

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended March 31, 2002

Commission File No. 1-12984

CENTEX CONSTRUCTION PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

2728 N. Harwood, Dallas, Texas 75201
(Address of principal executive offices)

(214) 981-5000
(Registrant's telephone number)

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

Title of each class	Name of each exchange on which registered
Common Stock (par value \$.01 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to Form 10-K. .

The aggregate market value of the Centex Construction Products, Inc. common stock held by non-affiliates of the registrant on June 9, 2002 was approximately \$253 million.

Indicate the number of shares of the registrant's classes of common stock (or other similar equity securities) outstanding as of the close of business on June 19, 2002:

Common Stock	18,544,987 shares
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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in Parts I, II, and III, of this Report:

- (a) 2002 Annual Report to Stockholders of Centex Construction Products, Inc. for the fiscal year ended March 31, 2002.
- (b) Proxy statement for the Annual Meeting of Stockholders of Centex Construction Products, Inc. to be held on July 16, 2002.

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PART I

ITEM 1. BUSINESS

General

Centex Construction Products, Inc. (“CXP” or the “Company”) is a producer of a variety of basic construction products used in residential, industrial, commercial and infrastructure applications. CXP is a holding company and the businesses of the consolidated group are conducted through CXP’s subsidiaries. Unless the context indicates to the contrary, the terms “CXP” and the “Company” as used herein, should be understood to include subsidiaries of CXP and predecessor corporations. The Company produces and sells cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete. The Company is incorporated in the state of Delaware. Prior to April 19, 1994, the Company was a wholly-owned subsidiary of Centex Corporation (“Centex”). On April 19, 1994, the Company completed an Initial Public Offering (“IPO”) of 51% of its common stock. As a result of the IPO, Centex’s ownership of the Company was reduced to 49%. The Company’s common stock (“CXP Common Stock”) began trading publicly on the New York Stock Exchange on April 19, 1994. As of June 19, 2002, 18,544,987 shares of CXP Common Stock were outstanding.

As a result of repurchases by CXP of its common stock from the public since fiscal year 1997, and certain purchases of CXP common stock by Centex from the public, Centex owned approximately 65.2% of the outstanding shares of CXP Common Stock at March 31, 2002.

CXP’s involvement in the construction products business dates to 1963, when it began construction of its first cement plant. Since that time, the Company’s operations have expanded to include additional cement production and distribution facilities and the production, distribution and sale of aggregates, readymix concrete, gypsum wallboard and recycled paperboard. The Company’s production facilities are located principally in the western half of the U.S. and in certain key southwestern states.

On November 10, 2000 the Company acquired certain selected strategic assets (the “Strategic Assets Purchase”). The purchase price was \$342.2 million in cash plus the assumption by a subsidiary of \$100 million of subordinated debt. The principal strategic assets acquired were: a gypsum wallboard plant with 1.1 billion square feet of capacity located at Duke, Oklahoma; a short line railroad and railcars linking the Duke plant to adjacent railroads; a 220,000 ton-per-year lightweight recycled paperboard mill in Lawton, Oklahoma; a 50,000 ton-per-year recycled paperboard mill located in Commerce City, Colorado; and three recycled paper fiber collection sites. The gypsum wallboard operations are operated by CXP’s American Gypsum Company located in Albuquerque, New Mexico. The paperboard operations are located in Lawton, Oklahoma and focus primarily on the gypsum wallboard paper business.

Industry Segment Information

The following table presents revenues and earnings before interest and income taxes contributed by each of the Company’s industry segments during the periods indicated. Identifiable assets, depreciation, depletion and amortization, and capital expenditures by segment are presented in Note E of the Notes to the Consolidated Financial Statements of CXP on pages 27, 28 and 29 of CXP’s Annual Report to Stockholders for the fiscal year ended March 31, 2002 (the “2002 CXP Annual Report”). The contribution from assets acquired in the Strategic Assets Purchase only include results from the date of acquisition.

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For the Fiscal Years Ended March 31,

	2002	2001	2000	1999	1998
(dollars in millions)					
Contribution to Revenues ⁽¹⁾ :					
Cement	\$ 183.2	\$ 178.8	\$ 175.4	\$ 168.5	\$ 158.2
Gypsum Wallboard	183.5	187.3	244.2	170.9	147.3
Paperboard	84.3	31.5	—	—	—
Concrete and Aggregates	57.6	61.1	55.9	47.3	42.6
Other, net	(0.4)	3.7	1.2	1.7	1.9
	508.2	462.4	467.8	388.4	350.0
Less: Intersegment Sales	(37.1)	(21.3)	(6.3)	(6.5)	(5.7)
Total Net Revenues	\$ 471.1	\$ 441.1	\$ 470.5	\$ 381.9	\$ 344.3

For the Fiscal Years Ended March 31,

	2002	2001	2000	1999	1998
(dollars in millions)					
Contribution to Operating Earnings:					
Cement	\$ 60.2	\$ 59.6	\$ 53.0	\$ 56.8	\$ 48.1
Gypsum Wallboard	4.6	27.1	107.6	56.6	35.8
Paperboard	10.0	1.4	—	—	—
Concrete and Aggregates	4.4	7.5	9.3	7.4	4.5
Other, net	(0.4)	3.7	1.2	1.7	1.9
	78.8	99.3	171.1	122.5	90.3
Corporate Overhead	(5.5)	(4.7)	(4.7)	(4.4)	(3.8)
Total Earnings Before Interest and Income Taxes	\$ 73.3	\$ 94.6	\$ 166.4	\$ 118.1	\$ 86.5

(1) The Company adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during Fiscal Year 2001. As a result of this adoption, net revenues prior to Fiscal Year 2001 have been restated to include freight and delivery costs billed to customers. Previously such billings were offset against corresponding expenses in cost of sales.

Revenues for the past three years from each of the Company's business segments, expressed as a percentage of total consolidated net revenues, were as follows:

Segment:	Percentage of Total Consolidated Net Revenues		
	2002	2001	2000
Cement	37.8%	39.1%	36.0%
Gypsum Wallboard	39.0%	42.5%	51.9%
Paperboard	11.2%	3.9%	—
Concrete and Aggregates:			
Readymix Concrete	8.0%	9.8%	8.8%
Aggregates	4.1%	3.9%	3.0%
Other, net	12.1%	13.7%	11.8%
	(0.1%)	0.8%	0.3%
Total Consolidated Net Revenues	100.0%	100.0%	100.0%

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Cement Operations

Company Operations. The Company’s cement production facilities are located in or near Buda, Texas; LaSalle, Illinois; Laramie, Wyoming; and Fernley, Nevada. The Laramie, Wyoming and Fernley, Nevada facilities are wholly-owned. The Buda, Texas plant is owned by Texas Lehigh Cement Company LP, a limited partnership owned 50% by the Company and 50% by Lehigh Portland Cement Company, a subsidiary of Heidelberg Cement AG. The LaSalle, Illinois plant is owned by Illinois Cement Company, a joint venture owned 50% by the Company and 50% by RAAM Limited Partnership, a partnership controlled by members of the Pritzker family. The Company receives a management fee of \$150,000 per year to manage the Illinois joint venture. The Company’s Laramie, Wyoming plant operates under the name of Mountain Cement Company and the Fernley, Nevada plant under the name of Nevada Cement Company.

Cement is the basic binding agent for concrete, a primary construction material. The manufacture of portland cement primarily involves the extracting, crushing, grinding and blending of limestone and other raw materials into a chemically proportioned mixture which is then burned in a rotary kiln at extremely high temperatures to produce an intermediate product known as clinker. The clinker is cooled and interground with a small amount of gypsum to the consistency of face powder to produce finished cement. Clinker can be produced utilizing either of two basic methods, a “wet” or a “dry” process. In the wet process, the raw materials are mixed with water to take advantage of the greater ease in the handling and mixing of the raw materials. However, additional heat, and therefore fuel, is required to evaporate the moisture before the raw materials can react to form clinker. The dry process, a more fuel efficient technology, excludes the addition of water into the process. Dry process plants are either preheater plants, in which hot air is recycled from the rotary kiln to preheat materials, or are precalciner plants, in which separate burners are added to accomplish a significant portion of the chemical reaction prior to the introduction of the raw materials into the rotary kiln. As fuel is a major cost component in the production of clinker, most modern cement plants, including all four of the plants operated by the Company, incorporate the more fuel-efficient dry process technology. At present, approximately 80% of the Company’s net clinker capacity is from preheater or preheater/precalciner kilns, compared to approximately 60% of U.S. cement capacity manufactured from such kilns. The following table sets forth certain information regarding these plants:

Location	Rated Annual Clinker Capacity (M short tons) ⁽¹⁾	Manufacturing Process	Number of Kilns	Dedication Date	Estimated Minimum Limestone Reserves (Years)
Buda, Tx ⁽²⁾	1,250	Dry — 4 Stage Preheater Flash Calciner	1	1978 1983	60
LaSalle, Il ⁽²⁾	640	Dry — 4 Stage Preheater	1	1974	30
Laramie, Wy	670	Dry — 2 Stage Preheater Dry — Long Dry Kiln	1 1	1988 1996	30
Fernley, Nv	515	Dry — Long Dry Kiln Dry — 1 Stage Preheater	1 1	1964 1969	15
Total — Gross ⁽³⁾	3,075				
Total — Net ⁽³⁾⁽⁴⁾	2,130				

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

(2) The amounts shown represent 100% of plant capacity and production. Each of these plants is owned by a separate partnership in which the Company has a 50% interest.

(3) Generally, a plant’s cement grinding production capacity is greater than its clinker production capacity.

(4) Net of partners’ 50% interest.

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The Company's net cement production, excluding the partners' 50% interest in the Buda and LaSalle plants, totaled 2.24 million tons in fiscal 2002 and 2.25 million tons in fiscal 2001. Total net cement sales were 2.44 million tons in fiscal 2002 and 2.39 million tons in fiscal 2001 as all plants sold all of the product they produced. Cement production is capital-intensive and involves high fixed costs. As a result, plant capacity utilization levels are an important measure of a plant's profitability, since incremental sales volumes tend to generate increasing profit margins. During the past two years, the Company purchased cement from others to be resold. Purchased cement sales typically occur at lower gross profit margins. In fiscal 2002, 10.5% of the cement sold by the Company was acquired from outside sources, compared to 6.6% in fiscal 2001.

Raw Materials and Fuel Supplies. The principal raw material used in the production of portland cement is calcium carbonate in the form of limestone. Limestone is obtained principally through mining and extraction operations conducted at quarries owned or leased by the Company and located in close proximity to its plants. The Company believes that the estimated recoverable limestone reserves owned or leased by it will permit each of its plants to operate at its present production capacity for at least 30 years or, in the case of the Company's Nevada plant, at least 15 years. The Company expects that additional limestone reserves for its Nevada plant will be available when needed on an economically feasible basis, although such reserves may be more distant and more expensive to transport than the Company's existing reserves. Other raw materials used in substantially smaller quantities than limestone are sand, clay, iron ore and gypsum. These materials are readily available and can either be obtained from Company-owned or leased reserves or are purchased from outside suppliers.

The Company's cement plants use coal and coke as their primary fuel, but are equipped to burn natural gas as an alternative. The Company has not used hazardous waste-derived fuels in its plants. The Company's LaSalle, Illinois and Buda, Texas plants have been permitted to burn scrap tires as a partial fuel alternative. Electric power is also a major cost component in the manufacture of cement. The Company has sought to diminish overall power costs by adopting interruptible power supply agreements which may expose the Company to some production interruptions during periods of power curtailment. Although power and coal costs have generally increased in the U.S. during fiscal 2002, because of the location of the Company's cement plants, such increases are not expected to significantly impact cement manufacturing costs in fiscal 2003.

Sales and Distribution. Demand for cement is highly cyclical and derived from the demand for concrete products which, in turn, is derived from demand for construction. According to estimates of the Portland Cement Association (the "PCA"), the industry's primary trade organization, the construction sectors that are the major components of cement consumption are (i) public works construction, (ii) non-residential construction (iii) residential construction, and (iv) other, which comprised 49%, 19%, 20%, and 12%, respectively, of U.S. cement consumption in 2001, the most recent period for which such data is available. Public works construction was favorably impacted when the U.S. Congress passed legislation in 1998 known as the Transportation Equity Act for the 21st Century. This legislation authorized \$218 billion in federal expenditures on highways, bridges and mass transit projects over the next six years. This represents a 44% increase over the previous six-year period, which ended in 1997. Construction spending and cement consumption have historically fluctuated widely. The construction sector is affected by the general condition of the economy as well as regional economic influences. Regional cement markets experience peaks and valleys correlated with regional construction cycles. Also, demand for cement is seasonal, particularly in northern states where inclement weather affects construction activity. Sales are generally greater from spring through the middle of autumn than during the remainder of the year. While the impact on the Company of regional construction cycles may be mitigated to some degree by the geographic diversification of the Company, profitability is very sensitive to shifts in the balance between supply and demand. As a consequence, the Company's cement segment sales and earnings follow a similar cyclical pattern.

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The following table sets forth certain information regarding the geographic area served by each of the Company's cement plants and the location of the Company's distribution terminals in each area. The Company has a total of 10 cement storage and distribution terminals that are strategically located to extend the sales areas of its plants.

<u>Plant Location</u>	<u>Principal Geographic Areas</u>	<u>Distribution Terminals</u>
Buda, Texas	Texas and western Louisiana	Corpus Christi, Texas Houston, Texas Orange, Texas Roanoke (Ft. Worth), Texas Waco, Texas
LaSalle, Illinois Laramie, Wyoming	Illinois and southern Wisconsin Wyoming, Utah, northern Colorado, western Nebraska and eastern Nevada	Hartland, Wisconsin Salt Lake City, Utah Denver, Colorado North Platte, Nebraska
Fernley, Nevada	Northern Nevada and northern California	Sacramento, California

Cement is distributed directly to customers principally by common carriers, customer pick-up and, to a lesser extent, trucks owned by the Company. The Company transports cement principally by rail to its storage and distribution terminals. Cement is distributed primarily in bulk, but also in paper bags. No single customer accounted for as much as 10% of the Company's cement sales during fiscal 2002.

Sales are made on the basis of competitive prices in each area. As is customary in the industry, the Company does not typically enter into long-term sales contracts, except with respect to major construction projects.

Competition. The cement industry is extremely competitive as a result of multiple domestic suppliers and the importation of foreign cement through various terminal operations. Competition among producers and suppliers of cement is based primarily on price, with consistency of quality and service to customers being important but of lesser significance. Price competition among individual producers and suppliers of cement within a geographic area is intense because of the fungible nature of the product. The U.S. cement industry is fragmented into regional geographic areas rather than a single national selling area. Because of cement's low value-to-weight ratio, the relative cost of transporting cement is high and limits the geographic area in which each company can market its products economically. No one cement company has a distribution of plants extensive enough to serve all geographic areas. The number of principal competitors of the Company's Texas, Illinois, Wyoming and Nevada plants are six, six, four and six, respectively, operating in these regional areas.

