
United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended

September 30, 2013

Commission File Number 1-12984



Eagle Materials Inc.

Delaware
(State of Incorporation)

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

3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219
(Address of principal executive offices)

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 4, 2013, the number of outstanding shares of common stock was:

<u>Class</u>	<u>Outstanding Shares</u>
Common Stock, \$.01 Par Value	49,930,568

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Eagle Materials Inc. and Subsidiaries
Form 10-Q
September 30, 2013

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Eagle Materials Inc. and Subsidiaries
Consolidated Statements of Earnings
(dollars in thousands, except share data)
(unaudited)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 252,646	\$ 164,659	\$ 479,690	\$ 318,701
Cost of Goods Sold	193,167	132,170	373,607	263,315
Gross Profit	59,479	32,489	106,083	55,386
Equity in Earnings of Unconsolidated Joint Venture	9,747	8,750	17,625	15,218
Corporate General and Administrative	(6,060)	(5,919)	(11,654)	(10,674)
Acquisition and Litigation Expense	—	(5,713)	—	(6,374)
Other Income	317	66	900	(204)
Interest Expense, Net	(4,795)	(3,548)	(9,750)	(7,313)
Earnings Before Income Taxes	58,688	26,125	103,204	46,039
Income Tax Expense	(18,785)	(8,172)	(33,200)	(14,108)
Net Earnings	<u>\$ 39,903</u>	<u>\$ 17,953</u>	<u>\$ 70,004</u>	<u>\$ 31,931</u>
EARNINGS PER SHARE:				
Basic	<u>\$ 0.81</u>	<u>\$ 0.40</u>	<u>\$ 1.43</u>	<u>\$ 0.71</u>
Diluted	<u>\$ 0.80</u>	<u>\$ 0.40</u>	<u>\$ 1.40</u>	<u>\$ 0.71</u>
AVERAGE SHARES OUTSTANDING:				
Basic	<u>49,012,045</u>	<u>44,746,225</u>	<u>48,984,038</u>	<u>44,708,499</u>
Diluted	<u>49,860,100</u>	<u>45,353,778</u>	<u>49,835,382</u>	<u>45,219,224</u>
CASH DIVIDENDS PER SHARE:	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries
Consolidated Statements of Comprehensive Earnings
(unaudited – dollars in thousands)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
Net Earnings	\$39,903	\$17,953	\$70,004	\$31,931
Change in Funded Status of Defined Benefit Plans:				
Amortization of Net Actuarial Loss	238	178	476	356
Tax Expense	(83)	(62)	(166)	(124)
Comprehensive Earnings	<u>\$40,058</u>	<u>\$18,069</u>	<u>\$70,314</u>	<u>\$32,163</u>

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries
Consolidated Balance Sheets
(dollars in thousands)

	September 30, 2013 (unaudited)	March 31, 2013
ASSETS		
Current Assets -		
Cash and Cash Equivalents	\$ 10,628	\$ 3,897
Accounts and Notes Receivable	119,748	87,543
Inventories	162,094	156,380
Income Tax Receivable	—	2,443
Prepaid and Other Assets	8,235	11,008
Total Current Assets	<u>300,705</u>	<u>261,271</u>
Property, Plant and Equipment -	1,636,244	1,599,992
Less: Accumulated Depreciation	<u>(646,142)</u>	<u>(614,268)</u>
Property, Plant and Equipment, net	990,102	985,724
Notes Receivable	3,488	3,893
Investment in Joint Venture	40,071	42,946
Goodwill and Intangible Assets	161,432	162,400
Other Assets	14,377	19,999
	<u>\$1,510,175</u>	<u>\$1,476,233</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	\$ 50,878	\$ 58,880
Accrued Liabilities	40,785	41,349
Income Taxes Payable	10,028	—
Total Current Liabilities	101,691	100,229
Long-term Debt	455,259	489,259
Other Long-term Liabilities	53,334	51,547
Deferred Income Taxes	135,571	139,028
Total Liabilities	<u>745,855</u>	<u>780,063</u>
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 49,675,688 and 49,503,496 Shares, respectively	497	495
Capital in Excess of Par Value	231,836	224,053
Accumulated Other Comprehensive Losses	(6,732)	(7,042)
Retained Earnings	538,719	478,664
Total Stockholders' Equity	<u>764,320</u>	<u>696,170</u>
	<u>\$1,510,175</u>	<u>\$1,476,233</u>

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited – dollars in thousands)

	For the Six Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 70,004	\$ 31,931
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	34,624	25,444
Deferred Income Tax Provision	(3,594)	(6,683)
Stock Compensation Expense	4,816	4,139
Excess Tax Benefits from Share Based Payment Arrangements	(1,053)	(149)
Equity in Earnings of Unconsolidated Joint Venture	(17,625)	(15,218)
Distributions from Joint Venture	20,500	14,250
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(30,132)	(17,749)
Inventories	(7,712)	14,602
Accounts Payable and Accrued Liabilities	(2,894)	5,766
Other Assets	(1,203)	(2,095)
Income Taxes Payable	13,524	12,522
Net Cash Provided by Operating Activities	<u>79,255</u>	<u>66,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(31,583)	(8,628)
Net Cash Used in Investing Activities	<u>(31,583)</u>	<u>(8,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Credit Facility	(34,000)	(50,000)
Dividends Paid to Stockholders	(9,910)	(9,057)
Proceeds from Stock Option Exercises	2,351	3,365
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(435)	(921)
Excess Tax Benefits from Share Based Payment Arrangements	1,053	149
Net Cash Used in Financing Activities	<u>(40,941)</u>	<u>(56,464)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,731	1,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,897</u>	<u>6,481</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 10,628</u>	<u>\$ 8,149</u>

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
September 30, 2013

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the six month period ended September 30, 2013 include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (the “Company”, “us” or “we”) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 24, 2013.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. In our opinion, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the information in the following unaudited consolidated financial statements of the Company have been included. The results of operations for interim periods are not necessarily indicative of the results for the full year.

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

Recent Accounting Pronouncements

There are no recent accounting pronouncements that we expect will materially impact our financial statements during the current fiscal year.

(B) Acquisition

On November 30, 2012, the Company completed the acquisition (the “Acquisition”) of certain assets of Lafarge North America Inc. (“Lafarge North America” or “the Sellers”). The Acquisition expanded the scope of our cement business in a geographic area that is complementary to, but does not overlap with, our existing cement business. The Acquisition also further positions the Company near energy growth markets where there is growing demand for our specialty oil well cement and other related products.

The assets acquired by us in the Acquisition were used by the Sellers in connection with the business (the “Acquired Assets”) of producing, marketing and selling portland cement and concrete in Kansas, Missouri and Oklahoma, and include the following:

- two cement plants located in Sugar Creek, Missouri and Tulsa, Oklahoma;
- the related cement distribution terminals located in Sugar Creek and Springfield, Missouri; Omaha, Nebraska; Iola and Wichita, Kansas; and Oklahoma City, Oklahoma;
- two aggregates quarries near Sugar Creek, Missouri;
- eight ready-mix plants located in or near Kansas City, Missouri;
- certain fly ash operations conducted in the Kansas City, Missouri area; and
- certain related assets such as equipment, accounts receivable and inventory.

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In most cases, we acquired ownership of these assets from the Sellers. However, the cement plant located in Sugar Creek, Missouri was leased by the Sellers pursuant to a long-term lease containing a purchase option exercisable by payment of a nominal fee. This lease, including the purchase option, was transferred to us at the closing of the Acquisition. In addition, we assumed certain liabilities in the Acquisition, including accounts payable, contractual obligations, reclamation obligations and other liabilities related to the Acquired Assets.

Purchase Price: The final purchase price (the "Purchase Price") of the Acquisition was \$450.7 million, which reflects a \$2.7 million reduction from the preliminary purchase price to reflect actual working capital acquired at the closing. The reduction in purchase price was primarily related to adjustments to the final value of inventory and prepaid assets acquired. We funded the payment of the Purchase Price at closing and expenses incurred in connection with the Acquisition through a combination of borrowings under our bank credit facility and the proceeds from our issuance of common stock, which was completed on October 3, 2012.

Recording of assets acquired and liabilities assumed: The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We engaged a third-party to perform a valuation to support our estimate of the fair value of certain assets acquired in the Acquisition. The working capital amounts paid at the closing were adjusted by approximately \$2.7 million to reflect actual working capital acquired.

The preparation of the valuation of the assets acquired and liabilities assumed in the Acquisition requires the use of significant assumptions and estimates. Critical estimates include, but are not limited to, future expected cash flows, including projected revenues and expenses, and applicable discount rates. These estimates are based on assumptions that we believe to be reasonable. However, actual results may differ from these estimates.

Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets and assumed liabilities based on their estimated fair values at the acquisition date. Based on the fair value of tangible and intangible assets acquired and liabilities assumed the purchase price is allocated as follows:

<u>Purchase Price Allocation (in thousands)</u>	
Cash and cash equivalents	\$ —
Accounts Receivable	23,432
Inventories	20,361
Prepaid and Other Assets	3,511
Property and Equipment	407,260
Intangible Assets	12,500
Accounts Payable	(9,070)
Accrued Liabilities	(3,501)
Other Long-term Liabilities	(1,060)
Total Net Assets	453,433
Goodwill	—
Initial Purchase Price	\$453,433
Final Working Capital Adjustment	(2,734)
Final Purchase Price	<u>\$450,699</u>

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Intangible Assets: The following table is a summary of the fair value estimates of the identifiable intangible assets (in thousands) and their weighted-average useful lives:

	Weighted Average Life	Fair Value
Customer Relationships	15	\$ 4,760
Sales Contracts	4	2,500
Permits	40	5,240
Total Intangible Assets		<u>\$12,500</u>

Actual and pro forma impact of the Acquisition: The following table presents the net sales and operating income of the Acquired Assets that have been included in our consolidated statement of earnings from April 1, 2013 through September 30, 2013:

	Three Month Period Ended September 30, 2013	Six Month Period Ended September 30, 2013
	(dollars in thousands)	
Net Sales	\$ 52,603	\$ 93,683
Operating Income	\$ 12,288	\$ 18,713

The unaudited pro forma results presented below include the effects of the Acquisition as if it had been consummated as of April 1, 2012. The pro forma results include the amortization associated with an estimate for acquired intangible assets and interest expense associated with debt used to fund the Acquisition, depreciation from the fair value adjustments for property and equipment, and the impact on earnings per share of the issuance of common stock in connection with the Acquisition. To better reflect the combined operating results, material nonrecurring charges directly related to the Acquisition of \$6.1 million have been excluded from pro forma net income for the three and six month periods ended September 30, 2012.

	Three Month Period Ended September 30, 2012	Six Month Period Ended September 30, 2012
	(dollars in thousands)	
Revenues	\$ 222,665	\$ 431,124
Net Income	\$ 22,286	\$ 37,193
Earnings per share - basic	\$ 0.46	\$ 0.77
Earnings per share - diluted	\$ 0.46	\$ 0.76
Weighted Average Shares Outstanding:		
Basic	48,196,225	48,158,499
Diluted	48,803,778	48,669,224

The pro forma results do not include any anticipated synergies or other expected benefits of the Acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the Acquisition been consummated as of April 1, 2012.

(C) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$5.2 million and \$5.1 million at September 30, 2013 and March 31, 2013, 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 upon analysis of economic trends in the construction industry, 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.

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We had notes receivable totaling approximately \$9.7 million at September 30, 2013, of which approximately \$6.2 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 the prime rate plus 1.5%. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2014 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment, and are generally payable monthly. 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.

(D) STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity follows:

	For the Six Months Ended September 30, 2013 (dollars in thousands)
Common Stock –	
Balance at Beginning of Period	\$ 495
Stock Option Exercises	2
Balance at End of Period	497
Capital in Excess of Par Value –	
Balance at Beginning of Period	224,053
Stock Compensation Expense	4,814
Shares Redeemed to Settle Employee Taxes	(435)
Stock Option Exercises	3,404
Balance at End of Period	231,836
Retained Earnings –	
Balance at Beginning of Period	478,664
Dividends Declared to Stockholders	(9,949)
Net Earnings	70,004
Balance at End of Period	538,719
Accumulated Other Comprehensive Loss -	
Balance at Beginning of Period	(7,042)
Change in Funded Status of Pension Plan, net of tax	310
Balance at End of Period	(6,732)
Total Stockholders' Equity	\$ 764,320

There were no open market share repurchases during the three and six month periods ended September 30, 2013. As of September 30, 2013, we have authorization to purchase an additional 717,300 shares.

(E) CASH FLOW INFORMATION—SUPPLEMENTAL

Cash payments made for interest were \$9.0 million and \$7.0 million for the six months ended September 30, 2013 and 2012, respectively. Net payments made for federal and state income taxes during the six months ended September 30, 2013 and 2012, were \$20.8 million and \$7.3 million, respectively.

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(F) INVENTORIES

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

	As of	
	September 30, 2013	March 31, 2013
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 71,298	\$ 56,019
Finished Cement	12,327	18,077
Gypsum Wallboard	6,112	6,855
Aggregates	12,421	16,837
Paperboard	3,412	2,867
Repair Parts and Supplies	51,011	49,361
Fuel and Coal	5,513	6,364
	<u>\$ 162,094</u>	<u>\$ 156,380</u>

(G) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of	
	September 30, 2013	March 31, 2013
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 11,145	\$ 11,827
Benefits	9,662	10,349
Interest	4,813	4,813
Property Taxes	4,967	3,235
Power and Fuel	2,539	3,146
Sales and Use Tax	1,129	591
Acquisition Related Expenses	—	2,023
Other	6,530	5,365
	<u>\$ 40,785</u>	<u>\$ 41,349</u>

(H) SHARE-BASED EMPLOYEE COMPENSATION

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 can 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 on August 7 remain 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 August 2013, the Compensation Committee of the Board of Directors approved an incentive equity award of an aggregate of 206,914 stock options pursuant to the Plan to certain individuals that vest ratably over a three year period (the “Fiscal 2014 Employee Stock Option Grant”). The options have a term of ten years from the date of grant. In August 2013, we granted 30,075 options to members of the Board of Directors (the “Fiscal 2014 Board of Directors Grant”). Options granted under the Fiscal 2014 Board of Directors 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 2014 Employee Stock Option Grant and Fiscal 2014 Board of Directors Grant were valued at the grant date using the Black-Scholes option pricing model.

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The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2014 are as follows:

	Fiscal 2014
Dividend Yield	2.0%
Expected Volatility	44.6%
Risk Free Interest Rate	2.0%
Expected Life	7.0 years

Stock option expense for all outstanding stock option awards totaled approximately \$1.9 million and \$2.7 million for the three and six month periods ended September 30, 2013, respectively, and \$1.3 million and \$1.8 million for the three and six month periods ended September 30, 2012, respectively. At September 30, 2013, there was approximately \$10.3 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.4 years.

The following table represents stock option activity for the six month period ended September 30, 2013:

	Number of Shares	Weighted- Average Exercise Price
Outstanding Options at Beginning of Period	3,022,592	\$ 37.83
Granted	236,989	\$ 67.21
Exercised	(70,837)	\$ 33.19
Cancelled	(5,000)	\$ 53.22
Outstanding Options at End of Period	<u>3,183,744</u>	\$ 40.10
Options Exercisable at End of Period	<u>1,230,175</u>	\$ 30.68
Weighted-Average Fair Value of Options Granted during the Period	\$ 26.04	

The following table summarizes information about stock options outstanding at September 30, 2013:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Shares Outstanding	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
\$23.17 - \$ 30.74	1,006,370	4.98	\$ 26.74	886,941	\$ 26.62
\$33.08 - \$ 40.78	626,719	7.45	\$ 34.57	274,993	\$ 35.34
\$47.53 - \$ 70.30	<u>1,550,655</u>	2.26	\$ 51.01	<u>68,241</u>	\$ 64.76
	<u>3,183,744</u>	4.14	\$ 40.10	<u>1,230,175</u>	\$ 30.68

At September 30, 2013, the aggregate intrinsic value for outstanding and exercisable options was approximately \$103.3 million and \$37.7 million, respectively. The total intrinsic value of options exercised during the six month period ended September 30, 2013 was approximately \$2.9 million.

Restricted Stock Units. There was no expense related to RSUs for the three and six month periods ended September 30, 2013, respectively, and \$0.4 million and \$0.8 million for the three and six month periods ended September 30, 2012, respectively.

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Restricted Stock. In August 2013, the Compensation Committee also approved the granting of an aggregate of 93,186 shares of restricted stock to certain key employees at both the corporate and subsidiary level (the “Fiscal 2014 Employee Restricted Stock Award”) that will be earned if our ten year return on equity is at least 15% at March 31, 2014. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the award may be reduced by the Compensation Committee based on individual performance goals. Following any such reduction, the earned shares will lapse ratably over five years, with the first fifth lapsing promptly following the vesting determination date, and the remaining restrictions lapsing on March 31, 2015 through 2018. The value of the Fiscal 2014 Employee Restricted Stock Award, net of estimated forfeitures, is being expensed over a five year period. In August 2013, we granted 5,761 shares of restricted stock to members of the Board of Directors (the “Board of Directors Fiscal 2014 Restricted Stock Award”). Awards issued under the Board of Directors Fiscal 2014 Restricted Stock Award do not fully vest until the retirement of each director, in accordance with the Company’s director retirement policy.

Expense related to restricted shares was approximately \$1.2 million and \$2.1 million for the three and six month periods ended September 30, 2013, respectively, and \$0.9 million and \$1.6 million for the three and six month periods ended September 30, 2012, respectively. At September 30, 2013, there was approximately \$17.7 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 3.7 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 3,973,459 at September 30, 2013.

