,727 | \$ 33,367 |
| Fair Value of Plan Assets | \$ 36,541 | \$ 33,412 |

Net periodic pension cost for the fiscal years ended March 31, 2019, 2018, and 2017, included the following components:

| | For the Years Ended March 31, | | |
|---|-------------------------------|-----------------|-----------------|
| | 2019 | 2018 | 2017 |
| | (dollar in thousands) | | |
| Service Cost - Benefits Earned During the Period | \$ 399 | \$ 710 | \$ 1,001 |
| Interest Cost of Projected Benefit Obligation | 1,347 | 1,466 | 1,584 |
| Expected Return on Plan Assets | (1,853) | (2,137) | (1,606) |
| Recognized Net Actuarial Loss | 230 | 566 | 1,712 |
| Amortization of Prior-Service Cost | 61 | 269 | 359 |
| Settlement | — | 649 | — |
| Net Periodic Pension Cost | \$ 184 | \$ 1,523 | \$ 3,050 |

During the fourth quarter of fiscal 2018, we offered to pay our deferred vested participants that no longer worked for the Company but were not yet retired. We paid approximately \$3.9 million to these participants in March 2018. In connection with this payment, we recognized a settlement cost of approximately \$0.6 million.

Expected benefit payments over the next five years, and the following five years under the pension plans are expected to be as follows (dollars in thousands):

| Fiscal Years | Total |
|------------------|----------|
| 2020 | \$ 1,411 |
| 2021 | \$ 1,515 |
| 2022 | \$ 1,602 |
| 2023 | \$ 1,657 |
| 2024 | \$ 1,702 |
| 2025-2029 | \$ 9,702 |

The following tables set forth the assumptions used in the actuarial calculations of the present value of Net Periodic Benefit Costs and Benefit Obligations:

| | March 31, | | |
|---------------------------------------|-----------|-------|-------|
| | 2019 | 2018 | 2017 |
| Net Periodic Benefit Costs - | | | |
| Discount Rate | 4.12% | 4.03% | 3.83% |
| Expected Return on Plan Assets | 5.50% | 7.50% | 7.50% |
| Rate of Compensation Increase | 3.50% | 3.50% | 3.50% |

| | March 31, | |
|-------------------------------|-----------|-------|
| | 2019 | 2018 |
| Benefit Obligations - | | |
| Discount Rate | 4.09% | 4.12% |
| Rate of Compensation Increase | 3.50% | 3.50% |

The expected long-term rate of return on plan assets is an assumption reflecting the anticipated weighted-average rate of earnings on the portfolio over the long-term. To determine this rate, we developed estimates of the key components underlying capital asset returns including: market-based estimates of inflation, real risk-free rates of return, yield curve structure, credit risk premiums, and equity risk premiums. We used these components as appropriate to develop benchmark estimates of the expected long-term management approach employed by us.

The pension plans' approximate weighted-average asset allocation at March 31, 2019 and 2018 and the range of target allocation are as follows:

| Asset Category - | Range of Target Allocation | Percentage of Plan Assets at March 31, | |
|-------------------|----------------------------|--|-------------|
| | | 2019 | 2018 |
| Equity Securities | 10 – 20% | 14% | 50% |
| Debt Securities | 60 – 90% | 85% | 47% |
| Other | 0 – 20% | 1% | 3% |
| Total | | 100% | 100% |

Our pension investment strategies have been developed as part of a comprehensive management process that considers the interaction between the assets and liabilities within each plan. These strategies consider not only the expected risk and returns on plan assets, but also the detailed actuarial projections of liabilities as well as plan-level objectives such as projected contributions, expense, and funded status.

The principal pension investment strategies include asset allocation and active asset management. The range of target asset allocations has been determined given the current funded status of the plan. Each asset class is actively managed by one or more external money managers with the objective of generating returns, net of management fees, that exceed market-based benchmarks. None of the plans hold any EXP stock.

Based on our current actuarial estimates, we anticipate making contributions ranging from approximately \$0.5 million to \$1.0 million to our defined benefit plans for fiscal year 2020.

The fair values of our defined benefit plans' consolidated assets by category as of March 31, 2019 and 2018 were as follows:

| | March 31, | |
|-------------------------|------------------------|------------------|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Equity Securities | \$ 4,525 | \$ 16,533 |
| Fixed Income Securities | 31,516 | 15,799 |
| Real Estate Funds | 144 | 163 |
| Commodity Linked Funds | 212 | 213 |
| Cash Equivalents | 144 | 704 |
| Total | \$ 36,541 | \$ 33,412 |

The fair values of our defined benefit plans' consolidated assets were determined using the fair value hierarchy of inputs described in Footnote (A) to the Consolidated Financial Statements.

