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

June 30, 2010

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 August 2, 2010, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	44,158,078

Eagle Materials Inc. and Subsidiaries
Form 10-Q
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Eagle Materials Inc. and Subsidiaries
Consolidated Statements of Earnings
(dollars in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
Revenues	$ 130,794	$ 127,805
Cost of Goods Sold	114,363	108,074
Gross Profit	16,431	19,731
Equity in Earnings of Unconsolidated Joint Venture	6,512	7,301
Other Income	717	87
Operating Earnings	23,660	27,119
Corporate General and Administrative Expense	(3,703)	(4,293)
Earnings before Interest and Income Taxes	19,957	22,826
Interest Expense, Net	(5,290)	(5,633)
Earnings before Income Taxes	14,667	17,193
Income Taxes	(4,140)	(5,273)
Net Earnings	$ 10,527	$ 11,920
EARNINGS PER SHARE		
Basic	$ 0.24	$ 0.27
Diluted	$ 0.24	$ 0.27
AVERAGE SHARES OUTSTANDING		
Basic	43,832,372	43,581,646
Diluted	44,222,884	43,996,589
CASH DIVIDENDS PER SHARE	$ 0.10	$ 0.10

See notes to unaudited consolidated financial statements.

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

	June 30, 2010 (unaudited)	March 31, 2010
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 2,997	$ 1,416
Accounts and Notes Receivable	53,574	49,721
Inventories	106,505	105,871
Prepaid and Other Assets	3,508	4,266
Total Current Assets	166,584	161,274
Property, Plant and Equipment -	1,103,616	1,100,590
Less: Accumulated Depreciation	(480,198)	(468,121)
Property, Plant and Equipment, net	623,418	632,469
Notes Receivable	10,201	10,586
Investment in Joint Venture	33,190	33,928
Goodwill and Intangible Assets	152,016	152,175
Other Assets	23,480	23,344
	$1,008,889	$1,013,776
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	$ 27,381	$ 27,840
Federal Income Taxes Payable	6,982	—
Accrued Liabilities	35,270	44,044
Current Portion of Bank Credit Facility	10,000	—
Total Current Liabilities	79,633	71,884
Long-term Debt	285,000	303,000
Other Long-term Liabilities	68,726	67,946
Deferred Income Taxes	122,424	125,584
Total Liabilities	555,783	568,414
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 44,158,078 and 43,830,794 Shares, respectively	442	438
Capital in Excess of Par Value	16,352	14,723
Accumulated Other Comprehensive Losses	(3,518)	(3,518)
Retained Earnings	439,830	433,719
Total Stockholders' Equity	453,106	445,362
	$1,008,889	$1,013,776

See notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$ 10,527	$ 11,920
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Gain on Sale of Property, Plant and Equipment	(485)	—
Depreciation, Depletion and Amortization	12,450	12,819
Deferred Income Tax Provision	(3,160)	(3,015)
Stock Compensation Expense	649	1,050
Equity in Earnings of Unconsolidated Joint Venture	(6,512)	(7,301)
Excess Tax Benefits from Share Based Payment Arrangements	(259)	(129)
Distributions from Joint Venture	7,250	8,750
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(3,468)	(12,330)
Inventories	(634)	2,680
Accounts Payable and Accrued Liabilities	(7,088)	(1,158)
Other Assets	507	262
Income Taxes Payable	5,841	6,216
Net Cash Provided by Operating Activities	15,618	19,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(3,240)	(2,548)
Proceeds from Sale of Property, Plant and Equipment	600	—
Net Cash Used in Investing Activities	(2,640)	(2,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Bank Credit Facility	7,000	(30,000)
Repayment of Senior Notes	(15,000)	—
Dividends Paid to Stockholders	(4,381)	(4,354)
Proceeds from Stock Option Exercises	725	250
Excess Tax Benefits from Share Based Payment Arrangements	259	129
Net Cash Provided by (Used in) Financing Activities	(11,397)	(33,975)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,581	(16,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,416	17,798
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,997	$ 1,039

See notes to the unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
June 30, 2010

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three month period ended June 30, 2010, 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 27, 2010.

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.

We have changed the presentation of our income statement to more closely reflect the format used by other registrants in our industry. This change resulted in disclosure of consolidated revenues and cost of sales instead of by segment, and has included such subtotals as Earnings before Interest and Taxes and Earnings before Taxes, which are also consistent with the presentation of those of our competitors. Additionally, certain prior period reclassifications have been made to conform to the current period presentation.

We evaluated all events or transactions that occurred after June 30, 2010 through the filing of these financial statements.

Recent Accounting Pronouncements

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

(B) CASH FLOW INFORMATION - SUPPLEMENTAL

Cash payments made for interest were $8.6 million and $9.0 million for the three months ended June 30, 2010 and 2009, respectively. Net payments made for federal and state income taxes during the three months ended June 30, 2010 and 2009, were $1.4 and $2.2 million, respectively.

(C) COMPREHENSIVE INCOME

Comprehensive income for the three month periods ended June 30, 2010 and 2009 was identical to net income for the same periods.

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As of June 30, 2010, we had an accumulated other comprehensive loss of $3.5 million, in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

(D) STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity follows:

	For the Three Months Ended June 30, 2010 (dollars in thousands)
Common Stock –	
Balance at Beginning of Period	$ 438
Stock Option Exercises	4
Balance at End of Period	442
Capital in Excess of Par Value –	
Balance at Beginning of Period	14,723
Stock Compensation Expense	649
Stock Option Exercises	980
Balance at End of Period	16,352
Retained Earnings –	
Balance at Beginning of Period	433,719
Dividends Declared to Stockholders	(4,416)
Net Earnings	10,527
Balance at End of Period	439,830
Accumulated Other Comprehensive Losses –	
Balance at Beginning of Period	(3,518)
Balance at End of Period	(3,518)
Total Stockholders' Equity	$ 453,106

There were no share repurchases during the three month period ended June 30, 2010. As of June 30, 2010, we have authorization to purchase an additional 717,300 shares.

(E) 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 June 30, 2010	As of March 31, 2010
	(dollars in thousands)	
Raw Materials and Material-in-Progress	$ 31,261	$ 33,092
Gypsum Wallboard	7,361	5,587
Finished Cement	11,168	11,639
Aggregates	12,768	12,691
Paperboard	1,785	1,789
Repair Parts and Supplies	39,270	38,743
Fuel and Coal	2,892	2,330
	$106,505	$105,871

(F) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of	
	June 30, 2010	March 31, 2010
	(dollars in thousands)	
Payroll and Incentive Compensation	$ 4,814	$ 8,507
Benefits	8,771	8,436
Interest	2,902	7,310
Insurance	6,448	6,384
Property Taxes	4,637	3,976
Other	7,698	9,431
	$35,270	$44,044

(G) SHARE-BASED EMPLOYEE COMPENSATION

On January 8, 2004, our stockholders approved a new incentive plan (the “Plan”) that combined and amended the two previously existing stock option plans. In August 2009, our shareholders approved an amendment to the Plan which, among other things, increased the number of shares available for award under the Plan by 3 million shares. Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (“RSUs”), restricted stock and stock appreciation rights (collectively, the “Equity Awards”) to employees of the Company and members of the Board of Directors. The Compensation Committee of our Board of Directors specifies the terms for grants of Equity Awards under the Plan.

Long-Term Compensation Plans -

Options. In May 2010, the Compensation Committee of the Board of Directors approved an incentive equity award of an aggregate of 163,000 performance-vesting stock options pursuant to the Plan to certain individuals that can be earned, in whole or in part, if certain performance conditions are satisfied (the “Fiscal 2011 Stock Option Grant”). The performance and vesting criteria for the Fiscal 2011 Stock Option Grant are based on the achievement of specified levels of operating earnings, as well as the achievement of certain safety and operational metrics, at each of our business segments for the fiscal year ending March 31, 2011. For those options earned based on the performance criteria, one third will vest immediately, one third will vest on March 31, 2012 and the final third will vest on March 31, 2013. The options have a term of ten years from the date of grant, and any options not earned at March 31, 2011 will be forfeited. These stock options were valued at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2011 are as follows:

	Fiscal 2010
Dividend Yield	2.0%
Expected Volatility	42.3%
Risk Free Interest Rate	3.0%
Expected Life	7.0 years

Stock option expense for all outstanding stock option awards totaled approximately $0.4 million and $0.7 million for the three month periods ended June 30, 2010 and 2009, respectively. At June 30, 2010, there was approximately $3.7 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 4.2 years.