(I) COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted common shares outstanding is as follows:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
Weighted-Average Shares of Common Stock Outstanding	49,012,045	44,746,225	48,984,038	44,708,499
Common Equivalent Shares:				
Assumed Exercise of Outstanding Dilutive Options	1,682,592	1,711,195	1,692,782	1,428,889
Less: Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(1,134,329)	(1,371,038)	(1,137,668)	(1,162,751)
Restricted Shares	299,792	267,396	296,230	244,587
Weighted-Average Common and Common Equivalent Shares Outstanding	49,860,100	45,353,778	49,835,382	45,219,224
Shares Excluded Due to Anti-dilution Effects	121,957	1,935,783	71,479	2,126,953

(J) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit and defined contribution pension plans which together cover substantially all our employees. Benefits paid under the defined benefit plans covering certain hourly employees are based on years of service and the employee’s qualifying compensation over the last few years of employment.

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The following table shows the components of net periodic cost for our plans:

	For the Three Months Ended September 30,		For the Six Months ended September 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Service Cost – Benefits Earned During the Period	\$ 197	\$ 132	\$ 393	\$ 264
Interest Cost of Benefit Obligations	306	268	611	536
Expected Return on Plan Assets	(343)	(342)	(686)	(684)
Recognized Net Actuarial Loss	247	177	492	354
Amortization of Prior-Service Cost	2	14	8	28
Net Periodic Pension Cost	<u>\$ 409</u>	<u>\$ 249</u>	<u>\$ 818</u>	<u>\$ 498</u>

(K) INCOME TAXES

Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for both the three and six months ended September 30, 2013 was approximately 32%, which increased from the prior year due to the reduction in the impact of our depletion deduction as a result of increased earnings in fiscal year 2014.

(L) LONG-TERM DEBT

Long-term debt consists of the following:

	As of	
	September 30, 2013	March 31, 2013
	(dollars in thousands)	
Amended Credit Facility	\$ 263,000	\$ 297,000
Senior Notes	192,259	192,259
Total Debt	<u>\$ 455,259</u>	<u>\$ 489,259</u>

Credit Facility -

On December 16, 2010, we entered into a \$300.0 million revolving Credit Facility, which was amended on September 26, 2012 and is scheduled to expire on December 16, 2015. The recent amendment to the Credit Facility increased available revolving borrowings from \$300.0 million to \$400.0 million (including an increase in the swingline loan sublimit from \$15.0 million to \$25.0 million) and changed certain provisions in the negative covenants in order to allow for or facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, 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 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 up to a period of six

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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. The Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as, in each case, no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0:1.0. We had \$263.0 million of borrowings outstanding under the Credit Facility at September 30, 2013. Based on our Leverage Ratio, we had \$129.6 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at September 30, 2013.

The Credit Facility has a \$50.0 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 September 30, 2013, we had \$7.4 million of letters of credit outstanding.

Senior Notes -

We entered into a Note Purchase Agreement on November 15, 2005 (the "2005 Note Purchase Agreement") related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the "Series 2005A Senior Notes") in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased \$81.1 million in principal of the Series 2005A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During November 2012, Tranche A of the Series 2005A Senior Notes matured and we retired the remaining \$4.7 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the remaining tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche B	\$57.0 million	November 15, 2015	5.38%
Tranche C	\$57.2 million	November 15, 2017	5.48%

Interest for each tranche of Notes is payable semi-annually on the 15th day of May and the 15th day of November of each year until all principal is paid for the respective tranche.

We also entered into an additional Note Purchase Agreement on October 2, 2007 (the "2007 Note Purchase Agreement") related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the "Series 2007A Senior Notes") in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased \$122.0 million in principal of the Series 2007A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche A	\$ 9.5 million	October 2, 2014	6.08%
Tranche B	\$ 8.0 million	October 2, 2016	6.27%
Tranche C	\$24.0 million	October 2, 2017	6.36%
Tranche D	\$36.5 million	October 2, 2019	6.48%

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Interest for each tranche of Notes is payable semi-annually on the second day of April and the second day of October of each year until all principal is paid for the respective tranche.

We amended both the 2005 Note Purchase Agreement and 2007 Note Purchase Agreement (collectively, the “Note Purchase Agreements”) on September 26, 2012. The amendment to each Note Purchase Agreement, among other things, mirrors the amendments to the Credit Facility, by changing certain provisions in the negative covenants in order to allow for and facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future as well as reasonably identifiable cost savings, improvements and synergies related to the purchase of the Acquired Assets.

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the “Note Purchase Agreements”) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as “the Senior Notes”) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including 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, as well as certain cross covenants with the Credit Facility. We were in compliance with all financial ratios and tests at September 30, 2013 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 Note Purchase Agreements) on the Senior Notes and the other payment and performance obligations of the Company contained in the Senior Notes and in the Note Purchase Agreements. 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 Senior 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 Senior 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 Senior Notes being prepaid.

As a result of the Acquisition, we succeeded to the leasehold interest held by Lafarge North America with respect to the cement plant located in Sugar Creek, Missouri, as well as its obligations under certain related industrial revenue bonds. In 1998, Lafarge North America had entered into a series of agreements, which were later amended in 2003, with the City of Sugar Creek, Missouri, in connection with the construction of improvements at the Sugar Creek cement plant. Under these agreements, Lafarge North America leased the Sugar Creek cement plant from the City of Sugar Creek, Missouri, which issued \$150.0 million of tax-exempt and taxable industrial revenue bonds to partly finance the construction of such improvements. The lease payments due to the City of Sugar Creek under the Sugar Creek cement plant lease 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. Upon the closing of the Acquisition, funds for the retirement of \$47.0 million of the industrial revenue bonds were placed into escrow by Lafarge North America, resulting in the defeasement of such bonds and leaving \$103.0 million of industrial revenue bonds outstanding. The defeased bonds were subsequently paid in full in June 2013. The remaining \$103.0 million of industrial revenue bonds held by Lafarge North America were transferred to a wholly owned subsidiary of the Company in connection with the Acquisition. Because we are now the holder of all of the outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the Sugar Creek cement plant.

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On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the “Shelf Agreement”) with John Hancock Life Insurance Company (U.S.A.) (“Hancock”). The Shelf Agreement provided the terms under which the Company could offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock’s affiliates that become bound by the Shelf Agreement (collectively, “Purchasers”). The Shelf Agreement did not obligate the Company to sell, or the Purchasers to buy, any such notes, and had a term of two years. We did not sell any notes pursuant to the Shelf Agreement prior to its expiration on August 31, 2013.

(M) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, 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.

We operate in four business segments: Cement, Gypsum Wallboard, Recycled Paperboard, and Concrete and Aggregates, with Cement and Gypsum Wallboard being our principal lines of business. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and 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, gravel and frac sand). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways and in oil and natural gas extraction.

We operate six cement plants, sixteen cement distribution terminals, five gypsum wallboard plants, including the plant temporarily idled in Bernalillo, N.M., a gypsum wallboard distribution center, a recycled paperboard mill, seventeen readymix concrete batch plant locations, four aggregates processing plant locations and a frac sand processing plant. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the central plains, the Rocky Mountains, northern Nevada, 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 in Texas.

We conduct one of our six 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 revenues and operating earnings, which is consistent with the way management reports the segments within the Company for making operating decisions and assessing performance.

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We account for intersegment sales at market prices. The following table sets forth certain financial information relating to our operations by segment:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Revenues -				
Cement	\$ 133,204	\$ 78,533	\$ 250,904	\$ 154,557
Gypsum Wallboard	98,960	77,327	194,941	147,547
Paperboard	34,642	31,730	66,805	62,059
Concrete and Aggregates	30,097	14,257	55,303	27,134
Sub-total	296,903	201,847	567,953	391,297
Less: Intersegment Revenues	(16,879)	(13,272)	(32,481)	(24,973)
Net Revenues, including Joint Venture	280,024	188,575	535,472	366,324
Less: Joint Venture	(27,378)	(23,916)	(55,782)	(47,623)
Net Revenues	<u>\$ 252,646</u>	<u>\$ 164,659</u>	<u>\$ 479,690</u>	<u>\$ 318,701</u>
Intersegment Revenues -				
Cement	\$ 2,955	\$ 512	\$ 4,947	\$ 1,079
Paperboard	13,650	12,515	26,862	23,437
Concrete and Aggregates	274	245	672	457
	<u>\$ 16,879</u>	<u>\$ 13,272</u>	<u>\$ 32,481</u>	<u>\$ 24,973</u>
Cement Sales Volume (in thousands of tons) -				
Wholly –owned Operations	1,182	639	2,161	1,260
Joint Venture	252	225	514	452
	<u>1,434</u>	<u>864</u>	<u>2,675</u>	<u>1,712</u>

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	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Operating Earnings -				
Cement	\$32,430	\$17,442	\$ 51,440	\$ 27,308
Gypsum Wallboard	29,868	16,464	59,504	30,486
Paperboard	6,937	7,695	12,616	12,971
Concrete and Aggregates	(9)	(362)	148	(161)
Other, net	317	66	900	(204)
Sub-total	69,543	41,305	124,608	70,400
Corporate General and Administrative	(6,060)	(5,919)	(11,654)	(10,674)
Acquisition and Litigation Expense	—	(5,713)	—	(6,374)
Earnings Before Interest and Income Taxes	63,483	29,673	112,954	53,352
Interest Expense, net	(4,795)	(3,548)	(9,750)	(7,313)
Earnings Before Income Taxes	<u>\$58,688</u>	<u>\$26,125</u>	<u>\$ 103,204</u>	<u>\$ 46,039</u>
Cement Operating Earnings -				
Wholly –owned Operations	\$22,683	\$ 8,692	\$ 33,815	\$ 12,090
Joint Venture	9,747	8,750	17,625	15,218
	<u>\$32,430</u>	<u>\$17,442</u>	<u>\$ 51,440</u>	<u>\$ 27,308</u>
Capital Expenditures -				
Cement	\$ 2,069	\$ 951	\$ 5,836	\$ 4,947
Gypsum Wallboard	602	1,268	1,699	1,464
Paperboard	1,364	145	1,901	366
Aggregates	5,468	1,556	21,016	1,791
Concrete	843	16	1,131	53
Other	—	7	—	7
	<u>\$10,346</u>	<u>\$ 3,943</u>	<u>\$ 31,583</u>	<u>\$ 8,628</u>
Depreciation, Depletion and Amortization -				
Cement	\$ 7,811	\$ 3,924	\$ 15,648	\$ 7,733
Gypsum Wallboard	5,261	5,269	10,544	10,546
Paperboard	2,171	2,209	4,353	4,419
Aggregates	1,277	896	2,556	1,783
Concrete	433	268	830	536
Other, net	450	217	693	427
	<u>\$17,403</u>	<u>\$12,783</u>	<u>\$ 34,624</u>	<u>\$ 25,444</u>

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	As of	
	September 30, 2013	March 31, 2013
Identifiable Assets -		
Cement	\$ 759,434	\$ 756,158
Gypsum Wallboard	415,799	425,866
Paperboard	127,391	129,226
Aggregates	146,700	108,796
Concrete	30,426	27,187
Corporate and Other	30,425	29,000
	<u>\$1,510,175</u>	<u>\$1,476,233</u>

Segment operating earnings, including the proportionately consolidated 50% interest in the revenues and expenses of the Joint Venture, represent revenues, less direct operating expenses, segment depreciation, and segment selling, general and administrative expenses. Corporate assets consist primarily of cash and cash equivalents, general office assets, miscellaneous other assets and unrecognized tax benefits. The segment breakdown of goodwill is as follows:

	As of	
	September 30, 2013	March 31, 2013
Cement	\$ 8,359	\$ 8,359
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
	<u>\$ 132,515</u>	<u>\$132,515</u>

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. If business conditions in the operating units containing goodwill change substantially during the fiscal year, and we are unable to conclude that an impairment loss is not likely to occur, we will perform impairment tests for those business units during our quarterly periods. At September 30, 2013, we determined that impairment losses are not likely to occur; therefore, no impairment tests were performed during the quarter.

We temporarily idled our gypsum manufacturing facility in Bernalillo, N.M. beginning in December 2009, due to cyclical low gypsum wallboard demand. The carrying value of the Bernalillo plant was \$3.0 million, and the carrying value of the equipment was \$2.2 million at September 30, 2013, and we continue to depreciate the assets over their estimated useful life. We currently have a strong market position in New Mexico, and our Albuquerque gypsum wallboard facility is operating at close to capacity. We plan on resuming manufacturing at the Bernalillo facility in the future when demand for our products improves. Costs of maintaining the facility during the idling are not significant, and the facility was generating positive cash flow prior to being idled; therefore, we have determined that the value of the plant and equipment is not impaired. We are not currently considering the permanent closure of the Bernalillo facility. Any decision to permanently close Bernalillo would be the result of future changes in the building materials industry in the southwest United States and Rocky Mountain region, including changes in the production capacity or operations of our competitors, demand for gypsum wallboard or general macro-economic conditions, which we do not foresee at the present time. If we were to permanently close the Bernalillo facility, or if our expectations as to its use changed such that we project the future undiscounted cash flows from its operations would be insufficient to recover its carrying value due to the factors described above, or for any other reason, we would recognize impairment at that time. All of our other wallboard facilities are currently generating positive cash flow from operations.

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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 amounts):

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Revenues	\$54,756	\$48,057	\$111,564	\$95,944
Gross Margin	\$20,641	\$18,580	\$37,335	\$32,489
Earnings Before Income Taxes	\$19,649	\$17,501	\$35,568	\$30,437

	As of	
	September 30, 2013	March 31, 2013
	(dollars in thousands)	
Current Assets	\$52,548	\$53,059
Non-Current Assets	\$42,691	\$44,120
Current Liabilities	\$18,631	\$12,913

(N) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Interest (Income)	\$ (1)	\$ (3)	\$ (2)	\$ (4)
Interest Expense	4,410	3,342	8,969	6,893
Interest Expense – Income Taxes	163	91	326	188
Other Expenses	223	118	457	236
Interest Expense, net	<u>\$4,795</u>	<u>\$3,548</u>	<u>\$9,750</u>	<u>\$7,313</u>

Interest income includes interest on investments of excess cash. Components of interest expense include interest associated with the Senior Notes, the Amended Credit Facility and commitment fees based on the unused portion of the Amended Credit Facility. Other expenses include amortization of debt issuance costs, and credit facility costs.

Interest expense – Income Taxes relates to interest accrued on our unrecognized tax benefits, primarily related to the Republic Asset Acquisition.

(O) COMMITMENTS AND CONTINGENCIES

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 September 30, 2013, we had contingent liabilities under these outstanding letters of credit of approximately \$7.4 million.

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 sale of a business. These indemnifications may include claims relating to any of the following: environmental and tax matters;

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intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; construction contracts and financial matters. While the maximum amount to which the Company 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 our consolidated financial position, results of operations or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under \$16.1 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.

The IRS has completed its examinations of our federal income tax returns for fiscal years ended March 31, 2001 through March 31, 2010. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 tax years, in which it denied certain depreciation deductions claimed by us with respect to assets acquired from Republic Group LLC in November 2000 (the "Republic Assets"). In addition, on October 5, 2012, the IRS issued a 30-day letter related to the examination of the tax returns for fiscal years ended March 31, 2007 through March 31, 2010, denying certain depreciation deductions claimed by us with respect to the Republic Assets, similar to the actions taken by the IRS for our tax years ended March 31, 2001 through March 31, 2006, described above.

In June 2010, we received a Notice of Deficiency ("Notice") of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. Subsequent review of the IRS interest billing produced a refund of \$0.8 million reducing the net outlay to \$97.9 million. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest. The IRS has denied our refund request and we filed a lawsuit in May 2011 in Federal District Court to recover the requested refunds. In September 2013 the judge heard arguments on each party's motion for summary judgment and took each motion under advisement. Additionally, the judge suspended the December 2013 trial date without setting a new date.

With respect to the tax returns for the fiscal years ended March 31, 2007 through March 31, 2010, the IRS has issued an assessment of approximately \$8.1 million of income tax and approximately \$1.9 million in penalties relating to the acquisition of the Republic Assets. In addition, we estimate that interest of approximately \$2.3 million has accrued on these amounts as of September 30, 2013. These amounts have been fully accrued in our financial statements at September 30, 2013. The amounts accrued have been treated as unrecognized tax liabilities and are included in Other Long Term Liabilities on our Consolidated Balance Sheet at September 30, 2013. On October 31, 2012, we appealed the findings of the examiner to the IRS Appeals Office, contesting the assessment of tax, penalties and interest for fiscal years ended March 31, 2007 through March 31, 2010. In March 2013, the IRS agreed to suspend the audit for tax years 2007 through 2011 pending the outcome of our case in Federal District Court.

In the event we reach a settlement through negotiation or in the courts, we will reverse any accrued taxes, interest and penalties in excess of the negotiated settlement through the Consolidated Statement of Earnings. At this time, we are unable to predict with certainty the ultimate outcome or how much of the amounts paid for tax, interest, and penalties to the IRS and state taxing authorities will be recovered, if any.

(P) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at September 30, 2013 is as follows:

	<u>Fair Value</u> <u>(dollars in thousands)</u>
Series 2005A Tranche B	\$ 59,897
Series 2005A Tranche C	61,047
Series 2007A Tranche A	9,814
Series 2007A Tranche B	8,684
Series 2007A Tranche C	26,340
Series 2007A Tranche D	40,369

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 September 30, 2013 due to the short-term maturities of these assets and liabilities. The fair value of our Amended Credit Facility also approximates its carrying value at September 30, 2013.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

EXECUTIVE SUMMARY

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three and six months ended September 30, 2013 and 2012, respectively, reflects the Company's four business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and 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, gravel and frac sand). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways and in oil and natural gas extraction. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

On November 30, 2012, the Company completed the acquisition (the "Acquisition") of certain assets of Lafarge North America Inc. ("Lafarge North America" or "the Sellers"). The Acquisition expanded the scope of our cement business in a geographic area that is complementary to, but does not overlap with, our existing cement business. The Acquisition also further positions the Company near energy growth markets where there is growing demand for our specialty oil well cement and other related products.