The fair values by category of inputs as of March 31, 2019 were as follows:

| Asset Categories | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--------------------------------|--|---|---|------------------|
| | (dollars in thousands) | | | |
| Equity Securities | \$ — | \$ 4,525 | \$ — | \$ 4,525 |
| Fixed Income Securities | — | 31,516 | — | 31,516 |
| Real Estate Funds | — | 144 | — | 144 |
| Commodity Linked Funds | — | 212 | — | 212 |
| Cash Equivalents | 144 | — | — | 144 |
| | \$ 144 | \$ 36,397 | \$ — | \$ 36,541 |

The fair values by category of inputs as of March 31, 2018 were as follows:

| Asset Categories | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--------------------------------|--|---|---|------------------|
| | (dollars in thousands) | | | |
| Equity Securities | \$ — | \$ 16,533 | \$ — | \$ 16,533 |
| Fixed Income Securities | — | 15,799 | — | 15,799 |
| Real Estate Funds | — | 163 | — | 163 |
| Commodity Linked Funds | — | 213 | — | 213 |
| Cash Equivalents | 704 | — | — | 704 |
| | \$ 704 | \$ 32,708 | \$ — | \$ 33,412 |

Equity securities consist of funds that are not actively traded. These funds are maintained by an investment manager and are primarily invested in indexes. The remaining funds, excluding cash, primarily consist of investments in institutional funds.

Profit Sharing Plans

We also provide profit sharing plans, which cover substantially all salaried and certain hourly employees. The profit sharing plans are defined contribution plans funded by employer discretionary contributions; employees may also contribute a certain percentage of their base annual salary. Employees are fully vested in their own contributions and become fully vested in any Company contributions over a six-year period for salaried employees and a three-year period for hourly employees. Costs relating to the employer discretionary contributions for our contribution plan totaled \$8.0 million, \$8.4 million, and \$6.4 million in fiscal years 2019, 2018, and 2017, respectively.

Individuals who became our employees as a result of a previous transaction are provided benefits substantially comparable to those provided under the seller's benefit plans. These plans included the seller's 401(k) plan which allows for employer matching percentages of hourly employees. As a result, we made matching contributions to the hourly profit sharing plan totaling \$0.6 million, \$0.6 million, and \$0.3 million for these employees during fiscal years 2018, 2017, and 2016, respectively.

Approximately fifty of our employees belong to three different multi-employer plans. The collective bargaining agreements for the employees who participate in the multi-employer plans expire in March 2020. Our expense related to these plans was approximately \$1.5 million, \$1.6 million, and \$1.6 million during fiscal years 2018, 2017, and 2016, respectively. We anticipate the total expense in fiscal 2019 related to these plans will be approximately \$1.8 million.

(L) FINANCIAL STATEMENTS FOR GUARANTORS OF THE 4.500% SENIOR UNSECURED NOTES

On August 2, 2016, the Company completed a public offering of its Senior Unsecured Notes. The Senior Unsecured Notes are senior unsecured obligations of the Company and were offered under the Company's existing shelf registration statement filed with the Securities and Exchange Commission.

The Senior Unsecured Notes are guaranteed by all of the Company's wholly-owned subsidiaries, and all guarantees are full and unconditional, and are joint and several. The following unaudited Condensed Consolidating Financial Statements present separately the Earnings and Comprehensive Earnings, Balance Sheet, and Cash Flows of the parent issuer (Eagle Materials Inc.), and the guarantors (all wholly-owned subsidiaries of Eagle Materials Inc.) on a combined basis with eliminating entries (dollars in thousands).

| Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Year Ended March 31, 2019 | | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|--|-----------|---------------|------------------------|---------------------|------------------|
| Revenue | \$ | — | \$ 1,393,241 | \$ — | \$ 1,393,241 |
| Cost of Goods Sold | | — | 1,066,673 | — | 1,066,673 |
| Gross Profit | | — | 326,568 | — | 326,568 |
| Equity in Earnings of Unconsolidated Joint Venture | | 38,565 | 38,565 | (38,565) | 38,565 |
| Equity in Earnings of Subsidiaries | | 77,954 | — | (77,954) | — |
| Corporate General and Administrative Expenses | | (31,744) | (5,627) | — | (37,371) |
| Impairment Losses | | — | (220,265) | — | (220,265) |
| Legal Settlements | | — | (1,800) | — | (1,800) |
| Other Non-Operating Income | | (391) | 2,802 | — | 2,411 |
| Interest Expense, net | | (28,324) | (49) | — | (28,373) |
| Earnings before Income Taxes | | 56,060 | 140,194 | (116,519) | 79,735 |
| Income Taxes | | 12,800 | (23,675) | — | (10,875) |
| Net Earnings | \$ | 68,860 | \$ 116,519 | \$ (116,519) | \$ 68,860 |
| Net Earnings | \$ | 68,860 | \$ 116,519 | \$ (116,519) | \$ 68,860 |
| Net Actuarial Change in Benefit Plans, net of tax | | 696 | 696 | (696) | 696 |
| Comprehensive Earnings | \$ | 69,556 | \$ 117,215 | \$ (117,215) | \$ 69,556 |

| Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Year Ended March 31, 2018 | | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|--|-----------|----------------|------------------------|---------------------|-------------------|
| Revenue | | — | \$ 1,386,520 | \$ — | \$ 1,386,520 |
| Cost of Goods Sold | | — | 1,047,764 | — | 1,047,764 |
| Gross Profit | | — | 338,756 | — | 338,756 |
| Equity in Earnings of Unconsolidated Joint Venture | | 43,419 | 43,419 | (43,419) | 43,419 |
| Equity in Earnings of Subsidiaries | | 289,950 | — | (289,950) | — |
| Corporate General and Administrative Expenses | | (37,825) | (3,380) | — | (41,205) |
| Legal Settlements | | (45,098) | — | — | (45,098) |
| Other Non-Operating Income | | (233) | 3,961 | — | 3,728 |
| Interest Expense, net | | (27,609) | (29) | — | (27,638) |
| Earnings before Income Taxes | | 222,604 | 382,727 | (333,369) | 271,962 |
| Income Taxes | | 34,028 | (49,358) | — | (15,330) |
| Net Earnings | \$ | 256,632 | \$ 333,369 | \$ (333,369) | \$ 256,632 |
| Net Earnings | \$ | 256,632 | \$ 333,369 | \$ (333,369) | 256,632 |
| Net Actuarial Change in Benefit Plans, net of tax | | 3,384 | 3,384 | (3,384) | 3,384 |
| Comprehensive Earnings | \$ | 260,016 | \$ 336,753 | \$ (336,753) | \$ 260,016 |

| Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Year Ended March 31, 2017 | | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|--|-----------|----------------|------------------------|---------------------|-------------------|
| Revenue | \$ | — | \$ 1,211,220 | \$ — | \$ 1,211,220 |
| Cost of Goods Sold | | — | 899,175 | — | 899,175 |
| Gross Profit | | — | 312,045 | — | 312,045 |
| Equity in Earnings of Unconsolidated Joint Venture | | 42,386 | 42,386 | (42,386) | 42,386 |
| Equity in Earnings of Subsidiaries | | 210,923 | — | (210,923) | — |
| Corporate General and Administrative Expenses | | (28,545) | (5,395) | — | (33,940) |
| Other Non-Operating Income | | (534) | 2,673 | — | 2,139 |
| Acquisition-Related Expense | | (5,480) | — | — | (5,480) |
| Interest Expense, net | | (51,315) | 28,684 | — | (22,631) |
| Earnings before Income Taxes | | 167,435 | 380,393 | (253,309) | 294,519 |
| Income Taxes | | 30,784 | (127,084) | — | (96,300) |
| Net Earnings | \$ | 198,219 | \$ 253,309 | \$ (253,309) | \$ 198,219 |
| Net Earnings | \$ | 198,219 | \$ 253,309 | \$ (253,309) | \$ 198,219 |
| Net Actuarial Change in Benefit Plans, net of tax | | 4,013 | 4,013 | (4,013) | 4,013 |
| Comprehensive Earnings | \$ | 202,232 | \$ 257,322 | \$ (257,322) | \$ 202,232 |

Condensed Consolidating Balance Sheet At March 31, 2019

| | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|---------------------|
| ASSETS | | | | |
| Current Assets - | | | | |
| Cash and Cash Equivalents | \$ 5,779 | \$ 2,822 | \$ — | \$ 8,601 |
| Accounts and Notes Receivable | 437 | 128,285 | — | 128,722 |
| Inventories | — | 275,194 | — | 275,194 |
| Income Tax Receivable | 5,480 | — | — | 5,480 |
| Prepaid and Other Current Assets | 1,472 | 8,152 | — | 9,624 |
| Total Current Assets | 13,168 | 414,453 | — | 427,621 |
| Property, Plant and Equipment, net | 7,756 | 1,419,183 | — | 1,426,939 |
| Notes Receivable | — | 2,898 | — | 2,898 |
| Investment in Joint Venture | 70 | 64,803 | — | 64,873 |
| Investments in Subsidiaries and Receivables from Affiliates | 2,322,335 | 406,726 | (2,729,061) | — |
| Goodwill and Intangible Assets, net | — | 229,115 | — | 229,115 |
| Other Assets | 4,571 | 13,146 | — | 17,717 |
| | \$ 2,347,900 | \$ 2,550,324 | \$ (2,729,061) | \$ 2,169,163 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current Liabilities- | | | | |
| Accounts Payable | \$ 5,520 | \$ 75,364 | \$ — | \$ 80,884 |
| Accrued Liabilities | 22,470 | 39,479 | — | 61,949 |
| Current Portion of Long-term Debt | 36,500 | — | — | 36,500 |
| Total Current Liabilities | 64,490 | 114,843 | — | 179,333 |
| Long-term Debt | 655,092 | — | — | 655,092 |
| Other Long-term Liabilities | 3,303 | 31,189 | — | 34,492 |
| Payables to Affiliates | 406,727 | 5,730,093 | (6,136,820) | — |
| Deferred Income Taxes | 8,801 | 81,958 | — | 90,759 |
| Total Liabilities | 1,138,413 | 5,958,083 | (6,136,820) | 959,676 |
| Total Stockholders' Equity | 1,209,487 | (3,407,759) | 3,407,759 | 1,209,487 |
| | \$ 2,347,900 | \$ 2,550,324 | \$ (2,729,061) | \$ 2,169,163 |