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The following table represents stock option activity for the quarter ended June 30, 2010:

	Number of Shares	Weighted-Average Exercise Price
Outstanding Options at Beginning of Period	3,446,452	$ 33.32
Granted	163,000	$ 30.74
Exercised	(53,118)	$ 13.60
Cancelled	(600)	$ 37.13
Outstanding Options at End of Period	3,555,734	$ 34.13
Options Exercisable at End of Period	1,944,959	
Weighted-Average Fair Value of Options Granted during the Period	$ 11.85	

The following table summarizes information about stock options outstanding at June 30, 2010:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares Outstanding	Weighted - - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
$ 7.27 - $ 9.91	145,217	0.98	$ 8.32	145,217	$ 8.32
$ 9.57 - $ 13.43	341,932	2.50	$ 12.35	341,932	$ 12.35
$ 21.52 - $ 29.08	1,336,876	3.88	$ 26.83	1,143,876	$ 26.25
$ 34.09 - $ 40.78	315,670	3.44	$ 37.83	245,770	$ 38.13
$ 47.53 - $ 62.83	1,416,039	4.07	$ 48.09	68,164	$ 59.06
	3,555,734	3.67	$ 34.13	1,944,959	$ 25.12

At June 30, 2010, there was no intrinsic value for outstanding options. The aggregate intrinsic value of exercisable options at that date was approximately $1.6 million. The total intrinsic value of options exercised during the three month period ended June 30, 2010 was approximately $0.9 million.

Restricted Stock Units. In May 2010, the same employees receiving stock options also received an aggregate of 207,500 RSUs. The vesting criteria for the RSUs are the same as the vesting criteria for the Fiscal 2011 Stock Option Grant. The value of the RSUs, net of expected forfeitures, is being expensed ratably over three years. Expense related to RSUs was approximately $0.1 million and $0.8 million for the three-month periods ended June 30, 2010 and 2009, respectively. At June 30, 2010, there was approximately $1.8 million of unearned compensation from RSUs, net of estimated forfeitures, which will be recognized over a weighted-average period of 2.9 years.

Restricted Stock. In May 2010, the Compensation Committee also approved the granting of an aggregate of 274,166 shares of restricted stock to certain key employees at both the corporate and subsidiary level that will be earned if our ten year average return on equity exceeds 17.25% at March 31, 2011. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the shares will be earned, but such shares will continue to have restrictions preventing the holder from selling, pledging, transferring or otherwise disposing of the shares until the holder satisfies the criteria for “retirement”.

Retirement, as related to the restricted shares, is defined as the shortest time frame of the following: a) the holder reaches the age of 65 and has more than ten years service; b) expiration of five years from the date of grant, and the holder has more than 25 years of service; or c) fifteen years from the date of grant. The value of the restricted shares, net of estimated forfeitures, is being expensed over each individual grantee's retirement period. Expense related to restricted shares was $0.2 million and $0.1 million for the three-month period ended June 30, 2010 and 2009, respectively. At June 30, 2010, there was approximately $7.0 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 7.6 years.

The number of shares available for future stock option, restricted stock unit, stock appreciation right and restricted stock grants under the Plan was 2,620,489 at June 30, 2010.

(H) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended June 30,	
	2010	2009
Weighted-Average Shares of Common Stock Outstanding	43,832,372	43,581,646
Common Equivalent Shares:		
Assumed Exercise of Outstanding Dilutive Options	1,657,584	971,073
Less Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(1,342,920)	(675,980)
Restricted Shares	75,848	119,850
Weighted-Average Common and Common Equivalent Shares Outstanding	44,222,884	43,996,589

At June 30, 2010 and 2009, 1,981,871 and 2,534,894 stock options, respectively, were excluded from the diluted earnings per share calculation, as their effect was anti-dilutive.

(I) 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.

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

	For the Three Months Ended June 30,	
	2010	2009
	(dollars in thousands)	
Service Cost – Benefits Earned during the Period	$ 135	$ 139
Interest Cost of Benefit Obligations	256	251
Expected Return on Plan Assets	(206)	(279)
Recognized Net Actuarial Loss	194	77
Amortization of Prior-Service Cost	32	36
Net Periodic Pension Cost	$ 411	$ 224

(J) 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 the three months ended June 30, 2010 was approximately 28%.

(K) CREDIT FACILITIES

Long-term debt consists of the following:

	As of	
	June 30, 2010	March 31, 2010
	(dollars in thousands)	
Bank Credit Facility	$ 10,000	$ 3,000
Senior Notes	285,000	300,000
Total Debt	295,000	303,000
Less Current Portion of Bank Credit Facility	(10,000)	—
Long-term Debt	$285,000	$303,000

Bank Credit Facility -

We entered into a $350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the “Bank Credit Facility”) to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company’s ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. Our Bank 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 Bank Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to earnings before interest, taxes, depreciation and amortization) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest and taxes to interest expense) of at least 2.5. The Bank 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 if no default exists or would result therefrom; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

The Bank Credit Facility has a $25 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 June 30, 2010, we had $9.2 million of letters of credit outstanding.

We have $10 million of borrowings outstanding under the Bank Credit Facility at June 30, 2010, which have been classified as current as our Bank Credit Facility is scheduled to expire on June 30, 2011. We expect to have a new credit facility in place before the Bank Credit Facility expires on June 30, 2011. We currently have $330.8 million of borrowings available under the Bank Credit Facility at June 30, 2010.

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 $22 million in principal of the Series 2005A Senior Notes. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$38.6 million	November 15, 2012	5.25%
Tranche B	$77.2 million	November 15, 2015	5.38%
Tranche C	$62.2 million	November 15, 2017	5.48%

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

We 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 $93 million in principal of the Series 2007A Senior Notes. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$ 9.5 million	October 2, 2014	6.08%
Tranche B	$11.0 million	October 2, 2016	6.27%
Tranche C	$50.0 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 April 2 and October 2 of each year until all principal is paid for the respective tranche.

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 Bank 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 Bank Credit Facility. We were in compliance with all financial ratios and covenants at June 30, 2010.

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.

(L) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months Ended June 30, 2010	2009
	(dollars in thousands)	
Interest (Income)	$ (2)	$ (17)
Interest Expense	4,454	4,733
Interest Expense - IRS	780	799
Other Expenses	58	118
Interest Expense, net	$ 5,290	$ 5,633

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

(M) 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 June 30, 2010 is as follows:

	Fair Value (dollars in thousands)
Series 2005A Tranche A	$ 39,372
Series 2005A Tranche B	78,358
Series 2005A Tranche C	61,889
Series 2007A Tranche A	9,916
Series 2007A Tranche B	11,583
Series 2007A Tranche C	52,125
Series 2007A Tranche D	37,230

All assets and liabilities which are not considered financial instruments have been valued using historical cost accounting. The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. The fair value of our Bank Credit Facility also approximates its carrying value at June 30, 2010.

(N) 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: Gypsum Wallboard, Cement, Recycled Paperboard, and Concrete and Aggregates, with Gypsum Wallboard and Cement being our principal lines of business. These operations are conducted in the United States and include the mining of gypsum and the manufacture and sale of gypsum wallboard, 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 manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters and the sale of readymix concrete and the mining and sale of aggregates (crushed stone, sand and gravel). These products are used primarily in commercial and residential construction, public construction and projects to build, expand and repair roads and highways.

We operate five gypsum wallboard plants, including the plant temporarily idled in Bernalillo, N.M., a gypsum wallboard distribution center, four cement plants, eleven cement distribution terminals, a recycled paperboard mill, nine readymix concrete batch plant locations and two aggregates processing plant locations. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the Rocky Mountains, northern Nevada, and northern California. Gypsum wallboard and recycled paperboard are distributed throughout the continental United States. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area and northern California.

We conduct one of our four 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 organizes the segments within the Company for making operating decisions and assessing performance.