The United States cement industry comprises approximately 30 companies which own 119 gray cement plants with approximately 88 million metric tons of clinker manufacturing capacity (approximately 92 million metric tons of cement manufacturing capacity, assuming a 105% conversion ratio). The PCA estimates that U.S. portland cement demand totaled approximately 111 million metric tons in calendar 2001, with approximately 23% of such demand being satisfied by imported cement and

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clinker. Continued strength in all three construction sectors in calendar 2001 resulted in the eighth consecutive year of record setting cement consumption in the U.S. Based on the level of demand, the Company estimates that the cement industry as a whole operated in excess of 91% of its aggregate manufacturing capacity during calendar 2001. The PCA reported that, as of August 2001, approximately 27 plant modernization and expansion projects, including six new cement plants, have been announced or are underway. These projects, if completed, could add almost 25 million metric tons of new domestic cement manufacturing capacity and increase existing capacity by 28%. The announced expansions represent a significant change for the industry, but market forces and other factors may interfere with producers' plans. The Company does not anticipate that all of the industry's announced expansions will actually be constructed, and, because of the long lead times associated with adding additional capacity, any increased production capability is expected to be gradual over the next several years. The PCA has predicted U.S. portland cement consumption will grow to 119 million metric tons by 2006, compared with an estimated 111 million metric tons of cement consumption in calendar 2001. The Company, however, cannot offer any assurances regarding any near-term increases in demand. In addition, the Company does not know how much, if any, old, inefficient cement production capacity may be retired during this period. Even if all announced expansions are completed, a capacity deficit would still exist in 2006 if the PCA consumption projections are realized.

Cement imports into the United States occur primarily to supplement domestic cement production during peak demand periods. Throughout most of the 1980's, however, competition from low-priced imported cement in most coastal and border areas of the U.S. grew significantly, which included the markets served by the Company's Fernley, Nevada and Buda, Texas plants. According to the PCA, the 1980's were a period of relatively high cement imports. This high level of imports depressed cement prices during a period of strong U.S. cement demand. As a result of antidumping petitions filed by a group of domestic cement producers, significant antidumping duty cash deposit requirements have been imposed on cement imported from Mexico since 1990 and from Japan since 1991. The existing antidumping orders have contributed substantially to an improvement in the condition of the U.S. cement industry.

In the case of imports from Mexico, margins to calculate cash deposit rates and the resulting antidumping duties are subject to annual review by the Department of Commerce and appeal to the U.S. Court of International Trade and the U.S. Court of Appeals or to binational dispute panels under the North American Free Trade Agreement ("NAFTA").

Pursuant to the Uruguay Round Agreement, the General Agreement on Tariffs and Trade ("GATT") Antidumping Code was superseded on January 1, 1995 by a new antidumping agreement that is administered by the World Trade Organization. As a result of legislation passed by the U.S. Congress in 1994, the Department of Commerce and the ITC conducted "sunset" reviews during the last two years of the first five years of antidumping orders and determined they should remain in effect for another five years until 2005.

NAFTA thus far has had no material adverse effect on the antidumping duty cash deposit rates imposed on gray portland cement and clinker imported from Mexico. The Company does not believe that NAFTA will likely have a material adverse effect on the foregoing antidumping duty cash deposit rates in the near future. A substantial reduction or elimination of the existing antidumping duties as a result of GATT, NAFTA or any other reason could adversely affect the Company's results of operations.

U.S. imports of foreign cement began to increase in the mid-1990's as the use of cement in the U.S. began to recover. The PCA has estimated that imports represented approximately 23% of cement used in the U.S. during calendar 2001 as compared with approximately 25% in 2000 and 28% in 1999. Unlike the imports during the 1980's, however, most of the recent imports have provided an additional source of supply rather than disrupting the market with unfair prices. During most of the recent period of strong demand, the prices of cement imports rose. The increase was attributable, at least in part, to the

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influence of the outstanding antidumping orders. While the average cost of imported cement rose during calendar 2001, the cost of cement imports from some countries, particularly those from Southeast Asia, are less. Moreover, independently owned cement operators could undertake to construct new import facilities and begin to purchase large quantities of low-priced cement from countries not yet subject to antidumping orders, such as those in Asia, which could compete with domestic producers, as has happened in the Company's Houston, Texas market. The introduction of low-priced imported cement from such sources could adversely affect the Company's result of operations.

Capital Expenditures. Capital expenditures during fiscal 2002 amounted to \$4.4 million for the Company's cement segment compared with \$6.2 million and \$10.3 million in fiscal 2001 and 2000, respectively. Capital outlays in fiscal 2003 have been budgeted at approximately \$8.2 million. Approximately 18% of the budgeted fiscal 2003 total is related to compliance with environmental regulations.

Environmental Matters. The cement manufacturing industry, including the operations of the Company, is regulated by federal, state and local laws and regulations pertaining to several areas including human health and safety and environmental compliance. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986, as well as analogous laws in certain states, create joint and several liability for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. Among those who may be held jointly and severally liable are those who generated the waste, those who arranged for disposal, those who owned or operated the disposal site or facility at the time of disposal, and current owners. In general, this liability is imposed in a series of governmental proceedings initiated by the identification of a site for initial listing as a "Superfund site" on the National Priorities List or a similar state list and the identification of potentially responsible parties who may be liable for cleanup costs. None of the Company's sites are listed as a "Superfund site."

The Company's operations are also potentially affected by the Resource Conservation and Recovery Act ("RCRA"), which is the primary federal statute governing the management of solid waste and which includes stringent regulation of solid waste that is considered hazardous waste. The Company's operations generate nonhazardous solid waste that may include cement kiln dust ("CKD"). Because of a RCRA exemption, known as the Bevill Amendment, CKD generated in the Company's operations is currently not considered a hazardous waste under RCRA, pending completion of a study and recommendations to Congress by the U.S. Environmental Protection Agency ("U.S. EPA"). Nevertheless, such CKD is still considered a solid waste and is regulated primarily under state environmental laws and regulations. The U.S. EPA has completed its review of CKD and has proposed regulations to govern the handling and disposal of CKD which will supersede the Bevill Amendment. The Bevill Amendment remains in effect until the final regulations are adopted.

In the past, the Company collected and managed CKD on-site at its cement plants. The Company continues to manage this historically generated CKD at its Illinois, Nevada and Wyoming cement plants and at a former plant site in Corpus Christi, Texas, which is no longer in operation. Currently, the Company recycles substantially all CKD related to present operations at all of its cement facilities. When the U.S. EPA removes the CKD exemption and adopts regulations with particular CKD management standards, the Company may be required to incur significant costs in connection with its historically generated CKD. CKD that comes in contact with water might produce a leachate with an alkalinity high enough to be classified as hazardous and might also leach certain hazardous trace metals therein.

Another issue of potential significance to the Company is global warming. Carbon dioxide is a greenhouse gas many scientists and others believe contributes to a warming of the Earth's atmosphere. In December 1997, the United Nations held an international convention in Kyoto, Japan to take further international action to ensure greenhouse gas stabilization and/or reduction after the turn of the century. The conference agreed to a protocol to the United Nations Framework Convention on Climate Change

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originally adopted in May 1992. The Kyoto protocol establishes quantified emission reduction commitments for certain developed countries, including the U.S., and certain countries that are undergoing the process of transition to a market economy. These reductions are to be obtained by 2008-2012. The Kyoto protocol was made available for signature by member countries starting in the spring of 1998. The current administration has gone on record that the United States will not ratify the Kyoto protocol. The current administration has proposed a market-based program to reduce greenhouse emissions. This proposed program is not expected to have a significant impact on the Company.

The consequences of greenhouse gas reduction measures for cement producers are potentially significant because carbon dioxide is generated from the combustion of fuels such as coal and coke in order to generate the high temperatures necessary to manufacture cement clinker (which is then ground with gypsum to make cement). In addition, carbon dioxide is generated in the calcining of limestone to make cement clinker. Any imposition of raw material or production limitations or fuel-use or carbon taxes could have a significant impact on the cement manufacturing industry. It will not be possible to determine the impact on the Company, if any, until governmental requirements are defined and/or the Company can determine whether emission offsets and/or credits are obtainable, and whether alternative cementitious products or alternative fuels can be substituted.

Another RCRA concern in the cement industry involves the historical disposal of refractory brick containing chromium. Such refractory brick was formerly widely used in the cement industry to line cement kilns. The Company currently crushes spent refractory brick and uses it as raw feed in the kiln, but such brick does not contain chromium.

The Clean Air Act Amendments of 1990 (the "Amendments") provided comprehensive federal regulation of all sources of air pollution and established a new federal operating permit and fee program for virtually all manufacturing operations. The Amendments will likely result in increased capital and operational expenses for the Company in the future, but such amounts are not expected to have a significant effect on the Company. The Company's U.S. operations have submitted detailed permit applications and will pay increased recurring permit fees. In addition, the U.S. EPA has promulgated regulations for certain toxic air pollutants including standards for portland cement manufacturing. The new maximum available control technology standards require cement plants to test for certain pollutants and meet certain emission and operating standards. Management has no reason to believe, however, that these new standards will place the Company at a competitive disadvantage.

The Federal Water Pollution Control Act, commonly known as the Clean Water Act ("Clean Water Act"), provides comprehensive federal regulation of all sources of water pollution. All of the Company's facilities affected by the Clean Water Act currently have National Pollutant Discharge Elimination System ("NPDES") stormwater permits.

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

With respect to some of the Company's quarries used for the extraction of raw materials for its cement and gypsum wallboard operations and for the mining of aggregates for its aggregate operations, the Company is obligated under certain of its permits and certain regulations to engage in reclamation of land within the quarries upon completion of extraction and mining.

Gypsum Wallboard Operations

Company Operations. The Company owns and operates four gypsum wallboard manufacturing facilities, two located in Albuquerque and nearby Bernalillo, New Mexico, one located in Gypsum (near Vail), Colorado and one located in Duke, Oklahoma. The Company mines and extracts gypsum and then manufactures gypsum wallboard by first pulverizing quarried gypsum, then placing it in a calciner for conversion into plaster. The plaster is mixed with various chemicals and water to produce a mixture known as slurry, which is inserted between two continuous sheets of recycled paperboard on a high-speed production line and allowed to harden. The resulting sheets of gypsum wallboard are then cut to appropriate lengths, dried and bundled for sale. Gypsum wallboard is used to finish the interior walls and ceilings in residential, commercial and institutional construction. These panel products provide aesthetic as well as sound-dampening and fire-retarding value.

The Albuquerque plant was acquired in 1985, and was operated until early 1991. Following the start-up of the new Bernalillo plant in the spring of 1990, the Company elected to suspend operations at the Albuquerque plant due to weak market conditions. Operations at the Albuquerque plant were recommenced in May 1993, due to improvements in wallboard demand and prices. The Gypsum, Colorado gypsum wallboard plant and accompanying electric power cogeneration facility were purchased in February 1997. The plant originally commenced production in early 1990 and had been operated by an independent producer until its acquisition by CXP. The Duke, Oklahoma plant was acquired in November 2000 as part of the Strategic Assets Purchase (see Item 1, Business — General). The plant commenced production in 1964 and has operated continuously since then. In 1999, a second line was added that expanded the plant's annual capacity to 1.2 billion square feet. The Company believes that the Duke plant is the second largest single gypsum wallboard plant in North America.

The following table sets forth certain information regarding these plants:

<u>Location</u>	<u>Rated Annual Gypsum Wallboard Capacity (MMSF)⁽¹⁾</u>	<u>Estimated Minimum Gypsum Rock Reserves (years)⁽²⁾</u>
Albuquerque, New Mexico	360	80 ⁽³⁾
Bernalillo, New Mexico	510	80 ⁽³⁾
Gypsum, Colorado	640	35
Duke, Oklahoma ⁽⁴⁾	1,200	15
Total	2,710	

(1) Million Square Feet ("MMSF")

(2) Proven reserves only. See Raw Materials and Fuel Supplies section for additional reserves.

(3) The same reserves serve both New Mexico plants

(4) Acquired in November 2000.

The Company's gypsum wallboard production totaled 1,890 MMSF in fiscal 2002 and 1,649 MMSF in fiscal 2001. Total gypsum wallboard sales were 1,930 MMSF in fiscal 2002 and 1,584 MMSF in fiscal 2001.

Raw Materials and Fuel Supplies. The Company mines and extracts natural gypsum rock, the principal raw material used in the manufacture of gypsum wallboard, from mines and quarries owned, leased or subject to claims owned by the Company and located near its plants. The Company does not use synthetic gypsum. The New Mexico, Colorado and Oklahoma mines and quarries are estimated to contain approximately 50 million tons, 21 million tons and 15 million tons, respectively, of proven and

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probable gypsum reserves. Other gypsum deposits are located in the immediate area of the Duke, Oklahoma plant and may be obtained at reasonable costs. Based on its current production capacity, the Company estimates that the life of its existing gypsum rock reserves is approximately 80 years in New Mexico, 35 years in Colorado and 15 years in Oklahoma.

Prior to November 2000, the Company purchased paper used in manufacturing gypsum wallboard from third-party suppliers. As a part of the Strategic Assets Purchase, the Company purchased in November 2000 certain paperboard assets of one of the third-party gypsum wallboard paper suppliers. The Company now manufactures all of the paper needed for its gypsum wallboard production.

The Company's gypsum wallboard manufacturing operations use large quantities of natural gas and electrical power. A portion of the Company's natural gas requirements for its gypsum wallboard plants are currently provided by three gas producers under gas supply agreements expiring in January 2003 for Colorado, May 2003 for New Mexico, and November 2002 for Oklahoma. If the agreements are not renewed, the Company expects to be able to obtain its gas supplies from other suppliers at competitive prices. Electrical power is supplied to the Company's New Mexico plants at standard industrial rates by a local utility. The Company's Albuquerque plant utilizes an interruptible power supply agreement, which may expose it to some production interruptions during periods of power curtailment. Power for the Gypsum, Colorado facility is generated at the facility by a cogeneration power plant. Currently the cogeneration power facility supplies only the power needs of the gypsum wallboard plant and does not sell any power to third parties. Power at the Duke, Oklahoma plant is supplied by a local electric cooperative under a contract which expires in January 2005. Although gas costs declined in fiscal 2002, they are expected to increase in fiscal 2003 which will negatively impact fiscal 2003 production costs.

Sales and Distribution. The principal sources of demand for gypsum wallboard are (i) residential construction, (ii) repair and remodeling, (iii) non-residential construction, and (iv) other activities such as exports and temporary construction, which the Company estimates accounted for approximately 43%, 39%, 12% and 6%, respectively, of calendar 2001 industry sales. While the gypsum wallboard industry remains highly cyclical, recent growth in the repair and remodeling segment have partially mitigated the impact of fluctuations in overall levels of new construction.

Although the percentage of gypsum wallboard shipments accounted for by new residential construction has declined in recent years, new residential construction remains the largest single source of gypsum wallboard demand. In recent years, demand has been favorably impacted by a shift toward more single-family detached housing within the new residential construction segment and by an increase in the size of the average single-family detached home.

The Company estimates that the size of the total residential repair and remodel market grew to a record \$159 billion in calendar 2001, up from \$46 billion in 1980. Although data on commercial repair and remodel activity is not readily available, the Company believes that this segment has also grown significantly in recent years. The growth of the repair and remodeling market is primarily due to the aging of housing stock, remodeling of existing buildings and tenant turnover in commercial space. In addition, repair and remodeling activity has benefited from the fact that it has increasingly come to be viewed by homeowners, particularly in recessionary periods, as a low cost alternative to purchasing a new house.