Condensed Consolidating Balance Sheet At March 31, 2018

| | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|---------------------|
| ASSETS | | | | |
| Current Assets - | | | | |
| Cash and Cash Equivalents | \$ 5,784 | \$ 3,531 | \$ — | \$ 9,315 |
| Restricted Cash | 38,753 | — | — | 38,753 |
| Accounts and Notes Receivable | 407 | 141,278 | — | 141,685 |
| Inventories | — | 258,159 | — | 258,159 |
| Income Tax Receivable | 109,510 | — | (103,760) | 5,750 |
| Prepaid and Other Current Assets | 665 | 4,408 | — | 5,073 |
| Total Current Assets | 155,119 | 407,376 | (103,760) | 458,735 |
| Property, Plant and Equipment, net | 2,099 | 1,593,200 | — | 1,595,299 |
| Notes Receivable | — | 115 | — | 115 |
| Investment in Joint Venture | 70 | 60,488 | — | 60,558 |
| Investments in Subsidiaries and Receivables from Affiliates | 2,718,809 | 762,340 | (3,481,149) | — |
| Goodwill and Intangible Assets, net | — | 239,342 | — | 239,342 |
| Other Assets | 5,417 | 8,537 | — | 13,954 |
| | <u>\$ 2,881,514</u> | <u>\$ 3,071,398</u> | <u>\$ (3,584,909)</u> | <u>\$ 2,368,003</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | | | |
|-----------------------------------|---------------------|---------------------|-----------------------|---------------------|
| Current Liabilities- | | | | |
| Accounts Payable | \$ 5,591 | \$ 67,868 | \$ — | \$ 73,459 |
| Accrued Liabilities | 67,387 | 38,483 | — | 105,870 |
| Income Tax Payable | — | 103,760 | (103,760) | — |
| Current Portion of Long-term Debt | — | — | — | — |
| Total Current Liabilities | 72,978 | 210,111 | (103,760) | 179,329 |
| Long-term Debt | 620,922 | — | — | 620,922 |
| Other Long-term Liabilities | 124 | 30,972 | — | 31,096 |
| Payables to Affiliates | 762,340 | 5,608,236 | (6,370,576) | — |
| Deferred Income Taxes | 7,460 | 111,506 | — | 118,966 |
| Total Liabilities | 1,463,824 | 5,960,825 | (6,474,336) | 950,313 |
| Total Stockholders' Equity | 1,417,690 | (2,889,427) | 2,889,427 | 1,417,690 |
| | <u>\$ 2,881,514</u> | <u>\$ 3,071,398</u> | <u>\$ (3,584,909)</u> | <u>\$ 2,368,003</u> |

Condensed Consolidating Statement of Cash Flows
For the Year Ended March 31, 2019

| | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|-----------------|---------------------------|--------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Cash Provided by (Used in) Operating Activities | \$ 33,997 | \$ 316,287 | \$ — | \$ 350,284 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Additions to Property, Plant, and Equipment | (6,107) | (162,766) | — | (168,873) |
| Proceeds from Sales of Property, Plant, and Equipment | — | 2,281 | — | 2,281 |
| Net Cash Used in Investing Activities | (6,107) | (160,485) | — | (166,592) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase in Credit Facility | 70,000 | — | — | 70,000 |
| Dividends Paid to Stockholders | (18,927) | — | — | (18,927) |
| Purchase and Retirement of Common Stock | (271,988) | — | — | (271,988) |
| Proceeds from Stock Option Exercises | 2,103 | — | — | 2,103 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (4,347) | — | — | (4,347) |
| Intra-entity Activity, net | 156,511 | (156,511) | — | — |
| Net Cash Provided by (Used in) Financing Activities | (66,648) | (156,511) | — | (223,159) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | (38,758) | (709) | — | (39,467) |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 44,537 | 3,531 | — | 48,068 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | <u>\$ 5,779</u> | <u>\$ 2,822</u> | <u>\$ —</u> | <u>\$ 8,601</u> |

Condensed Consolidating Statement of Cash Flows
For the Year Ended March 31, 2018

| | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------------|---------------------------|--------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Cash Provided by (Used in) Operating Activities | \$ (83,947) | \$ 421,612 | \$ — | \$ 337,665 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Additions to Property, Plant, and Equipment | (142) | (131,815) | — | (131,957) |
| Investment in Subsidiaries | (36,761) | — | 36,761 | — |
| Acquisition Spending | — | (36,761) | — | (36,761) |
| Net Cash Used in Investing Activities | (36,903) | (168,576) | 36,761 | (168,718) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase in Credit Facility | 15,000 | — | — | 15,000 |
| Repayment of Private Placement Senior Unsecured Notes | (81,214) | — | — | (81,214) |
| Dividends Paid to Stockholders | (19,438) | — | — | (19,438) |
| Purchase and Retirement of Common Stock | (61,078) | — | — | (61,078) |
| Proceeds from Stock Option Exercises | 24,264 | — | — | 24,264 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (4,974) | — | — | (4,974) |
| Intra-entity Activity, net | 287,643 | (250,882) | (36,761) | — |
| Net Cash Provided by (Used in) Financing Activities | 160,203 | (250,882) | (36,761) | (127,440) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 39,353 | 2,154 | — | 41,507 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 5,184 | 1,377 | — | 6,561 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | \$ 44,537 | \$ 3,531 | \$ — | \$ 48,068 |