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 June 30,	
	2010	2009
	(dollars in thousands)	
Revenues -		
Gypsum Wallboard	$ 58,200	$ 56,922
Cement	62,462	62,100
Paperboard	28,724	22,536
Concrete and Aggregates	11,323	14,610
Sub-total	160,709	156,168
Less: Intersegment Revenues	(11,075)	(11,042)
Net Revenues, including Joint Venture	149,634	145,126
Less: Joint Venture	(18,840)	(17,321)
Net Revenues	$130,794	$127,805

	For the Three Months Ended June 30,	
	2010	2009
	(dollars in thousands)	
Intersegment Revenues -		
Cement	$ 992	$ 1,592
Paperboard	9,963	9,141
Concrete and Aggregates	120	309
	$ 11,075	$ 11,042
Cement Sales Volume (M Tons) -		
Wholly –owned Operations	498	465
Joint Venture	204	187
	702	652

	For the Three Months Ended June 30, 2010	2009
	(dollars in thousands)	
Operating Earnings -		
Gypsum Wallboard	$ 5,201	$ 3,408
Cement	13,633	17,081
Paperboard	3,794	5,033
Concrete and Aggregates	315	1,510
Other, net	717	87
Sub-total	23,660	27,119
Corporate General and Administrative	(3,703)	(4,293)
Earnings Before Interest and Income Taxes	19,957	22,826
Interest Expense, net	(5,290)	(5,633)
Earnings Before Income Taxes	$ 14,667	$ 17,193
Cement Operating Earnings -		
Wholly –owned Operations	$ 7,121	$ 9,780
Joint Venture	6,512	7,301
	$ 13,633	$ 17,081
Capital Expenditures [(1)] -		
Gypsum Wallboard	$ 120	$ 16
Cement	2,119	2,475
Paperboard	57	—
Concrete and Aggregates	920	57
Corporate Other	24	—
	$ 3,240	$ 2,548
Depreciation, Depletion and Amortization [(1)] -		
Gypsum Wallboard	$ 5,466	$ 5,636
Cement	3,734	3,679
Paperboard	2,259	2,281
Concrete and Aggregates	841	1,018
Other, net	150	205
	$ 12,450	$ 12,819

	As of June 30, 2010	March 31, 2010
	(dollars in thousands)	
Identifiable Assets [(1)] -		
Gypsum Wallboard	$ 455,364	$ 466,426
Cement	314,694	308,606
Paperboard	149,086	149,602
Concrete and Aggregates	54,450	51,787
Corporate and Other	35,295	37,355
	$1,008,889	$1,013,776

(1) Basis conforms with equity method accounting.

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	
	June 30, 2010	March 31, 2010
	(dollars in thousands)	
Gypsum Wallboard	$116,618	$116,618
Cement	8,359	8,359
Paperboard	7,538	7,538
	$132,515	$132,515

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. Due to the decline in operating earnings of the gypsum wallboard segment during the last year, and continuing into this year, we have performed an impairment test at the end of the first quarter for the gypsum wallboard assets and goodwill, noting that there was no impairment at this time. We will continue to test for any potential impairment on a quarterly basis throughout fiscal year 2011, or until conditions in the wallboard industry improve enough for us to determine that an impairment loss is not likely to occur.

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 June 30,	
	2010	2010
	(dollars in thousands)	
Revenues	$34,038	$32,978
Gross Margin	$14,120	$15,718
Earnings Before Income Taxes	$13,023	$14,602

	As of	
	June 30, 2010	March 31, 2010
	(dollars in thousands)	
Current Assets	$40,391	$39,034
Non-Current Assets	$35,615	$37,993
Current Liabilities	$11,277	$11,247

(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 June 30, 2010, we had contingent liabilities under these outstanding letters of credit of approximately $9.2 million.

The following table compares insurance accruals and payments for our operations:

	As of and for the Three Months Ended June 30,	
	2010	2009
	(dollars in thousands)	
Accrual Balances at Beginning of Period	$ 6,384	$ 5,794
Insurance Expense Accrued	754	977
Payments	(690)	(725)
Accrual Balance at End of Period	$ 6,448	$ 6,046

In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications might include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, 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 or results of operations. We currently have no outstanding guarantees.

We are currently contingently liable for performance under $9.0 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.

We have various litigation, commitments and contingencies in the ordinary course of business. Management believes that none of the litigation in which it or any subsidiary is currently involved is likely to have a material adverse effect on our consolidated financial condition or results of operations.

In June 2010, we received a Notice of Deficiency (“Notice”) (commonly referred to as a “90 Day Letter”) 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. We intend to file refund claims with the IRS to recover all $98.7 million and, in the event those refund claims are denied, we intend to file a lawsuit in Federal District Court to recover the requested refunds.

In the event we reach a settlement with the IRS through negotiation or in the courts, we will reverse any accrued interest and penalties in excess of the negotiated settlement through the Consolidated Statement of Earnings. In the event we are unable to negotiate a settlement, we believe we have a substantial basis for our tax position, and intend to vigorously contest the proposed adjustment in court. 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.

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 month periods ended June 30, 2010 and 2009, respectively, reflects the Company's four business segments, consisting of Gypsum Wallboard, Cement, Recycled Paperboard and Concrete and Aggregates. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

We operate in cyclical commodity businesses that are directly related to 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 each such geographic market as well as the national market. General economic downturns or localized downturns in the regions where we have operations could have a material adverse effect on our business, financial condition and results of operations. Our Wallboard and Paperboard operations are more national in scope and shipments are made throughout the continental U.S. 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, cement is usually shipped within a 150 mile radius of the plants by truck and up to 400 miles by rail; though the rising price of diesel fuel may further restrict the truck shipping radius. Concrete and aggregates are even more regional as those operations serve the areas immediately surrounding Austin, Texas and north of Sacramento, California. 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.

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 June 30, 2010	For the Three Months Ended June 30, 2009	Change
	(In thousands except per share)		
Revenues [1]	$ 160,709	$ 156,168	3%
Operating Costs [1]	(137,766)	(129,136)	7%
Other Income, net	717	87	724%
Operating Earnings	23,660	27,119	(13%)
Corporate General and Administrative	(3,703)	(4,293)	(14%)
Interest Expense, net	(5,290)	(5,633)	(6%)
Earnings Before Income Taxes	14,667	17,193	(15%)
Income Taxes	(4,140)	(5,273)	(22%)
Net Earnings	$ 10,527	$ 11,920	(12%)
Diluted Earnings per Share	$ 0.24	$ 0.27	(11%)

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

Net Revenues. Revenues increased during the first quarter of fiscal 2011, as compared to fiscal 2010. The increase during the three months ended June 30, 2010, as compared to the same period in 2009, is primarily due to a 28% increase in revenues in our paperboard segment, partially offset by a 23% decline in revenues in our concrete and aggregates segment. Revenues for our two largest segments, gypsum wallboard and cement, were relatively flat, with only a slight increase. The increase in revenues in our paperboard segment was due primarily to increased average sales price and increased volume during the first quarter of fiscal 2011, as compared to the first quarter of fiscal 2010. The decrease in revenues from our concrete and aggregates segment was primarily due to decreases in concrete volumes, and decreases in average sales prices for both concrete and aggregates, as compared to the first quarter of fiscal 2010.

Other Income. Included in net revenues are other income, which 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.

Operating Costs. Operating costs increased during the three month period ended June 30, 2010, as compared to the similar period in 2009, primarily due to increased sales volumes for all of our segments except concrete. Our paperboard segment had the largest increase in operating costs during the three month period ended June 30, 2010, as compared to 2009, primarily due to the increase in the cost of recycled fiber, the primary raw material in the production of paper.

Operating Earnings. Operating earnings decreased 13% to $23.7 million for the quarter ended June 30, 2010, as compared to the three month period ended June 30, 2009, primarily due to increased operating expenses, as described above, and declines in average sales prices for all segments except recycled paperboard. The increase in operating expenses was partially offset by increased net revenues.

Corporate General and Administrative. Corporate general and administrative expense declined by 14% during the first quarter of fiscal 2011, as compared to the similar quarter in 2010. The decline in corporate general and administrative expense is due primarily to lower stock compensation and incentive compensation costs. RSUs with a one year vesting period, issued in August 2008 and fully vesting by August 2009, were the primary reason stock compensation expense was greater during the first quarter of fiscal 2010, as compared to the first quarter of fiscal 2011, while lower operating earnings during the quarter ended June 30, 2010, as compared to the same quarter in 2009, resulted in lower incentive compensation costs during the three month period ended June 30, 2010 as compared to the similar quarter ended in 2009.

Interest Expense, Net. Net interest expense decreased 6% to $5.3 million for the first quarter of fiscal 2011, as compared to $5.6 million for the first quarter of fiscal 2010. The decrease in expense is related primarily to our repurchase of $15 million in private placement debt during April 2010, and lower average outstanding amounts under our Bank Credit Facility, resulting in lower average borrowings during the first quarter of fiscal 2011, as compared to the first quarter of fiscal 2010.

Income Taxes. The estimated effective tax rate for fiscal 2011 is 28% at June 30, 2010, as compared to 31% at June 30, 2009. The expected tax rate for the full fiscal year 2011 is also estimated to be 29%, as compared to an effective tax rate of 26% for fiscal 2010.