The Company sells gypsum wallboard to numerous building materials dealers, gypsum wallboard specialty distributors, home center chains and other customers located throughout the United States. One customer with multiple shipping locations accounted for approximately 12% of the Company's total gypsum wallboard sales during fiscal 2002. The Company believes that the loss of that customer could have a material adverse effect on the Company and its subsidiaries taken as a whole.

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During fiscal 2002, the principal states in which the Company had gypsum wallboard sales were Texas, Colorado, California, Arizona and New Mexico. Prior to fiscal 2001, a large portion of the Company's gypsum wallboard sales were made in the southeastern United States, with significant sales in Florida. However, due to a dramatic increase in new capacity in the eastern portion of the United States and falling prices, the Company has focused the distribution of its gypsum wallboard in the southwestern and western areas of the United States.

Although gypsum wallboard is distributed principally in regional areas, the Company and certain other producers have the ability to ship gypsum wallboard by rail outside their usual regional distribution areas to take advantage of these other regional increases in demand. The Company owns or leases 244 railcars for transporting gypsum wallboard. In addition, in order to facilitate distribution in certain strategic areas, the Company maintains a distribution center in Albuquerque, New Mexico and ten reload yards in Texas, Arizona, California, Nevada, Oregon and Washington. The Company's rail distribution capabilities permit it to reach customers in all states west of the Mississippi River and many eastern states. During fiscal 2002, approximately 20% of the Company's sales volume of gypsum wallboard was transported by rail.

Competition. There are eight manufacturers of gypsum wallboard in the U.S. operating a total of 79 plants. The Company estimates that the three largest producers — USG Corporation, National Gypsum Company and Georgia-Pacific Corporation — account for approximately 70% of gypsum wallboard sales in the United States. The industry has experienced some consolidation, the largest being Georgia-Pacific Corporation's purchase of the gypsum wallboard business of Domtar, Inc. and British Plasterboard's purchase of James Hardie and Celotex. In general, a number of the Company's competitors in the gypsum wallboard industry have greater financial, manufacturing, marketing and distribution resources than the Company. Furthermore, certain of its competitors have vertically integrated operations consisting of gypsum wallboard manufacturing plants, paperboard mills and distribution centers, which may provide them with certain cost advantages over the Company.

Competition among gypsum wallboard producers is primarily on a regional basis, with local producers benefiting from lower transportation costs, and to a lesser extent on a national basis. Because of the commodity nature of the product, competition is based principally on price and, to a lesser extent, on product quality and customer service.

Currently total United States gypsum wallboard production capacity is estimated at 34.0 billion square feet per year, a 25% rise from 1998. The Gypsum Association, an industry trade group, estimates that total calendar 2001 gypsum wallboard shipments by U.S. manufacturers was approximately 29.3 billion square feet (30.2 billion square feet including imports), resulting in industry capacity utilization of approximately 86%.

Capital Expenditures. Capital expenditures during fiscal 2002 for the gypsum wallboard segment amounted to \$1.2 million; \$4.5 million in fiscal year 2001; and \$10.8 million in fiscal 2000. Capital outlays in fiscal 2003 have been budgeted at approximately \$2.8 million with less than 1% of the expenditures related to compliance upgrades to environmental regulations.

Environmental Matters. The gypsum wallboard industry is subject to environmental regulations similar to those governing the Company's cement operations. None of the Company's gypsum wallboard operations are presently the subject of any local, state or federal environmental proceedings or inquiries. The Company does not, and has not, used asbestos in any of its gypsum wallboard products.

Recycled Paperboard Operations

Company Operations. The Company's recycled paperboard manufacturing operation is located in Lawton, Oklahoma. This mill, in addition to the idled Commerce City, Colorado paperboard mill and four recovered fiber centers were acquired as part of the Strategic Assets Purchase in November 2000. The Commerce City mill was idled in April 2001, due to high manufacturing costs and the successful ramp up rate of the Lawton facility. The four recovered fiber centers were sold early in fiscal 2003, as it was determined that their location and supply capabilities were not strategically favorable to the Lawton location.

All of the paper products manufactured at Lawton are produced from 100% recovered (recycled) paper fiber. The recycled paperboard products manufactured by the Company primarily include the facing and backside paper used in the manufacture of gypsum wallboard. Other recycled paperboard grades used by manufacturers of consumer packaging (e.g. corrugate medium, linerboard and Kraft bag) and industrial paperboard products (e.g. angle board, tube and core board) are also produced for diversity and mill expansion needs.

Manufacturing Process. Recycled paperboard is manufactured at the Company's mill in a continuous process during which reclaimed paper fiber is mixed with water and pulped to separate the individual fibers. This mixture is passed through a series of filters and cleaners to remove all of the undesirable materials (e.g. tapes, glass, staples, glues, waxes) from the recovered fiber. This slurry is diluted to a very low concentration and is then applied to a series of rotating wire screens through a mechanical distribution system. The Lawton paper machine is designed so that four individual webs of paper are combined to form one multi-ply sheet of paperboard. The excess water from this process is allowed to be drained through the wire mesh fabric and is continuously recycled for additional paper making. The multi-ply paper mat is then mechanically pressed, steam dried and trimmed to specific customer size and packaged requirements. The finished product is wound in roll form weighing approximately 2.5 tons and containing 2.2 miles of paper. It is made specifically to customer quality specifications.

Raw Materials. The principal raw materials used by the Company's Lawton paperboard mill are recovered paper fiber (in other words, wastepaper), water and chemicals. Several different types of recovered fiber (e.g. newspaper, grocery store boxes) are formulated together to give the desired paperboard qualities. Recovered paper fiber is currently purchased from several sources, with 35% being under contract commitments.

Management believes that adequate supplies of recovered paper fiber will continue to be available from generators and wholesalers located within a 400-mile radius of the Lawton mill. One third of all purchased fiber is supplied by rail. Recovered paper fiber is a commodity bought, sold and traded under the guidelines of the Institute of Scrap Recycling Industries, Inc. (ISRI). Monthly pricing is established in several industry publications based on location. Prices are subject to fluctuations based on generation, demand and export. The current outlook for fiscal 2003 is for wastepaper prices to increase during the 1st and 2nd quarter, but then stabilize for the balance of the year. The current customer contracts include price escalators to compensate for these raw material increases.

Chemicals, including size, retention aids and bactericides, used by the Company in its recycled paperboard operations are environmentally friendly and are readily available from several manufacturers at competitive prices. Size is used principally as a water-resisting agent in the production of recycled paperboard. Retention aids are agents used to retain fiber and chemicals in the papermaking process by preventing their loss into the waste stream. Bactericides are agents used to control bacteria and other organisms in the papermaking process.

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The manufacture of recycled paperboard involves the use of large volumes of water both in the production process and for cooling purposes. The Oklahoma mill uses water provided by the City of Lawton, Oklahoma municipal services. The term of the agreement with the City of Lawton, Oklahoma is fifteen years with two automatic five year extensions unless the Company notifies the City in writing at least six months prior to the expiration of the term or extended term. Although adequate sources of water have historically been available, an extended period of general water shortages, legal curtailment of any mill's current water sources or uses, or deterioration of the current quality of water could adversely affect the mill's operations and limit its production capacity.

Electricity, natural gas and other utilities are available to the mill either at contracted rates or at standard industrial rates in adequate supplies, subject to standard industrial curtailment provisions. If periods of natural gas curtailment or unfavorable pricing occur, the Lawton mill is equipped to use fuel oil as an alternative fuel. The Lawton mill has a seven year contract for natural gas transportation.

Paperboard mills are generally large consumers of natural gas, with Lawton's needs in excess of 3200 MMBTU per day. During fiscal 2002, natural gas pricing remained constant mostly due to forward purchasing and a depressed market. However, the Company has recently experienced significant pricing increases above fiscal 2002's rates. Natural gas pricing more than likely will remain high and is expected to negatively impact fiscal 2003 production costs.

The Lawton mill is under a very favorable three year term electrical agreement with Public Service of Oklahoma that expires November 2002. The mill site has also entered into a letter of intent with a third party co-generation operator for the purchase of steam for the paper making process and possible electrical generation. This co-generation plant is tentatively scheduled to come on line during the fall of 2004, and is expected to significantly reduce utility price volatility.

Sales and Distribution. The recycled paperboard products manufactured by the Company are sold primarily to gypsum wallboard manufacturers. During fiscal 2002, approximately 34% of the recycled paperboard manufactured and shipped by the Lawton mill was consumed by the Company's gypsum wallboard manufacturing operations, approximately 21% was shipped to another gypsum wallboard manufacturer and 37% was sold to James Hardie Gypsum, Inc. ("Hardie"). (See "The Hardie Agreement" on page 14).

The loss of Hardie as a customer could have a material adverse affect on the Company and its subsidiaries taken as a whole.

Competition. In selling the portion of its production not consumed by its own gypsum wallboard manufacturing operations, the Company competes with approximately seven other manufacturers of gypsum-grade paperboard, six of which have gypsum wallboard manufacturing operations. Substantially all of these competitors have greater financial resources than the Company. During periods of peak demand for gypsum wallboard, the demand for recycled paperboard typically matches or exceeds the productive capacities of the gypsum-grade paperboard producers. During periods of reduced demand for gypsum wallboard, the demand for recycled paperboard falls, and selling prices may decrease.

Price, quality and timeliness of deliveries are the principal methods of competition among paperboard producers. The location of the Company's Lawton recycled paperboard mill allows the Company to serve a variety of markets, including several gypsum wallboard plants in the Midwest, southeast, southwest and western United States.

The Lawton Mill. The Lawton mill is located in southwestern Oklahoma and commenced commercial operations in March 2000. The Lawton mill is designed to manufacture gypsum-grade recycled paperboard utilizing technologies that have been successfully employed in recycled paperboard mills in the United States. These technologies include (i) the use of an advanced paper forming section in

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which the roll forming process utilizes a hydraulic headbox and a twin wire de-watering system to form a paper sheet allowing speeds in excess of 2,500 feet per minute, thereby allowing reduced labor costs per ton produced, (ii) an advanced control system, which immediately senses changes in the paper as it is being formed and adjusts the forming section of the paper machine to maintain the uniformity of the paper and also monitors and adjusts the recovered paper fiber cleaning process to maintain the quality of this raw material, (iii) modern pressing technology, which permits water removal in a way that provides more uniformity and enhances the properties of the paper, (iv) dryer felts on all dryer sections, which improve drying efficiency and reduce shrinkage, and (v) a cleaning and screening process for the reclaimed paper fiber that enhances the strength, surface characteristics and overall surface uniformity of the paperboard.

The Company expects that the Lawton mill will be able to produce recycled paperboard that is technologically superior to, and approximately 20% to 30% lighter than that currently generally available in the United States, but with equal strength characteristics. The Company believes that being one of the first to produce higher quality, lower basis-weight recycled paperboard will give it a competitive advantage over other recycled paperboard manufacturers until other mills using similar technology come on-line. Because gypsum-grade recycled paperboard generally is sold on the basis of surface area, manufacturing lighter paper potentially translates into higher profit margins per ton for the recycled paperboard manufacturer. Lighter recycled paperboard also reduces drying costs associated with the production of gypsum wallboard and reduces inbound and outbound freight costs of both recycled paperboard and gypsum wallboard. In addition, because the Lawton mill is designed as an efficient, high-speed mill, operating costs are expected to be lower than existing mills now producing recycled paperboard for the wallboard industry. In addition to producing a product which should be more attractive to customers, it is anticipated that the lighter weight, better quality recycled paperboard from the Lawton mill will reduce production and transportation costs at the Company's gypsum wallboard plants.

The Lawton mill is ultimately expected to have the capacity to produce approximately 11 billion square feet, or approximately 220,000 tons, of gypsum-grade recycled paperboard annually. Production from the Lawton mill will be used both internally at all four of CXP's gypsum wallboard plants and sold to third parties. Although primarily designed for the production of gypsum-grade recycled paperboard, the Lawton mill is also capable of producing recycled paperboard for other uses.

The Hardie Agreement. In November 2000, as part of the Strategic Assets Purchase (see Item 1, Business — General), CXP acquired the Lawton mill and the paper supply contract with Hardie (the "Hardie Agreement"). Under this agreement, the Lawton mill is obligated to sell at least approximately 95% of the gypsum-grade recycled paperboard requirements of Hardie's three gypsum wallboard plants. The Company expects the amount of paperboard supplied to Hardie pursuant to the Hardie Agreement eventually to account for approximately 30% to 35% of the Lawton mill's production. CXP expects to utilize another approximately 30% to 35% of the Lawton mill's output. There can be no assurance that the Company will be successful in obtaining supply agreements for the remainder of the output of the Lawton mill, and, in that case, the Company would attempt to sell the excess production in the spot market or under other short-term arrangements. In addition, the Hardie Agreement is a "requirements" contract and a termination or reduction of Hardie's production of gypsum wallboard could have a material adverse effect on the Company.

Subject to earlier termination and the right of Hardie to shorten the term to ten (10) years, the term of the Hardie Agreement expires in approximately 15 years. Sales to Hardie are made at a fixed base price determined at the time of execution of the Hardie Agreement. This base price is subject to adjustment based on changes in the major variable costs of production of recycled paperboard, including the cost of power, transportation and the primary raw materials, and changes in the purchaser price index for industrial commodities and a reference employment cost index.

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Environmental Matters. Prior to the Strategic Assets Purchase, the now idle Commerce City, Colorado paper mill (the "Commerce City Mill") had investigated the presence of subsurface petroleum hydrocarbons at the mill site and had retained an environmental consultant, who concluded that fuel oil, jet fuel, and gasoline additives had migrated in the subsurface of the property from an adjacent property. As a result of an additional subsequent investigation by the Commerce City Mill, there were uncovered newly discovered environmental conditions that appear to stem from underground storage tank use on the mill site. As a result, the Commerce City Mill notified the Division of Oil and Public Safety of the Colorado Department of Labor and Employment (the "Oil Division"). The Commerce City Mill and a former owner of the Commerce City Mill have entered into a participation agreement to respond to those conditions that appear to stem from historical underground storage tank use. Under the participation agreement, the Commerce City mill will pay 25% (with the former owner paying 75%) of the costs associated with the investigation and remediation efforts approved by both parties. Republic Paperboard and the former owner have each approved and submitted to the Oil Division a Corrective Action Plan (the "CAP") for the removal of the subsurface petroleum hydrocarbon at the Commerce City Mill. If approved by the Oil Inspection Section, it is estimated that this CAP will cost approximately \$2,500,000 and take approximately eight years to complete. Under the participation agreement, Republic Paperboard will pay 25% (or approximately \$625,000) of such estimated costs. There can be no assurance however, that the Oil Division will approve the CAP or that if approved the actual costs of remediation will not exceed these estimates.

Capital Expenditures. Capital expenditures during fiscal 2002 for the paperboard operations were \$2.7 million and \$489,000 in fiscal 2001. Capital expenditures for fiscal 2003 have been budgeted at approximately \$4.9 million. All of the fiscal 2003 capital outlays are for the Lawton mill. Approximately 4% portion of the fiscal 2003 capital outlays is related to compliance with environmental regulations.