The assets acquired by us in the Acquisition were used by the Sellers in connection with the business (the "Acquired Assets") of producing, marketing and selling portland cement and concrete in Kansas, Missouri and Oklahoma, and include the following:

- two cement plants located in Sugar Creek, Missouri and Tulsa, Oklahoma;
- the related cement distribution terminals located in Sugar Creek and Springfield, Missouri; Omaha, Nebraska; Iola and Wichita, Kansas; and Oklahoma City, Oklahoma;
- two aggregates quarries near Sugar Creek, Missouri;
- eight ready-mix plants located in or near Kansas City, Missouri;
- certain fly ash operations conducted in the Kansas City, Missouri area; and
- certain related assets such as equipment, accounts receivable and inventory.

The final purchase price ("Purchase Price") of the Acquisition was \$450.7 million, as adjusted to reflect actual working capital acquired at the closing. We funded the payment of the Purchase Price at closing and expenses incurred in connection with the Acquisition through a combination of borrowings under our bank credit facility and the proceeds from our issuance of common stock, which was completed on October 3, 2012. In addition, we assumed certain liabilities in the Acquisition, including accounts payable, contractual obligations, reclamation obligations and other liabilities related to the Acquired Assets. The operating results of the Acquired Assets are included in our results of operations beginning December 1, 2012.

During the quarter ended June 30, 2013 we began operations at our new frac sand plant in Corpus Christi, Texas. We continue to pursue other locations that are geographically supportive of the frac sand business, and anticipate capital expenditures related to frac sand to be in the range of \$20.0 million to \$30.0 million in fiscal 2014. The results of operations of the frac sand business are reported in the concrete and aggregates segment.

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We continue to pursue opportunities in businesses which are naturally adjacent to our existing core businesses and would allow us to leverage our core competencies and existing infrastructure and customer relationships. We are also continuing to increase our production of specialty oil well cements. Oil well cements generate higher profit margins than regular construction cement sales and we are among the few producers of oil well cements. The entry into any such new businesses requires capital expenditures and the investment of management time and other resources, and is subject to the risks associated with any new business development.

We operate in cyclical commodity businesses that are affected by changes in market conditions and the overall construction environment. Our operations, depending on each business segment, range from local in nature to national businesses. We have operations in a variety of geographic markets, which subject us to the economic conditions in those geographic markets as well as economic conditions in the national market. Our Cement companies are located in geographic areas west of the Mississippi river and the Chicago, Illinois metropolitan area. Due to the low value-to-weight ratio of cement, it is usually shipped within a 150 mile radius of the plants by truck and up to 300 miles by rail. Concrete and Aggregates are even more regional as those operations serve the areas immediately surrounding Austin, Texas, north of Sacramento, California and the greater Kansas City, Missouri area. Cement, concrete and aggregates demand may fluctuate more widely because local and regional markets and economies may be more sensitive to changes than the national markets. Our Wallboard and Paperboard operations are more national in scope and shipments are made throughout most of the continental United States.

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 revenues 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.

RESULTS OF OPERATIONS

Consolidated Results

	For the Three Months Ended September 30,		Change	For the Six Months Ended September 30,		Change
	2013	2012		2013	2012	
	(In thousands except per share)			(In thousands except per share)		
Revenues	\$ 252,646	\$ 164,659	53%	\$ 479,690	\$ 318,701	51%
Cost of Goods Sold	(193,167)	(132,170)	46%	(373,607)	(263,315)	42%
Gross Profit	59,479	32,489	83%	106,083	55,386	92%
Equity in Earnings of Unconsolidated Joint Venture	9,747	8,750	11%	17,625	15,218	16%
Corporate General and Administrative	(6,060)	(5,919)	2%	(11,654)	(10,674)	9%
Acquisition and Litigation Expense	—	(5,713)	(100%)	—	(6,374)	(100%)
Other Income (Expense)	317	66	380%	900	(204)	541%
Interest Expense, net	(4,795)	(3,548)	35%	(9,750)	(7,313)	33%
Earnings Before Income Taxes	58,688	26,125	125%	103,204	46,039	124%
Income Tax Expense	(18,785)	(8,172)	130%	(33,200)	(14,108)	135%
Net Earnings	\$ 39,903	\$ 17,953	122%	\$ 70,004	\$ 31,931	119%
Diluted Earnings per Share	\$ 0.80	\$ 0.40	100%	\$ 1.40	\$ 0.71	99%

Revenues. Revenues were \$252.6 million and \$164.7 million for the three month periods September 30, 2013 and 2012, respectively. The \$87.9 million increase in revenues during the three months ended September 30, 2013, as compared to September 30, 2012, was primarily due to revenues from the Acquired Assets, which positively increased revenues by approximately \$52.6 million. The

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remaining increase in revenues from our historical businesses was due to increased sales volumes for all of our businesses, and increased average net sales prices for all of our businesses, except recycled paperboard, which declined 1%. The impact of the increased net sales prices and sales volumes on historical revenues for the quarter ended September 30, 2013, as compared to September 30, 2012, was approximately \$19.2 million and \$16.1 million, respectively.

Revenues were \$479.7 million and \$318.7 million for the six months ended September 30, 2013 and 2012, respectively. The \$161.0 million increase in revenues during the six months ended September 30, 2013, as compared to September 30, 2012, was primarily due to revenues from the Acquired Assets, which positively increased revenues by approximately \$93.7 million. The remaining increase in revenues from our historical businesses was due to increased sales volumes for all of our businesses, and increased average net sales prices for all of our businesses, except recycled paperboard, which declined 1%. The impact of the increased net sales prices and sales volumes on historical revenues for the six months ended September 30, 2013, as compared to September 30, 2012, was approximately \$39.8 million and \$27.5 million, respectively.

Cost of Goods Sold. Cost of goods sold was \$193.2 million and \$132.2 million during the three month periods ended September 30, 2013 and 2012, respectively. The \$61.0 million increase in cost of goods sold was related primarily to an increase in volumes, which increased cost of sales by approximately \$55.3 million, and an increase in operating costs of approximately \$5.6 million. Approximately \$40.3 million of the increase in cost of goods sold related to sales volumes was attributable to the Acquired Assets, with the remaining increase in sales volumes due primarily to the \$6.0 million and \$6.5 million increase in costs related to increased volumes in our historical cement and gypsum wallboard businesses, respectively. The increase in operating costs in the second quarter of fiscal 2013, as compared to fiscal 2012, was primarily related to our concrete and aggregates, and paperboard businesses and was approximately \$4.0 million and \$1.9 million, respectively.

Cost of goods sold was \$373.6 million and \$263.3 million during the six month periods ended September 30, 2013 and 2012, respectively. The \$110.3 million increase in cost of goods sold was related primarily to an increase in volumes, which increased cost of sales by approximately \$99.5 million, and an increase in operating costs of approximately \$10.8 million. Approximately \$75.0 million of the increase in cost of goods sold related to sales volumes was attributable to the Acquired Assets, with the remaining increase in sales volumes due primarily to the \$6.4 million and \$15.8 million increase in costs related to increased volumes in our historical cement and gypsum wallboard businesses, respectively. The increase in operating costs in the six months ended September 30, 2013, as compared to September 30, 2012, was primarily related to our concrete and aggregates businesses and gypsum wallboard business and was approximately \$6.0 million and \$2.6 million, respectively.

Gross Profit. Gross profit was \$59.5 million and \$32.5 million during the three months ended September 30, 2013 and 2012, respectively. The 83% increase in gross profit was due primarily to increased average sales prices and increased sales volumes, partially offset by increased cost of goods sold related to the increased sales volumes, as noted above. The increase in the gross margin to 24% for the three months ended September 30, 2013, as compared to 20% for the three months ended September 30, 2012, was primarily due to increased gross margin in our gypsum wallboard division.

Gross profit was \$106.1 million and \$55.4 million during the six months ended September 30, 2013 and 2012, respectively. The 92% increase was due primarily to increased average sales prices and increased sales volumes, partially offset by increased cost of goods sold related to the increased sales volumes, as noted above. The increase in the gross margin to 22% for the six months ended September 30, 2013, as compared to 17% for the six months ended September 30, 2012, was primarily due to increased gross margin in our gypsum wallboard division.

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Equity in Earnings of Joint Venture. Equity in earnings of our unconsolidated joint venture increased \$1.0 million, or 11%, for the three months ended September 30, 2013, as compared to the similar period in 2012. The increase is primarily due to a 12% increase in sales volumes, coupled with a 2% increase in average net sales price. The impact of the increases in sales volumes and average net sales price on equity in earnings of our unconsolidated joint venture during the three months ended September 30, 2013 was approximately \$1.1 million and \$0.6 million, respectively, partially offset by increased operating costs of sales of approximately \$0.7 million. The increase in operating costs was primarily due to an increase in the cost of purchased cement of approximately \$0.7 million, and an increase in maintenance costs of approximately \$0.2 million, partially offset by reduced fuel and power costs of approximately \$0.3 million.

Equity in earnings of our unconsolidated joint venture increased \$2.4 million, or 16%, for the six months ended September 30, 2013, as compared to the similar period in 2012. The increase is primarily due to a 14% increase in sales volumes, coupled with a 3% increase in average net sales price. The impact of the increases in sales volumes and average net sales price on equity in earnings of our unconsolidated joint venture during the three months ended September 30, 2013 was approximately \$2.1 million and \$1.6 million, respectively, partially offset by increased operating costs of sales of approximately \$1.3 million. The increase in operating costs was primarily due to an increase in the cost of purchased cement of approximately \$1.2 million.

Corporate General and Administrative. Corporate general and administrative expenses increased 2% and 9% for the three and six month periods ended September 30, 2013, respectively, compared to the similar periods in 2012. The approximately \$0.1 million and \$1.0 million increase in corporate general and administrative expenses for the three and six month periods ended September 30, 2013, respectively, as compared to 2012, is due primarily to increased long-term incentive compensation expenses. Long-term incentive compensation increased approximately \$0.2 million and \$0.7 million during the three and six month periods ended September 30, 2013, respectively, as compared to similar periods in 2012, primarily due to increased operating earnings during the three and six month periods.

Acquisition and Litigation Expense. Acquisition and litigation expense incurred in the prior fiscal year consists of expenses related to the acquisition of the Acquired Assets, the write-off of the greenfield cement opportunity that will no longer be pursued due to the acquisition of the Acquired Assets and legal fees related to our lawsuit against the IRS. Acquisition related expenses incurred in the second quarter of fiscal 2013 and the write-off of a greenfield opportunity were approximately \$3.5 million and \$1.0 million, respectively. Legal fees related to our lawsuit against the IRS were approximately \$1.9 million during the six month period ended September 30, 2012. See Footnote (O) to the Unaudited Consolidated Financial Statements for more information regarding the lawsuit against the IRS.

Other Income. Other income consists of a variety of items that are non-segment operating in nature and includes 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 approximately \$1.2 million and \$2.4 million during the three and six months ended September 30, 2013, respectively, as compared to the three and six months ended September 30, 2012. The 35% and 33% increase in interest expense, net for the three and six months ended September 30, 2013, respectively, as compared to the similar three and six months in the prior fiscal year, is due primarily to the increase in interest expense from our Credit Facility, which increased approximately \$1.1 million and \$2.1 million in the three and six months ended September 30, 2013, as compared to the three and six months ended September 30, 2012, due to the increase in borrowings for the Acquisition. The amortization of debt costs increased approximately \$0.1 million and \$0.2 million for the three and six months ended September 30, 2013, respectively, as compared to the similar periods in the prior year due to costs associated with the amendment of the Credit Facility and Senior Notes in connection with the Acquisition. We anticipate total interest expense for fiscal 2014 to be greater than interest expense in fiscal 2013 due to the increase in borrowings under the Credit Facility.

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Earnings Before Income Taxes. Earnings before income taxes were \$58.7 million and \$26.1 million during the three months ended September 30, 2013 and 2012, respectively. The \$32.6 million increase was primarily due to a \$27.0 million increase in gross profit, a \$1.0 million increase in equity in earnings of unconsolidated joint venture, a decrease of \$5.7 million in acquisition and litigation expense, partially offset by increases of \$0.1 million and \$1.2 million in corporate general and administrative expenses and interest expense, net, respectively.

Earnings before income taxes were \$103.2 million and \$46.0 million during the six month periods ended September 30, 2013 and 2012, respectively. The \$57.2 million increase was primarily due to a \$50.7 million increase in gross profit, a \$2.4 million increase in our equity in earnings of unconsolidated joint venture, a decrease of \$6.4 million in acquisition and litigation expense, partially offset by increases of \$1.0 million and \$2.4 million in corporate general and administrative expenses and interest expense, net, respectively.

Income Taxes. Income tax expense was \$33.2 million and \$14.1 million for the six months ended September 30, 2013 and 2012, respectively. The estimated effective tax rate for fiscal 2014 increased to 32% from 31% in fiscal 2013. The increase in the effective tax rate is primarily attributable to an increase in earnings, taxable at statutory rates, partially offset by depletion and other allowable deductions in fiscal 2014, as compared to fiscal 2013.

Net Earnings and Diluted Earnings per Share. Net earnings for the quarter ended September 30, 2013 of \$39.9 million increased 122% from last year's net earnings of \$18.0 million; while net earnings of \$70.0 million for the six month period ended September 30, 2013 increased 119% from last year's net earnings of \$31.9 million. Diluted earnings per share for the three and six month periods ended September 30, 2013 were \$0.80 and \$1.40, respectively, compared to \$0.40 and \$0.71 for the three and six month periods ended September 30, 2012, respectively.

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The following table highlights certain operating information related to our four business segments:

	For the Three Months Ended September 30,		Percentage Change	For the Six Months Ended September 30,		Percentage Change
	2013	2012		2013	2012	
	(In thousands except per unit)			(In thousands except per unit)		
Revenues ⁽¹⁾						
Cement ⁽²⁾	\$ 133,204	\$ 78,533	70%	\$ 250,904	\$ 154,557	62%
Gypsum Wallboard	98,960	77,327	28%	194,941	147,547	32%
Recycled Paperboard	34,642	31,730	9%	66,805	62,059	8%
Concrete and Aggregates	30,097	14,257	111%	55,303	27,134	104%
Gross Revenues	<u>\$ 296,903</u>	<u>\$ 201,847</u>	47%	<u>\$ 567,953</u>	<u>\$ 391,297</u>	45%
Sales Volume						
Cement (M Tons) ⁽²⁾	1,434	864	66%	2,675	1,712	56%
Gypsum Wallboard (MMSF)	554	500	11%	1,086	957	14%
Recycled Paperboard (M Tons)	67	62	8%	131	122	7%
Concrete (M Yards)	265	141	88%	492	278	77%
Aggregates (M Tons)	1,006	810	24%	1,915	1,462	31%
Average Net Sales Prices ⁽³⁾						
Cement ⁽²⁾	\$ 85.34	\$ 82.77	3%	\$ 85.72	\$ 81.88	5%
Gypsum Wallboard	144.05	119.44	21%	145.15	119.09	22%
Recycled Paperboard	507.28	512.12	(1%)	504.92	507.57	(1%)
Concrete	82.15	66.83	23%	80.68	66.07	22%
Aggregates	7.87	6.01	31%	7.85	6.00	31%
Operating Earnings						
Cement ⁽²⁾	\$ 32,430	\$ 17,442	86%	\$ 51,440	\$ 27,308	88%
Gypsum Wallboard	29,868	16,464	81%	59,504	30,486	95%
Recycled Paperboard	6,937	7,695	(10%)	12,616	12,971	(3%)
Concrete and Aggregates	(9)	(362)	98%	148	(161)	192%
Other, net	317	66	380%	900	(204)	541%
Net Operating Earnings	<u>\$ 69,543</u>	<u>\$ 41,305</u>	68%	<u>\$ 124,608</u>	<u>\$ 70,400</u>	77%

⁽¹⁾ Gross revenue, before freight and delivery costs.

⁽²⁾ Includes proportionate share of our Joint Venture.

⁽³⁾ Net of freight and delivery costs.

Cement Operations. Cement revenues were \$133.2 million for the three months ended September 30, 2013, which is a 70% increase over revenues of \$78.5 million for the three months ended September 30, 2012. The increase in revenues during the three months ended September 30, 2013, as compared to the similar period in 2012, is primarily due to a 66% increase in sales volumes, as well as a 3% increase in the average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately \$51.3 million and \$3.4 million, respectively, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. Cement revenues for the Acquired Assets were \$39.4 million during the three months ended September 30, 2013.

Operating earnings for the Cement business increased 86% to \$32.4 million from \$17.4 million for the second quarter of fiscal 2014 and 2013, respectively. The increase in operating earnings was due primarily to the Acquired Assets, which had operating earnings of \$12.0 million during the three months ended September 30, 2013. The remaining increase in operating earnings was due primarily to increased average sales prices and average sales volumes, which positively impacted operating earnings by \$2.8 million and \$2.2 million, respectively, partially offset by increased operating costs of \$2.0 million. The increase in operating costs for our heritage plants in the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, is primarily related to increased purchased cement and other raw material costs, which adversely impacted operating earnings by approximately \$1.3 million and \$1.2 million, partially offset by lower fuel and power costs of approximately \$0.8 million. The operating margin increased to 24% for the second quarter of fiscal 2014, as compared to 22% for the second quarter of fiscal 2013, primarily due to increased sales prices, partially offset by increased operating costs.