Net Earnings and Diluted Earnings per Share. Pre-tax earnings of $14.7 million were 15% less than last year’s first quarter pre-tax earnings of $17.2 million. Net earnings of $10.5 million decreased 12% from net earnings of $11.9 million for last year’s same quarter. Diluted earnings per share of $0.24 were 11% less than the $0.27 for last year’s same quarter.

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

	For the Three Months Ended June 30, 2010	2009	Percentage Change
	(In thousands except per unit)		
Revenues [1]			
Gypsum Wallboard	$ 58,200	$ 56,922	2%
Cement [2]	62,462	62,100	1%
Recycled Paperboard	28,724	22,536	28%
Concrete and Aggregates	11,323	14,610	(23%)
Gross Revenues	$ 160,709	$ 156,168	3%
Sales Volume			
Gypsum Wallboard (MMSF)	454	445	2%
Cement (M Tons) [2]	702	652	8%
Recycled Paperboard (M Tons)	59	56	5%
Concrete (M Yards)	117	157	(25%)
Aggregates (M Tons)	627	577	9%
Average Net Sales Prices [3]			
Gypsum Wallboard	$ 98.15	$ 100.00	(2%)
Cement [2]	81.39	88.86	(8%)
Recycled Paperboard	481.47	400.04	20%
Concrete	63.99	68.43	(6%)
Aggregates	6.05	6.71	(10%)
Operating Earnings			
Gypsum Wallboard	$ 5,201	$ 3,408	53%
Cement [2]	13,633	17,081	(20%)
Recycled Paperboard	3,794	5,033	(25%)
Concrete and Aggregates	315	1,510	(79%)
Other, net	717	87	724%
Net Operating Earnings	$ 23,660	$ 27,119	(13%)

(1) Gross revenue, before freight and delivery costs.
(2) Includes proportionate share of our Joint Venture.
(3) Net of freight and delivery costs.

Gypsum Wallboard Operations. The increase in revenues during the three month period ended June 30, 2010, as compared to 2009, is due primarily to the slight increase in sales volume. Despite the increase in sales volume, the average net sales price decreased 2% during the first quarter of fiscal 2011, as compared to the first quarter of fiscal 2010, partially due to increased transportation costs. Operating earnings for gypsum wallboard increased during the first quarter of fiscal 2011, as compared to fiscal 2010, primarily due to lower operating expenses, namely natural gas and labor.

Cement Operations. Revenues increased during the three month period ended June 30, 2010, as compared to the similar period in 2009, primarily due to increased sales volumes, partially offset by lower average sales prices. The increase in sales volumes was consistent throughout all of our markets. Purchased cement sales increased to approximately 45,000 tons during the three month period ended June 30, 2010 as compared to approximately 27,000 tons during the three month period ended June 30, 2009, with the majority of the purchased cement sales occurring in our Texas market. Average sales prices declined in all markets during the three months ended June 30, 2010, as compared to 2009. The decline in average sales prices during the fiscal first quarter was primarily due to increased competitiveness in our markets. Operating earnings declined during the first quarter of fiscal 2011, as compared to fiscal first quarter 2010 primarily due to the decline in average sales prices, partially offset by reduced operating expenses, namely parts, supplies and outside services, and electricity.

Recycled Paperboard Operations. Net revenues increased 28% during the quarter ended June 30, 2010, as compared to the similar quarter in 2009, primarily due to the 5% increase in sales volume and a 20% increase in the average sales price. The increase in sales volume is primarily due to increased sales of non-gypsum paper. The increase in the average selling price per ton during the three month period ended June 30, 2010, as compared to the similar period in 2009, is primarily due to the price escalators in our long-term sales agreement. Despite the increase in net revenues, operating earnings decreased 25% in the first quarter of fiscal 2011, as compared to fiscal 2010, primarily due to decreases in the volume of higher margin gypsum paper sales and increases in the cost of recycled fiber, our primary raw material. Sales of gypsum paper represented 50% of our sales volume during the quarter ended June 30, 2009, as compared to 43% for the current quarter end. On a per ton basis, fiber costs increased approximately 150% during the first quarter of fiscal 2011, as compared to fiscal 2010.

Concrete and Aggregates Operations. The decline in revenue during the first quarter of fiscal 2011, as compared to fiscal 2010, was primarily due the decline in average sales prices for both concrete and aggregates, and the 25% decline in sales volumes for concrete, partially offset by increased sales volumes for aggregates. Although aggregate sales volumes increased, the average sales price declined due to increased sales of lower priced material. The decline in concrete volume is due to the poor economic conditions in our markets, especially northern California. The decrease in revenues was the primary reason for the decline in operating earnings during the first quarter of fiscal 2011, as compared to the first quarter of fiscal 2010.

GENERAL OUTLOOK

Calendar 2010 continues to be a very difficult year economically in the United States, and particularly in the building materials and construction products businesses. Despite the passage of the first time homebuyer tax credit, and the American Recovery and Reinvestment Act of 2009 (the “Act”), the full effects of infrastructure spending have not been achieved, and commercial and residential construction activity remains at cyclic low levels. The portion of the Act related to infrastructure is expected to have more impact in the latter half of calendar 2010 as more infrastructure projects are approved and funded. Although we anticipate the administration will continue to address the current financial crisis throughout calendar 2010, there can be no assurance as to the actual impact that these legislative initiatives, or any other similar governmental programs, will have on our business, financial condition or results of operations.

The U.S. wallboard industry continues to be adversely impacted by the current downturn in the residential and commercial construction markets, which has resulted in the industry continuing to operate at a utilization rate of approximately 50%. The reduction in capacity utilization continues to negatively impact gypsum wallboard pricing. We do not anticipate wallboard consumption to improve significantly during calendar 2010.

In response to the continued uncertainty of gypsum wallboard paper demand, our recycled paperboard segment continues to exercise sales opportunities in several other markets to ensure that our paper operation maximizes its operating earnings. Fiber prices, which climbed to an all time historical high in the latter part of fiscal 2010, remain elevated. This elevated price is largely the result of the expiration of the Black Liquor tax credit, the continued presence of export demand and increased demand for recycled containerboard products. It is anticipated that average recycled fiber prices will be greater this year than in fiscal 2010. The expected cost of natural gas, another significant cost component, is anticipated to remain consistent during fiscal 2011. Electrical costs will increase in fiscal 2011 as the refund credits received throughout fiscal 2010 (due to improperly allocated prior years’ trading margins and fuel surcharges) have expired. There is a base rate increase scheduled for review at the Oklahoma Corporation Commission in July 2010. Pending the outcome of that rate case, the production costs and operating earnings of our paperboard segment may be negatively impacted by increases in electrical costs later during fiscal 2011.

Cement demand in all U.S. regions continues to be impacted by decreasing residential housing construction, the softening of the commercial construction market and the expanding state government budget deficits, which are expected to hinder cement consumption during the remainder of calendar 2010. Cement consumption in the U.S. declined approximately 4% during the first six months of calendar 2010, as compared to the first six months of calendar 2009. The U.S. cement industry reduced imports of foreign cement throughout the last several years as consumption declined; currently foreign cement comprised approximately 8% of total cement consumption through May 2010, which is consistent with the same period in 2009. We curtailed importing of cement the last several years; however, we expect to import more cement in fiscal 2011 than fiscal 2010, though total amounts are still expected to be low compared to historical levels. We are beginning to see some impact of the increased infrastructure spending as part of the stimulus package passed during the first quarter of calendar 2009, and expect an increase in consumption over the remainder of calendar 2010 due to the increased stimulus spending.

We expect concrete and aggregate sales volumes and sales prices to be depressed throughout the remainder of calendar 2010 in our markets as both residential and infrastructure spending remain soft. Impact from the stimulus bill most likely will not be realized until the latter half of calendar 2010; however, the amount of stimulus funds for our markets is not expected to be significant.

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 four 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 and accounts receivable. 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 this 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 Three Months Ended June 30, 2010	2009
	(dollars in thousands)	
Net Cash Provided by Operating Activities	$ 15,618	$ 19,764
Investing Activities:		
Additions to Property, Plant and Equipment	(3,240)	(2,548)
Proceeds from Sale of Property, Plant and Equipment	600	—
Net Cash Used in Investing Activities	(2,640)	(2,548)
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	259	129
Increase (Decrease) in Notes Payable	7,000	(30,000)
Dividends Paid	(4,381)	(4,354)
Repayment of Senior Notes	(15,000)	—
Proceeds from Stock Option Exercises	725	250
Net Cash Provided by (Used in) Financing Activities	(11,397)	(33,975)
Net Increase (Decrease) in Cash	$ 1,581	$(16,759)

Cash flow from operating activities decreased by approximately $4.0 million during the three month period ended June 30, 2010, as compared to the similar period in 2009, primarily due to a $1.4 million decrease in net earnings and a decrease of approximately $1.0 million in distributions from our joint venture. Use of cash from changes in operating assets and liabilities was relatively flat, increasing $0.5 million during the three months ended June 30, 2010, as compared to the similar period in 2009.