Condensed Consolidating Statement of Cash Flows
For the Year Ended March 31, 2017

| | Parent | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|-----------------|---------------------------|--------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Cash Provided by (Used in) Operating Activities | \$ (64,376) | \$ 395,974 | \$ — | \$ 331,598 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Additions to Property, Plant, and Equipment | (697) | (56,241) | — | (56,938) |
| Investment in Subsidiaries | (400,488) | — | 400,488 | — |
| Acquisition Spending | — | (400,488) | — | (400,488) |
| Net Cash Used in Investing Activities | (401,185) | (456,729) | 400,488 | (457,426) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase in Credit Facility | (157,000) | — | — | (157,000) |
| Repayment of Private Placement Senior Unsecured Notes | (8,000) | — | — | (8,000) |
| Issuance of Senior Unsecured Notes | 350,000 | — | — | 350,000 |
| Payment of Debt Issuance Costs | (6,637) | — | — | (6,637) |
| Dividends Paid to Stockholders | (19,341) | — | — | (19,341) |
| Purchase and Retirement of Common Stock | (60,013) | — | — | (60,013) |
| Proceeds from Stock Option Exercises | 22,108 | — | — | 22,108 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (4,468) | — | — | (4,468) |
| Excess Tax Benefits from Share Based Payment Arrangements | 10,349 | — | — | 10,349 |
| Intra-entity Activity, net | 340,240 | 60,248 | (400,488) | — |
| Net Cash Provided by (Used in) Financing Activities | 467,238 | 60,248 | (400,488) | 126,998 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 1,677 | (507) | — | 1,170 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 3,507 | 1,884 | — | 5,391 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | \$ 5,184 | \$ 1,377 | \$ — | \$ 6,561 |

(M) QUARTERLY RESULTS (UNAUDITED)

| | For the Years Ended March 31, | |
|------------------------------|---|------------|
| | 2019 | 2018 |
| | (dollars in thousands, except per share data) | |
| First Quarter - | | |
| Revenue | \$ 393,756 | \$ 366,121 |
| Gross Profit | 91,634 | 86,059 |
| Earnings Before Income Taxes | 85,021 | 79,530 |
| Net Earnings | 66,339 | 54,882 |
| Diluted Earnings Per Share | \$ 1.38 | \$ 1.13 |
| Second Quarter - | | |
| Revenue | \$ 381,499 | \$ 376,315 |
| Gross Profit | 97,931 | 96,754 |
| Earnings Before Income Taxes | 91,793 | 92,319 |
| Net Earnings | 72,603 | 63,362 |
| Diluted Earnings Per Share | \$ 1.53 | \$ 1.31 |
| Third Quarter - | | |
| Revenue | \$ 333,285 | \$ 359,371 |
| Gross Profit | 80,421 | 94,566 |
| Earnings Before Income Taxes | 74,518 | 51,388 |
| Net Earnings | 57,715 | 101,380 |
| Diluted Earnings Per Share | \$ 1.24 | \$ 2.08 |
| Fourth Quarter - | | |
| Revenue | \$ 284,701 | \$ 284,713 |
| Gross Profit | 56,582 | 61,377 |
| Loss Before Income Taxes | (171,597) | 48,725 |
| Net Loss | (127,797) | 37,008 |
| Diluted Loss Per Share | \$ (2.82) | \$ 0.76 |

The fourth quarter of fiscal 2019 included a pre-tax impairment loss of approximately \$220.3 million related to the Oil and Gas Proppants segment. See Footnote (A) for more information.

The fourth quarter of fiscal 2018 included a \$6.0 million pre-tax expense related to the Homebuilder Settlement Agreement and \$4.0 million of personnel-related expenses, including an increased contribution to the profit sharing plan and a pension settlement expense.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Eagle Materials Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Eagle Materials Inc. and Subsidiaries (the Company) as of March 31, 2019 and 2018, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated May 23, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Dallas, Texas

May 23, 2019

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9a. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We have established a system of disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported within the time periods specified by the SEC. Such information is also accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) was performed as of the end of the period covered by this annual report. This evaluation was performed under the supervision and with the participation of management, including our CEO and CFO. Based upon that evaluation, our CEO and CFO have concluded that these disclosure controls and procedures were effective.