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Cement revenues were \$250.9 million for the six months ended September 30, 2013, which is a 62% increase over revenues of \$154.6 million for the six months ended September 30, 2012. The increase in revenues during the six months ended September 30, 2013, as compared to the similar period in 2012, is primarily due to a 56% increase in sales volumes, as well as a 5% increase in the average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately \$86.0 million and \$10.3 million, respectively, for the six months ended September 30, 2013, as compared to the six months ended September 30, 2012. Cement revenues for the Acquired Assets were \$71.9 million during the six months ended September 30, 2013.

Operating earnings for the Cement business increased 88% to \$51.4 million from \$27.3 million for the six months ended September 30, 2013 and 2012, respectively. The increase in operating earnings was due primarily to the Acquired Assets, which had operating earnings of \$18.5 million during the six months ended September 30, 2013. The remaining increase in operating earnings was due primarily to increased average sales prices and average sales volumes, which positively impacted operating earnings by \$6.8 million and \$2.9 million, respectively, partially offset by increased operating costs of \$4.1 million. The increase in operating costs for our heritage plants during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012, is primarily related to increased maintenance and purchased cement costs, which adversely impacted operating earnings by approximately \$5.5 million and \$1.9 million, partially offset by lower fuel and power costs of approximately \$2.6 million. The operating margin increased to 21% for the six months ended September 30, 2013, as compared to 18% for the six months ended September 30, 2012, primarily due to increased sales prices, partially offset by increased operating costs.

Gypsum Wallboard Operations. Sales revenues increased 28% to \$99.0 million in the second quarter of fiscal 2014, from \$77.3 million in the second quarter of fiscal 2013, primarily due to a 21% increase in our average net sales price and an 11% increase in sales volumes. The increase in our average net sales price and sales volumes positively impacted revenues by approximately \$13.3 million and \$8.4 million, respectively. The increase in our average net sales price was due to the implementation of our price increase in January 2013. The increased sales volumes are primarily due to increased construction activity in fiscal 2014, as compared to fiscal 2013. Our market share was essentially unchanged during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

Operating earnings increased to \$29.9 million for the three months ended September 30, 2013, as compared to \$16.5 million for the three months ended September 30, 2012, primarily due to the increase in our average net sales price and sales volumes, which positively impacted operating earnings by approximately \$13.3 million and \$1.8 million, respectively, partially offset by increased operating costs of \$1.7 million. The increase in operating costs during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, was primarily due to increased maintenance and natural gas costs, which negatively impacted operating earnings by \$0.4 million and \$0.9 million, respectively. The increase in our average net sales price is the primary reason our operating margin increased to 30% for the three months ended September 30, 2013, as compared to 21% for the three months ended September 30, 2012. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have relatively minor impact on our operating results.

Sales revenues increased 32% to \$195.0 million for the six months ended September 30, 2013, from \$147.5 million for the six months ended September 30, 2012, primarily due to a 22% increase in our average net sales price and a 14% increase in sales volumes. The increase in our average net sales price and sales volumes positively impacted revenues by approximately \$27.6 million and \$19.9 million, respectively. The increase in our average net sales price was due to the implementation of our price increase in January 2013. The increased sales volumes are primarily due to increased construction activity in fiscal 2014, as compared to fiscal 2013. Our market share was essentially unchanged during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012.

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Operating earnings increased to \$59.5 million for the six months ended September 30, 2013, as compared to \$30.5 million for the six months ended September 30, 2012, primarily due to the increase in average net sales price and sales volumes, which positively impacted operating earnings by approximately \$27.6 million and \$4.1 million, respectively, partially offset by increased operating costs of \$2.7 million. The increase in operating costs during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012, was primarily due to increased maintenance and natural gas costs, which negatively impacted operating earnings by \$0.5 million and \$2.3 million, respectively. The increase in our average net sales price is the primary reason our operating margin increased to 31% for the six months ended September 30, 2013, as compared to 21% for the six months ended September 30, 2012. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have relatively minor impact on our operating results.

Recycled Paperboard Operations. Revenues increased 9% to \$34.6 million during the three months ended September 30, 2013, as compared to \$31.7 million for the three months ended September 30, 2012. The increase in revenues was due primarily to the 8% increase in sales volumes, which positively impacted revenue by \$2.9 million. Average net sales prices declined slightly during the period, with minimal impact on revenues.

Operating earnings decreased to \$6.9 million for the second quarter of fiscal 2014, as compared to \$7.7 million for the second quarter of fiscal 2013. The decrease in operating earnings is largely the result of increased operating costs, which adversely impacted operating earnings by \$1.9 million, partially offset by increased volumes, which contributed \$1.1 million to operating earnings. The increase in operating costs is primarily related to increased recycled fiber and natural gas costs, which negatively impacted operating earnings by \$2.9 million and \$0.3 million, respectively, partially offset by decreased chemical and maintenance costs of \$0.9 million and \$0.5 million, respectively. The increase in operating costs and relatively flat average net sales price were the primary reasons operating margin declined to 20% during the second quarter of fiscal 2014, as compared to 24% during the second quarter of fiscal 2013.

Revenues increased 8% to \$66.8 million for the six months ended September 30, 2013, from \$62.1 million for six months ended September 30, 2012. The increase in revenue during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012, is due to the 7% increase in sales volumes, which positively impacted revenues by approximately \$4.9 million, partially offset by approximately \$0.2 million due to the lower average net sales price.

Operating earnings decreased to \$12.6 million for the six months ended September 30, 2013, as compared to \$13.0 million for the six months ended September 30, 2012. The decrease in operating earnings is largely the result of increased operating costs, which adversely impacted operating earnings by \$1.7 million, partially offset by increased volumes, which contributed \$1.3 million to operating earnings. The increase in operating costs is primarily related to increased recycled fiber and natural gas costs, which negatively impacted operating earnings by \$1.5 million and \$0.8 million, respectively, partially offset by decreased chemical and dyes and production supply costs of \$0.5 million and \$0.2 million, respectively. The increase in operating costs and relatively flat average net sales price were the primary reasons operating margin declined to 19% during the six months ended September 30, 2013, as compared to 21% during the six months ended September 30, 2012.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 111% to \$30.1 million for the three months ended September 30, 2013, as compared to \$14.3 million for the three months ended September 30, 2012. The primary reason for the increase in revenue for the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, were the 88% and 24% increase in sales volumes for concrete and aggregates, respectively, which positively impacted revenues by approximately \$9.5 million. In addition to the increase in sales volumes, average sales prices increased 23% and 31% for concrete and aggregates, respectively, during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, which positively impacted revenues by \$6.4 million. The increase in sales volumes was due primarily to the Acquired Assets, which contributed \$13.2 million of the increased revenues during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

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Operating earnings for the three months ended September 30, 2013 were relatively flat, compared to an operating loss of \$0.4 million for the three months ended September 30, 2012. Operating earnings were positively impacted by increased average net sales prices, which positively impacted operating earnings by approximately \$6.4 million, partially offset by increased operating costs of approximately \$5.8 million during the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. Increased operating costs during the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, were primarily related to maintenance, purchased materials, delivery and frac sand start-up costs, which increased operating costs by approximately \$1.3 million, \$2.2 million, \$0.4 million and \$0.8 million, respectively.

Concrete and aggregates revenues increased 104% to \$55.3 million for the six months ended September 30, 2013, as compared to \$27.1 million for the six months ended September 30, 2012. The primary reason for the increase in revenue for the six months ended September 30, 2013, as compared to the six months ended September 30, 2012, was the 77% and 31% increase in sales volumes for concrete and aggregates, respectively, which positively impacted revenues by approximately \$16.9 million. In addition to the increase in sales volumes, average sales prices increased 22% and 31% for concrete and aggregates, respectively, during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012, which positively impacted revenues by \$11.3 million. The increase in sales volumes was due primarily to the Acquired Assets, which contributed \$21.8 million of the increased revenues during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012.

Operating earnings for the six months ended September 30, 2013 increased to approximately \$0.1 million, compared to an operating loss of \$0.2 million for the six months ended September 30, 2012. Operating earnings were positively impacted by increased average net sales prices, which positively impacted operating earnings by approximately \$11.3 million, partially offset by increased operating costs of approximately \$11.0 million during the six months ended September 30, 2013, as compared to the six months ended September 30, 2012. Increased operating costs during the second quarter of fiscal 2014, as compared to the second quarter of fiscal 2013, were primarily related to maintenance, purchased materials, delivery and frac sand start-up costs, which increased operating costs by approximately \$2.2 million, \$4.0 million, \$1.7 million and \$1.5 million, respectively.

GENERAL OUTLOOK

Construction activity for calendar 2013 is expected to continue to improve over calendar 2012 levels. Demand for cement and wallboard in the U.S. is anticipated to continue to improve accordingly. The drivers of construction products demand continue to incrementally improve, reinforcing the notion that a cyclic recovery is underway. The pace of recovery hinges upon the pace of growth in U.S. economic strength.

While cement demand continues to be impacted by softness in the commercial construction market and state government budget deficits, the severity of the impact is uneven among the different regions. We continue to see more signs of recovery in our Texas, Mountain and Central Plains markets than we have in our Nevada and Illinois markets, in part due to energy-driven economic activity, which has also been reflected in continued robustness in our oil-well cement sales.

The Acquired Assets provide us with new opportunities in the Central Plains cement markets and link our cement sales network across the central U.S., both east to west and north to south. While we anticipate increased cement consumption in calendar 2013, each region will increase at a different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. Improvement is expected in each area, with the greatest increases expected to be in the residential end-use markets.

We do not necessarily anticipate significant increases in concrete and aggregate sales volumes in our northern California market; however, we are starting to see a recovery in both volume and price in our Austin, Texas market, and expect volumes to continue to increase in fiscal 2014, while the demand in the

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northern California market will remain flat. Demand has improved in the greater Kansas City area during calendar 2013, and we expect demand to remain strong over the remainder of the fiscal year. We began operations in our new frac sand business during the first quarter of fiscal 2014; however, we do not expect revenue and earnings from this business to be material to the Company's consolidated fiscal 2014 revenue and earnings.

Wallboard demand is heavily influenced by new residential housing construction and repair and remodeling. Most forecasts point to a continued pick-up in demand in both of these areas throughout calendar 2013. Although housing activity is rebounding, housing starts are still at low levels relative to historic highs, suggesting this is still early in the recovery cycle.

We expect industry shipments of gypsum wallboard to exceed 20 billion square feet in calendar 2013, up from 18.9 billion square feet in calendar 2012. Although no new plants are expected to be added in calendar 2013, it is possible that previously idled plants or curtailed lines could be brought back into service. We implemented a wallboard price increase effective January 2013 and announced a 20% price increase to be effective January 2014.

Our recycled paperboard segment continues to identify sales opportunities in each of its markets enabling our paper operation to maximize operating earnings. Fiber prices, which are our largest operating cost, are expected to increase moderately throughout fiscal 2014. Energy costs, particularly natural gas, are expected to be higher in fiscal 2014 as compared to fiscal 2013. Sales of higher margin gypsum liner are expected to increase during fiscal 2014 as compared to fiscal 2013, both in gross tons and as a percentage of total sales volumes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare our financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Information regarding our "Critical Accounting Policies and Estimates" can be found in our Annual Report. The five critical accounting policies that we believe either require the use of the most judgment, or the selection or application of alternative accounting policies, and are material to our financial statements, are those relating to long-lived assets, goodwill, environmental liabilities, accounts receivable and income taxes. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm. In addition, Note (A) to the financial statements in our Annual Report contains a summary of our significant accounting policies.

Recent Accounting Pronouncements

Refer to Note (A) in the Notes to Consolidated Financial Statements of the Form 10-Q for information regarding recently issued accounting pronouncements that may affect our financial statements.

LIQUIDITY AND CAPITAL RESOURCES**Cash Flow.**

The following table provides a summary of our cash flows:

	For the Six Months Ended September 30,	
	2013	2012
	(dollars in thousands)	
Net Cash Provided by Operating Activities	\$ 79,255	\$ 66,760
Investing Activities:		
Capital Expenditures	(31,583)	(8,628)
Net Cash Used in Investing Activities	(31,583)	(8,628)
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	1,053	149
Decrease in Long-Term Debt	(34,000)	(50,000)
Dividends Paid	(9,910)	(9,057)
Shares Repurchased to Settle Employee Taxes on RSUs	(435)	(921)
Proceeds from Stock Option Exercises	2,351	3,365
Net Cash Provided by Financing Activities	(40,941)	(56,464)
Net Increase in Cash	\$ 6,731	\$ 1,668

Cash flows from operating activities increased \$12.5 million to \$79.3 million during the six month period ended September 30, 2013, as compared to \$66.8 million during the similar period in 2012. This increase was largely attributable to increased net earnings of approximately \$38.1 million, partially offset by decreases in cash flows due to increased working capital. Cash flows from operations were negatively impacted during the six months ended September 30, 2013 by increases in accounts and notes receivable, and inventories of approximately \$30.1 million and \$7.7 million, respectively, and a decrease in accounts payable and accrued liabilities of approximately \$2.9 million, partially offset by an increase of approximately \$13.5 million in income taxes payable. During the six months ended September 30, 2012, cash flows from operating activities were positively impacted by a decrease in inventories of approximately \$14.6 million and increases in accounts payable and income taxes payable of approximately \$5.8 million and \$12.5 million, respectively, partially offset by increased accounts and notes receivable of approximately \$17.7 million.

Working capital increased to \$199.0 million at September 30, 2013, compared to \$161.0 million at March 31, 2013, primarily due to increased accounts and notes receivable and inventories of approximately \$32.2 million and \$5.7 million, respectively, and a decrease of approximately \$8.0 million in accounts payable, partially offset by decreased prepaid assets of approximately \$2.8 million and increased income taxes payable of \$12.5 million.

The increase in accounts and notes receivable at September 30, 2013, as compared to March 31, 2013, is primarily due to increased revenues during the three months ended September 30, 2013, as compared to the three months ended March 31, 2013. As a percentage of quarterly sales generated in the quarter then ended, accounts receivable were 47% at September 30, 2013 and 57% at March 31, 2013. Accounts receivable at March 31, 2013 were higher than normal, due primarily to a delay in collecting a large receivable that was obtained in the Acquisition and collected subsequent to March 31, 2013. Excluding accounts receivable that were obtained in the Acquisition, accounts receivable as a percentage of fourth quarter sales are 51%, which is consistent with the period ended September 30, 2013. Management measures the change in accounts receivable by monitoring the days sales outstanding on a monthly basis 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 September 30, 2013. Notes receivable are monitored on an individual basis, and no significant deterioration in the collectability of notes receivable was identified at September 30, 2013.

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Our inventory balance at September 30, 2013 increased approximately 4% from the inventory balance at March 31, 2013. This increase is due primarily to inventory related to the start-up of our frac sand business during the first quarter of this fiscal year. Excluding the inventory from frac sand, our inventory balance would have declined by approximately 7% at September 30, 2013, as compared to March 31, 2013. The decline in inventory from our historical businesses is consistent with our business cycle as we generally build inventory over the winter to meet the demand in the spring and summer. The largest individual balance in our inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a greater level of repair parts inventory. We believe all of these repair parts are necessary and we perform semi-annual analysis to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventory has a low risk of obsolescence due to our products being basic construction materials.

In June 2010, we received a Notice of Deficiency ("Notice") of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The final amount related to the Notice, including interest, was approximately \$97.9 million, of which \$75.0 million had previously been deposited with the IRS. We deposited the remaining amounts with the IRS in July 2010 and asked the IRS to apply all \$97.9 million of deposits to the payment of the tax, penalties and interest. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest. The IRS has denied our refund request and we filed a lawsuit in May 2011 in Federal District Court to recover the requested refunds.

With respect to the tax returns for the fiscal years ended March 31, 2007 through March 31, 2010, the IRS issued an assessment of approximately \$8.1 million of income tax and approximately \$1.9 million in penalties. In addition, we estimate that interest of approximately \$2.3 million has accrued on these amounts as of September 30, 2013. These amounts have been fully accrued in our financial statements at September 30, 2013. The amounts accrued have been treated as unrecognized tax liabilities and are included in Other Long Term Liabilities on our Consolidated Balance Sheet at September 30, 2013 and March 31, 2013. We intend to vigorously contest the assessment of tax, penalties and interest for fiscal years ended March 31, 2007 through March 31, 2010. See Note (O) of the Notes to Unaudited Consolidated Financial Statements.

Net cash used in investing activities during the six month period ended September 30, 2013 was approximately \$31.6 million, as compared to net cash used in investing activities of \$8.6 million during the similar period in 2012, an increase of approximately \$23.0 million. The increase in capital expenditure is primarily related to our frac sand business, which began operations during fiscal 2014. We anticipate spending between \$20.0 million and \$25.0 million on sustaining capital expenditures for all of our businesses during fiscal 2014, which is consistent with historic levels after taking into consideration the Acquisition.

Net cash used in financing activities decreased to approximately \$40.9 million during the six month period ended September 30, 2013, as compared to net cash used of approximately \$56.5 million during the similar period in 2012. This \$15.6 million decrease in net cash used in financing activities is primarily due to the decrease in net repayments of debt to \$34.0 million during the six month period ended September 30, 2013 from net repayments of \$50.0 million during the six month period ended September 30, 2012. The decrease in debt repayments is due primarily to the increased capital expenditures during the six months ended September 30, 2013. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio improved to 37.3% and 36.8%, respectively, at September 30, 2013, as compared to 41.3% and 41.1%, respectively, at March 31, 2013.