Net cash used in investing activities during the three month period ended June 30, 2010 was consistent with the similar period in 2009. Although capital expenditures increased during the first quarter in fiscal 2011, as compared to fiscal 2010, we still expect capital expenditures for the full year of fiscal 2011 to be consistent with capital expenditures during fiscal 2010.

In June 2010, we received a Notice of Deficiency (“Notice”) (commonly referred to as a “90 Day Letter”) 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. We intend to file refund claims with the IRS to recover all $98.7 million and, in the event those refund claims are denied, we intend to file a lawsuit in Federal District Court to recover the requested refunds. See Footnote (O) of the Unaudited Consolidated Financial Statements for additional information.

Net cash used in financing activities was $11.4 million during the three month period ended June 30, 2010, as compared to net cash used in financing activities of $34.0 million during the three month period ended June 30, 2009. The decrease in cash used in financing activities is primarily due to the reduction in debt repayments during the three months ended June 30, 2010, as compared to the similar period in 2009. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio declined to 39.4% and 39.2%, respectively, at June 30, 2010, as compared to 40.5% and 40.4%, respectively, at March 31, 2010.

Working capital decreased to $87.0 million at June 30, 2010, compared to $89.4 million at March 31, 2010, primarily due to our classification of $10.0 million owed under our Bank Credit Facility as current during the quarter ended June 30, 2010. The decrease in working capital due to the reclassification of the Bank Credit Facility was slightly offset by reduced accrued liabilities. We do not have any material contractual obligations related to long-term capital projects at June 30, 2010. We were in compliance at June 30, 2010 with all the terms and covenants of our credit agreements.

Given the relative weakness in the gypsum wallboard earnings over the last year and during the first quarter of this year, we determined it was necessary to perform an impairment test on the assets and goodwill of the gypsum wallboard segment. That impairment test was similar to the annual impairment test we perform each year during the first quarter of each calendar year. We estimated the fair value of the gypsum wallboard reporting unit using the income method, which consisted of estimating future earnings and cash flows, and discounting these to a single present value, which was compared to the carrying value. Based upon the above analysis, we noted that there was no impairment at this time. We will continue to assess the potential impairment throughout fiscal year 2011, or until conditions in the wallboard industry improve enough for us to determine that impairment loss is not likely to occur.

Debt Financing Activities.

Bank Credit Facility -

We entered into a $350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the “Bank Credit Facility”) to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company’s ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. Our Bank 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 Bank Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to earnings before interest, taxes, depreciation and amortization) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest and taxes to interest expense) of at least 2.5. The Bank 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 if no default exists or would result therefrom; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

We have $10 million of borrowings outstanding under the Bank Credit Facility at June 30, 2010, which have been classified as current, as our Bank Credit Facility is scheduled to expire on June 30, 2011. We expect to have a new credit facility in place before the Bank Credit Facility expires on June 30, 2011. We currently have $330.8 million of borrowings available under the Bank Credit Facility at June 30, 2010.

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 $22 million in principal of the Series 2005A Senior Notes. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$38.6 million	November 15, 2012	5.25%
Tranche B	$77.2 million	November 15, 2015	5.38%
Tranche C	$62.2 million	November 15, 2017	5.48%

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

We 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 $93 million in principal of the Series 2007A Senior Notes. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$ 9.5 million	October 2, 2014	6.08%
Tranche B	$11.0 million	October 2, 2016	6.27%
Tranche C	$50.0 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 April 2 and October 2 of each year until all principal is paid for the respective tranche.

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 Bank 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 Bank Credit Facility.

Other than the Bank Credit Facility, we have no other source of committed external financing in place. In the event the Bank Credit Facility were 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 Bank 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.

Our Bank Credit Facility, under which we currently owe $10.0 million, matures in June 2011. We believe our cash flows from operations provide us with sufficient liquidity and we believe current market conditions provide us with an opportunity to refinance the Bank Credit Facility before the maturity date.

We do not have any off balance sheet debt, except for approximately $12 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 Bank Credit Facility a $25 million Letter of Credit Facility. At June 30, 2010, we had $9.2 million of letters of credit outstanding that renew annually. We are contingently liable for performance under $9.0 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Bank 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 Bank 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.

Cash used for Share Repurchases.

The Company did not repurchase any of its shares during the three month period ended June 30, 2010. As of June 30, 2010, 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 the Company’s management, based on its evaluation of market and economic conditions and other factors.

Dividends.

Dividends paid were $4.4 million for both the three months ended June 30, 2010 and 2009. 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.

Capital Expenditures.

The following table compares capital expenditures:

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
	(dollars in thousands)	
Land and Quarries	$ —	$ 12
Plants	2,800	1,275
Buildings, Machinery and Equipment	440	1,261
Total Capital Expenditures	$ 3,240	$ 2,548

For fiscal 2011, we expect capital expenditures of approximately $15.0 to $20.0 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 Bank 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. At June 30, 2010 outstanding borrowings under the Bank Credit Facility totaled $10.0 million. 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 1A. RISK FACTORS

We are affected by the level of demand in the construction industry, which is currently experiencing a significant downturn.

Demand for our products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. In particular, the downturn in residential construction and commercial construction has impacted, and will likely continue to adversely impact, our wallboard business. The residential construction industry is currently undergoing a significant downturn. The effects of this downturn have been exacerbated by market disruptions resulting from the subprime mortgage crisis, which began in the second half of 2007, and the ensuing financial crisis affecting the banking system and financial markets, which became evident in the third quarter of 2008. A similar downturn has occurred in commercial construction as well, beginning in 2008. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including a continued decrease in residential construction or continued weakening of commercial construction) could have a material adverse effect on our business, financial condition and results of operations.

Our customers participate in cyclical industries, 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, including the current economic recession. In addition, since our operations are in a variety of geographic markets, our businesses are subject to the economic conditions in each such geographic market. General economic downturns or localized downturns in the regions where we have operations, including the current and any future downturns in the residential or commercial construction industries, generally have an adverse effect on demand for our products. Furthermore, additions to the production capacity of industry participants, particularly in the gypsum wallboard industry, have created an imbalance between supply and demand, which could continue to adversely affect the prices at which we sell our products and adversely affect the collectability of our receivables. In general, any further downturns in the industries to which we sell our products or any further increases in capacity in the gypsum wallboard, paperboard and cement industries 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.

The current difficult economic environment has caused a contraction in the availability, and increased the cost, of credit in the marketplace. This could potentially reduce the sources of liquidity for the Company and our customers.

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 favorable to construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly from quarter to quarter in the future. Such variations could have a negative impact on the price of our common stock.

Our operations and our customers are subject to extensive governmental regulation, 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 for construction and related operations. Although we believe that we are in compliance in all material respects with 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, new or stricter laws or regulations (including without limitation, climate change legislation described below), or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us or prevent us from opening or expanding plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

Legislative and regulatory measures to address emissions of Green House Gasses ("GHG's") are in various phases of discussions or implementation at the international, national, regional and state levels. On the federal level, legislation imposing restrictions on GHGs is under active consideration. Proposed legislation has passed the U.S. House of Representatives and legislation is pending in the U.S. Senate. Among other things, the bills would establish a cap on emissions of GHGs from certain industries in the United States, including cement manufacturing beginning in 2013. The bills would require these capped sources of GHG emissions to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs.

In addition, the EPA is taking steps that would result in the regulation of GHGs as pollutants under the Clean Air Act. On September 22, 2009, the EPA issued a "Mandatory Reporting of Greenhouse Gases" final rule, which took effect December 29, 2009. This rule establishes a new comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. In addition, on December 15, 2009, the EPA published a final rule finding that current and projected concentrations of six key GHGs in the atmosphere threaten public health and welfare. This rule, according to EPA, will trigger construction and operating permit requirements for large stationary sources, including cement plants. In a final rule issued on May 13, 2010, known as EPA's "Tailoring Rule," any modification or expansion of our existing plants (or construction of a new plant) after January 1, 2011 that triggers New Source Review ("NSR") requirements for non-GHG emissions will also trigger NSR for GHG if our proposed GHG emissions exceed 75,000 tons per year. This would require the installation of controls on those GHG emissions. Effective July 1, 2011, any modification or expansion of our existing plants (or constructing a new plant) that results in an increase of our GHG emissions in excess of 100,000 tons per year will require NSR and the implementation of control requirements even if NSR is not triggered for any other pollutant. These limitations on emissions of GHGs from our equipment or operations could require us to incur costs to reduce such emissions and could ultimately affect our operations and our ability to obtain air permits for new or modified facilities.