There were no changes that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of March 31, 2019. The effectiveness of our internal control over financial reporting as of March 31, 2019, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Eagle Materials Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Eagle Materials Inc. and Subsidiaries' internal control over financial reporting as of March 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Eagle Materials Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2019, and the related notes and our report dated May 23, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Dallas, Texas

May 23, 2019

ITEM 9b. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Except for the information below regarding our code of ethics, the information called for by Items 10, 11, 12, 13, and 14 is incorporated herein by reference to the information included and referenced under the following captions in the Company's Proxy Statement for the Company's August 6, 2019 Annual Meeting of Stockholders (the 2019 EXP Proxy Statement):

| Items | Caption in the 2019 EXP Proxy Statement |
|-------|--|
| 10 | Executive Officers who are not Directors |
| 10 | Election of Directors and Related Matters Stock Ownership-Section 16(a) Beneficial Ownership Reporting |
| 10 | Compliance |
| 10 | Stock Ownership – Code of Conduct |
| 11 | Executive Compensation |
| 11 | Compensation Discussion and Analysis |
| 11 | Potential Payments Upon Termination or Change in Control |
| 12 | Stock Ownership |
| 13 | Stock Ownership – Related Party Transactions |
| 13 | Election of Directors and Related Matters |
| 14 | Relationship with Independent Public Accountants |

CODE OF ETHICS

The policies comprising the Company's code of ethics (*The Eagle Way – A Guide to Decision-Making on Business Conduct Issues*) will represent the code of ethics for the principal executive officer, principal financial officer, and principal accounting officer under SEC rules, as well as the code of business conduct and ethics for directors, officers, and employees under NYSE listing standards. The code of ethics is published on the corporate governance section of the Company's website at www.eaglematerials.com.

Although the Company does not anticipate that any waivers of the code of ethics will be granted, should a waiver occur for the principal executive officer, principal financial officer, principal accounting officer, or controller, it will be promptly disclosed on our website. Also, any amendments of the code will be promptly posted on our website.

ITEM 11. Executive Compensation

See Item 10.

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

See Item 10.

EQUITY COMPENSATION PLAN

The following table shows the number of outstanding options and shares available for future issuance of options under the Company's equity compensation plans as of March 31, 2019. Our equity compensation plans have been approved by the Company's stockholders.

| Plan Category | Incentive Plan | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining for future issuance under equity compensation plans excluding securities reflected in column |
|--|----------------|---|---|---|
| Equity compensation plans approved by stockholders | 2013 | 1,042,925 | \$ 76.88 | 3,978,814 |
| Equity compensation plans not approved by stockholders | | — | — | — |
| | | <u>1,042,925</u> | <u>\$ 72.52</u> | <u>3,978,814</u> |

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

See Item 10.

ITEM 14. Principal Accounting Fees and Services

See Item 10.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

A. The following documents are filed as part of this Report:

1. Financial Statements

Reference is made to the Index to Financial Statements under Item 8 in Part II hereof, where these documents are listed.

2. Schedules

Schedules are omitted because they are not applicable or not required, or the information required to be set forth therein is included in the consolidated financial statements referenced above in section (a) (1) of this Item 15.

3. Exhibits

The information on exhibits required by this Item 15 is set forth in the Eagle Materials Inc. Index to Exhibits appearing on pages 112-116 of this Report.

**INDEX TO EXHIBITS
EAGLE MATERIALS INC.
AND SUBSIDIARIES**

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBITS |
|-------------------|---|
| 2.1 | Amended and Restated Agreement and Plan of Merger, dated as of November 4, 2003, among Centex Corporation, Centex Construction Products, Inc. (now known as Eagle Materials Inc.), and ARG Merger Corporation filed as Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed with the Securities and Exchange Commission (the Commission) on November 12, 2003 (File No. 001-12984) and incorporated herein by reference. |
| 2.2 | Amended and Restated Distribution Agreement dated as of November 4, 2003 between Centex Corporation and Centex Construction Products, Inc. (now known as Eagle Materials Inc.) filed as Exhibit 2.2 to the Company's Current Report on Form 8-K/A filed with the Commission on November 12, 2003 (File No. 001-12984) and incorporated herein by reference. |
| 3.1 | Restated Certificate of Incorporation filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on April 11, 2006 (File No. 001-12984) and incorporated herein by reference. |
| 3.2 | Restated Certificate of Designation, Preferences and Rights of Series A Preferred Stock filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on April 11, 2006 (File No. 001-12984) and incorporated herein by reference. |
| 3.3 | Amended and Restated Bylaws filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007, filed with the Commission on May 29, 2007 (File No. 001-12984) and incorporated herein by reference. |
| 3.4 | Amendment to Amended and Restated Bylaws filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2008 (File No. 001-12984) and incorporated herein by reference. |
| 3.5 | Amendment to Amended and Restated Bylaws filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on February 3, 2012 (File No. 001-12984) and incorporated herein by reference. |
| 3.6 | Amendment to Amended and Restated Bylaws filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on August 7, 2015 (File No. 001-12984) and incorporated herein by reference. |
| 4.1 | Third Amended and Restated Credit Agreement dated as of October 30, 2014 among Eagle Materials Inc., the Lenders party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, and the other Lenders party thereto, filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Commission on November 5, 2014 (File No. 001-12984) and incorporated herein by reference. |
| 4.1(a) | Amendment No. 1 to Third Amended and Restated Credit Agreement by and among the Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other Lenders party thereto dated August 10, 2015, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Commission on October 27, 2015 (File No. 001-12984) and incorporated herein by reference. |
| 4.1(b) | Amendment No. 2 to Third Amended and Restated Credit Agreement, dated as of August 2, 2016, among the Company, the lenders identified therein, and JPMorgan Chase Bank, N.A., as the administrative agent, issuing bank, and swingline lender thereunder, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 2, 2016 (File No. 001-12984) and incorporated herein by reference. |
| 4.3 | Note Purchase Agreement, dated as of October 2, 2007, among the Company and the purchasers named therein filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 3, 2007 (File No. 001-12984) and incorporated herein by reference. |