Concrete and Aggregates Operations

Company Operations. Readymix concrete, a versatile, low-cost building material used in almost all construction, involves the mixing of cement, sand, gravel, crushed stone and water to form concrete which is then sold and distributed to numerous construction contractors. Concrete is produced in batch plants and transported to the customer's job site in mixer trucks.

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

As in the cement industry, the demand for readymix concrete and aggregates largely depends on regional levels of construction activity. The construction sector is subject to the vagaries of weather conditions, the availability of financing at reasonable rates and overall fluctuations in regional economies, and therefore tends to be cyclical. Both the concrete and aggregates industries are highly fragmented, with numerous participants operating in local areas. Because the cost of transporting concrete and aggregates is very high relative to product values, producers of concrete and aggregates typically can sell their products only in areas within 100 miles of their production facilities. Barriers to entry in each industry are low, except with respect to environmental permitting requirements for new aggregate production facilities and zoning of land to permit mining and extraction of aggregates.

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The Company produces and distributes readymix concrete north of Sacramento, California and in Austin, Texas. The following table sets forth certain information regarding these operations:

<u>Location</u>	<u>Number of Plants</u>	<u>Number of Trucks</u>
Northern California	4	45
Austin, Texas	5	78
Total	9	123

The Company's production of readymix concrete reached a peak of 992,000

cubic yards in 1986. In response to decreased demand in the northern California and Austin markets, production declined to 430,000 cubic yards in fiscal 1990. Since that date, production has increased each successive year until fiscal 2002 as market conditions improved. The Austin, Texas market, which is the Company's largest concrete market, was negatively impacted in fiscal 2002, by the troubles of the high technology companies. The Company believes that it has the capacity to increase its concrete production from existing levels by adding to its fleet of trucks. The Company's net readymix concrete production was 673,000 cubic yards in fiscal 2002 and 808,000 cubic yards in fiscal 2001.

The Company conducts aggregate operations near its concrete facilities in northern California and Austin, Texas. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company and located in close proximity to its plants. The following table sets forth certain information regarding these operations:

<u>Location</u>	<u>Types of Aggregates</u>	<u>Estimated Annual Production Capacity (Thousand tons)⁽¹⁾</u>	<u>Estimated Minimum Reserves (Years)</u>
Northern California	Sand and Gravel	2,000	100
Austin, Texas	Limestone	4,000 ⁽²⁾	70
Total		6,000	

(1) Based on single-shift operation.

(2) Buda and Georgetown Quarries.

The Company's total net aggregate sales were 4.3 million tons in fiscal 2002 and 4.0 million tons in fiscal 2001. Total aggregates production was 4.6 million tons for both fiscal 2002 and fiscal 2001. A portion of the Company's total aggregates production is used internally by the Company's readymix concrete operations.

Raw Materials. The Company supplies approximately 100% and 49% of its cement requirements for its Austin and northern California concrete operations, respectively. The Company supplies approximately 44% and 29%, respectively, of its aggregates requirements for its Austin and northern California concrete operations. The Company obtains the balance of its cement and aggregates requirements from multiple sources in each of these areas.

The Company has received notice of possible title claims of the United States and the State of California relative to a portion of its principal aggregates deposit in northern California. Even if the Company is unsuccessful in resolving these adverse claims, the undisputed portion of the Company's California aggregate deposit contains sufficient reserves to serve the Company's needs. See "Item 3, Legal Proceedings."

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Sales and Distribution. The Company sells readymix concrete to numerous contractors and other customers in each plant's selling area. The Company's batch plants in Austin and northern California are strategically located to serve each selling area. Concrete is delivered from the batch plants by trucks owned by the Company.

The Company sells aggregates to building contractors and other customers engaged in a wide variety of construction activities. Aggregates are delivered from the Company's aggregate plants by common carriers, customer pick-up and, to a lesser extent, trucks owned by the Company. No single customer accounted for more than 10% of the Company's concrete or aggregates sales during fiscal 2002. The Company is attempting to secure a rail link from its principal aggregates deposit north of Sacramento, California to extended markets.

Competition. Competition among concrete producers within the Company's northern California and Austin selling areas is strong. The Company's competitors include five small and four large concrete producers in the northern California area and five large and five small concrete producers in the Austin area.

Both concrete and aggregates are commodity products. Each type of aggregate is sold in competition with other types of aggregates and in competition with other producers of the same type of aggregates. Accordingly, competition in both the concrete and aggregates businesses is based principally on price and, to a lesser extent, on product quality and customer service.

Capital Expenditures. Capital expenditures during fiscal 2002 amounted to \$10.6 million for the concrete and aggregates segment compared with \$4.9 million and \$6.9 million in fiscal 2001 and 2000, respectively. The majority of fiscal 2002 capital expenditures are for the completion of the Company's Georgetown washed aggregate plant in the Austin, Texas area. Capital outlays in fiscal 2003 have been budgeted at approximately \$1.3 million. No portion of the budgeted fiscal 2003 capital expenditures are related to compliance with environmental regulations.

Environmental Matters. The concrete and aggregates industry is subject to environmental regulations similar to those governing the Company's cement operations. None of the Company's concrete or aggregates operations are presently the subject of any local, state or federal environmental proceeding or inquiries.

Employees

The Company and its subsidiaries had approximately 1,552 employees at March 31, 2002. Approximately 24% of the employees are represented by collective bargaining units. The number of corporate employees of the Company is 12.

ITEM 2. PROPERTIES

The Company operates cement plants, quarries and related facilities at Buda, Texas; LaSalle, Illinois; Fernley, Nevada and Laramie, Wyoming. The Buda and LaSalle plants are each owned by separate partnerships in which CXP has a 50% interest. The Company's principal aggregate plants and quarries are located in the Austin, Texas area and Marysville, California. In addition, the Company operates gypsum wallboard plants in Albuquerque and nearby Bernalillo, New Mexico, Gypsum, Colorado and Duke, Oklahoma. The Company produces recycled paperboard at Lawton, Oklahoma. None of the Company's facilities are pledged as security for any debts.

See "Item 1. Business" on pages 1-17 of this Report for additional information relating to the Company's properties.

ITEM 3. LEGAL PROCEEDINGS

The Company's Western Aggregates, Inc. subsidiary ("WAI") has received notices of possible title claims of the United States and State of California relating to WAI's leasehold interest under a 99-year mineral lease on the aggregates in 10,000 acres of property north of Sacramento, California commonly known as the Yuba Goldfields. If the Company is unsuccessful in resolving the adverse title claims to lands in the Yuba Goldfields, the Company believes that the portion of WAI's mineral lease which is not in dispute contains sufficient estimated reserves to meet WAI's current mining requirements for aggregates for a period of more than 100 years. Accordingly, the Company believes that the title claims of the United States and the State of California to lands in the Yuba Goldfields will not have a material adverse effect on the financial condition or the results of operations of the Company.

In addition to the matters described above, the Company is a party to certain other ordinary legal proceedings incidental to its business. In general, although the outcome of litigation is inherently uncertain, the Company believes that none of the litigation matters in which the Company or any subsidiary is involved, if determined unfavorably to the Company or any subsidiary, would have a material, adverse effect on the consolidated financial condition or operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF CXP (See Item 10 of Part III)

The following is a listing of the Company's executive officers, as such term is defined under the rules and regulations of the Securities and Exchange Commission. All of these executive officers have been employed by the Company and/or one or more subsidiaries of the Company for at least the past five years. All executive officers were elected by the Board of Directors of the Company at its Annual Meeting on July 17, 2001, to serve until the next Annual Meeting of Directors or until their respective successors are duly elected and qualified or appointed as the case may be. There is no family relationship between any of these officers.

Name	Age	Positions with CXP
Richard D. Jones, Jr.	57	President and Chief Executive Officer (President since January 1998; Chief Executive Officer since July 1999; Executive Vice President from January 1990 through December 1997)
Arthur R. Zunker, Jr.	59	Senior Vice President — Finance and Treasurer (Senior Vice President — Finance and Treasurer since January 1994; Senior Vice President — Administration from August 1984 to January 1994)
H. David House	60	Executive Vice President — Gypsum and Paperboard (Executive Vice President — Gypsum and Paperboard since November 2000; Executive Vice President — Gypsum from January 1998 through 2000; President of American Gypsum Company since June 1997)

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<u>Name</u>	<u>Age</u>	<u>Positions with CXP</u>
Steven R. Rowley	49	Executive Vice President — Cement/Concrete and Aggregates (Executive Vice President — Cement/Concrete and Aggregates since January 2001; Executive Vice President — Cement from January 1998 through January 2001; Executive V.P. of Illinois Cement Company from June 1995 through December 1997; Plant Manager at Nevada Cement Company from April 1991 through May 1995)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information called for by Items 5, 6 and 7 is incorporated herein by reference to the information set forth under the following captions (on the page or pages indicated) in the 2002 CXP Annual Report:

<u>Items</u>	<u>Caption in the 2001 CXP Annual Report</u>	<u>Pages</u>
5	Stock Prices and Dividends	1
6	Summary of Selected Financial Data	46 – 47
7	Indebtedness (Note C to Consolidated Financial Statements of CXP)	24
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	36 – 45

ITEM 6. SELECTED FINANCIAL DATA

See Item 5 above.

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

See Item 5 above.

Forward Looking Statements

The Management's Discussion and Analysis of Financial Condition and Results of Operations (incorporated by reference herein from the 2002 CXP Annual Report) and other sections of the 2002 CXP Annual Report and this Annual Report on Form 10-K contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when the Company is discussing its beliefs, estimates or expectations. These statements are not guarantees of future performance and involve a number of risks and uncertainties. These statements involve known and unknown risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results.

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Those risks and uncertainties include, but are not limited to, the cyclical and seasonal nature of the Company's business, public infrastructure expenditures, adverse weather, availability of raw materials, unexpected operational difficulties, governmental regulation and changes in governmental and public policy, changes in economic conditions specific to any one or more of the Company's markets, competition, announced increases in capacity in the gypsum wallboard and cement industries, general economic conditions, and interest rates. Investors should take such risks and uncertainties into account when making investment decisions. The Company undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events or other factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks related to fluctuations in interest rates on its direct debt obligations and receivables securitizations classified as debt. The Company utilizes derivative instruments, including interest rate swaps, in conjunction with its overall strategy to manage the debt outstanding that is subject to changes in interest rates. At March 31, 2002, the Company had approximately \$181.6 million in variable rate debt (\$163.0 million in bank debt and \$18.6 million in notes payable under the Company's accounts receivable securitization program). On July 19, 2001, the Company entered into two interest rate swap agreements with two banks for a total notional amount of \$100.0 million. These agreements expire in August 2003. The swap agreements can be matched against \$100.0 million of variable-rate LIBOR indexed debt principal and will effectively fix the Company's interest rate on that debt at 4.493%, plus the spread on the Company's debt. Accordingly, using the unhedged balance of the Company's variable rate debt as of March 31, 2002 of \$81.6 million, if the applicable interest rates on such debt (LIBOR or commercial paper rates) increase by 100 basis points (1%) for a full year, the Company's pre-tax earnings and cash flows would decrease by approximately \$816,000 for such period. On the other hand, if such interest rates decrease by 100 basis points for a full year, the Company's pre-tax earnings and cash flows would increase by approximately \$816,000 for such period. The Company does not utilize forward or option contacts on foreign currencies or commodities, or other types of derivative financial instruments.

Except as set forth above, there have been no material changes in the Company's market risk from March 31, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for in this Item 8 is incorporated herein by reference to the information set forth in the 2002 CXP Annual Report as indicated in the index to consolidated financial statements and schedules on page 22 of this Report (see Item 14).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On March 23, 2002, the audit committee of the board of directors of the Company, approved the engagement of Ernst & Young LLP ("Ernst & Young") as the Company's independent auditors for the fiscal year end March 31, 2002, to replace Arthur Andersen LLP ("Arthur Andersen"), who were dismissed as the Company's auditors effective as of that day. This action followed the audit committee's decision to seek proposals from independent accountants to audit the Company's financial statements.

Arthur Andersen's audit reports on the Company's financial statements as of and for the two recent fiscal years, which ended March 31, 2000 and 2001, respectively, did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope of accounting principles.

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During the Company's two most recent fiscal years, which ended March 31, 2000 and 2001, respectively, and the subsequent interim period through March 23, 2002:

- (i) there were no disagreements between the Company and Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Arthur Andersen's satisfaction would have caused Arthur Andersen to make reference to the subject matter of the disagreement in connection with its reports;
- (ii) none of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred; and
- (iii) the Company did not consult with Ernest & Young regarding any of the matters or events described in item 304(a)(2)(i) and (ii) of Regulation S-K.

The Company provided Arthur Andersen with a copy of the foregoing statements. A letter from Arthur Andersen, dated April 1, 2002, stating its agreement with such statements is attached as Exhibit 16.1 on Form 8-K/A filed with the Commission on April 2, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Except for the information relating to the executive officers of the Company, which follows Item 4 of Part I of this Report and is incorporated herein by reference, the information called for by Items 10, 11, 12 and 13 is incorporated herein by reference to the information included and referenced under the following captions (on the page or pages indicated) in the Company's Proxy Statement dated June 19, 2002, for the Company's July 16, 2002 Annual Meeting of Stockholders (the "2002 CXP Proxy Statement"):

Items	Caption in the 2002 CXP Proxy Statement	Pages
10	Election of Directors	2 – 5
10	Section 16(a) Beneficial Ownership Reporting Compliance	13
11	Executive Compensation Security Ownership of Management and Certain Beneficial	8 – 12
12	Owners	6 – 7
13	Certain Transactions	13 – 14

ITEM 11. EXECUTIVE COMPENSATION

See Item 10 above.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See Item 10 above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Item 10 above.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Report.

(1) and (2) See the Index to Consolidated Financial Statements and Schedules below for a list of the Financial Statements and Financial Statement schedules filed herewith.

Index to Consolidated Financial Statements and Schedules

Centex Construction Products, Inc.

	<u>Reference</u> CXP 2002 Annual Report Page
Report of Independent Auditors	35
Consolidated Statements of Earnings for the years ended March 31, 2002, 2001 & 2000	14
Consolidated Balance Sheets as of March 31, 2002 & 2001	15
Consolidated Statements of Cash Flows for the years ended March 31, 2002, 2001 & 2000	16
Consolidated Statements of Comprehensive Earnings for the years ended March 31, 2002, 2001 & 2000	17
Consolidated Statements of Stockholders' Equity for the years ended March 31, 2002, 2001 & 2000	18
Notes to Consolidated Financial Statements	19 – 34
Quarterly Results (Unaudited)	48

Consolidated supporting schedules have been omitted either because the required information is contained in notes to the consolidated financial statements or because such schedules are not required or are not applicable.

(3) Exhibits

The information on exhibits required by this Item 14 is set forth in the Index to Exhibits appearing on pages 24 and 25 of this Report.

(b) Reports on Form 8-K.

On March 27, 2002, the Company filed with the Securities and Exchange Commission a current report on Form 8-K in connection with the change in the Company's independent auditors. On April 1, 2002, the Company filed an amended current report on Form 8-K/A, which amended the original Form 8-K filed on March 27, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CENTEX CONSTRUCTION PRODUCTS, INC.