Debt Financing Activities.**Credit Facility -**

On December 16, 2010, we entered into a \$300.0 million revolving Credit Facility, which was amended on September 26, 2012 and is scheduled to expire on December 16, 2015. The recent amendment to the Credit Facility increased available revolving borrowings from \$300.0 million to \$400.0 million (including an increase in the swingline loan sublimit from \$15.0 million to \$25.0 million) and changed certain provisions in the negative covenants in order to allow for or facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, 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 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 up to a period of six 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. The Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as, in each case, no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0:1.0. We had \$263.0 million of borrowings outstanding under the Credit Facility at September 30, 2013. Based on our Leverage Ratio, we had \$129.6 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at September 30, 2013.

We entered into a Note Purchase Agreement on November 15, 2005 (the "2005 Note Purchase Agreement") related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the "Series 2005A Senior Notes") in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased \$81.1 million in principal of the Series 2005A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During November 2012, Tranche A of the Series 2005A Senior Notes matured and we retired the remaining \$4.7 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the remaining tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche B	\$57.0 million	November 15, 2015	5.38%
Tranche C	\$57.2 million	November 15, 2017	5.48%

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Interest for each tranche of Notes is payable semi-annually on the 15th day of May and the 15th day of November of each year until all principal is paid for the respective tranche.

We also entered into an additional Note Purchase Agreement on October 2, 2007 (the “2007 Note Purchase Agreement”) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the “Series 2007A Senior Notes”) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased \$122.0 million in principal of the Series 2007A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche A	\$ 9.5 million	October 2, 2014	6.08%
Tranche B	\$ 8.0 million	October 2, 2016	6.27%
Tranche C	\$24.0 million	October 2, 2017	6.36%
Tranche D	\$36.5 million	October 2, 2019	6.48%

Interest for each tranche of Notes is payable semi-annually on the second day of April and the second day of October of each year until all principal is paid for the respective tranche.

We amended both the 2005 Note Purchase Agreement and 2007 Note Purchase Agreement (collectively, the “Note Purchase Agreements”) on September 26, 2012. The amendment to each Note Purchase Agreement, among other things, mirrors the amendments to the Credit Facility, by changing certain provisions in the negative covenants in order to allow for and facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future as well as reasonably identifiable cost savings, improvements and synergies related to the purchase of the Acquired Assets.

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the “Note Purchase Agreements”) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as “the Senior Notes”) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including 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, as well as certain cross covenants with the Credit Facility. We were in compliance with all financial ratios and tests at September 30, 2013 and throughout the fiscal year.

As a result of the Acquisition, we succeeded to the leasehold interest held by Lafarge North America with respect to the cement plant located in Sugar Creek, Missouri, as well as its obligations under certain related industrial revenue bonds. In 1998, Lafarge North America entered into a series of agreements, which were later amended in 2003, with the City of Sugar Creek, Missouri, in connection with the construction of improvements at the Sugar Creek cement plant. Under these agreements, Lafarge North America leased the Sugar Creek cement plant from the City of Sugar Creek, Missouri, which issued \$150.0 million of tax-exempt and taxable industrial revenue bonds to partly finance the construction of such improvements. The lease payments due to the City of Sugar Creek under the Sugar Creek cement plant lease 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. Upon the closing of the Acquisition, funds for the retirement of \$47.0 million of the industrial revenue bonds were placed into escrow by Lafarge North America, resulting in the defeasement of such bonds and leaving \$103.0 million of industrial revenue bonds outstanding. The defeased bonds were subsequently paid in full in June 2013. The remaining \$103.0 million of industrial revenue bonds held by Lafarge North America were transferred to a wholly owned subsidiary of the Company in connection with the Acquisition. Because we are now the holder of all of the outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the Sugar Creek cement plant.

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On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the “Shelf Agreement”) with John Hancock Life Insurance Company (U.S.A.) (“Hancock”). The Shelf Agreement provided the terms under which the Company could offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock’s affiliates that become bound by the Shelf Agreement (collectively, “Purchasers”). The Shelf Agreement did not obligate the Company to sell, or the Purchasers to buy, any such notes, and had a term of two years. We did not sell any notes pursuant to the Shelf Agreement prior to its expiration on August 31, 2013.

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 us. None of our debt is rated by the rating agencies.

We do not have any off balance sheet debt, except for approximately \$15.0 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the Credit Facility a \$50 million Letter of Credit Facility. At September 30, 2013, we had \$7.4 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$16.1 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 twelve 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.

Share Repurchases.

We did not repurchase any of our shares on the open market during the six month period ended September 30, 2013. As of September 30, 2013, we had a remaining authorization to purchase 717,300 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 management, based on its evaluation of market and economic conditions and other factors.

During the six month period ended September 30, 2013, 6,141 shares of stock were withheld from employees upon the vesting of Restricted Shares or Restricted Shares Units that were granted under the Plan. These shares were withheld by us to satisfy the employees’ minimum statutory tax withholding, which is required once the Restricted Shares or Restricted Shares Units are vested.

Dividends.

Dividends paid were \$9.9 million and \$9.1 million for the six month periods ended September 30, 2013 and 2012, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

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Capital Expenditures.

The following table compares capital expenditures:

	For the Six Months Ended September 30,	
	2013	2012
	(dollars in thousands)	
Land and Quarries	\$ 6,014	\$ 637
Plants	20,572	5,446
Buildings, Machinery and Equipment	4,997	2,545
Total Capital Expenditures	<u>\$31,583</u>	<u>\$8,628</u>

Historically, sustaining capital expenditures have been approximately \$20.0 to \$25.0 million, which we anticipate will be similar for fiscal 2014. Total capital expenditures for fiscal 2014, including sustaining capital expenditures, are expected to be approximately \$50.0 million. Historically, we have financed such expenditures with cash from operations and borrowings under our revolving credit facility.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our Credit Facility. From time-to-time we have 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 \$400.0 million Credit Facility available at September 30, 2013, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$263.0 million of borrowings at September 30, 2013 would increase our interest expense by approximately \$2.6 million on an annual basis. At present, we do not 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 4. Controls and Procedures

We have established a system of disclosure controls and procedures that are designed to ensure that information relating to the Company, which is 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's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a timely fashion. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this quarterly 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.

Part II. Other Information

ITEM 1. LEGAL PROCEEDINGS

We are a party to certain ordinary legal proceedings incidental to our business. In general, although the outcome of litigation is inherently uncertain, we believe that all of the pending litigation proceedings in which the Company or any subsidiary are currently involved are likely to be resolved without having a material adverse effect on our consolidated financial condition or operations.

Outstanding Lawsuit against the IRS

As previously reported, the Internal Revenue Service (the “IRS”) completed the examination of our federal income tax returns for all of the fiscal years ended March 31, 2001 through 2006. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 fiscal years, in which it denied certain depreciation deductions claimed by us with respect to assets acquired by us from Republic Group LLC in November 2000. We paid a deposit to the IRS of approximately \$45.8 million during November 2007 for the years ended March 31, 2001, 2002 and 2003, which is comprised of \$27.6 million in federal income taxes, \$5.7 million for penalties and \$12.5 million for interest. During March 2010, we paid the IRS an additional deposit of \$29.3 million for the years ended March 31, 2004, 2005 and 2006, which is comprised of \$18.1 million in federal income taxes, \$3.7 million for penalties and \$7.5 million for interest. These deposits were made to avoid imposition of the large corporate tax underpayment interest rates. On June 29, 2010 we received a Notice of Deficiency (commonly referred to as a “90 day letter”) and shortly thereafter converted the previously made deposits to tax, penalty and interest paid and paid an additional \$23.6 million comprised of \$13.6 million of tax, \$2.9 million of penalties and \$7.1 million of interest. Subsequent reviews of IRS interest computations resulted in a \$0.8 million dollar refund which reduced the total net payment to \$97.9 million. On May 4, 2011 we filed a lawsuit in Federal District Court to recover the \$97.9 million of taxes, penalties and interest ultimately paid. In September 2013, the judge heard arguments on each party’s motion for summary judgment and took each motion under advisement. The judge also suspended the December trial date. See Note (O) of the Notes to the Consolidated Financial Statements for more information.

EPA Notice of Violation

On October 5, 2010, Region IX of the EPA issued a Notice of Violation and Finding of Violation (“NOV”) alleging violations by our subsidiary, Nevada Cement Company (“NCC”), of the Clean Air Act (“CAA”). The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits as required by the Prevention of Significant Deterioration requirements and Title V permit requirements of the CAA. The EPA also alleges that NCC has failed to submit to EPA since 2002 certain reports as required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. The NOV states that the EPA may seek penalties although it does not propose or assess any specific level of penalties or specify what relief the EPA will seek for the alleged violations. NCC believes it has substantial meritorious defenses to the allegations in the NOV. NCC met with the EPA in December 2010 and again in September 2012 to present its defenses and to discuss a resolution of the NOV with the EPA. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. If litigation regarding this matter occurs, it could take many years to resolve the underlying issues alleged in the NOV. We are currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon our financial position or results of operations.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed against the Company's subsidiary, American Gypsum Company LLC ("American Gypsum"), alleging that American Gypsum conspired with other wallboard manufacturers 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 complaints allege that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual "job quote" pricing. In addition to American Gypsum, the defendants in these lawsuits include CertainTeed Corp., USG Corporation, New NGC, Inc., Lafarge North America, Georgia-Pacific LLC, Temple Inland Inc. and PABCO Building Products LLC. The plaintiffs in these class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard during various periods from 2008 to present for unspecified monetary damage (including treble damages) and in some cases injunctive relief in various United States district courts, including the Eastern District of Pennsylvania, Western District of North Carolina, North Carolina and the Northern District of Illinois. On April 8, 2013, the Judicial Panel on Multidistrict Litigation transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers' complaint added the Company as a defendant. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to plaintiffs' claims.

Limited written discovery has taken place to date. Due to the recent nature of these claims, we are unable to assess the likelihood or amount of potential loss relating to the claims, or whether such losses, if any, would have a material impact on our financial position, results of operations or cash flows. American Gypsum denies the allegations in these lawsuits and will vigorously defend itself against these claims.

ITEM 1A. RISK FACTORS

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

Demand for our products 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 impacted our business, certain economic fundamentals improved in calendar 2012 and into calendar 2013; however, the rate and sustainability of such improvement remains uncertain. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Despite the enactment of a new federal highway bill in July 2012, infrastructure spending has been adversely affected by a number of 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 construction 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 revenues 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.

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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, hurricanes, tropical storms and heavy 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 income 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 revenues are 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 adversely 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.

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, GHGs are regulated as pollutants under the 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

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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.

On September 9, 2010, the EPA finalized National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for Portland cement plants (“PC MACT”). The PC MACT will require a significant reduction in emissions of certain hazardous air pollutants from Portland cement kilns. The PC MACT sets limits on mercury emissions from existing Portland cement kilns and increases the stringency of emission limits for new kilns. The PC MACT also sets emission limits for total hydrocarbons, particulate matter (as a surrogate for metal pollutants) and acid gases from cement kilns of all sizes. The PC MACT was scheduled to take full effect in September 2013; however, as a result of a decision by the U.S. Court of Appeals for the District of Columbia Circuit in *Portland Cement Ass’n. v. EPA*, 655 F.3d 177 (D.C. Cir.) arising from industry challenges to the PC MACT, the EPA proposed a settlement agreement with industry petitioners in May 2012. In February 2013, the EPA published the final revised rule to the PC MACT which extended the compliance date until September 9, 2015 for existing cement kilns and made certain changes to the rules governing particulate matter monitoring methods and emissions limits, among other revisions. The PC MACT will materially increase capital costs and costs of production for the Company and the industry as a whole.

On March 21, 2011 EPA proposed revised 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 4 subcategories of industrial facilities, one of which is “Waste Burning Kilns.” EPA simultaneously stayed the CISWI Rule for further reconsideration. On February 12, 2013, the EPA finalized revisions to the CISWI Rule. For those cement kilns that utilize non-hazardous secondary materials (“NHSM”) as defined in a rule first finalized on March 21, 2011 (and slightly revised on February 12, 2013), the CISWI Rule will require 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) and more stringent standards than PC MACT for particulate matter and dioxin/furans. The CISWI Rule as currently promulgated may materially increase capital costs and cost for production but only for those facilities that will be using applicable solid wastes as fuel. The compliance date for this rule is approximately early 2018 (either 3 years after State CISWI plan approval, or 5 years from the date of the final CISWI Rule, whichever is sooner). It is anticipated that the CISWI Rule may materially increase capital costs and costs of production for the Company and the industry as a whole.

In 2010, the EPA released proposed regulations to address the storage 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. In its proposed regulations, the EPA is considering two alternatives. Under one proposal, the EPA would characterize coal combustion products destined for disposal as a special waste under Subtitle C of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates hazardous wastes. Under this proposal, beneficial encapsulated use of coal combustion products, including synthetic gypsum, would continue to be exempt under the Beville Amendment and not warrant regulation. Under the other proposal, the EPA would continue to regulate coal combustion products under Subtitle D of RCRA, which regulates solid wastes that are not hazardous wastes. EPA has recently stated that Subtitle D regulation could be sufficient to protect human health and the environment. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion products under either of its two proposals. It is not possible to accurately predict the regulations that will be ultimately adopted, if any. In April 2012 a number of environmental and community groups filed suit seeking to force the EPA to complete this rulemaking. That case is pending in the United States District Court for the District of Columbia. It is anticipated that a final rule will be issued by the end of 2014. It is possible that such rulemaking could affect our business, financial condition and results of operations, depending on how any such regulation affects our costs or the demand for our products utilizing synthetic gypsum.

The Acquired Assets are subject to government laws, regulations and other requirements relating to the protection of the environment and other matters that may impose significant costs and future requirements that could limit the way we operate our business.

The Acquired Assets are subject to certain obligations under a consent decree between Lafarge North America and the United States requiring the establishment of facility-specific emissions limitations for certain air pollutants. Not all specific limitations have been finalized; however, upon determination, these limitations, along with specific emissions limitations that have already been finalized, will apply to our operation of the Acquired Assets. It is difficult to predict with reasonable certainty the impact of these limitations on the operations or operating costs of the Acquired Assets. 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 ability to achieve the anticipated benefits of the Acquisition or on our financial condition or results of operations.

The Acquired Assets are subject to federal, state and local laws and regulations with respect to, among others, environmental matters, including laws and regulations not applicable to our business prior to the Acquisition such as the NESHAP for hazardous waste combustors (the "HWC MACT"), which imposes emission limitations and operating limits on cement kilns that are fueled by hazardous wastes, including those operated at the cement plant acquired by us in Tulsa, Oklahoma. Compliance with the HWC MACT 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, revised HWC MACT regulations would apply to one of the cement kilns used by the Acquired Assets. This revision may require new control requirements and significant capital expenditure for compliance. The revised regulations have not been proposed and compliance is not expected to be required for approximately 5 years.

In 2013, the EPA adopted the final CISWI Rule (as discussed above) that likely will apply to one of the cement kilns used by the Acquired Assets and may impose new control requirements requiring significant capital expenditures for compliance. Existing CISWI units will need to comply with the CISWI Rule when it becomes effective, which is expected to occur in approximately early 2018.

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, but could be adverse and material in amount. 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 Item 1. Legal Proceedings of this report.

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

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 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 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.

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.

We may become subject to significant clean-up, 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. Additionally, 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. 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 or 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. See “Item 1. Business – Industry Segment Information – Environmental Matters” in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 24, 2013, for more information on our regulatory and environmental matters.

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 train, rail or barge. For example, we deliver gypsum wallboard to many areas throughout 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 and the Note Purchase Agreements governing our Senior 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 the 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 agreement could have a material adverse effect on our financial condition or results of operations.

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

In order to finance the Acquisition, we incurred borrowings of approximately \$310.0 million under the Credit Facility. We expect to use cash flow generated from our future operations to make payments on our debt obligations and to fund planned capital expenditures. Our future ability to satisfy these obligations and make these expenditures 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 to 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 periodic 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 an adverse 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, including our frac sand business, 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 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 not realize any or all of the anticipated benefits of the Acquisition and the Acquisition may adversely impact our existing operations.

We may not be able to achieve the anticipated benefits of the Acquisition as we may not be able to accomplish the integration of the Acquired Assets with our other assets and operations within the anticipated costs or timeframe. In general, we cannot assure you that we will be able to timely achieve the anticipated incremental revenues, cost savings, operational synergies and other expected benefits of the Acquisition. In addition, the market price of our common stock may decline if we do not achieve the anticipated benefits of the Acquisition as readily or to the extent anticipated by financial or industry analysts or if the effect of the Acquisition on our financial results is not consistent with expectations of financial or industry analysts.

Integration efforts related to the Acquisition have resulted in the diversion of a portion of the time and attention of our management from our other operations to such integration efforts. Any difficulties encountered in combining operations could result in further demands on the time and attention of our management or prevent us from realizing the full benefits anticipated to result from the Acquisition and could adversely affect our business and the price of our common stock. The integration process is inevitably complex, costly and time-consuming. The risks associated with integrating the Acquired Assets with our other assets and operations include, among others:

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- failure to implement our business plan for the combined business;
- unanticipated issues in integrating logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- operating risks inherent in the operation of cement plants and ready-mix facilities;
- the impact of the Acquisition on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

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 2. Unregistered Sales of Equity Securities and Use of Proceeds

The disclosure required under this Item is included in “Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Quarterly Report on Form 10-Q under the heading “Share Repurchases” and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

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

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Item 6. Exhibits

10.1*	Eagle Materials Inc. Director Compensation Summary. ⁽¹⁾
10.2*	Form of Management Non-Qualified Stock Option Agreement. ⁽¹⁾
10.3*	Form of Management Restricted Stock Agreement. ⁽¹⁾
10.4*	Form of Director Non-Qualified Stock Option Agreement. ⁽¹⁾
10.5*	Form of Director Restricted Stock Agreement. ⁽¹⁾
10.6	Eagle Materials Inc. Amended and Restated Incentive Plan (filed as Exhibit A to the Company's Schedule 14A, filed with the Securities and Exchange Commission on June 21, 2013 and incorporated herein by reference). ⁽¹⁾
12.1*	Computation of Ratio of Earnings to Fixed Charges.
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⁾ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	<hr/> EAGLE MATERIALS INC. <hr/> Registrant
November 7, 2013	<hr/> /s/ STEVEN R. ROWLEY Steven R. Rowley President and Chief Executive Officer (principal executive officer)
November 7, 2013	<hr/> /s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President – Finance and Administration and Chief Financial Officer (principal financial officer)
November 7, 2013	<hr/> /s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President – Controller and Chief Accounting Officer (principal accounting officer)

EAGLE MATERIALS INC.
Non-Employee Directors — Compensation Summary
Effective August 2013 to July 2014

On an annual basis, each non-employee director of Eagle Materials Inc. (the “Company”) may select one of the following compensation packages for his or her performance of director services during the next 12 months:

- (1) total annual compensation valued at \$150,000, of which \$75,000 is paid in cash and the remainder is provided in the form of an equity grant valued at \$75,000; or
- (2) an equity grant valued at \$170,000.