- 4.3(a) First Amendment to Note Purchase Agreement (Series 2007A) dated September 26, 2012 filed as Exhibit 10.3 to the Current Report on Form 8-K/A filed with the Commission on September 27, 2012 (File No. 001-12984) and incorporated herein by reference.
- 4.4 First Supplemental Indenture, dated as of August 2, 2016, among Eagle Materials Inc., the guarantor parties identified therein, and The Bank of New York Mellon Trust Company, N.A., filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on August 2, 2016 (File No. 001-12984) and incorporated herein by reference.
- 4.5 Form of 4.500% Senior Notes due 2026 filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on August 2, 2016 (File No. 001-12984) and incorporated herein by reference.
- 10.1 Limited Partnership Agreement of Texas Lehigh Cement Company LP by and between Texas Cement Company and Lehigh Portland Cement Company effective as of October 1, 2000, filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 27, 2001 (File No. 001-12984) and incorporated herein by reference.
- 10.1(a) Amendment No. 1 to Agreement of Limited Partnership by and among Texas Cement Company; TLCC LP LLC; TLCC GP LLC; Lehigh Portland Cement Company; Lehigh Portland Investments, LLC; and Lehigh Portland Holdings, LLC effective as of October 2, 2000, filed as Exhibit 10.2(a) to the 2001 Form 10-K (File No. 001-12984) and incorporated herein by reference.
- 10.2 The Eagle Materials Inc. Amended and Restated Incentive Plan, filed as Exhibit A to the Company's Schedule 14A filed with the Commission on June 21, 2013 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.2(a) Amendment to Amended and Restated Incentive Plan, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on July 28, 2017 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.3 Form of Restricted Stock Unit Agreement for Non-Employee Directors filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 1, 2006 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.4 Form of Restricted Stock Agreement, filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed with the Commission on August 8, 2008 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.5 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the Commission on August 6, 2010 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.5(a) Form of Restricted Stock Agreement filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the Commission on August 6, 2010 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.6 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 4, 2011 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.6(a) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 4, 2011 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.7 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed with the Commission on November 8, 2012 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.7(a) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed with the Commission on November 8, 2012 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾

- 10.7(b) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed with the Commission on November 8, 2012 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.8 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed with the Commission on November 7, 2013 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.8(a) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed with the Commission on November 7, 2013 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.8(b) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed with the Commission on November 7, 2013 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.9 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Commission on November 5, 2014 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.9(a) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Commission on November 5, 2014 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.9(b) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Commission on November 5, 2014 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.10 Form of Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed with the Commission on August 4, 2015 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.10(a) Form of Restricted Stock Agreement for Senior Executives filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed with the Commission on August 4, 2015 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.10(b) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Commission on October 27, 2015 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.10(c) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Commission on October 27, 2015 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.11 Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.11(a) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.11(b) Form of Performance Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾

- 10.11(c) Form of Time Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.11(d) Form of Performance Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.11(e) Form of Time Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on October 24, 2016 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12 Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Commission on October 25, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(a) Form of Performance Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on July 28, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(b) Form of Time Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on July 28, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(c) Form of Performance Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on July 28, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(d) Form of Time Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the Commission on July 28, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(e) Form of Performance Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed with the Commission on July 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(f) Form of Time Vesting Non-Qualified Stock Option Agreement for Senior Executives filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed with the Commission on July 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(g) Form of Performance Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed with the Commission on July 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(f) Form of Time Vesting Restricted Stock Agreement for Senior Executives filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed with the Commission on July 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(g) Form of Restricted Stock Agreement for Non-Employee Directors filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed with the Commission on October 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(h) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed with the Commission on October 30, 2018 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.12(i) The Eagle Materials Inc. Retirement Plan filed as Exhibit 4.6 to the Company's Form S-8 POS, filed with the Commission on January 31, 2019 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾
- 10.13 Eagle Materials Inc. Salaried Incentive Compensation Program for Fiscal Year 2018 filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on May 19, 2017 (File No. 001-12984) and incorporated herein by reference.⁽¹⁾