The potential consequences of GHG emission reduction measures for our operations are potentially significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel, (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide, and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas. At this time, it is not possible to accurately estimate how laws or regulations addressing GHG emissions would impact our business. Any imposition of raw materials or production limitations, fuel-use or carbon taxes, or emission limitations or reductions could have a significant impact on the cement manufacturing industry and the gypsum wallboard manufacturing industry and a material adverse effect on us and our results of operations.

During 2009, the EPA also issued a proposed rule amendment to the National Emissions Standards for Hazardous Air Pollutants, or NESHAP, that would significantly reduce the permitted levels of emissions of certain air pollutants from Portland cement kilns. The NESHAP amendment would set limits on mercury emissions from existing Portland cement kilns and would increase the stringency of emission limits for new kilns. The NESHAP amendment would also set emission limits for total hydrocarbons, particulate matter and sulfur dioxide from cement kilns of all sizes and would reduce hydrochloric acid emissions from kilns that are large emitters. The NESHAP amendment, if adopted as proposed, would take full effect no earlier than 2013, and could materially increase capital costs and cost of production for the Company, and the industry as a whole.

The EPA recently 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, SC plant. In its release, the EPA is proposing two alternative regulations. 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 ("RCRA"), which is the Subtitle that regulates hazardous wastes. However, under this proposal, beneficial use of coal combustion products, including synthetic gypsum, would continue to be exempt under the Bevill 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. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion products under either of its two proposals. Because the EPA's proposed regulations must go through a public comment period before becoming final, it is not possible to accurately predict the regulations that will be ultimately adopted. However, it is possible that EPA's 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.

We are subject to the risk of unfavorable weather conditions during peak construction periods and other unexpected operational difficulties.

Because a majority of our business is seasonal, 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.

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 industry's production capacity for products such as gypsum wallboard or cement or increases in cement imports tend to create an oversupply of such products and negatively impact product prices. There can be no assurance that prices for products sold by us will not decline in the future or that such declines will not have a material adverse effect on our business, financial condition and results of operations.

We 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. 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 greenhouse gas emissions would likely have a negative impact on our business or results of operations, either through the imposition of raw material or production limitations, fuel-use or carbon taxes or emission limitations or reductions. 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 – Environmental Matters” for more information on our regulatory and environmental matters.

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 cost of fuel, energy and raw materials. Significant increases in the cost 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 are expected to 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.

Increases in interest rates could adversely affect 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. 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 facilities.

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 amended and restated credit agreement 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 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 assets of the Company and its 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 severity and duration of the current industry downturn and 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 those agreements. This may allow the lenders under those agreements to declare all amounts outstanding thereunder 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.

***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 due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

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, the transportation costs associated with the delivery of our wallboard products are 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.

Pension assets and costs associated with employee benefit plans generally are affected by economic and market conditions.

The current economic environment could negatively impact the fair value of pension assets, which could increase future funding requirements to our pension trusts. More generally, our costs are significantly affected by expenses related to our employee benefit plans. The recognition of costs and liabilities associated with these plans for financial reporting purposes is affected by assumptions made by management and used by actuaries engaged by us to calculate the projected and accumulated benefit obligations and the annual expense recognized for these plans. Economic and market factors and conditions could affect any of these assumptions and may affect our estimated and actual employee benefit plan costs and our results of operations.

Inflation and increases in interest rates 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 facilities. 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 and its direct and indirect adverse impact on our business and results of operations.

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 Item 1. of this Quarterly Report on Form 10-Q under the heading "Cash Used for Share Repurchase" and is incorporated herein by reference.

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Item 6. Exhibits

10.1	Eagle Materials Inc. Salaried Incentive Compensation Program for Fiscal Year 2011 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission (“the Commission”) on May 24, 2010, and incorporated herein by reference). (1)
10.2	Eagle Materials Inc. Cement Companies Salaried Incentive Compensation Program for Fiscal Year 2011 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on May 24, 2010, and incorporated herein by reference). (1)
10.3	Eagle Materials Inc. Concrete and Aggregates Companies Salaried Incentive Compensation Program for Fiscal Year 2011 (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the Commission on May 24, 2010, and incorporated herein by reference). (1)
10.4	Eagle Materials Inc. American Gypsum Company Salaried Incentive Compensation Program for Fiscal Year 2011 (filed as Exhibit 10.4 to the Current Report on Form 8-K filed with the Commission on May 24, 2010, and incorporated herein by reference). (1)
10.5	Eagle Materials Inc. Special Situation Program for Fiscal Year 2011 (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on May 24, 2010, and incorporated herein by reference. (1)
10.6*	Form of Non-Qualified Stock Option Agreement. (1)
10.7*	Form of Restricted Stock Unit Agreement. (1)
10.8*	Form of Restricted Stock Agreement. (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.
101	The following information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2011, filed with the SEC on August 6, 2010, formatted in Extensible Business Reporting Language (“XBRL”): (i) the consolidated income statements for the three month periods ended June 30, 2010 and June 30, 2009, (ii) the consolidated balance sheets at June 30, 2010 and March 31, 2010, (iii) the consolidated statements of cash flows for the three months ended June 30, 2010 and June 30, 2009, and (iv) the notes to the consolidated financial statements (tagged as blocks of text). (2)

* Filed herewith.

(1) Management contract or compensatory plan or arrangement.

(2) Pursuant to Rule 406T of Regulation S-T, these interactive files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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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.

	EAGLE MATERIALS INC.
	Registrant
August 6, 2010	/s/ STEVEN R. ROWLEY Steven R. Rowley President and Chief Executive Officer (principal executive officer)
August 6, 2010	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President – Finance and Administration and Chief Financial Officer (principal financial officer)
August 6, 2010	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President – Controller and Chief Accounting Officer (principal accounting officer)

Exhibit 10.6

EAGLE MATERIALS INC.

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 Eagle Materials Inc. Incentive Plan, as amended (the "Plan"), on May 18, 2010, (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 $30.735 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) "*ARFR*" means, with respect to any of the Company's subsidiaries, such subsidiary's Accidents Recordable Frequency Rate, as certified by the Committee consistent with OSHA/MSHA definition of such term.

(b) "*Disability*" shall have the meaning assigned to such term under the Plan, however, in the case of a Director, for purposes of this Agreement, Disability shall be determined by the Committee.

(c) "*Option Shares*" means the Cement Option Shares (as defined below), the Con/Agg Option Shares (as defined below), Wallboard Option Shares (as defined below), the Paperboard Option Shares (as defined below), and the Corporate Option Shares (as defined below).

(d) "*Performance Vesting Date*" means March 31, 2011.

(e) "*Service Vesting Date*" means the first or second anniversary of the Performance Vesting Date, as applicable.

(f) "*Vesting Period*" means the period commencing on April 1, 2010 and ending on March 31, 2011.

2. Vesting and Exercise Schedules.

(a) Cement Vesting Criteria. __________ shares of the Common Stock covered by this Option (the "Cement Option Shares") shall vest in accordance with the criteria attached to this Agreement as Exhibit A.

(b) Con/Agg Vesting Criteria. __________ shares of the Common Stock covered by this Option (the "Con/Agg Option Shares") shall vest in accordance with the criteria attached to this Agreement as Exhibit B.

(c) Wallboard Criteria. __________ shares of the Common Stock covered by this Option (the "Wallboard Option Shares") shall vest in accordance with the criteria attached to this Agreement as Exhibit C.

(d) Paperboard Vesting Criteria. __________ shares of the Common Stock covered by this Option (the "Paperboard Option Shares") shall vest in accordance with the criteria attached to this Agreement as Exhibit D.

(e) Corporate Vesting Criteria. __________ shares of the Common Stock covered by this Option (the "Corporate Option Shares") shall vest in accordance with the criteria attached to this Agreement as Exhibit E.

At the end of the Vesting Period, if any Option Shares remain unvested, such Option Shares shall be forfeited.

The Optionee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the Performance Vesting Date in order for the Option Shares to vest as provided in this Section 2.

(f) Exercisability. One-third of the Option Shares that vest in accordance with the provisions of each of Section 2(a) through 2(e) shall become exercisable not later than 30 days following the Performance Vesting Date upon the Committee's determination of performance results. The remaining two-thirds of the Option Shares that vest in accordance with the provisions of each of Section 2(a) through 2(e) shall become exercisable as follows: one-third on the first Service Vesting Date and one-third on the second Service Vesting Date. All remaining Option Shares will be forfeited.