The grant date value of the equity grant under either alternative is allocated between options to purchase common stock of the Company, par value \$0.01 (“Common Stock”), and restricted shares of Common Stock, in a ratio determined by the Board of Directors (based upon the recommendation of the Compensation Committee) with respect to each non-employee director.

In accordance with the terms of the Eagle Materials Inc. Amended and Restated Incentive Plan, the exercise price of the stock options is set at the closing price of the Common Stock on the New York Stock Exchange on the date of grant. The number of option shares granted is determined as of the date of the grant by using the Black-Scholes method. All options are fully exercisable when granted and have a ten-year term.

The restricted shares are earned on the date of grant; however, the shares will not become fully vested (unrestricted) until the recipient’s retirement from the Board. During the restriction period the director will have the right to vote the shares. In addition, the director will also be entitled to cash dividends as and when the Company issues a cash dividend on the Common Stock. Notwithstanding the above, the restricted shares issued to Mr. Hirsch do not have voting rights and are not entitled to cash dividends, but rather to a dividend-equivalent payment.

Non-employee directors who chair committees of the Board of Directors receive additional annual compensation. The Governance Committee Chair receives a fee of \$10,000 per year. The chairs of the Audit Committee and the Compensation Committee each receive a fee of \$15,000 per year. The Chairman of the Board of Directors receives a fee of \$50,000 per year. Chairpersons who elect to receive all Board compensation in the form of equity will receive this additional compensation in the form of equity, in which case a 26.67% premium is added to such fees when valuing the equity to be received by such chairperson.

If non-employee directors hold unvested restricted stock units (“RSUs”) granted as part of director compensation in prior fiscal years (which currently includes Messrs. Barnett, Hirsch and Nicolais), these directors will receive dividend equivalent units as and when the Company issues a cash dividend on the Common Stock, in accordance with the terms of the RSUs.

All directors are reimbursed for reasonable expenses of attending meetings.

EAGLE MATERIALS INC.**AMENDED AND RESTATED INCENTIVE PLAN****NON-QUALIFIED STOCK OPTION AGREEMENT**

This option agreement (the "Option Agreement" or "Agreement") entered into between Eagle Materials Inc., a Delaware corporation (the "Company"), and (the "Optionee"), an employee of the Company or its Affiliates, with respect to a right (the "Option") awarded to the Optionee under the Amended and Restated Eagle Materials Inc. Incentive Plan (the "Plan"), on August 12, 2013 (the "Award Date") to purchase from the Company up to but not exceeding in the aggregate shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), at a price of \$67.21 per share (the "Exercise Price"), such number of shares and such price per share being subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. Relationship to Plan

This Option is subject to all of the terms, conditions and provisions of the Plan and administrative interpretations thereunder, if any, which have been adopted by the Company's Compensation Committee ("Committee") and are in effect on the date hereof. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan. For purposes of this Option Agreement:

(a) "Disability" shall be determined by the Committee.

(b) "Retirement" shall mean a retirement approved by the Board.

(c) "Service Vesting Date" means the first, second or third anniversary of the Award Date, as applicable.

(d) "Vesting Period" means the period commencing on the Award Date and ending on the date on which the Award may fully vest in accordance with the schedule provided in Section 2(a).

2. Vesting and Exercise Schedules.

(a) **Exercisability.** One-third of the shares of Common Stock covered by this Option ("Option Shares") shall vest and become exercisable on the first Service Vesting Date, one-third of the Option Shares shall vest and become exercisable on the second Service Vesting Date, and one-third of the Option Shares shall vest and become exercisable on the third Service Vesting Date. The Optionee must be in continuous service as an employee of the Company or any of its Affiliates or as a Director from the Award Date through the applicable Service Vesting Date on which the portion of the Option Shares would otherwise become exercisable in order for the Option to become exercisable with respect to that portion of the Option Shares, otherwise such Option Shares shall be forfeited. Notwithstanding the foregoing, in the event the Optionee's employment and, if applicable, service as a Director terminates by reason of death, Disability or Retirement, and in any such case such termination follows the Award Date and is prior to any Service Vesting Date, any then exercisable Option Shares shall continue to be exercisable for a period of two years following such termination, and any unexercisable Option Shares shall continue to become exercisable as if the Optionee had remained employed or continued to serve as a Director for a period of two years following such termination.

To the extent the Option becomes exercisable, such Option may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Option pursuant to the terms of this Agreement or the Plan.

(b) Change in Control. This Option shall become fully vested and exercisable, without regard to the limitations set forth in subparagraph (a) above, provided that the Optionee has been in continuous employment with the Company or any of its Affiliates or served as a Director from the Award Date through the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), unless either (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Option is to be replaced within a reasonable time after the Change in Control with an option of equivalent value to purchase shares of the surviving parent corporation or (ii) the Option is to be settled in cash in accordance with the last sentence of this subparagraph (b). Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Option by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the settlement date and the Exercise Price for the Option, multiplied by the number of shares then subject to the Option.

3. Termination of Option.

The Option hereby granted shall terminate and be of no force and effect with respect to any Option Shares not previously purchased by the Optionee at the earliest time specified below:

(a) the tenth anniversary of the Award Date;

(b) if Optionee's employment with the Company and its Affiliates or service as a Director is terminated by the Company or a Subsidiary for "cause" (as determined by the Committee) at any time after the Award Date, then the Option shall terminate immediately upon such termination of Optionee's employment or service;

(c) if Optionee's employment with the Company and its Affiliates and, if applicable, service as a Director is terminated for any reason other than death, Disability, Retirement or termination for "cause," then the Option shall terminate on the first business day following the expiration of the 90-day period beginning on such date of termination; or

(d) if Optionee's employment with the Company and its Affiliates and, if applicable, service as a Director is terminated due to the death, Disability or Retirement of the Optionee, and in any such case such termination is at any time after the Award Date, then the Option shall terminate on the later of (i) the first business day following the expiration of the two-year period following such termination and (ii) with respect to any Option Shares which become exercisable after such termination, the first business day following the expiration of the 90-day period beginning on the date the Options Shares first become exercisable.

4. Exercise of Option.

Subject to the limitations set forth herein and in the Plan, this Option may be exercised by notice provided to the Company as set forth in Section 5. The payment of the Exercise Price for the Common Stock being purchased pursuant to the Option shall be made (a) in cash, by check or cash equivalent,

(b) by tender to the Company, or attestation to the ownership, of Common Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such Common Stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the Exercise Price, (c) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), (d) by withholding Option Shares equal to the Exercise Price multiplied by the number of Options exercised divided by the Fair Market Value at the time of exercise, rounded up to the nearest whole share, (e) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (f) by any combination thereof. Such notice shall be accompanied by cash or Common Stock in the full amount of all federal and state withholding or other employment taxes applicable to the taxable income of such Optionee resulting from such exercise (or instructions to satisfy such withholding obligation by withholding Option Shares in accordance with Section 8). Notwithstanding the foregoing, if the Exercise Price of the outstanding portion of the Option is less than the Fair Market Value of a share of Common Stock on the day the Option would otherwise expire as provided in Section 3(a), then the Option shall be automatically exercised in full pursuant to clause (d) above immediately prior to its expiration.

If the Optionee desires to pay the purchase price for the Option Shares by tendering Common Stock using the method of attestation, the Optionee may, subject to any such conditions and in compliance with any such procedures as the Committee may adopt, do so by attesting to the ownership of Common Stock of the requisite value, in which case the Company shall issue or otherwise deliver to the Optionee upon such exercise a number of Option Shares equal to the result obtained by dividing (a) the excess of the aggregate Fair Market Value of the total number shares of Common Stock subject to the Option for which the Option (or portion thereof) is being exercised over the purchase price payable in respect of such exercise by (b) the Fair Market Value per share of Common Stock subject to the Option, and the Optionee may retain the shares of Common Stock the ownership of which is attested.

Notwithstanding anything to the contrary contained herein, the Optionee agrees that he will not exercise the Option granted pursuant hereto, and the Company will not be obligated to issue any Option Shares pursuant to this Option Agreement, if the exercise of the Option or the issuance of such shares would constitute a violation by the Optionee or by the Company of any provision of any law or regulation of any governmental authority or any stock exchange or transaction quotation system. The Optionee agrees that, unless the options and shares covered by the Plan have been registered pursuant to the Securities Act of 1933, as amended, the Company may, at its election, require the Optionee to give a representation in writing in form and substance satisfactory to the Company to the effect that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of such shares or any part thereof.

If any law or regulation requires the Company to take any action with respect to the shares specified in such notice, the time for delivery thereof, which would otherwise be as promptly as reasonably practicable, shall be postponed for the period of time necessary to take such action.

5. Notices.

Notice of exercise of the Option must be made in the following manner, using such forms as the Company may from time to time provide:

- (a) by electronic means as designated by the Committee, in which case the date of exercise shall be the date when receipt is acknowledged by the Company;
- (b) by registered or certified United States mail, postage prepaid, to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek, Suite 1100, Dallas, Texas 75219, in which case the date of exercise shall be the date of mailing; or
- (c) by hand delivery or otherwise to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek, Suite 1100, Dallas, Texas 75219, in which case the date of exercise shall be the date when receipt is acknowledged by the Company.

Notwithstanding the foregoing, in the event that the address of the Company is changed prior to the date of any exercise of this Option, notice of exercise shall instead be made pursuant to the foregoing provisions at the Company's current address.

Any other notices provided for in this Agreement or in the Plan shall be given in writing or by such electronic means, as permitted by the Committee, and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Optionee, five days after deposit in the United States mail, postage prepaid, addressed to the Optionee at the address specified at the end of this Agreement or at such other address as the Optionee hereafter designates by written notice to the Company.

6. Assignment of Option.

Except as otherwise permitted by the Committee, the rights of the Optionee under the Plan and this Agreement are personal; no assignment or transfer of the Optionee's rights under and interest in this Option may be made by the Optionee otherwise than by will, by beneficiary designation, by the laws of descent and distribution or by a qualified domestic relations order; and this Option is exercisable during his lifetime only by the Optionee, except as otherwise expressly provided in this Agreement.

After the death of the Optionee, exercise of the Option shall be permitted only by the Optionee's designated beneficiary or, in the absence of a designated beneficiary, the Optionee's executor or the personal representative of the Optionee's estate (or by his assignee, in the event of a permitted assignment) to the extent that the Option is exercisable on or after the date of the Optionee's death, as set forth in Sections 2(a) and 3(d) hereof.

7. Stock Certificates.

Certificates or other evidences of or representing the Common Stock issued pursuant to the exercise of the Option will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Option.

8. Withholding.

No certificates representing shares of Common Stock purchased hereunder shall be delivered to or in respect of an Optionee unless the amount of all federal, state and other governmental withholding tax requirements imposed upon the Company with respect to the issuance of such shares of Common Stock has been remitted to the Company or unless provisions to pay such withholding requirements have been made to the satisfaction of the Committee. The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this Option. The Optionee may pay all or any portion of the taxes required to be withheld by the Company or paid by the Optionee in connection with the exercise of all or any portion of this Option by delivering cash, or, pursuant to Committee-approved procedures, by electing to have the Company withhold shares of Common Stock, or by delivering previously owned shares of Common Stock sufficient to satisfy the tax withholding obligation. The Optionee must make the foregoing election on or before the date that the amount of tax to be withheld is determined.

9. Shareholder Rights.

The Optionee shall have no rights of a shareholder with respect to shares of Common Stock subject to the Option unless and until such time as the Option has been exercised and ownership of such shares of Common Stock has been transferred to the Optionee.

10. Successors and Assigns.

This Agreement shall bind and inure to the benefit of and be enforceable by the Optionee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Optionee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

11. No Employment Guaranteed.

No provision of this Option Agreement shall confer any right upon the Optionee to continued employment with the Company or any Subsidiary.

12. Governing Law.

This Option Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

13. Amendment.

This Agreement cannot be modified, altered or amended except by an agreement, in writing, signed by both the Company and the Optionee.

EAGLE MATERIALS INC.

Date: _____

By: _____
Name: Steven R. Rowley
Title: President and CEO

The Optionee hereby accepts the foregoing Option Agreement, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

OPTIONEE:

Date: _____

Eagle Materials Inc.
3811 Turtle Creek Blvd.
Suite 1100
Dallas, Texas 75219

EXHIBIT A

Change in Control

For the purpose of this Agreement, a “Change in Control” shall mean the occurrence of any of the following events:

(a) The acquisition by any Person of beneficial ownership of securities of the Company (including any such acquisition of beneficial ownership deemed to have occurred pursuant to Rule 13d-5 under the Exchange Act) if, immediately thereafter, such Person is the beneficial owner of (i) 50% or more of the total number of outstanding shares of any single class of Company Common Stock or (ii) 40% or more of the total number of outstanding shares of all classes of Company Common Stock, unless such acquisition is made (a) directly from the Company in a transaction approved by a majority of the members of the Incumbent Board or (b) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or who is otherwise designated as a member of the Incumbent Board by such a vote) shall be considered as though such individual were a member of the Incumbent Board, except that any such individual shall not be considered a member of the Incumbent Board if his or her initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) The consummation of a Business Combination, unless, immediately following such Business Combination, (i) more than 50% of both the total number of then outstanding shares of common stock of the parent corporation resulting from such Business Combination and the combined voting power of the then outstanding voting securities of such parent corporation entitled to vote generally in the election of directors will be (or is) then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners, respectively, of the outstanding shares of Company Common Stock immediately prior to such Business Combination in substantially the same proportions as their ownership immediately prior to such Business Combination of the outstanding shares of Company Common Stock, (ii) no Person (other than any employee benefit plan (or related trust) of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the total number of then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were members of the Incumbent Board immediately prior to the consummation of such Business Combination; or

(d) Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless,

(e) immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to exist) and of the Acquiring Entity in substantially the same proportions as their ownership immediately prior to such Major Asset Disposition of the outstanding shares of Company Common Stock; (B) no Person (other than any employee benefit plan (or related trust) of the Company or such entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of the Company (if it continues to exist) and of the Acquiring Entity entitled to vote generally in the election of directors and (C) at least a majority of the members of the Board of the Company (if it continues to exist) and of the Acquiring Entity were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Major Asset Disposition.

For purposes of the foregoing,

- (i) the term “Person” means an individual, entity or group;
- (ii) the term “group” is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;
- (iii) the terms “beneficial owner”, “beneficial ownership” and “beneficially own” are used as defined for purposes of Rule 13d-3 under the Exchange Act;
- (iv) the term “Business Combination” means (x) a merger, consolidation or share exchange involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;
- (v) the term “Company Common Stock” shall mean the Common Stock, par value \$.01 per share, of the Company;
- (vi) the term “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (vii) the phrase “parent corporation resulting from a Business Combination” means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries;
- (viii) the term “Major Asset Disposition” means the sale or other disposition in one transaction or a series of related transactions of 50% or more of the assets of the Company and its subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the members of the Incumbent Board;

Exhibit A-2

- (ix) the term “Acquiring Entity” means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and
- (x) the phrase “substantially the same proportions,” when used with reference to ownership interests in the parent corporation resulting from a Business Combination or in an Acquiring Entity, means substantially in proportion to the number of shares of Company Common Stock beneficially owned by the applicable Persons immediately prior to the Business Combination or Major Asset Disposition, but is not to be construed in such a manner as to require that the same ratio or number of shares of such parent corporation or Acquiring Entity be issued, paid or delivered in exchange for or in respect of the shares of each class of Company Common Stock.

Exhibit A-3

EAGLE MATERIALS INC.

AMENDED AND RESTATED INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Eagle Materials Inc., a Delaware corporation (the "Company"), and (the "Grantee") hereby enter into this Restricted Stock Award Agreement (the "Agreement") in order to set forth the terms and conditions of the Company's award (the "Award") to the Grantee of certain shares of Common Stock of the Company granted to the Grantee on August 12, 2013 (the "Award Date").

1. Award. The Company hereby awards to the Grantee shares of Common Stock of the Company (the "Shares").

2. Relationship to the Plan. The Award shall be subject to the terms and conditions of the Amended and Restated Eagle Materials Inc. Incentive Plan (the "Plan"), this Agreement and such administrative interpretations of the Plan, if any, as may be in effect on the date of this Agreement. Except as defined herein, capitalized terms shall have the meanings ascribed to them under the Plan. For purposes of this Agreement:

- (a) "Disability" shall be determined by the Committee.
- (b) "Return on Equity" for any fiscal year shall mean: (i) the Net Earnings of the Company (net of any discontinued operations) for such fiscal year; divided by (ii) the Company's Average Stockholders' Equity for such fiscal year.
- (c) "Average Stockholders' Equity" for any period shall mean: (i) the Company's Total Stockholders' Equity as of the beginning of such period plus the Company's Total Stockholders' Equity at the end of such period; divided by (ii) 2.
- (d) "Performance Vesting Date" means March 31, 2014.
- (e) "Retirement" shall mean a retirement approved by the Board.
- (f) "Service Vesting Date" means the first, second, third or fourth anniversary of the Performance Vesting Date, as applicable.
- (g) "Performance Period" shall mean the period from July 1, 2013 to March 31, 2014.