- 10.13 Eagle Materials Inc. Special Situation Program for Fiscal Year 2019 filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on May 23, 2018 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.14 The Eagle Materials Inc. Amended and Restated Supplemental Executive Retirement Plan filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000, filed with the Commission on June 21, 2000 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.14(a) First Amendment to the Eagle Materials Inc. Amended and Restated Supplemental Executive Retirement Plan, dated as of May 11, 2004, filed as Exhibit 10.4(a) to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006, filed with the Commission on June 2, 2006 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.15 Trademark License and Name Domain Agreement dated January 30, 2004, between the Company and Centex Corporation, filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004, filed with the Commission on June 14, 2004 (File No. 001-12984) and incorporated herein by reference.
- 10.16 Form of Indemnification Agreement between the Company and each of its directors filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004, filed with the Commission on June 14, 2004 (File No. 001-12984) and incorporated herein by reference.
- 10.17 Eagle Materials Inc. Director Compensation Summary filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed with the Commission on October 30, 2018 (File No. 001-12984) and incorporated herein by reference. ⁽¹⁾
- 10.18 Settlement Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on December 29, 2017 (File No. 001-12984) and incorporated herein by reference.
- 21* Subsidiaries of the Company.
- 23.1* Consent of Registered Independent Public Accounting Firm – Ernst & Young LLP.
- 31.1* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 32.1* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 95* Mine Safety Disclosure.
- 101.INS* XBRL Instance Document.
- 101.SCH* XBRL Taxonomy Extension Schema Document.
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

⁽¹⁾ Required to be identified as a management contract or a compensatory plan or arrangement pursuant to Item 15(a) (3) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE MATERIALS INC.

Registrant

May 23, 2019

/s/ David B. Powers

David B. Powers,
Chief Executive Officer

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

May 23, 2019

/s/ David B. Powers

David B. Powers
Chief Executive Officer
(principal executive officer)

May 23, 2019

/s/ D. Craig Kesler

D. Craig Kesler
Executive Vice President – Finance and
Administration and Chief Financial Officer
(principal financial officer)

May 23, 2019

/s/ William R. Devlin

William R. Devlin
Senior Vice President – Controller and
Chief Accounting Officer
(principal accounting officer)

May 23, 2019

/s/ F. William Barnett

F. William Barnett, Director

May 23, 2019

/s/ Richard Beckwitt

Richard Beckwitt, Director

May 23, 2019

/s/ Ed H. Bowman, Jr.

Ed H. Bowman, Jr., Director

May 23, 2019

/s/ Margot L. Carter
Margot L. Carter, Director

May 23, 2019

/s/ George J. Damiris
George J. Damiris, Director

May 23, 2019

/s/ Martin M. Ellen
Martin M. Ellen, Director

May 23, 2019

/s/ Michael R. Nicolais
Michael R. Nicolais, Director

May 23, 2019

/s/ Richard R. Stewart
Richard R. Stewart, Director

BOARD OF DIRECTORS

F. William Barnett ⁽⁴⁾
Retired Director,
McKinsey & Company

Richard Beckwitt ^(3, 4)
Chief Executive Officer,
Lennar Corporation

Ed H. Bowman ⁽²⁾
Retired CEO,
SourceHOV

Margot L. Carter ^(2, 3, 4)
Director,
Installed Building Products, Inc.

George J. Damiris ⁽²⁾
Chief Executive Officer and President,
HollyFrontier Corporation

Martin M. Ellen ⁽³⁾
Retired Chief Financial Officer
and Executive Vice President,
Dr Pepper Snapple Group, Inc.

Michael R. Nicolais ^(1, 2)
Vice Chairman and CEO,
Highlander Partners LP
Chairman, Eagle Materials, Inc.

David B. Powers ⁽¹⁾
Chief Executive Officer,
Eagle Materials Inc.

Richard R. Stewart ⁽¹⁾
Retired President and CEO,
GE Aero Energy

EAGLE MATERIALS INC.

David B. Powers
Chief Executive Officer

Michael Haack
President
and Chief Operating Officer

James H. Graass
Executive Vice President,
General Counsel and Secretary

D. Craig Kesler
Executive Vice President
and Chief Financial Officer

Robert S. Stewart
Executive Vice President - Strategy,
Corporate Development and
Communications

OPERATING ORGANIZATION

Gerald J. Essl
Executive Vice President - Cement

Keith W. Metcalf
President,
American Gypsum Company LLC

Ray Howard
President,
Republic Paperboard Company LLC

Eric Cribbs
President,
Sand, Concrete and Aggregates

CORPORATE HEADQUARTERS

5960 Berkshire Lane
Suite 900
Dallas, TX 75225
(214) 432-2000 (Telephone)
(214) 432-2100 (Fax)
www.eaglematerials.com

TRANSFER AGENT AND REGISTRAR

Computershare, Inc.
P.O. Box 505000
Louisville, KY 40233
1-800-736-3001 (Toll Free)

ANNUAL MEETING

The Annual Meeting of Stockholders of Eagle Materials Inc. will be held on August 6, 2019, at 8:00 a.m. at: Arlington Hall, Oak Lawn Park, 3333 Turtle Creek Blvd. Dallas, TX

Numbers in parentheses indicate Board Committees

⁽¹⁾ Executive Committee

⁽²⁾ Compensation Committee

⁽³⁾ Audit Committee

⁽⁴⁾ Corporate Governance and Nominating Committee



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www.eaglematerials.com