The Optionee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the Performance Vesting Date or applicable Service Vesting Date 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 or service as a Director terminates by reason of death or Disability following the Performance Vesting Date and prior to one or both Service Vesting Dates, any then vested and exercisable Option Shares shall continue to be exercisable for a period of two years following Optionee's death or Disability, and any then vested and 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 Optionee's death or Disability.

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.

(g) Calculations. The Committee shall have the sole authority to approve the calculation of each of the vesting criteria set forth in Exhibits A through E for purposes of vesting, and its approval of such calculations shall be final, conclusive, and binding on all parties.

(h) Change in Control. This Option shall become fully vested and exercisable, without regard to the limitations set forth in subparagraphs (a) through (f) 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 F to this Agreement), with respect to any Option Shares which have not been previously forfeited, 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 (h). Upon a Change in Control, pursuant to Section 16 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.

(i) Business Acquisitions. In the event the Company makes an acquisition or disposition (e.g. assets, stock or other equity interest) on or before March 31, 2011, then the Compensation Committee may, in its discretion, make any adjustments to: (1) the method of calculating any of the vesting criteria set forth in Exhibits A through E of this Agreement; or (2) the structure of vesting tables set forth in Exhibits A through E of this Agreement, as it deems appropriate to fulfill the intents and purposes of the vesting criteria, taking into consideration the effect of the acquisition or disposition on vesting opportunities.

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 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;

(c) if Optionee's employment with the Company and its Affiliates or service as a Director is terminated for any reason other than death, Disability or termination for cause at any time after the Award Date, 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 employment or service as a Director; or

(d) if Optionee's employment with the Company and its Affiliates or service as a Director is terminated due to the death or Disability of the Optionee at any time after the Performance Vesting Date, then the Option shall terminate on the later of (i) the first business day following the expiration of the two-year period following Optionee's death or Disability and (ii) 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 such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (e) 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 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(f) 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

Cement Vesting Schedule

[intentionally omitted]

EXHIBIT B

Con/Agg Vesting Schedule

[intentionally omitted]

EXHIBIT C

Wallboard Vesting Schedule

[intentionally omitted]

<u>EXHIBIT D</u>

Paperboard Vesting Schedule

[intentionally omitted]

<u>EXHIBIT E</u>

Corporate Vesting Schedule

[intentionally omitted]

EXHIBIT F

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;

(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 10.7

EAGLE MATERIALS INC.

INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

This restricted stock unit agreement (the "Restricted Stock Unit Agreement" or "Agreement") entered into between EAGLE MATERIALS INC., a Delaware corporation (the "Company"), and __________ (the "Grantee"), [an employee of the Company or its Affiliates] [a Director], with respect to a right (the "Award") of __________ restricted stock units ("Restricted Stock Units") representing shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), granted to the Grantee under the Eagle Materials Inc. Incentive Plan, as amended (the "Plan"), on May 18, 2010 (the "Award Date"), such number of units subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. *Relationship to Plan*.

This Award 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 the purposes of this Restricted Stock Unit Agreement:

(a) "*ARFR*" means with respect to any subsidiary of the Company, such subsidiary's Accidents Recordable Frequency Rate, as certified by the Committee consistent with OSHA/MSHA definitions of such term.

(b) "*Disability*" shall have the meaning assigned to such term under the Plan, however, in the case of a Director, for purposes of this Agreement, Disability shall be determined by the Committee.

(c) "*Performance Vesting Date*" means March 31, 2011.

(d) "*Service Vesting Date*" means the first or second anniversary of the Performance Vesting Date, as applicable.

(d) "*Vesting Period*" means the period commencing on April 1, 2010 and ending on March 31, 2011.

2. *Vesting and Payment*.

(a) Cement Vesting Criteria. __________ Restricted Stock Units (the "Cement RSUs") shall vest in accordance with the schedule attached to this Agreement as Exhibit A.

(b) Con/Agg Vesting Criteria. __________ Restricted Stock Units (the "Con/Agg RSUs") shall vest in accordance with the schedule attached to this Agreement as Exhibit B.

(c) Wallboard Vesting Criteria. __________ Restricted Stock Units (the "Wallboard RSUs") shall vest in accordance with the schedule attached to this Agreement as Exhibit C.

(d) Paperboard Vesting Criteria. __________ Restricted Stock Units (the "Paperboard RSUs") shall vest in accordance with the schedule attached to this Agreement as Exhibit D.

(e) Corporate Vesting Criteria. __________ Restricted Stock Units (the "Corporate RSUs") shall vest in accordance with the schedule attached to this Agreement as Exhibit E.

(f) Payment. One-third of the Restricted Stock Units that vest in accordance with the provisions of each of Section 2(a) through 2(e) hereof shall be paid within 30 days following the Performance Vesting Date. The remaining two-thirds of the Restricted Stock Units that vest in accordance with the provisions of each of Section 2(a) through 2(e) hereof shall become payable one-third on the first Service Vesting Date and one-third on the second Service Vesting Date and, in each case, shall be paid within 30 days following the applicable Service Vesting Date. Any remaining Restricted Stock Units not vested in accordance with Section 2(a) through 2(e) shall be forfeited.

The Grantee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the date the portion of the Award would otherwise become payable in order for the portion of the Award to become payable with respect to Restricted Stock Units, otherwise such portion of the Award shall be forfeited. Notwithstanding the foregoing, if the Grantee's employment or service as a Director terminates following the Performance Vesting Date by reason of death or Disability, the Restricted Stock Units then outstanding shall not be forfeited and shall be paid within 30 days following such termination.

(g) Calculations. The Committee shall have the sole authority to approve the calculation of each of the vesting criteria set forth in Exhibits A through E to this Agreement for purposes of vesting, and its approval of such calculations shall be final, conclusive, and binding on all parties.

(h) Change in Control. This Award shall become fully vested and payable without regard to the limitations and continued service requirements set forth in subparagraph (a) through (f) above, provided that the Grantee 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 F to this Agreement), and shall be paid within 30 days following a Change in Control with respect to any Restricted Stock Units which have not been previously forfeited.

(i) Business Acquisitions. In the event the Company makes an acquisition or disposition (e.g. assets, stock or other equity interest) on or before March 31, 2011, then the Compensation Committee may, in its discretion, make any adjustments to: (1) the method of calculating any of the vesting criteria set forth in Exhibits A through E to this Agreement; or (2) the structure of vesting tables set forth in Exhibits A through E to this Agreement, as it deems appropriate to fulfill the intents and purposes of the vesting criteria, taking into consideration the effect of the acquisition or disposition on vesting opportunities; provided, however, that such adjustments do not result in an increase in the amount otherwise payable.

3. *Forfeiture of Award.*

Except as provided in any other agreement between the Grantee and the Company, if the Grantee's employment or service as Director terminates following the Performance Vesting Date but prior to the applicable Service Vesting Date for reasons other than death or Disability, Restricted Stock Units not yet payable shall be forfeited as of the termination date. In the event Grantee's employment or service as Director terminates by reason of death or Disability following the Performance Vesting Date, all Restricted Stock Units then outstanding shall not be forfeited, but shall be payable in accordance with Section 2(f) of this Agreement. Subject to Section 2(h) of this Agreement, if Grantee terminates employment for any reason prior to the Performance Vesting Date, all Restricted Stock Units shall be immediately and automatically forfeited.

4. *Dividend Equivalents*.

As of each date that dividends are paid with respect to Common Stock, the Grantee shall have a number of additional Restricted Stock Units credited with respect to such dividends. The additional Restricted Stock Units credited with respect to such dividends paid shall be equal to: (i) the amount of the dividend paid per share of Common Stock as of such dividend payment date multiplied by the number of Restricted Stock Units held by the Grantee immediately prior to such dividend payment date; divided by (ii) the Fair Market Value of the Common Stock on such dividend payment date.

The Grantee will have no right to receive additional Restricted Stock Units credited by reason of dividend equivalents until such time, if ever, as the Restricted Stock Units with respect to which the dividend equivalents that generated the additional Restricted Stock Units shall become payable in accordance with Section 2(f) or Section 2(h) of this Agreement and if such Restricted Stock Units do not become payable, the additional Restricted Stock Units will be forfeited at the same time as the related Restricted Stock Units are forfeited.

5. *Book Entry Registration; Delivery of Shares*.