	_____ Registrant
June 20, 2002	/s/ RICHARD D. JONES, JR.
	_____ Richard D. Jones, Jr., President and Chief Executive Officer

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

June 20, 2002	/s/ RICHARD D. JONES, JR.
	_____ Richard D. Jones, Jr., Director, President and Chief Executive Officer (principal executive officer)

June 20, 2002	/s/ ARTHUR R. ZUNKER, JR.
	_____ Arthur R. Zunker, Jr., Senior Vice President - Finance and Treasurer (principal financial and accounting officer)

June 20, 2002	/s/ ROBERT L. CLARKE
	_____ Robert L. Clarke, Director

June 20, 2002	/s/ TIMOTHY R. ELLER
	_____ Timothy R. Eller, Director

June 20, 2002	/s/ LAURENCE E. HIRSCH
	_____ Laurence E. Hirsch, Chairman

June 20, 2002	/s/ MICHAEL R. NICOLAIS
	_____ Michael R. Nicolais, Director

June 20, 2002	/s/ DAVID W. QUINN
	_____ David W. Quinn, Director

June 20, 2002	/s/ HAROLD K. WORK
	_____ Harold K. Work, Director

INDEX TO EXHIBITS
CENTEX CONSTRUCTION PRODUCTS, INC.
AND SUBSIDIARIES

Exhibit Number	Description of Exhibits
3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Form S-8 Registration Statement of the Company (File No. 33-82928)(the “1994 S-8 Registration Statement”), filed on August 16, 1994 and incorporated herein by reference)
3.2	Amended and Restated Bylaws of the Company (filed as Exhibit 3.2 to the 1994 S-8 Registration Statement and incorporated herein by reference)
4.1	Form of Certificate evidencing Common Stock (filed as Exhibit 4.1 to Amendment No. 3 to the Form S-1 Registration Statement of the Company (File No. 33-74816) (“Amendment No. 3”), filed on April 4, 1994, and incorporated herein by reference)
4.2*	Amended and Restated Credit Agreement dated as of June 30, 2001, to be effective as of July 20, 2001
10.1	Joint Venture Agreement between Ilce, Inc. (f/k/a Illinois Cement Company, Inc.) and RAAM Limited Partnership dated April 1, 1972, as amended (filed as Exhibit 10.1 to the Form S-1 Registration Statement of the Company (File No. 33-74816), filed on February 4, 1994 and incorporated herein by reference)
10.2	Limited Partnership Agreement of Texas Lehigh Cement Company LP by and between Texas Cement Company and Lehigh Portland Cement Company effective as of October 1, 2000 (filed as Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2001 filed on June 21, 2001 (the “2001 10-K”)
10.2(a)	Amendment No. 1 to Agreement of Limited Partnership by and among Texas Cement Company, TLCC LP LLC, TLCC GP LLC, Lehigh Portland Cement Company, Lehigh Portland Investments, LLC and Lehigh Portland Holdings, LLC effective as of October 2, 2000 (filed as Exhibit 10.2(a) to the 2001 10-K)
10.3	The Centex Construction Products, Inc. Amended and Restated Stock Option Plan (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q (File No. 1-12984) for the quarter ended September 30, 2000, filed on November 13, 2000 and incorporated herein by reference) ⁽¹⁾
10.4	The Centex Construction Products, Inc. 2000 Stock Option Plan (filed as Exhibit 10 to the Form S-8 Registration Statement of the Company (File No. 333-54102) filed on January 22, 2001 and incorporated herein by reference) ⁽¹⁾
10.5	The Centex Construction Products, Inc. Amended and Restated Supplemental Executive Retirement Plan (filed as Exhibit 10.4 to the Company’s Annual Report on Form 10-K (File No. 1-12984) for the fiscal year ended March 31, 2000 and incorporated herein by reference) ⁽¹⁾
10.6	Indemnification Agreement dated as of April 19, 1994, between the Company and Centex Corporation (“Centex”) (filed as Exhibit 10.5 to the Company’s Annual Report on Form 10-K (File No. 1-12984) for the fiscal year ended March 1, 1995 (the “1995 Form 10-K”) and incorporated herein by reference)
10.7	Tax Separation Agreement dated as of April 1, 1994, among Centex, the Company and its subsidiaries (filed as Exhibit 10.6 to the 1995 Form 10-K and incorporated herein by reference)
10.8	Administrative Services Agreement dated as of April 1, 1994, between the Company and Centex Service Company (filed as Exhibit 10.7 to the 1995 Form 10-K and incorporated herein by reference)

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Exhibit Number	Description of Exhibits
10.9	Trademark License Agreement dated as of April 19, 1994, between the Company and Centex (filed as Exhibit 10.8 to the 1995 Form 10-K and incorporated herein by reference)
10.10	Form of Indemnification Agreement between the Company and each of its directors (filed as Exhibit 10.9 to Amendment No. 3 and incorporated herein by reference) ⁽¹⁾
10.11	Paperboard Supply Agreement, dated May 14, 1998, by and among Republic Paperboard Company (n/k/a Republic Paperboard Company LLC) Republic Group, Inc., and James Hardie Gypsum, Inc. Portions of this Exhibit were omitted pursuant to a request for confidential treatment filed with the Office of the Secretary of the Securities and Exchange Commission (filed as Exhibit 10.11 to the 2001 10-K)
11*	Centex Construction Products, Inc. and Subsidiaries Earnings (loss) per common and dilutive potential common share (amounts in thousands, except per-share amounts)
13**	Annual Report to Stockholders of the Company for fiscal year ended March 31, 2002 (the "Annual Report to Stockholders")
21*	Subsidiaries of the Company
23*	Consent of Independent Public Auditors

* Filed herewith.

** With the exception of the information expressly incorporated by reference in this Annual Report on Form 10-K from the Annual Report to Stockholders, the Annual Report to Stockholders is not deemed filed with the Commission as a part of this Annual Report on Form 10-K.

(1) Required to be identified as a management contract or a compensatory plan or arrangement pursuant to Item 14(a)(3) of Form 10-K.

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF JUNE 30, 2001

TO BE EFFECTIVE JULY 20, 2001

AMONG

CENTEX CONSTRUCTION PRODUCTS, INC.,
AS BORROWER,

THE LENDERS,

BANK ONE, NA,
AS ADMINISTRATIVE AGENT
AND LC ISSUER,

BANK OF AMERICA, N.A.,
AS SYNDICATION AGENT,

PNC BANK, NATIONAL ASSOCIATION,
AS DOCUMENTATION AGENT,

AND

BANC ONE CAPITAL MARKETS, INC.,
AS LEAD ARRANGER AND SOLE BOOK MANAGER

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B - COMPLIANCE CERTIFICATE

C - ASSIGNMENT AGREEMENT

D - LOAN/CREDIT RELATED MONEY TRANSFER INSTRUCTION

E - NOTE

SCHEDULES:

1 - SUBSIDIARIES AND OTHER INVESTMENTS

2 - INDEBTEDNESS AND LIENS

3 - EXISTING FACILITY LCS

4

AMENDED AND RESTATED CREDIT AGREEMENT

This Amended and Restated Credit Agreement (this "Agreement") is entered into as of June 30, 2001 to be effective as of July 20, 2001, by and among the banks listed on the signature pages hereof (the "Lenders"), CENTEX CONSTRUCTION PRODUCTS, INC., a Delaware corporation ("Borrower"), and BANK OF AMERICA, N.A., a national banking association, as Syndication Agent, PNC BANK, NATIONAL ASSOCIATION, a national banking association, as Documentation Agent, BANK ONE, NA, as LC Issuer and Administrative Agent.

RECITALS

A. The Lenders, the Borrower, Republic Holding Corporation, a Nevada corporation, the Syndication Agent, the Documentation Agent, the LC Issuer and the Administrative Agent are parties to that certain Credit Agreement dated as of November 10, 2000, as amended by a certain First Amendment to Credit Agreement dated as of December 20, 2000 (as amended, the "Existing Credit Agreement").

B. The Borrower desires to amend and restate the Existing Credit Agreement to amend certain covenants, and the Administrative Agent and Required Lenders have agreed to such amendment, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding ownership interests of a partnership or limited liability company.

"Advance" means (a) a borrowing hereunder, (i) made by the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period, (b) a Swing Line Advance, and (c) a payment under a Facility LC.

"Administrative Agent" means Bank One in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article X.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agents" means, collectively, the Administrative Agent, the Syndication Agent and the Documentation Agent.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders, as reduced from time to time pursuant to the terms hereof.

"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Lenders.

"Agreement" means this credit agreement, as it may be amended, restated or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Applicable Fee Rate" means, at any time, the percentage rate per annum at which Commitment Fees are accruing on the unused portion of the Aggregate Commitment at such time as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as Lead Arranger and Sole Book Manager.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the President, Chief Executive Officer, Executive Vice President, Chief Financial Officer, Senior Vice President or Assistant Treasurer of the Borrower, acting singly.

"Available Aggregate Commitment" means, at any time, the Aggregate Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"Bank One" means Bank One, NA, a national banking association having its principal office in Dallas, Texas, in its individual capacity, and its successors.

"Borrower" means Centex Construction Products, Inc., a Delaware corporation, and its successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.8.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Dallas and New York for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Dallas for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with Agreement Accounting Principles excluding (i) the cost of assets acquired with Capitalized Lease Obligations, (ii) expenditures of insurance proceeds to rebuild or replace any asset after a casualty loss, (iii) leasehold improvement expenditures for which the Borrower or a Subsidiary is reimbursed promptly by the lessor, and (iv) any Permitted Acquisition.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-2 or better by S&P or P-2 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, and (iv) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$100,000,000; provided in each case that the same provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest.

"Change in Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Borrower; or (ii) Centex Corporation shall cease to own, free and clear of all Liens or other encumbrances, greater than 50% of the outstanding shares of voting stock of the Borrower on a fully diluted basis.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Collateral Shortfall Amount" is defined in Section 8.1.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans to, and participate in Facility LCs issued upon the application of, the Borrower in an aggregate amount not exceeding the amount set forth opposite its signature below or as set forth in any Notice of Assignment relating to any assignment that has become effective pursuant to Section 12.3.2, as such amount may be modified from time to time pursuant to terms hereof.

"Consolidated Capital Expenditures" means, with reference to any period, the Capital Expenditures of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated EBIT" means Consolidated EBITDA minus depreciation and amortization, all calculated for the Borrower and its Subsidiaries on a consolidated basis.

"Consolidated EBITDA" means Consolidated Net Income plus, to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense, (ii) expense for taxes paid or accrued, (iii) depreciation, (iv) amortization and (v) extraordinary losses incurred other than in the ordinary course of business, minus, to the extent included in Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Borrower and its Subsidiaries on a consolidated basis. Notwithstanding anything herein to the contrary, but without duplication, Consolidated EBITDA shall be inclusive of either (a) in the case of an Acquisition of equity interests in a Person, the EBITDA (calculated on a basis consistent with this definition of Consolidated EBITDA) of such Person before it became a Subsidiary of the Borrower or (b) in the case of an Acquisition of assets, or any other acquisition of assets if the Administrative Agent so agrees, the EBITDA associated with such acquired assets before such acquisition by the Borrower or any Subsidiary but exclusive of either (1) in the case of a disposition of equity interests in a Person, the EBITDA (calculated on the basis consistent with this definition of Consolidated EBITDA) of such Person after it is directly or indirectly disposed of by the Borrower or (2) in the case of a disposition of assets, the EBITDA associated with such assets after such assets are disposed of by the Borrower or any Subsidiary, all of which amounts shall be based upon audited financial statements.

"Consolidated Funded Indebtedness" means at any time the aggregate dollar amount of Consolidated Indebtedness which has actually been funded and is outstanding at such time, whether or not such amount is due or payable at such time.

"Consolidated Indebtedness" means at any time the Indebtedness of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Interest Expense" means, with reference to any period, the interest expense and preferred stock dividends of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Tangible Net Worth" means at any time the Consolidated Net Worth, minus (a) any intangible assets, including, without limitation, patents, patent rights, trademarks, trade names, franchises, copyrights, goodwill, and other similar intangible assets of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time, minus (b) any non-cash gain (or plus any non-cash loss, as applicable) resulting from any mark-to-market adjustments made directly to Consolidated Net Worth as a result of fluctuations in the value of financial instruments owned by the Borrower or any of its Subsidiaries as mandated under FAS 133.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Conversion/Continuation Notice" is defined in Section 2.9.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for an Advance or the issuance date of a Facility LC.

"Default" means an event described in Article VII.

"Documentation Agent" means PNC Bank, National Association in its capacity as documentation agent, and not in its individual capacity as a Lender.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, provided that, (i) if Reuters Screen FRBD is not available to the Administrative Agent for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Administrative Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Administrative Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Administrative Agent is incorporated or organized or (ii) the jurisdiction in which the Administrative Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Existing Eurodollar Borrowing" is defined in Section 15.4.

"Existing Facility LCs" is defined in Section 2.19.1.

"Facility LC" is defined in Section 2.19.1.

"Facility LC Application" is defined in Section 2.19.3.

"Facility LC Collateral Account" is defined in Section 2.19.11.

"Facility Termination Date" means November 10, 2003, or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Dallas time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Financial Contract" of a Person means (i) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics, or (ii) any Rate Management Transaction.

"Floating Rate" means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Guarantors" means collectively, all of the Significant Subsidiaries of the Borrower and their respective successors and assigns.

"Guaranty" means that certain Amended and Restated Guaranty dated as of the date hereof executed by the Guarantors in favor of the Administrative Agent, for the ratable benefit of the Lenders, as it may be amended, restated, supplemented or modified and in effect from time to time.

"Indebtedness" of a Person means, without duplication, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens on or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations, (vii) Net Mark-to-Market Exposure under Rate Management Transactions and other Financial Contracts, (viii) Contingent Obligations, (ix) Letters of Credit, (x) Sale and Leaseback Transactions, (xi) Off-Balance Sheet Liabilities, and (xii) any other obligation for borrowed money or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person.

"Indenture" means that certain Indenture governing the Target Senior Subordinated Notes.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"LC Fee" is defined in Section 2.19.4.

"LC Issuer" means Bank One, NA (or any subsidiary or Affiliate of Bank One, NA designated by Bank One, NA) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.19.5.

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Lending Installation" means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or Affiliate of such Lender or the Administrative Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender or the Administrative Agent pursuant to Section 2.17.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Leverage Ratio" means, as of any date of calculation, the ratio of (i) Consolidated Funded Indebtedness outstanding on such date to (ii) Consolidated EBITDA for the Borrower's then most-recently ended four fiscal quarters.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, or priority or other security agreement (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's loan made pursuant to Article II (or any conversion or continuation thereof).

"Loan Documents" means this Agreement, the Facility LC Applications, any Notes issued pursuant to Section 2.13, the Guaranty and any other related documents, instruments and agreements now or hereafter executed by Borrower or any Guarantor in connection with any of the foregoing.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, financial condition, or results of operations of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent, the LC Issuer or the Lenders thereunder.

"Material Indebtedness" is defined in Section 7.5.