3. Vesting.

- (a) Vesting Criteria. The Grantee's interest in the Shares shall vest in accordance with the vesting schedule set forth below in this Section 3(a) (each such vesting date, a "Vesting Date") only if the Average Return on Equity for the ten fiscal years ending March 31, 2014 is at least 15.00% (the "Performance Criteria"); provided, that if the Performance Criteria is satisfied, the Compensation Committee may exercise negative discretion and provide that the Grantee shall earn less than 100% of the Shares after taking into consideration the extent to which the Grantee has achieved his/her individual goals attached hereto as Exhibit

A. After the end of the Performance Period, the Compensation Committee shall certify whether the Performance Criteria has been satisfied (“Certification Date”), and if so, to what extent (if any) the Compensation Committee will exercise negative discretion to provide that the Grantee shall earn less than 100% of the Shares (such earned Shares shall be considered “Earned But Unvested Shares” hereunder). Such Earned But Unvested Shares shall vest one-fifth on the second business day following the Certification Date and then ratably over the next four Service Vesting Dates. Prior to the Certification Date, all Shares shall be considered “Unvested Shares.” If the Performance Criteria has not been satisfied then the Shares shall be immediately and automatically forfeited. The “Average Return on Equity for the ten fiscal years ending March 31, 2014” shall mean: (i) the sum of the Return on Equity for each of the ten fiscal years ended March 31, 2014, divided by (ii) 10.

- (b) Restrictions. The period beginning on the Award Date and ending on the date immediately preceding the Vesting Date for a Share shall be known as the restriction period (the “Restriction Period”). During the Restriction Period, the Grantee may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of any unvested Shares or any right or interest related to such unvested Shares, other than as required by the Grantee’s will or beneficiary designation, in accordance with the laws of descent and distribution or by a qualified domestic relations order.
- (c) Cancellation Right. The Grantee must be in continuous service as an employee of the Company or any of its Affiliates or as a Director from the Award Date through the applicable Vesting Date for an unvested Share to become vested. Subject to Section 4, Grantee’s termination of employment and, if applicable, service as a Director prior to the Vesting Date shall cause the unvested Shares to be automatically forfeited as of such discontinuation of service date.
- (d) Calculations. The Committee shall have the authority to approve the calculations involving the “Average Return on Equity for the ten fiscal years ending March 31, 2014” for purposes of vesting, and its approval of such calculations shall be final, conclusive and binding on all parties

4. Change-in-Control; Death or Disability; Retirement. The restrictions set forth above in Section 3 shall lapse with respect to any Shares (in the case of a Change in Control) or Earned But Unvested Shares (in the case of termination of employment and, if applicable, discontinuation of service as a Director by reason of death, Disability or Retirement) not previously forfeited and the remaining shares of this Award shall become fully vested without regard to the limitations set forth in Section 3 above, provided that the Grantee has been in continuous employment with the Company or any of its Affiliates or has been in continuous service as a Director from the Award Date through: (A) the occurrence of a Change in Control (as defined in Exhibit B to this Agreement), unless either: (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation, or (ii) the Award is to be settled in cash in accordance with the last sentence of this Section 4, or (B) Grantee’s termination of employment and, if applicable, discontinuation of service as a Director by reason of death, Disability or Retirement. Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

5. Stockholder Rights. The Grantee shall have the right to vote the Shares. On the first dividend payment date following the Certification Date, the Grantee shall be entitled to a cash dividend payment equal to: (i) the sum of per share dividends declared with respect to Common Stock during the Performance Period after the Award Date times (ii) the number of non-forfeited Shares. The Grantee shall also have the right to receive any cash dividends declared and paid on Earned But Unvested Shares after the end of the Performance Period at the same time such amounts are paid with respect to all other shares of Common Stock.

6. Capital Adjustments and Corporate Events. If, from time to time during the term of the Restriction Period, there is any capital adjustment affecting the outstanding Common Stock as a class without the Company's receipt of consideration, the Shares shall be adjusted in accordance with the provisions of Section 15 of the Plan. Any and all new, substituted or additional securities to which the Grantee may be entitled by reason of the Grantee's ownership of the Shares hereunder because of a capital adjustment shall be immediately subject to the restrictions set forth herein and included thereafter as Shares for purposes of this Agreement.

7. Refusal to Transfer.

The Company shall not be required:

- (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan; or
- (b) to treat such purchaser or other transferee as owner of such Shares, accord such purchaser or other transferee the right to vote; or pay or deliver dividends or other distributions to such purchaser or other transferee with respect to such Shares.

8. Legends. If the Shares are certificated, the certificate or certificates evidencing the Shares, if any, issued hereunder shall be endorsed with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AND, ACCORDINGLY, MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR IN ANY MANNER DISPOSED OF EXCEPT IN CONFORMITY WITH THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE ISSUER'S PRINCIPAL CORPORATE OFFICES.

9. Tax Consequences. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Grantee understands that Section 83 of the Code taxes as ordinary income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the restrictions imposed during the Restriction Period. The Grantee understands that the Grantee may elect to be taxed at the time the Shares are awarded rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Award Date. THE GRANTEE ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY (AND NOT THE COMPANY'S) TO FILE TIMELY THE ELECTION UNDER SECTION 83(B), EVEN IF THE GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE GRANTEE'S BEHALF.

10. Withholding of Taxes. At the time and to the extent vested Shares become compensation income to the Grantee for federal or state income tax purposes, the Grantee either shall deliver to the Company such amount of money as required to meet the Company's minimum withholding obligation under applicable tax laws or regulations, or, in lieu of cash, the Grantee, in his or her sole discretion, may elect to surrender, or direct the Company to withhold from the vested Shares, shares of Common Stock in such number as necessary to satisfy the Company's minimum tax withholding obligations. Further, any dividends paid to you pursuant to Section 5 above prior to the end of the Restriction Period will generally be subject to federal, state and local withholding, as appropriate, as additional compensation.

11. Entire Agreement; Governing Law. The Plan and this Agreement constitute the entire agreement of the Company and the Grantee (collectively, the "Parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Parties with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Parties. Nothing in the Plan and this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any person other than the Parties. The Plan and this Agreement are to be construed in accordance with and governed by the internal laws of the State of Texas, without giving effect to any choice-of-law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Texas to the rights and duties of the Parties. Should any provision of the Plan or this Agreement relating to the Shares be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

12. Interpretive Matters. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term "include" or "including" does not denote or imply any limitation. The term "business day" means any Monday through Friday other than such a day on which banks are authorized to be closed in the State of Texas. The captions and headings used in this Agreement are inserted for convenience and shall not be deemed a part of the Award or this Agreement for construction or interpretation.

13. Notice. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective, and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other Party at its address as shown beneath its signature in this Agreement, or to such other address as such Party may designate in writing from time to time by notice to the other Party.

14. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the Grantee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Grantee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

[Signature page follows.]

EAGLE MATERIALS INC.

Dated: _____, 2013

By: _____
Name: Steven R. Rowley
Its: President and CEO
Address: 3811 Turtle Creek Boulevard, Suite 1100
Dallas, Texas 75219

The Grantee acknowledges receipt of a copy of the Plan, represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of this Agreement and the Plan. The Grantee further agrees to notify the Company upon any change in the address for notice indicated in this Agreement.

Dated: _____, 2013

Signed: _____
Name: _____
Address: _____

EXHIBIT A

INDIVIDUAL GOALS

See attached.

EXHIBIT A - 1

EXHIBIT B

CHANGE-IN-CONTROL

For the purpose of this Agreement, a “Change in Control” shall mean the occurrence of any of the following events:

(a) The acquisition by any Person of beneficial ownership of securities of the Company (including any such acquisition of beneficial ownership deemed to have occurred pursuant to Rule 13d-5 under the Exchange Act) if, immediately thereafter, such Person is the beneficial owner of (i) 50% or more of the total number of outstanding shares of any single class of Company Common Stock or (ii) 40% or more of the total number of outstanding shares of all classes of Company Common Stock, unless such acquisition is made (a) directly from the Company in a transaction approved by a majority of the members of the Incumbent Board or (b) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or who is otherwise designated as a member of the Incumbent Board by such a vote) shall be considered as though such individual were a member of the Incumbent Board, except that any such individual shall not be considered a member of the Incumbent Board if his or her initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) The consummation of a Business Combination, unless, immediately following such Business Combination, (i) more than 50% of both the total number of then outstanding shares of common stock of the parent corporation resulting from such Business Combination and the combined voting power of the then outstanding voting securities of such parent corporation entitled to vote generally in the election of directors will be (or is) then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners, respectively, of the outstanding shares of Company Common Stock immediately prior to such Business Combination in substantially the same proportions as their ownership immediately prior to such Business Combination of the outstanding shares of Company Common Stock, (ii) no Person (other than any employee benefit plan (or related trust) of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the total number of then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were members of the Incumbent Board immediately prior to the consummation of such Business Combination; or

(d) Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless, immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to

exist) and of the Acquiring Entity in substantially the same proportions as their ownership immediately prior to such Major Asset Disposition of the outstanding shares of Company Common Stock; (B) no Person (other than any employee benefit plan (or related trust) of the Company or such entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of the Company (if it continues to exist) and of the Acquiring Entity entitled to vote generally in the election of directors and (C) at least a majority of the members of the Board of the Company (if it continues to exist) and of the Acquiring Entity were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Major Asset Disposition.

For purposes of the foregoing,

- (i) the term “*Person*” means an individual, entity or group;
- (ii) the term “*group*” is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;
- (iii) the terms “*beneficial owner*”, “*beneficial ownership*” and “*beneficially own*” are used as defined for purposes of Rule 13d-3 under the Exchange Act;
- (iv) the term “*Business Combination*” means (x) a merger, consolidation or share exchange involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;
- (v) the term “*Company Common Stock*” shall mean the Common Stock, par value \$.01 per share, of the Company;
- (vi) the term “*Exchange Act*” means the Securities Exchange Act of 1934, as amended;
- (vii) the phrase “*parent corporation resulting from a Business Combination*” means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries;
- (viii) the term “*Major Asset Disposition*” means the sale or other disposition in one transaction or a series of related transactions of 50% or more of the assets of the Company and its subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the members of the Incumbent Board;
- (ix) the term “*Acquiring Entity*” means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and
- (x) the phrase “*substantially the same proportions*,” when used with reference to ownership interests in the parent corporation resulting from a Business Combination or in an Acquiring Entity, means substantially in proportion to the number of shares of Company Common Stock beneficially owned by the applicable Persons immediately prior to the Business Combination or Major Asset Disposition, but is not to be construed in such a manner as to require that the same ratio or number of shares of such parent corporation or Acquiring Entity be issued, paid or delivered in exchange for or in respect of the shares of each class of Company Common Stock.

EAGLE MATERIALS INC.**AMENDED AND RESTATED INCENTIVE PLAN****NON-QUALIFIED DIRECTOR STOCK OPTION AGREEMENT**

This option agreement (the "Option Agreement" or "Agreement") entered into between EAGLE MATERIALS INC., a Delaware corporation (the "Company"), and (the "Optionee"), a director of the Company, with respect to a right (the "Option") awarded to the Optionee under the Eagle Materials Inc. Amended and Restated Incentive Plan (the "Plan"), on August 12, 2013 (the "Award Date") to purchase from the Company up to but not exceeding in the aggregate shares of Common Stock (as defined in the Plan) at a price of \$67.21 per share (the "Exercise Price"), such number of shares and such price per share being subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. Relationship to Plan.

This Option is subject to all of the terms, conditions and provisions of the Plan and administrative interpretations thereunder, if any, which have been adopted by the Company's Compensation Committee ("Committee") and are in effect on the date hereof. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan. For purposes of this Option Agreement:

"Retirement" shall mean termination of service on the Board at the Company's mandatory retirement age in accordance with the Company's director retirement policy or earlier on such terms and conditions as approved by the Committee.

2. Exercise Schedule.

(a) *Exercisability.* This Option may be exercised to purchase the shares of Common Stock covered thereby (the "Option Shares") immediately on the Award Date. Such Option may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Option pursuant to the terms of this Agreement or the Plan.

(b) *Change in Control.* Upon the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), (i) this Option may be replaced within a reasonable time after the Change in Control with an option of equivalent value to purchase shares of the surviving parent corporation if the Committee determines that the terms giving rise to the Change in Control provide for such replacement, or (ii) the Option may be settled in cash in accordance with the last sentence of this subparagraph (b). Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Option by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the settlement date and the Exercise Price for the Option, multiplied by the number of shares then subject to the Option.

3. *Termination of Option.*

The Option hereby granted shall terminate and be of no force and effect with respect to any shares of Common Stock not previously purchased by the Optionee at the earliest time specified below:

(a) the tenth anniversary of the Award Date;

(b) if Optionee's service as a Director is terminated by the Company for "cause" (as determined by the Committee) at any time after the Award Date, then the Option shall terminate immediately upon such termination of Optionee's service;

(c) if Optionee's service as a Director is terminated due to Retirement, then this Option shall terminate on the tenth anniversary of the Award Date;

(d) if Optionee's service as a Director is terminated due to death at any time after the Award Date and while in the service of the Company or within 90 days after such termination of service, then the Option shall terminate on the first business day following the expiration of the one-year period which began on the date of Optionee's death; or

(e) if Optionee's service as a Director is terminated for any reason other than death, Retirement or termination for "cause," then the Option shall terminate on the first business day following the expiration of the 90-day period beginning on the date of termination of Optionee's service.

4. *Exercise of Option.*

Subject to the limitations set forth herein and in the Plan, this Option may be exercised by notice provided to the Company as set forth in Section 5. The payment of the Exercise Price for the Option Shares being purchased pursuant to the Option shall be made (a) in cash, by check or cash equivalent, (b) by tender to the Company, or attestation to the ownership, of Common Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such Common Stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the Exercise Price, (c) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), (d) by withholding Option Shares equal to the Exercise Price multiplied by the number of Options exercised divided by the Fair Market Value at the time of exercise, rounded up to the nearest whole share, (e) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (f) by any combination thereof. Notwithstanding the foregoing, if the Exercise Price of the outstanding portion of the Option is less than the Fair Market Value of a share of Common Stock on the day the Option would otherwise expire as provided in Section 3(a), then the Option shall be automatically exercised in full pursuant to clause (d) above immediately prior to its expiration.

If the Optionee desires to pay the purchase price for the Option Shares by tendering Common Stock using the method of attestation, the Optionee may, subject to any such conditions and in compliance with any such procedures as the Committee may adopt, do so by attesting to the ownership of Common Stock of the requisite value, in which case the Company shall issue or otherwise deliver to the Optionee upon such exercise a number of Option Shares equal to the result obtained by dividing (a) the excess of the aggregate Fair Market Value of the total number shares of Common Stock subject to the Option for which the Option (or portion thereof) is being exercised over the purchase price payable in respect of such exercise by (b) the Fair Market Value per share of Common Stock subject to the Option, and the Optionee may retain the shares of Common Stock the ownership of which is attested.

Notwithstanding anything to the contrary contained herein, the Optionee agrees that he will not exercise the Option granted pursuant hereto, and the Company will not be obligated to issue any Option Shares pursuant to this Option Agreement, if the exercise of the Option or the issuance of such shares would constitute a violation by the Optionee or by the Company of any provision of any law or regulation of any governmental authority or any stock exchange or transaction quotation system. The Optionee agrees that, unless the options and shares covered by the Plan have been registered pursuant to the Securities Act of 1933, as amended (the "Act"), the Company may, at its election, require the Optionee to give a representation in writing in form and substance satisfactory to the Company to the effect that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of such shares or any part thereof.

If any law or regulation requires the Company to take any action with respect to the shares specified in such notice, the time for delivery thereof, which would otherwise be as promptly as reasonably practicable, shall be postponed for the period of time necessary to take such action.

5. *Notices.*

Notice of exercise of the Option must be made in the following manner, using such forms as the Company may from time to time provide:

(b) by electronic means as designated by the Committee, in which case the date of exercise shall be the date when receipt is acknowledged by the Company;

(c) by registered or certified United States mail, postage prepaid, to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219, in which case the date of exercise shall be the date of mailing; or

(d) by hand delivery or otherwise to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219, in which case the date of exercise shall be the date when receipt is acknowledged by the Company.

Notwithstanding the foregoing, in the event that the address of the Company is changed prior to the date of any exercise of this Option, notice of exercise shall instead be made pursuant to the foregoing provisions at the Company's current address.

Any other notices provided for in this Agreement or in the Plan shall be given in writing or by such electronic means, as permitted by the Committee, and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Optionee, five days after deposit in the United States mail, postage prepaid, addressed to the Optionee at the address specified at the end of this Agreement or at such other address as the Optionee hereafter designates by written notice to the Company.

6. Assignment of Option.

Except as otherwise permitted by the Committee, the rights of the Optionee under the Plan and this Award Agreement are personal; no assignment or transfer of the Optionee's rights under and interest in this Option may be made by the Optionee otherwise than by will, by beneficiary designation, by the laws of descent and distribution or by a qualified domestic relations order; and this Option is exercisable during his lifetime only by the Optionee, except as otherwise provided in this Agreement.

After the death of the Optionee, exercise of the Option shall be permitted only by the Optionee's designated beneficiary or, in the absence of a designated beneficiary, the Optionee's executor or the personal representative of the Optionee's estate (or by his assignee, in the event of a permitted assignment) and only to the extent that the Option was exercisable on the date of the Optionee's death.