During the period of time between the Award Date and the Restricted Stock Units are paid, the Restricted Stock Units will be evidenced by book entry registration. The Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulations of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock to comply with any such law, rule, regulations or agreement.

6. *Notices*.

Notice or other communication to the Company with respect to this Award 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;

(b) by registered or certified United States mail, postage prepaid, to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek Blvd, Suite 1100, Dallas, Texas 75219; or

(c) by hand delivery or otherwise to Eagle Materials Inc., Attention: Secretary, 3811 Turtle Creek Blvd, Suite 1100, Dallas, Texas 75219.

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

Any notices provided for in this Restricted Stock Unit 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 Grantee, five days after deposit in the United States mail, postage prepaid, addressed to the Grantee at the address specified at the end of this Agreement or at such other address as the Grantee hereafter designates by written notice to the Company.

7. *Assignment of Award*.

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

After the death of the Grantee, payment of the Award shall be permitted only to the Grantee's designated beneficiary or, in the absence of a designated beneficiary, the Grantee's executor or the personal representative of the Grantee's estate (or by his assignee, in the event of a permitted assignment) to the extent that the Award was payable on the date of the Grantee's death.

8. *Stock Legends*.

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

9. *Withholding*.

No certificates representing shares of Common Stock awarded hereunder shall be delivered to or in respect of a Grantee 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 Award. The Grantee may pay all or any portion of the taxes required to be withheld by the Company or paid by the Grantee in connection with this Award by delivering cash, or, with the Committee's approval, by electing to have the Company withhold shares of Common Stock, or by delivering previously owned shares of Common Stock, having a value equal to the amount required to be withheld or paid. The Grantee must make the foregoing election on or before the date that the amount of tax to be withheld is determined.

10. *Shareholder Rights*.

The Grantee shall have no rights of a shareholder with respect to shares of Common Stock subject to the Award unless and until such time as the Award has been paid pursuant to Section 2 and shares of Common Stock have been transferred to the Grantee.

11. *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.

12. ***No Employment Guaranteed*****.**

No provision of this Restricted Stock Unit Agreement shall confer any right upon the Grantee to continued employment with the Company or any Affiliate.

13. ***Governing Law*****.**

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

14. ***Amendment*****.**

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

15. ***Section 409A*****.**

This Award is intended to be a "short-term deferral" exempt from Section 409A of the Internal Revenue Code, and shall be construed and interpreted accordingly. If it is determined that this Award is not exempt from Section 409A, this Agreement shall be construed in a manner that is compliant with Section 409A. This Award shall not be amended or terminated in a manner that would cause the Award or any amounts payable under this Agreement to fail to be exempt from or comply with the requirements of Section 409A, to the extent applicable, and, further, the provisions of any purported amendment that may reasonably be expected to result in loss of exemption or non-compliance shall be of no force or effect with respect to the Award. The Company shall neither cause nor permit any payment, benefit or consideration to be substituted for a benefit that is payable under this Award if such action would result in the failure of any amount that is subject to Section 409A to comply with the applicable requirements of Section 409A.

EAGLE MATERIALS INC.

Date: ______________________

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

The Grantee hereby accepts the foregoing Restricted Stock Unit Agreement, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

GRANTEE:

Date: ______________________

____
[Name]
Eagle Materials Inc.

3811 Turtle Creek Blvd.
Suite 1100
Dallas, Texas 75219

EXHIBIT A

Cement Vesting Schedule

[intentionally omitted]

<u>EXHIBIT B</u>

Con/Agg Vesting Schedule

[intentionally omitted]

EXHIBIT C

Wallboard Vesting Schedule

[intentionally omitted]

EXHIBIT D

Paperboard Vesting Schedule

[intentionally omitted]

EXHIBIT E

Corporate Vesting Schedule

[intentionally omitted]

EXHIBIT F

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.

INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Eagle Materials Inc., a Delaware corporation (the "Company"), and ____________ (the "Grantee") hereby enter into this Restricted Stock 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 May 18, 2010 (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 Eagle Materials Inc. Incentive Plan, as amended (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 have the meaning assigned to such term under the Plan, however, in the case of a Director, for purposes of this Agreement, Disability shall be determined by the Committee.

(b) "*Retirement*" shall mean the earliest of the following:

(i) the Grantee reaches the age of 65 and has completed at least an aggregate of 10 years of service with the Company or any of its Affiliates (or their predecessors) and the Company's former parent or its Affiliates (or their predecessors);

(ii) the expiration of 5 years from the Award Date and the Grantee has completed at least an aggregate of 25 years of service with the Company or any of its Affiliates (or their predecessors) and the Company's former parent or its Affiliates (or their predecessors); or

(iii) the expiration of 15 years from the Award Date; or

(iv) earlier under such circumstances as are approved by the Committee.

(c) "*Return on Equity*" shall for any fiscal year mean: (i) the Net Income of the Company (net of any discontinued operations) for such fiscal year; divided by (ii) the Company's Average Stockholder's Equity for such fiscal year.

(d) "*Average Stockholders Equity*" means, for a fiscal year: (i) the Company's Stockholders Equity as of the beginning of the fiscal year plus the Company's Stockholders Equity at the end of such fiscal year; divided by (ii) 2.

(e) “*Performance Period*” shall mean the period from April 1, 2010 to March 31, 2011.

3. Vesting.

(a) Vesting Criteria. The Grantee’s interest in the Shares shall vest only if: (i) the Average Return on Equity for the ten fiscal years ending March 31, 2011 exceeds 17.25% (the “Performance Criteria”); and (ii) the Grantee satisfies the requirements for Retirement. After the end of the Performance Period, the Compensation Committee shall certify whether the Performance Criteria has been satisfied. If the Performance Criteria has been satisfied then the Shares shall be considered “Earned But Unvested Shares”. If the Performance Criteria have 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, 2011” shall mean the average of the Return on Equity for each fiscal year in such ten year period.

(b) Restrictions. The period beginning on the Award Date and ending on the date the Grantee satisfies the requirements for Retirement 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 Shares or any right or interest related to such 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 employment with the Company or any of its Affiliates or must be in continuous service as a Director from the Award Date through the date the Grantee satisfies the requirements for Retirement for the Award to become vested. Subject to Section 4, Grantee’s termination of employment or service as a Director prior to the date the Grantee satisfies the requirements for Retirement shall cause Grantee’s Award to be automatically forfeited.

4. Change-in-Control; Death or Disability. 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 by reason of death or Disability) 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 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, or (B) Grantee’s termination by reason of death or Disability.

5. Stockholder Rights. The Grantee shall have the right to vote any Shares. On the first dividend payment date following the Performance Period, 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 times (ii) the number of Earned But Unvested 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 16 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 Date of Award. 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: ____________, 2010

By: ______________________________
Name: James H. Graass
Its: Executive Vice President, General Counsel and Secretary
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: ____________, 2010

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.

	Three Months Ended June 30,	Fiscal Year Ended March 31,				
	2010	**2010**	**2009**	**2008**	**2007**	**2006**
Earnings (1):						
Earnings before income taxes	14,667	39,297	62,183	144,384	304,288	241,066
Add: Fixed charges	4,588	18,480	24,714	20,866	12,050	8,675
Add: Amortization of capitalized interest and FIN 48 Interest	914	3,857	5,358	6,597	30	—
Add: Cash distributions from equity method investments	7,250	29,750	33,000	37,750	29,000	27,250
Subtract: Income from equity method investments	(6,512)	(24,157)	(32,426)	(33,982)	(32,765)	(26,917)
Total Earnings	20,907	67,227	92,829	175,615	312,603	250,074
Fixed Charges (2):						
Interest expense	4,512	18,180	24,433	20,530	11,709	8,290
Interest component of rent expense	76	300	281	336	341	385
Total Fixed Charges	4,588	18,480	24,714	20,866	12,050	8,675
Ratio of Earnings to Fixed Charges	**4.6x**	**3.6x**	**3.8x**	**8.4x**	**25.9x**	**28.8x**

(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.

Exhibit 31.1

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: August 6, 2010

By: /s/ STEVEN R. ROWLEY
Steven R. Rowley
President and Chief Executive Officer

Exhibit 31.2

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: August 6, 2010

By: /s/ D. CRAIG KESLER

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

Exhibit 32.1

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the “Company”) on Form 10-Q for the period ended June 30, 2010 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: August 6, 2010

By: /s/ STEVEN R. ROWLEY
Steven R. Rowley
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the “Company”) on Form 10-Q for the period ended June 30, 2010 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: August 6, 2010

By: /s/ D. CRAIG KESLER
D. Craig Kesler
Chief Financial Officer
(Principal Financial Officer)