"Maximum Rate" means, at any time and with respect to any Lender, the maximum rate of interest under applicable law that such Lender may charge the Borrower. The Maximum Rate shall be calculated in a manner that takes into account any and all fees, payments, and other charges in respect of the Loan Documents that constitute interest under applicable law. Each change in any interest rate provided for herein based upon the Maximum Rate resulting from a change in the Maximum Rate shall take effect without notice to the Borrower at the time of such change in the Maximum Rate. For purposes of determining the Maximum Rate under Texas law, the applicable rate ceiling shall be the weekly rate ceiling described in, and computed in accordance with, Chapter 303 of the Texas Finance Code, as amended from time to time.

"Modify" and "Modification" are defined in Section 2.19.1.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Mark-to-Market Exposure" of a Person means, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions. "Unrealized losses" means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination (assuming the Rate Management Transaction were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination (assuming such Rate Management Transaction were to be terminated as of that date).

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or disposition of any asset of any Person or issuance of any Indebtedness or equity of any Person, the aggregate amount of cash received by such Person in connection with such transaction minus reasonable fees, costs and expenses, related taxes paid or payable, and repayment of any Indebtedness secured by assets sold, leased, transferred or disposed of which is required to be repaid as a result of such transaction.

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" is defined in Section 2.13.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Reimbursement Obligations, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender or any of their Affiliates, the Administrative Agent, the LC Issuer or any indemnified party arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any Sale and Leaseback Transaction which is not a Capitalized Lease, (iii) any liability under any Synthetic Lease entered into by such Person, (iv) any obligation or liability arising with respect to any sale or transfer of an interest in trade receivables of the Borrower or any Subsidiary on a limited recourse basis, or (v) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (v) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Operating Lease Obligations" means, as at any date of determination, the amount obtained by aggregating the present values, determined in the case of each particular Operating

Lease by applying a discount rate (which discount rate shall equal the discount rate which would be applied under Agreement Accounting Principles if such Operating Lease were a Capitalized Lease) from the date on which each fixed lease payment is due under such Operating Lease to such date of determination, of all fixed lease payments due under all Operating Leases of the Borrower and its Subsidiaries.

"Other Taxes" is defined in Section 3.5(ii).

"Outstanding Credit Exposure" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Loans outstanding at such time, plus (ii) an amount equal to its Pro Rata Share of the LC Obligations at such time, plus (iii) an amount equal to its Pro Rata Share of the Swing Line Advances at such time.

"Participants" is defined in Section 12.2.1.

"Payment Date" means the first day of each calendar quarter.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" means any Acquisition by Borrower or any Subsidiary which meets the following criteria:

(i) the acquisition target is in the construction products or building materials industry, and if assets are being acquired, the assets are located in the continental United States of America;

(ii) the Borrower has completed not less than customary due diligence on the acquisition target and provided evidence thereof to the Administrative Agent, including without limitation as to compliance with all Environmental Laws;

(iii) if the proposed Acquisition is of stock or other ownership interests, the Acquisition will be structured so that the acquisition target becomes a Subsidiary of the Borrower and complies with Section 6.25 of this Agreement, if applicable;

(iv) the interests being acquired shall not be subject to any contingent liabilities, unsatisfied judgments, or any pending or threatened action, charge, claim, demand, suit, proceeding, or governmental investigation that could reasonably be expected to have a Material Adverse Effect;

(v) if the total purchase price (as determined in accordance with clause (vi) below) to be paid in connection with the proposed Acquisition is greater than \$15,000,000, the Borrower shall have provided to the Administrative Agent and each Lender (a) copies of the audited financial statements of the acquisition target for the most recent twelve (12) month period prior to the closing of the Acquisition and interim financial statements of the acquisition target, each containing at a minimum a balance sheet, statement of income, and a statement of cash flow, and (b) a pro forma financial projection of the Borrower for the twelve (12) month period following the date of the consummation of the proposed Acquisition which reflects pro forma compliance with the

financial covenants contained in Section 6.22 and a certificate of an Authorized Officer of the Borrower confirming such calculations both before and after giving effect to the Acquisition;

(vi) the total purchase price (including cash consideration paid however classified, assumed indebtedness, noncompete payments and consulting payments whether such amounts are paid at closing or over time, and the dollar value of all assets to be transferred by the purchaser to the seller in connection with such Acquisition) to be paid to acquire the equity interests or assets in any single such Acquisition does not exceed an amount equal to fifteen percent (15%) of the Consolidated Tangible Net Worth as of the date of such Acquisition (which calculation for purposes herein shall not include the tangible net worth of the Person being acquired) unless the prior written consent of Required Lenders has otherwise been obtained;

(vii) when no Default exists or will result therefrom, an acquisition other than the Permitted Acquisitions described in clauses (v) or (vi) above, subject to compliance with clauses (i), (ii), (iii), (iv), and (viii) hereof, for which the total purchase price (as determined in accordance with clause (vi) above) given does not exceed \$15,000,000;

(viii) the total aggregate purchase price (as determined in accordance with clause (vi) above) paid in connection with all Permitted Acquisitions shall not exceed \$150,000,000 in the aggregate unless the prior written consent of Required Lenders has otherwise been obtained; and

(ix) the name of the acquisition target and a summary description of the terms of the Acquisition shall have been provided to the Lenders at least ten (10) Business Days prior to the date that the proposed Acquisition is to be consummated.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Pricing Schedule" means the schedule attached hereto as Exhibit A.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment and the denominator of which is the Aggregate Commitment.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Purchasers" is defined in Section 12.3.1.

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding under Section 2.19 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any Operating Lease.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6.

"Required Lenders" means Lenders in the aggregate having at least 51% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 51% of the Aggregate Outstanding Credit Exposure.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Restatement Effective Time" is defined in Section 15.4.

"Revolving Credit Facility" means the revolving credit facility described in Section 2.1.

"RGI" means Republic Group Incorporated, and its successors and assigns.

"RHC" means Republic Holding Corporation, a Nevada corporation, and its successors and assigns.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Significant Subsidiary" means any Subsidiary which at any time has total assets with a book or fair market value (determined in accordance with Agreement Accounting Principles) equal to or greater than ten percent (10%) of the Consolidated Tangible Net Worth. Significant Subsidiaries shall in any event at all times be comprised of Subsidiaries which, when aggregated with the total assets of the Borrower, in the aggregate have total assets with a book or fair market value (determined in accordance with Agreement Accounting Principles) equal to or greater than ninety percent (90%) of the total assets of the Borrower and its Subsidiaries.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subordinated Indebtedness" of a Person means any Indebtedness of such Person the payment of which is subordinated to payment of the Obligations to the written satisfaction of the Required Lenders.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association,

joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the Consolidated EBITDA of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Syndication Agent" means Bank of America, N.A., in its capacity as syndication agent, and not in its individual capacity as a Lender.

"Synthetic Lease" means a lease (i) that is treated as an operating lease under Agreement Accounting Principles and (ii) (a) in respect of which the leased asset is treated as owned by the lessee for purposes of the Code and/or (b) that is treated as a loan to the lessee for commercial law or insolvency law purposes.

"Swing Line Advance" means any Advance under the Swing Line Subfacility.

"Swing Line Subfacility" means a subfacility under the Revolving Credit Facility described in Section 2.21.

"Target Senior Subordinated Notes" means those certain 9.5% Senior Subordinated Notes in the aggregate principal amount of \$100,000,000 executed by the Republic Group Incorporated and payable to the order of certain Persons named therein, as assumed by RHC pursuant to the supplemental indenture, dated as of November 10, 2000, by and between UMB Bank N.A., as Trustee, and RHC and as amended by the second supplemental indenture, dated as of June 18, 2001, by and between UMB Bank N.A., as Trustee, and RHC.

"Taxes" means any and all present or future governmental taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE CREDITS

2.1. Commitment. From and including the date of this Agreement and prior to the Facility Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to (i) make Loans (other than Swing Line Advances) to the Borrower, (ii) participate in Swing Line Advances, and (iii) participate in Facility LCs issued upon the request of the Borrower, provided that, after giving effect to the making of each such Loan (including the Swing Line Advances) and the issuance of each such Facility LC, such Lender's Outstanding Credit Exposure shall not exceed its Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments to extend credit hereunder shall expire on the Facility Termination Date. The LC Issuer will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.19. The Administrative Agent will make Swing Line Advances hereunder on the terms and conditions set forth in Section 2.21.

2.2. Required Payments; Termination. The Aggregate Outstanding Credit Exposure and all other unpaid Obligations shall be paid in full by the Borrower on the Facility Termination Date.

2.3. Ratable Loans. Each Advance under the Revolving Credit Facility shall consist of Loans made from the several Lenders ratably according to their Pro Rata Shares.

2.4. Types of Advances. The Advances under the Revolving Credit Facility may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.8 and 2.9.

2.5. Commitment Fee; Reductions in Aggregate Commitment. The Borrower agrees to pay to the Administrative Agent for the account of each Lender according to its Pro Rata Share a commitment fee at a per annum rate equal to the Applicable Fee Rate on the average daily Available Aggregate Commitment from the date hereof to and including the Facility Termination Date, payable on each Payment Date hereafter and on the Facility Termination Date. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part

ratably among the Lenders in integral multiples of \$5,000,000, upon at least five Business Days' written notice to the Administrative Agent, which notice shall specify the amount of any such reduction; provided, however, that the amount of the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Credit Extensions hereunder.

2.6. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$100,000 if in excess thereof), and each Floating Rate Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$100,000 if in excess thereof); provided, however, that any Floating Rate Advance may be in the amount of the Available Aggregate Commitment.

2.7. Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances, or, in a minimum aggregate amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof, any portion of the outstanding Floating Rate Advances not later than 1:00 p.m. (Dallas time) upon prior notice to the Administrative Agent on the date of such prepayment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof, any portion of the outstanding Eurodollar Advances upon three Business Days' prior notice to the Administrative Agent.

2.8. Method of Selecting Types and Interest Periods for New Advances. Except with respect to Swing Line Advances, the Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Borrower shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (Dallas time) at least one Business Day before the Borrowing Date of each Floating Rate Advance and three Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Advance,
- (ii) the aggregate amount of such Advance,
- (iii) the Type of Advance selected, and
- (iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

Not later than noon (Dallas time) on each Borrowing Date, each Lender shall make available its Loan or Loans in funds immediately available in Dallas to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

2.9. Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.9 or are repaid in accordance with Section 2.7. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.7 or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.6, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance (other than Swing Line Advances) into a Eurodollar Advance. The Borrower shall give the Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Dallas time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

2.10. Changes in Interest Rate, etc. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the lesser of (a) the Maximum Rate, or (b) the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. If at any time the Floating Rate shall exceed the Maximum Rate, thereby causing the interest accruing on an Advance to be limited to the Maximum Rate, then any subsequent reduction in the Floating Rate for such Advance shall not reduce the rate of interest on such Advance below the Maximum Rate until the aggregate amount of interest accrued on such Advance equals the aggregate amount of interest which would have accrued on such Advance if the Floating Rate had at all times been in effect. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date.

2.11. Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.8 or 2.9, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower, declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower, declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period (but calculated as if the highest Applicable Margin was then in effect) plus 2% per annum, (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time (but calculated as if the highest Applicable Margin was then in effect) plus 2% per annum and (iii) the LC Fee shall be calculated as if the highest Applicable Margin was then in effect and increased by 2% per annum, provided that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions without any election or action on the part of the Administrative Agent or any Lender, subject in all events to the limitations of the Maximum Rate.

2.12. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by noon (local time) on the date when due and shall (except in the case of Reimbursement Obligations for which the LC Issuer has not been fully indemnified by the Lenders, or as otherwise specifically required hereunder) be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. The Administrative Agent is hereby authorized to charge the account of the Borrower maintained with Bank One for each payment of principal, interest, Reimbursement Obligations and fees as it becomes due hereunder. Each reference to the Administrative Agent in this Section 2.12 shall also be deemed to refer, and shall apply equally, to the LC Issuer, in the case of payments required to be made by the Borrower to the LC Issuer pursuant to Section 2.19.6.

2.13. Noteless Agreement; Evidence of Indebtedness.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (c) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any

time, and (d) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans under the Revolving Credit Facility be evidenced by a promissory note in substantially the form of Exhibit E (a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender in a form supplied by the Administrative Agent. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 12.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in clauses (i) and (ii) above.

2.14. Telephonic Notices. The Borrower hereby authorizes the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Administrative Agent a written confirmation, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.15. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof and at maturity. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest, commitment fees and LC Fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the LC Issuer, the Administrative Agent will notify each Lender of the contents of each request for issuance of a Facility LC hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.17. Lending Installations. Each Lender may book its Loans and its participation in any LC Obligations and the LC Issuer may book the Facility LCs at any Lending Installation selected by such Lender or the LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or the LC Issuer, as the case may be, for the benefit of any such Lending Installation. Each Lender and the LC Issuer may, by written notice to the Administrative Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.18. Non-Receipt of Funds by the Administrative Agent. Unless the Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19. Facility LCs.

2.19.1 Issuance. Subject to the terms and conditions of this Agreement, the LC Issuer agrees to keep outstanding on and after the date hereof the standby letters of credit for the account of the Borrower which were issued by the LC Issuer and which are further described on Schedule 3 (collectively, the "Existing Facility LCs"). Each Existing Facility LC shall constitute a Facility LC for all purposes of this Agreement. For purposes hereof, the Existing Facility LCs are deemed to be issued on the date hereof.

Furthermore, the LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the date of this Agreement and prior to the Facility Termination Date upon the request of the Borrower; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed \$15,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. No Facility LC shall have an expiry date later than the earlier of (x) the fifth Business Day prior to the Facility Termination Date and (y) one year after its issuance.

2.19.2 Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.19, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

2.19.3 Notice. Subject to Section 2.19.1, the Borrower shall give the LC Issuer notice prior to 10:00 a.m. (Dallas time) at least five Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be reasonably satisfactory to the LC Issuer and that the Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

2.19.4 LC Fees. The Borrower shall pay to the Administrative Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, (i) with respect to each standby Facility LC, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Loans in effect from time to time on the average daily undrawn stated amount under such standby Facility LC, such fee to be payable in arrears on each Payment Date, and (ii) with respect to each commercial Facility LC, a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount (or, with respect to a Modification of any such commercial Facility LC which increases the stated amount thereof, such increase in the stated amount) thereof, such fee to be payable

on the date of such issuance or increase (each such fee described in this sentence an "LC Fee"). The Borrower shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount to be agreed upon between the LC Issuer and the Borrower, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

2.19.5 Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Borrower and each other Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Borrower and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.19.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Dallas time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.19.6 Reimbursement by Borrower. The Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amounts to be paid by the LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind; provided that neither the Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. The LC Issuer

will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.19.5. Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.8 and the satisfaction of the applicable conditions precedent set forth in Article IV), the Borrower may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

2.19.7 Obligations Absolute. The Borrower's obligations under this Section 2.19 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Issuer, any Lender or any beneficiary of a Facility LC. The Borrower further agrees with the LC Issuer and the Lenders that the LC Issuer and the Lenders shall not be responsible for, and the Borrower's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrower agrees that any action taken or omitted by the LC Issuer or any Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence, bad faith or willful misconduct, shall be binding upon the Borrower and shall not put the LC Issuer or any Lender under any liability to the Borrower. Nothing in this Section 2.19.7 is intended to limit the right of the Borrower to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.19.6.

2.19.8 Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.19, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken

or failure to act pursuant thereto shall be binding upon the Lenders and any future holders of a participation in any Facility LC.