7. Stock Certificates.

Certificates representing the Common Stock issued pursuant to the exercise of the Option will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Option. The Company may place a "stop transfer" order against shares of the Common Stock issued pursuant to the exercise of this Option until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 7 have been complied with.

8. Shareholder Rights.

The Optionee shall have no rights of a shareholder with respect to shares of Common Stock subject to the Option unless and until such time as the Option has been exercised and ownership of such shares of Common Stock has been transferred to the Optionee.

9. Successors and Assigns.

This Agreement shall bind and inure to the benefit of and be enforceable by the Optionee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Optionee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

10. *No Service Guaranteed.*

No provision of this Option Agreement shall confer any right upon the Optionee to continued service with the Company.

11. *Governing Law.*

This Option Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

12. *Amendment.*

This Agreement cannot be modified, altered or amended except by an agreement, in writing, signed by both the Company and the Optionee.

EAGLE MATERIALS INC.

Date: _____

By: _____
Name: Steven R. Rowley
Title: President and CEO

The Optionee hereby accepts the foregoing Option Agreement, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

OPTIONEE:

Date: _____

Optionee's Address:

EXHIBIT A

Change in Control

For the purpose of this Agreement, a “Change of Control” shall mean the occurrence of any of the following events:

(b) The acquisition by any Person of beneficial ownership of securities of the Company (including any such acquisition of beneficial ownership deemed to have occurred pursuant to Rule 13d-5 under the Exchange Act) if, immediately thereafter, such Person is the beneficial owner of (i) 50% or more of the total number of outstanding shares of any single class of Company Common Stock or (ii) 40% or more of the total number of outstanding shares of all classes of Company Common Stock, unless such acquisition is made (a) directly from the Company in a transaction approved by a majority of the members of the Incumbent Board or (b) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(c) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or who is otherwise designated as a member of the Incumbent Board by such a vote) shall be considered as though such individual were a member of the Incumbent Board, except that any such individual shall not be considered a member of the Incumbent Board if his or her initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(d) The consummation of a Business Combination, unless, immediately following such Business Combination, (i) more than 50% of both the total number of then outstanding shares of common stock of the parent corporation resulting from such Business Combination and the combined voting power of the then outstanding voting securities of such parent corporation entitled to vote generally in the election of directors will be (or is) then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners, respectively, of the outstanding shares of Company Common Stock immediately prior to such Business Combination in substantially the same proportions as their ownership immediately prior to such Business Combination of the outstanding shares of Company Common Stock, (ii) no Person (other than any employee benefit plan (or related trust) of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the total number of then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were members of the Incumbent Board immediately prior to the consummation of such Business Combination; or

(e) Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless, immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to exist) and of the Acquiring Entity in substantially the same proportions as their ownership immediately prior to such Major Asset Disposition of the outstanding shares of Company Common Stock; (B) no Person (other than any employee benefit plan (or related trust) of the Company or such entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of the Company (if it continues to exist) and of the Acquiring Entity entitled to vote generally in the election of directors and (C) at least a majority of the members of the Board of the Company (if it continues to exist) and of the Acquiring Entity were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Major Asset Disposition.

For purposes of the foregoing,

(i) the term “Person” means an individual, entity or group;

(ii) the term “group” is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;

(iii) the terms “beneficial owner”, “beneficial ownership” and “beneficially own” are used as defined for purposes of Rule 13d-3 under the Exchange Act;

(iv) the term “Business Combination” means (x) a merger, consolidation or share exchange involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;

(v) the term “Company Common Stock” shall mean the Common Stock, par value \$.01 per share, of the Company;

(vi) the term “Exchange Act” means the Securities Exchange Act of 1934, as amended;

(vii) the phrase “parent corporation resulting from a Business Combination” means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries;

(viii) the term “Major Asset Disposition” means the sale or other disposition in one transaction or a series of related transactions of 50% or more of the assets of the Company and its subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the members of the Incumbent Board;

(ix) the term “Acquiring Entity” means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and

(x) the phrase “substantially the same proportions,” when used with reference to ownership interests in the parent corporation resulting from a Business Combination or in an Acquiring Entity, means substantially in proportion to the number of shares of Company Common Stock beneficially owned by the applicable Persons immediately prior to the Business Combination or Major Asset Disposition, but is not to be construed in such a manner as to require that the same ratio or number of shares of such parent corporation or Acquiring Entity be issued, paid or delivered in exchange for or in respect of the shares of each class of Company Common Stock.

EAGLE MATERIALS INC.

AMENDED AND RESTATED INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Eagle Materials Inc., a Delaware corporation (the “Company”), and (the “Grantee”) hereby enter into this Restricted Stock Award Agreement (the “Agreement”) in order to set forth the terms and conditions of the Company’s award (the “Award”) to the Grantee of certain shares of Common Stock of the Company granted to the Grantee on August 12, 2013 (the “Award Date”).

1. Award. The Company hereby awards to the Grantee shares of Common Stock of the Company (the “Shares”).

2. Relationship to the Plan. The Award shall be subject to the terms and conditions of the Amended and Restated Eagle Materials Inc. Incentive Plan (the “Plan”), this Agreement and such administrative interpretations of the Plan, if any, as may be in effect on the date of this Agreement. Except as defined herein, capitalized terms shall have the meanings ascribed to them under the Plan. For purposes of this Agreement:

- (a) “Restriction Period” shall mean the period beginning on the Award Date and ending on the date immediately preceding the Vesting Date.
- (b) “Retirement” shall mean termination of service on the Board at the Company’s mandatory retirement age in accordance with the Company’s director retirement policy or earlier on such terms and conditions as approved by the Committee.

3. Vesting.

- (a) Vesting Criteria. The Grantee’s interest in the Shares shall vest in full as of the earlier of (i) Grantee’s Retirement or (ii) Grantee’s death (as applicable, the “Vesting Date”). Prior to the Vesting Date, all Shares shall be unvested Shares.
- (b) Restrictions. During the Restriction Period, the Grantee may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of any unvested Shares or any right or interest related to such unvested Shares, other than as required by the Grantee’s will or beneficiary designation, in accordance with the laws of descent and distribution or by a qualified domestic relations order.
- (c) Cancellation Right. The Grantee must be in continuous service as a Director from the Award Date through the Vesting Date for an unvested Share to become vested. Subject to Section 4, Grantee’s discontinuation of service as a Director prior to the Vesting Date shall cause the unvested Shares to be automatically forfeited as of such discontinuation of service date.

4. Change in Control. The restrictions set forth above in Section 3 shall lapse with respect to the unvested Shares not previously forfeited and such Shares shall become fully vested without regard to the limitations set forth in Section 3 above, provided that the Grantee has been in continuous service

as a Director from the Award Date through the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), unless either: (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation, or (ii) the Award is to be settled in cash in accordance with the last sentence of this Section 4. Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

5. Stockholder Rights. The Grantee shall have the right to vote the Shares. The Grantee shall also have the right to receive any cash dividends declared and paid on the unvested Shares at the same time such amounts are paid with respect to all other shares of Common Stock.

6. Capital Adjustments and Corporate Events. If, from time to time during the term of the Restriction Period, there is any capital adjustment affecting the outstanding Common Stock as a class without the Company's receipt of consideration, the Shares shall be adjusted in accordance with the provisions of Section 15 of the Plan. Any and all new, substituted or additional securities to which the Grantee may be entitled by reason of the Grantee's ownership of the Shares hereunder because of a capital adjustment shall be immediately subject to the restrictions set forth herein and included thereafter as Shares for purposes of this Agreement.

7. Refusal to Transfer. The Company shall not be required:

- (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan; or
- (b) to treat such purchaser or other transferee as owner of such Shares, accord such purchaser or other transferee the right to vote; or pay or deliver dividends or other distributions to such purchaser or other transferee with respect to such Shares.

8. Legends. If the Shares are certificated, the certificate or certificates evidencing the Shares, if any, issued hereunder shall be endorsed with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AND, ACCORDINGLY, MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR IN ANY MANNER DISPOSED OF EXCEPT IN CONFORMITY WITH THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE ISSUER'S PRINCIPAL CORPORATE OFFICES.

9. Tax Consequences. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Grantee understands that Section 83 of the Code taxes as ordinary

income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the restrictions imposed during the Restriction Period. The Grantee understands that the Grantee may elect to be taxed at the time the Shares are awarded rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Award Date. THE GRANTEE ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY (AND NOT THE COMPANY'S) TO FILE TIMELY THE ELECTION UNDER SECTION 83(B), EVEN IF THE GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE GRANTEE'S BEHALF.

10. Entire Agreement; Governing Law. The Plan and this Agreement constitute the entire agreement of the Company and the Grantee (collectively, the "Parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Parties with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Parties. Nothing in the Plan and this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any person other than the Parties. The Plan and this Agreement are to be construed in accordance with and governed by the internal laws of the State of Texas, without giving effect to any choice-of-law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Texas to the rights and duties of the Parties. Should any provision of the Plan or this Agreement relating to the Shares be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

11. Interpretive Matters. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term "include" or "including" does not denote or imply any limitation. The term "business day" means any Monday through Friday other than such a day on which banks are authorized to be closed in the State of Texas. The captions and headings used in this Agreement are inserted for convenience and shall not be deemed a part of the Award or this Agreement for construction or interpretation.

12. Notice. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective, and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other Party at its address as shown beneath its signature in this Agreement, or to such other address as such Party may designate in writing from time to time by notice to the other Party.

13. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the Grantee, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Grantee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

[Signature page follows]

EAGLE MATERIALS INC.

Dated: _____, 2013

By: _____
Name: Steven R. Rowley
Its: President and CEO
Address: 3811 Turtle Creek Boulevard, Suite 1100
Dallas, Texas 75219

The Grantee acknowledges receipt of a copy of the Plan, represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of this Agreement and the Plan. The Grantee further agrees to notify the Company upon any change in the address for notice indicated in this Agreement.

GRANTEE

Dated: _____, 2013

Signed: _____
Name: _____
Address: _____

EXHIBIT A

CHANGE IN CONTROL

For the purpose of this Agreement, a “Change in Control” shall mean the occurrence of any of the following events:

(a) The acquisition by any Person of beneficial ownership of securities of the Company (including any such acquisition of beneficial ownership deemed to have occurred pursuant to Rule 13d-5 under the Exchange Act) if, immediately thereafter, such Person is the beneficial owner of (i) 50% or more of the total number of outstanding shares of any single class of Company Common Stock or (ii) 40% or more of the total number of outstanding shares of all classes of Company Common Stock, unless such acquisition is made (a) directly from the Company in a transaction approved by a majority of the members of the Incumbent Board or (b) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company;

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (or who is otherwise designated as a member of the Incumbent Board by such a vote) shall be considered as though such individual were a member of the Incumbent Board, except that any such individual shall not be considered a member of the Incumbent Board if his or her initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) The consummation of a Business Combination, unless, immediately following such Business Combination, (i) more than 50% of both the total number of then outstanding shares of common stock of the parent corporation resulting from such Business Combination and the combined voting power of the then outstanding voting securities of such parent corporation entitled to vote generally in the election of directors will be (or is) then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners, respectively, of the outstanding shares of Company Common Stock immediately prior to such Business Combination in substantially the same proportions as their ownership immediately prior to such Business Combination of the outstanding shares of Company Common Stock, (ii) no Person (other than any employee benefit plan (or related trust) of the Company or any corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the total number of then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the parent corporation resulting from such Business Combination were members of the Incumbent Board immediately prior to the consummation of such Business Combination; or

(d) Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless, immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to

exist) and of the Acquiring Entity in substantially the same proportions as their ownership immediately prior to such Major Asset Disposition of the outstanding shares of Company Common Stock; (B) no Person (other than any employee benefit plan (or related trust) of the Company or such entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of the Company (if it continues to exist) and of the Acquiring Entity entitled to vote generally in the election of directors and (C) at least a majority of the members of the Board of the Company (if it continues to exist) and of the Acquiring Entity were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Major Asset Disposition.

For purposes of the foregoing,

- (i) the term “*Person*” means an individual, entity or group;
- (ii) the term “*group*” is used as it is defined for purposes of Section 13(d)(3) of the Exchange Act;
- (iii) the terms “*beneficial owner*”, “*beneficial ownership*” and “*beneficially own*” are used as defined for purposes of Rule 13d-3 under the Exchange Act;
- (iv) the term “*Business Combination*” means (x) a merger, consolidation or share exchange involving the Company or its stock or (y) an acquisition by the Company, directly or through one or more subsidiaries, of another entity or its stock or assets;
- (v) the term “*Company Common Stock*” shall mean the Common Stock, par value \$.01 per share, of the Company;
- (vi) the term “*Exchange Act*” means the Securities Exchange Act of 1934, as amended;
- (vii) the phrase “*parent corporation resulting from a Business Combination*” means the Company if its stock is not acquired or converted in the Business Combination and otherwise means the entity which as a result of such Business Combination owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries;
- (viii) the term “*Major Asset Disposition*” means the sale or other disposition in one transaction or a series of related transactions of 50% or more of the assets of the Company and its subsidiaries on a consolidated basis; and any specified percentage or portion of the assets of the Company shall be based on fair market value, as determined by a majority of the members of the Incumbent Board;
- (ix) the term “*Acquiring Entity*” means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and
- (x) the phrase “*substantially the same proportions*,” when used with reference to ownership interests in the parent corporation resulting from a Business Combination or in an Acquiring Entity, means substantially in proportion to the number of shares of Company Common Stock beneficially owned by the applicable Persons immediately prior to the Business Combination or Major Asset Disposition, but is not to be construed in such a manner as to require that the same ratio or number of shares of such parent corporation or Acquiring Entity be issued, paid or delivered in exchange for or in respect of the shares of each class of Company Common Stock.

	Six Months	Fiscal Year Ended March 31,			
	Ended September 30, 2013	2013	2012	2011	2010
Earnings (1):					
Earnings before income taxes	103,204	84,096	21,912	16,762	39,297
Add: Fixed charges	9,588	15,791	17,769	18,291	19,060
Add: Amortization of capitalized interest and FIN 48 Interest	594	945	(367)	(932)	3,277
Add: Cash distributions from equity method investments	20,500	28,500	23,250	24,500	29,750
Subtract: Income from equity method investments	(17,625)	(32,507)	(28,528)	(24,233)	(24,157)
Total Earnings	116,261	96,825	34,036	34,388	67,227
Fixed Charges (2):					
Interest expense	9,426	15,467	17,530	17,995	18,760
Interest component of rent expense	162	324	239	296	300
Total Fixed Charges	9,588	15,791	17,769	18,291	19,060
Ratio of Earnings to Fixed Charges	12.1x	6.1x	1.9x	1.9x	3.5x

- (1) Earnings represent earnings before income taxes and before income from equity method investments plus: (a) fixed charges; and (b) cash distributions from equity method investments.
- (2) Fixed charges include: (a) interest expense, whether expensed or capitalized, less interest accrued for uncertain tax positions; and (b) the portion of operating rental expense which management believes is representative of the interest component of rent expense.

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven R. Rowley, certify that:

1. I have reviewed this report on Form 10-Q of Eagle Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2013

By: /s/ Steven R. Rowley

Steven R. Rowley
President and Chief Executive Officer

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, D. Craig Kesler, certify that:

1. I have reviewed this report on Form 10-Q of Eagle Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2013

By: /s/ D. Craig Kesler

D. Craig Kesler
Chief Financial Officer
(Principal Financial Officer)

Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Rowley, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2013

By: /s/ Steven R. Rowley

Steven R. Rowley
President and Chief Executive Officer

Certification of Periodic Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Craig Kesler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2013

By: /s/ D. Craig Kesler

D. Craig Kesler
Chief Financial Officer
(Principal Financial Officer)

MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act contains reporting requirements regarding mine safety. The operation of our quarries is subject to regulation by the federal Mine Safety and Health Administration, or MSHA, under the Federal Mine Safety and Health Act of 1977, or the Mine Act. Set forth below is the required information regarding certain mining safety and health matters for the three month period ending September 30, 2013 for our facilities. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
American Gypsum Company Albuquerque, NM (2900181)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
American Gypsum Company Duke, OK (3400256)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
American Gypsum Company Eagle, CO (0503997)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Centex Materials Buda, TX (4102241)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Central Plains Cement Company Sugar Creek, MO (2302171)	2	0	0	0	0	\$ 1,407	0	no	no	0	0	0
Central Plains Cement Company Sugar Creek, MO (2300158)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Central Plains Cement Company Tulsa, OK (3400026)	7	0	0	0	0	\$ 0	0	no	no	0	0	0
Illinois Cement Company LaSalle, IL (1100003)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Mountain Cement Company Laramie, WY (4800007)	2	0	0	0	0	\$ 0	0	no	no	2(1)	0	0
Mountain Cement Company Laramie, WY (4800529)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Nevada Cement Company Fernley, NV (2600015)	1	0	0	0	0	\$ 4,725	0	no	no	2(2)	0	0
Northern White Sand LLC Utica, IL (1103253)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Northern White Sand LLC Corpus Christi, TX (4105013)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Talon Concrete and Aggregates Sugar Creek, MO (2302239)	1	0	0	0	0	\$ 1,604	0	no	no	0	0	0
Talon Concrete and Aggregates Sugar Creek, MO (2302211)	5	0	1	0	0	\$ 743	0	no	no	0	0	0
Texas Lehigh Cement Company Buda, TX (4102781)	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Western Aggregates Yuba, CA (0404950)	0	0	0	0	0	\$ 0	0	no	no	0	0	0

- (1) Of the 2 legal actions pending as of the last day of the period, 1 is a pre-penalty contest and the other is a penalty contest.
- (2) The 2 legal actions are penalty contests.