2.19.9 Indemnification. The Borrower hereby agrees to indemnify and hold harmless each Lender, the LC Issuer and the Administrative Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses (including reasonable attorneys' fees and disbursements) which such Lender, the LC Issuer or the Administrative Agent may incur (or which may be claimed against such Lender, the LC Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Borrower shall not be required to indemnify any Lender, the LC Issuer or the Administrative Agent or any director, officer, agent or employee thereof for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct, bad faith or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.19.9 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

2.19.10 Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its Affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.19 or any action taken or omitted by such indemnitees hereunder.

2.19.11 Facility LC Collateral Account. The Borrower agrees that it will, after the occurrence of a Default and upon the request of the Administrative Agent or the Required Lenders and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuer or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Administrative Agent (the "Facility LC Collateral Account") at the Administrative

Agent's office at the address specified pursuant to Article XIII, in the name of the Borrower but under the sole dominion and control of the Administrative Agent, for the benefit of the Lenders and in which the Borrower shall have no interest other than as set forth in Section 8.1. The Borrower hereby pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuer, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Administrative Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding 30 days. Nothing in this Section 2.19.11 shall either obligate the Administrative Agent to require the Borrower to deposit any funds in the Facility LC Collateral Account or limit the right of the Administrative Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by Section 8.1.

2.19.12 Rights as a Lender. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

2.20. Replacement of Lender. If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3 (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, provided that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and provided further that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall agree, as of such date, to purchase for cash the Credit Extensions and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of Exhibit C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Credit Extensions of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

2.21. Swing Line Subfacility.

2.21.1 Conditions. For the convenience of the parties, Administrative Agent, solely for its own account, may make any requested Advance under the Revolving Credit Facility (which request must be made before 1:00 p.m. (Dallas time) on the Business Day the Advance is to be made and may be telephonic if confirmed in writing within two Business Days) in the minimum amount of \$100,000 (or a greater integral multiple of

\$100,000) directly to Borrower as a Swing Line Advance without requiring each other Lender to fund its Pro Rata Share thereof on such Business Day. Swing Line Advances are subject to the following conditions:

(i) Each Swing Line Advance must occur on a Business Day before the Facility Termination Date;

(ii) The aggregate principal outstanding of all Swing Line Advances may not exceed \$15,000,000; the aggregate principal outstanding of all Swing Line Advances, all other Advances under the Revolving Credit Facility, and all LC Obligations may not exceed the Aggregate Commitment under the Revolving Credit Facility; and no Swing Line Advance shall be made which would cause the aggregate principal outstanding of all Loans (including Swing Line Advances) made by the Administrative Agent under the Revolving Credit Facility to exceed the Administrative Agent's Commitment under the Revolving Credit Facility;

(iii) Each Swing Line Advance shall be paid in full by the Borrower on the Business Day immediately succeeding the date of such Swing Line Advance by the funding of an Advance under the Revolving Credit Facility and in any event on the Facility Termination Date; and

(iv) Each Swing Line Advance shall be a Floating Rate Advance.

2.21.2 Lenders' Funding of Swing Line Advances as Advances Under Revolving Credit Facility. The Administrative Agent shall give to the Lenders notice of each Swing Line Advance not later than 3:00 p.m. (Dallas time) on the date of such Swing Line Advance, which notice shall, on behalf of the Borrower (and for such purpose the Borrower hereby irrevocably directs the Administrative Agent to act on its behalf), request each Lender to make, and each Lender hereby agrees to make, an Advance in an amount equal to such Lender's Pro Rata Share of the aggregate amount of the Swing Line Advances (the "Refunded Swing Line Advances") outstanding on the date of such notice, to repay the Administrative Agent. Each Lender shall make the amount of such Advance available to the Administrative Agent in immediately available funds, not later than noon (Dallas time) one Business Day after the date of such notice. The proceeds of such Advance shall be immediately made available to the Administrative Agent for application by the Administrative Agent to the repayment of the Refunded Swing Line Advances. The Borrower irrevocably authorizes the Administrative Agent to charge the Borrower's accounts with the Administrative Agent in order to immediately pay the amount of such Refunded Swing Line Advances to the extent amounts received from the Lenders are not sufficient to repay in full such Refunded Swing Line Advances (with notice of such charge being provided to the Borrower, provided that the failure to give such notice shall not affect the validity of such charge). All such Refunded Swing Line Advances shall be subject to all provisions of this Agreement concerning Advances under the Revolving Credit Facility. If prior to the time an Advance would otherwise have been made pursuant to this section, Advances may not be made as contemplated by this section, each Lender shall irrevocably and unconditionally purchase and receive from Administrative Agent a ratable participation in such Swing Line Advance and shall make

available to Administrative Agent in immediately available funds its Pro Rata Share of such unpaid amount, together with interest from the date when its payment was due to, but not including, the date of payment. If a Lender does not promptly pay its amount upon Administrative Agent's demand, and until such Lender makes the required payment, Administrative Agent is deemed to continue to have outstanding a Swing Line Advance in the amount of such Lender's unpaid obligation. Borrower shall make each payment of all or any part of any Swing Line Advance to Administrative Agent for the ratable benefit of Administrative Agent and those Lenders who have funded their participations in Swing Line Advances under this Section (but all interest accruing on Swing Line Advances before the funding date of any Advance under the Revolving Credit Facility to repay such Swing Line Advance or any participation is payable solely to Administrative Agent for its own account).

2.22. [Intentionally Deleted.]

2.23. Prepayments from Sale of Assets. Concurrently with the receipt of Net Cash Proceeds from the sale or disposition by the Borrower or any Subsidiary of any assets at any time which are permitted to be sold or disposed of pursuant to Section 6.13 of this Agreement (other than (i) the sale of inventory in the ordinary course of business, (ii) when no Default exists, the sale of accounts or notes receivable described in Section 6.13(iii), and (iii) when no Default exists, other sales or dispositions which yield Net Cash Proceeds in an amount not to exceed \$5,000,000 in the aggregate during the term of this Agreement), the Borrower shall prepay or cause to be prepaid the Advances in a principal amount equal to 100% of such Net Cash Proceeds. Notwithstanding anything to the contrary contained herein, any prepayment required by this Section 2.23 to be applied to Eurodollar Loans may be paid by the Borrower into a segregated interest bearing account of Borrower designated by the Administrative Agent for application to the Loans upon the last day of an Interest Period applicable thereto.

2.24. [Intentionally Deleted.]

2.25. Prepayments from Sales of Capital Stock. Concurrently with the receipt of Net Cash Proceeds from the sale or disposition by Borrower to any Person of any common stock, preferred stock, warrant or other equity interests of Borrower, the Borrower shall prepay Advances in a principal amount equal to 100% of such Net Cash Proceeds; provided however, the Borrower is not required to make a prepayment under this Section 2.25 if and to the extent that the Borrower (a) issues common stock, preferred stock, warrant or other equity interests pursuant to stock options and provides other stock based benefit awards to the directors, officers or employees of the Borrower, its Subsidiaries or Affiliates or (b) uses such Net Cash Proceeds solely to fund a Permitted Acquisition, so long as in each case no Default has occurred and is continuing immediately before and immediately after such issuance or payment. Notwithstanding anything to the contrary contained herein, any prepayment required by this Section 2.25 to be applied to Eurodollar Loans may be paid by the Borrower into a segregated interest bearing account of the Borrower designated by the Administrative Agent for application to the Loans upon the last day of an Interest Period applicable thereto.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or the LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender or any applicable Lending Installation or the LC Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender or the LC Issuer in respect of its Eurodollar Loans, Facility LCs or participations therein, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or the LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation or the LC Issuer of making, funding or maintaining its Eurodollar Loans, or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or the LC Issuer in connection with its Eurodollar Loans, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or the LC Issuer to make any payment calculated by reference to the amount of Eurodollar Loans, Facility LCs or participations therein held or interest or LC Fees received by it, by an amount deemed material by such Lender or the LC Issuer as the case may be,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or the LC Issuer, as the case may be, of making or maintaining its Eurodollar Loans or Commitment or of issuing or participating in Facility LCs or to reduce the return received by such Lender or applicable Lending Installation or the LC Issuer, as the case may be, in connection with such Eurodollar Loans, Commitment, Facility LCs or participations therein, then, within 15 days of demand by such Lender or the LC Issuer, as the case may be, the Borrower shall pay such Lender or the LC Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the LC Issuer, as the case may be, for such increased cost or reduction in amount received.

3.2. Changes in Capital Adequacy Regulations. If a Lender or the LC Issuer determines the amount of capital required or expected to be maintained by such Lender or the LC Issuer, any Lending Installation of such Lender or the LC Issuer, or any corporation controlling such Lender or the LC Issuer is increased as a result of a Change, then, within 15 days of

demand by such Lender or the LC Issuer, the Borrower shall pay such Lender or the LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or the LC Issuer determines is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender's or the LC Issuer's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or the LC Issuer or any Lending Installation or any corporation controlling any Lender or the LC Issuer. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. Availability of Types of Advances. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, then the Administrative Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes.

(i) All payments by the Borrower to or for the account of any Lender, the LC Issuer or the Administrative Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, the LC Issuer or the Administrative Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, the LC Issuer or the Administrative Agent (as the case may be) receives an

amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Administrative Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("Other Taxes").

(iii) The Borrower hereby agrees to indemnify the Administrative Agent, the LC Issuer and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Administrative Agent, the LC Issuer or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Administrative Agent, the LC Issuer or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not more than ten Business Days after the date of this Agreement, (i) deliver to the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to the Borrower and the Administrative Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to the Borrower and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv) above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the reasonable judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Administrative Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not.

Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable within 15 days after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Advance. The Lenders shall not be required to make the initial Credit Extension hereunder unless (a) the Borrower has furnished to the Administrative Agent with sufficient copies for the Lenders or (b) the following shall have occurred, as applicable:

(i) A bring down certificate of the Secretary or Assistant Secretary of the Borrower certifying that the articles or certificate of incorporation and the bylaws of the Borrower have not been modified in any respect from the copies previously provided to the Administrative Agent and the Lenders in connection with the Existing Credit Agreement and copies of the Borrower's Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which the Borrower is a party.

(ii) A bring down certificate of the Secretary or assistant Secretary of each Guarantor (other than American Gypsum Marketing Company, a Delaware corporation ("AGMC")) certifying that the articles or certificate of incorporation and the bylaws of such Guarantor have not been modified in any respect from the copies previously provided to the Administrative Agent and the Lenders in connection with the Existing Credit Agreement and copies of such Guarantor's Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which such Guarantor is a party.

(iii) Copies of the articles or certificate of incorporation or other charter documents of AGMC, together with all amendments, certified by the appropriate governmental officer in its jurisdiction of incorporation.

(iv) Copies certified by the Secretary or Assistant Secretary of AGMC, of its bylaws or other organization agreement, and of its Board of Directors resolutions or of resolutions or actions of any other body authorizing the execution of the Loan Documents to which AGMC is a party.

(v) Copies of certificates of existence and good standing of the Borrower, each certified by the appropriate governmental officer in its jurisdiction of organization.

(vi) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of the Borrower authorized to sign the Loan Documents to which the Borrower is a party, upon which certificate the

Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.

(vii) An incumbency certificate, executed by the Secretary or Assistant Secretary of each Guarantor, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of such Guarantor authorized to sign the Loan Documents to which such Guarantor is a party, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by such Guarantor.

(viii) Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender.

(ix) A Guaranty duly executed by the Guarantors.

(x) Payment for the account of each Lender who executes this Agreement on or before July 20, 2001 of a fee equal to 0.20% multiplied by the amount of such Lender's Commitment.

(xi) Payment of accrued and unpaid interest on the Obligations due and payable to July 20, 2001.

(xii) Such other documents as the Administrative Agent, any Lender or their counsel may have reasonably requested.

4.2. Each Credit Extension. The Lenders shall not be required to make any Credit Extension unless on the applicable Credit Extension Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

(iii) All legal matters incident to the making of such Credit Extension shall be reasonably satisfactory to the Lenders and their counsel.

(iv) If the Credit Extension will be the issuance of a Facility LC, a properly completed Facility LC Application shall have been executed and delivered to the LC Issuer.

Each Borrowing Notice or request for issuance of a Facility LC with respect to each such Credit Extension shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making a Credit Extension.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1. Existence and Standing. Borrower and its Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company (in the case of Subsidiaries only) duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization, is duly qualified to transact business and is in good standing in each jurisdiction in which its business is conducted except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

5.2. Authorization and Validity. The Borrower has the corporate power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or general principles of equity.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Borrower of the Loan Documents to which it is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any of its Subsidiaries other than violations which could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect or (ii) the Borrower's or any Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Borrower or any of its Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Borrower or a Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower or any of its Subsidiaries, is required to be obtained by the Borrower or any of its Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents except for such orders, consents, adjudications, approvals, licenses, authorizations or validations of, or filings, recordings or registrations with, or exemptions by or other actions the failure to obtain or make could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

5.4. Financial Statements. The March 31, 2001, consolidated financial statements of the Borrower and its Subsidiaries heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Borrower and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5. Material Adverse Change. Since March 31, 2001, there has been no change in the business, Property, financial condition or results of operations of the Borrower and its Subsidiaries taken as a whole which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles and as to which no Lien exists and except where failure to file or pay could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect. The latest period for which the Borrower and its Subsidiaries have been examined or for which the applicable statute of limitations has expired is the fiscal year ended March 31, 1996. No tax liens have been filed and no claims are being asserted with respect to any such taxes which individually or in the aggregate have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or other governmental charges are adequate. If any of its Subsidiaries is a limited liability company, each such limited liability company qualifies for partnership tax treatment under United States federal tax law.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which could individually or in the aggregate reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions. Other than any liabilities which could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, the Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8. Subsidiaries. Schedule 1 contains an accurate list of all Subsidiaries of the Borrower as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. ERISA. Neither the Borrower nor any other member of the Controlled Group has incurred in the aggregate Unfunded Liabilities of all Single Employer Plans in an amount that could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any

other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in the aggregate in an amount that could reasonably be expected to have a Material Adverse Effect. Each Plan complies in all material respects with all applicable requirements of law and regulations, and no Reportable Event has occurred with respect to any Plan that could reasonably be expected to have a Material Adverse Effect.

5.10. Accuracy of Information. No information, exhibit or report furnished by the Borrower or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any misstatement of material fact or omitted to state a material fact necessary to make the statements contained therein not misleading.

5.11. Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12. Material Agreements. The Borrower is not a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness which aggregates in excess of \$2,500,000.

5.13. Compliance With Laws. The Borrower and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property except for any failure to comply with any of the foregoing which could not reasonably be expected to have a Material Adverse Effect.

5.14. Ownership of Properties. Except as set forth on Schedule 2, on the date of this Agreement, the Borrower and its Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.15, to all of the Property and assets reflected in the Borrower's most recent consolidated financial statements provided to the Administrative Agent as owned by the Borrower and its Subsidiaries.

5.15. Plan Assets; Prohibited Transactions. The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Credit Extensions hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code.

5.16. Environmental Matters. In the ordinary course of its business, the officers of the Borrower consider the effect of Environmental Laws on the business of the Borrower and its Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities

accruing to the Borrower due to Environmental Laws. On the basis of this consideration, the Borrower has concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.17. Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18. Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.19. Subordinated Indebtedness. The Obligations constitute senior indebtedness which is entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness.

5.20. Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by the Borrower and its Subsidiaries to its employees and former employees, as estimated by the Borrower in accordance with procedures and assumptions reasonably acceptable to the Required Lenders, does not exceed \$2,500,000.

5.21. Solvency.

(i) Immediately after the consummation of the transactions to occur on the date hereof and immediately following the making of each Credit Extension, if any, made on the date hereof and after giving effect to the application of the proceeds of such Credit Extension, (a) the fair value of the assets of the Borrower and its Subsidiaries on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Borrower and its Subsidiaries on a consolidated basis; (b) the present fair saleable value of the Property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Borrower and its Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Borrower and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the date hereof.

(ii) The Borrower does not intend to, or to permit any of its Subsidiaries to, and does not believe that it or any of its Subsidiaries will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Subsidiary and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Subsidiary.

5.22. Indenture. The Borrower has made a thorough and complete review of the Indenture and compliance by RHC with the terms and provisions thereof. No default, and no event which with the giving of notice or lapse of time or both would be a default, exists under the Indenture or will result from the transactions contemplated by this Agreement.

ARTICLE VI

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(i) Within 120 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants acceptable to the Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and its Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by any management letter prepared by said accountants.

(ii) Within 60 days after the close of each of the quarterly periods of each of its fiscal years, for itself and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) As soon as available, but in any event within 15 days before the beginning of each fiscal year of the Borrower, a copy of the plan and forecast (including a projected consolidated balance sheet, income statement and funds flow statement) of the Borrower for the forthcoming fiscal year.

(iv) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit B signed by its chief financial officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(v) Within 270 days after the close of each fiscal year, a statement of the Unfunded Liabilities of each Single Employer Plan, certified as correct by Arthur Andersen LLP or an actuary enrolled under ERISA.

(vi) As soon as possible and in any event within 10 days after the Borrower knows that any Reportable Event that could reasonably be expected to have a Material Adverse Effect has occurred with respect to any Plan, a statement, signed by the chief financial officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.

(vii) As soon as possible and in any event within 10 days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(viii) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so furnished.

(ix) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission.

(x) Promptly upon furnishing thereof to the holders of the Target Senior Subordinated Notes, copies of all reports, notices, and proxy statements so furnished.

(xi) Such other information (including non-financial information) as the Administrative Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use the proceeds of the Credit Extensions for general corporate purposes, to refinance existing indebtedness of the Borrower and its Subsidiaries, and to finance Acquisitions and Investments permitted under Section 6.14, and capital expenditures permitted hereunder. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U).

6.3. Notice of Default. The Borrower will, and will cause each Subsidiary to, give prompt notice (which notice shall in any event be given within three (3) Business Days) in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4. Conduct of Business. The Borrower will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in the construction products or building materials industry as it is presently conducted and do all things necessary to remain duly

incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted except where failure to maintain such authority could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

6.5. Taxes. The Borrower will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except (i) those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles or (ii) where failure to file or pay could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect. At any time that any Subsidiary of the Borrower is organized as a limited liability company, each such limited liability company will qualify for partnership tax treatment under United States federal tax law.

6.6. Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

6.7. Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws other than such noncompliance which could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

6.8. Maintenance of Properties. The Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times except where such failure could not individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

6.9. Inspection. The Borrower will, and will cause each Subsidiary to, permit the Administrative Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or any Lender may designate.

6.10. Dividends. The Borrower will not, nor will it permit any Subsidiary to, declare or pay any dividends or make any distributions on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock

at any time outstanding, except that (i) any Subsidiary may declare and pay dividends or make distributions to the Borrower or to a Wholly-Owned Subsidiary and (ii) when no Default exists or will result therefrom, the Borrower may pay dividends on its capital stock during each fiscal year in an amount not to exceed in the aggregate \$5,000,000.

6.11. Indebtedness. The Borrower will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(i) The Loans and the Reimbursement Obligations.

(ii) Indebtedness existing as of November 10, 2000 and described in Schedule 2.

(iii) Indebtedness arising under Rate Management Obligations having a Net Mark-to-Market Exposure not exceeding \$15,000,000.

(iv) Indebtedness arising in connection with transactions permitted by Section 6.13(iii).

(v) Indebtedness arising in connection with the sale or transfer of an interest in trade receivables of the Borrower or any Subsidiary on a limited recourse basis not exceeding in the aggregate \$100,000,000 at any one time outstanding.

(vi) With respect to RHC only, the Target Senior Subordinated Notes.

(vii) Annual payments under Operating Leases not to exceed in the aggregate \$5,000,000 during any fiscal year.

(viii) Indebtedness in addition to that specifically described in clauses (i) through (vii) of this Section 6.11 incurred when no Default exists or will result therefrom which in the aggregate does not exceed \$15,000,000 at any time outstanding.

(ix) So long as no Default has occurred and is continuing or would result therefrom, Indebtedness representing intercompany advances or payables permitted under Section 6.14(iv)

(x) So long as no Default has occurred and is continuing or would result therefrom, any guarantee by Borrower or its Subsidiaries of Indebtedness of a Subsidiary otherwise permitted under this Section 6.11.

6.12. Merger. The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, except (i) that a Subsidiary may merge into the Borrower or a Subsidiary (subject to compliance with Section 6.25) and (ii) in connection with Permitted Acquisitions.

6.13. Sale of Assets. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of its Property to any other Person, except:

(i) Sales of inventory in the ordinary course of business.

(ii) Leases, sales or other dispositions of its Property that, together with all other Property of the Borrower and its Subsidiaries previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this Section during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the Property of the Borrower and its Subsidiaries.

(iii) Any transfer of an interest in accounts or notes receivable on a limited recourse basis, provided that such transfer qualifies as a sale under Agreement Accounting Principles and that the amount of any related financing does not exceed \$100,000,000 at any one time outstanding as permitted pursuant to Section 6.11(v).

6.14. Investments and Acquisitions. The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person, except:

(i) Cash Equivalent Investments.

(ii) Existing Investments in Subsidiaries and other Investments in existence on the date hereof and described in Schedule 1.

(iii) Permitted Acquisitions.

(iv) Other Investments in Subsidiaries (subject to compliance with Section 6.25).

(v) Investments comprised of instruments received in connection with the workout or other restructure in the ordinary course of business of amounts payable to Borrower or a Subsidiary.

6.15. Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except:

(i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

(ii) Liens imposed by law, such as carriers', landlords', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 60 days past due or which are being

contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books.

(iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Subsidiaries.

(v) Liens existing on the date hereof and described in Schedule 2.

(vi) Liens incurred in connection with any transfer of an interest in accounts or notes receivable which is permitted pursuant to Section 6.13(iii), and which Liens attach solely to the trade receivables sold or transferred in connection with the incurrence of Indebtedness permitted by Section 6.11(v).

(vii) Liens securing Indebtedness permitted to be incurred under Section 6.11 which attach solely to the assets purchased with the proceeds of such Indebtedness.

6.16. Capital Expenditures. The Borrower will not, nor will it permit any Subsidiary to, expend, or be committed to expend, in excess of \$50,000,000 for Capital Expenditures during any one fiscal year on a non-cumulative basis in the aggregate for the Borrower and its Subsidiaries.

6.17. Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except (i) in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction, (ii) transactions among the Borrower and its Subsidiaries and (iii) immaterial transactions existing as of the date hereof.

6.18. Sale and Leaseback Transactions and other Off-Balance Sheet Liabilities. The Borrower will not, nor will it permit any Subsidiary to, enter into or suffer to exist any (i) Sale and Leaseback Transaction or (ii) any other transaction pursuant to which it incurs or has incurred Off-Balance Sheet Liabilities, except for Rate Management Obligations permitted to be incurred under the terms of Section 6.11(iii) or a transaction permitted under Section 6.13(iii).

6.19. Contingent Obligations. The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Contingent Obligation (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary who is not a Guarantor), except (i) by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) the Reimbursement Obligations, (iii) the Guaranty, (iv) as permitted by

Section 6.11(viii) or 6.11(x) and (v) Contingent Obligations which constitute obligations existing as of the date hereof of any Borrower or any Subsidiary as a general partner of a partnership with respect to the liabilities of such partnership.

6.20. Letters of Credit. The Borrower will not, nor will it permit any Subsidiary to, apply for or become liable upon or in respect of any Letter of Credit other than Facility LCs.

6.21. Financial Contracts. The Borrower will not, nor will it permit any Subsidiary to, enter into or remain liable upon any Financial Contract, except Rate Management Obligations permitted under Section 6.11(iii).

6.22. Financial Covenants.

6.22.1 Interest Coverage Ratio. Beginning with the fiscal quarter ending June 30, 2001, the Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) Consolidated Interest Expense to be less than 2.50 to 1.00; provided, however, the Borrower will not permit such ratio, determined for the then most-recently ended four fiscal quarters, to be less than 2.00 to 1.00 for the fiscal quarters ending March 31, 2002 and March 31, 2003.

6.22.2 Leverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Funded Indebtedness to (ii) Consolidated EBITDA for the then most-recently ended four fiscal quarters to be greater than (a) 3.50 to 1.00 beginning with the fiscal quarter ending on June 30, 2001 through the fiscal quarter ending on March 31, 2002, (b) 3.25 to 1.00 beginning with the fiscal quarter ending on June 30, 2002 through the fiscal quarter ending on September 30, 2002 and (c) 3.00 to 1.00 beginning with the fiscal quarter ending on December 31, 2002 and thereafter.

6.22.3 Minimum Tangible Net Worth. As of December 31, 2000, the Borrower will at all times maintain Consolidated Tangible Net Worth of not less than \$325,000,000 and for the last day of each fiscal quarter thereafter, not less than the sum of (i) the minimum Consolidated Tangible Net Worth required for the prior fiscal quarter, plus (ii) 50% of the Consolidated Net Income (not less than \$0.00) for the fiscal quarter then ended, plus (iii) 100% of the Net Cash Proceeds of any equity issuances (excluding issuances described in clause (a) of the first sentence of Section 2.25 and issuances solely to finance Permitted Acquisitions) by the Borrower or any Subsidiary for the fiscal quarter then ended.

6.23. Lines of Business. The Borrower will not, nor will it permit any Subsidiary to, engage in any line or lines of business activity other than the businesses in which they are engaged on the date hereof or lines of business complementary or reasonably related to the construction products or building materials industry.

6.24. Prepayment of Debt. When a Default has occurred and is continuing or will result therefrom, the Borrower will not, and will not permit any Subsidiary to, prepay any Indebtedness, except the Obligations.

6.25. Future Subsidiaries. The Borrower shall cause each Person that becomes a Significant Subsidiary after the date of the initial Credit Extension to promptly execute such documents, instruments, and agreements as the Administrative Agent deems necessary or appropriate, in form and substance satisfactory to the Administrative Agent, to cause such Subsidiary to become a guarantor of the Obligations on a basis substantially the same as the existing Guarantors.

6.26. Prohibition on Granting Negative Pledges. Except for this Agreement and Liens permitted by Section 6.15 to the extent such Liens encumber only the assets so financed, the Borrower will not and will not permit any Subsidiary to enter into or become bound by any agreement, understanding or arrangement (other than this Agreement) that limits, restricts or impairs in any way the right of any of such Person to create, assume or suffer to exist any Lien on any of such Person's Properties or assets in favor of the Administrative Agent (or any successor Administrative Agent) for the benefit of the Lenders.

6.27. Prohibition on Granting Restrictions on Distributions. Except for this Agreement, the Borrower will not enter into or become bound by any agreement, arrangement or understanding or permit its Subsidiaries to do so (including, without limitation, their respective articles of incorporation, bylaws or other charter documents) that limits, restricts, subordinates or impairs in any way the right or ability of any of the Subsidiaries to make dividends or distributions to or Investments in the Borrower or to repay any Indebtedness or obligation owed to the Borrower.

6.28. Prohibition on Synthetic Leases. Borrower will not at any time become or be obligated as lessee or borrower under any Synthetic Lease nor will it permit any Subsidiary to do so.

6.29. Amendments to Indebtedness. The Borrower will not, and will not permit any Subsidiary to, make any amendment or modification to the Indenture (as amended as described in the definition of Target Senior Subordinated Notes) or any indenture, note or other agreement evidencing or governing any Subordinated Indebtedness or the Indebtedness owed by the Borrower or its Subsidiaries to Borrower or its other Subsidiaries, or directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire, any Subordinated Indebtedness or the Indebtedness owed by Borrower or its Subsidiaries to the Borrower or its other Subsidiaries, other than prepayment of the Target Senior Subordinated Notes permitted by Section 6.24 and so long as no Default has occurred and is continuing or would result therefrom, the payment of intercompany Indebtedness.

6.30. [Intentionally Deleted.]

6.31. Target Senior Subordinated Notes. The Borrower will not permit RHC nor any of RHC's Subsidiaries to incur any Indebtedness nor take any other action which could reasonably be expected to cause a default under the Target Senior Subordinated Notes.

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2. Nonpayment of principal of any Loan when due, nonpayment of any Reimbursement Obligation within one Business Day after the same becomes due, or nonpayment of interest upon any Loan or of any commitment fee, LC Fee or other obligations under any of the Loan Documents within five days after the same becomes due.

7.3. The breach by the Borrower of any of the terms or provisions of Section 6.1, 6.2, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.18, 6.19, 6.20, 6.21, 6.22, 6.23, 6.24, 6.25, 6.26, 6.27, 6.28, or 6.29.

7.4. The breach by the Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement which is not remedied within 15 days after written notice from the Administrative Agent or any Lender.

7.5. Failure of the Borrower or any of its Subsidiaries to pay when due (beyond the applicable grace period with respect thereto, if any) any Indebtedness aggregating in excess of \$2,500,000 ("Material Indebtedness"); or the default by the Borrower or any of its Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6. The Borrower or any of its Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or

reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of the Borrower or any Subsidiary which, when taken together with all other Property of the Borrower or such Subsidiary so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion.

7.9. The Borrower or any of its Subsidiaries shall fail within 60 days to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money in excess of \$2,500,000 (or the equivalent thereof in currencies other than U.S. Dollars) in the aggregate, or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. The Borrower or any member of the Controlled Group has incurred in the aggregate Unfunded Liabilities of all Single Employer Plans by an amount which could reasonably be expected to have a Material Adverse Effect or any Reportable Event shall occur in connection with any Plan which could reasonably be expected to have a Material Adverse Effect.

7.11. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), could reasonably be expected to have a Material Adverse Effect.

7.12. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or

termination occurs by an amount which could reasonably be expected to have a Material Adverse Effect.

7.13. The Borrower or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Borrower, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect.

7.14. Any Change in Control shall occur.

7.15. Any Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor shall fail to comply with any of the terms or provisions of any Guaranty to which it is a party, or any Guarantor shall deny that it has any further liability under any Guaranty to which it is a party, or shall give notice to such effect.

7.16. The representations and warranties set forth in Section 5.15 ("Plan Assets; Prohibited Transactions") shall at any time not be true and correct.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration; Facility LC Collateral Account.

(i) If any Default described in Section 7.6 or 7.7 occurs, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, the LC Issuer or any Lender and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Administrative Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"). If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, and (b) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any

further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If at any time while any Default is continuing, the Administrative Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Administrative Agent may make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Administrative Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Borrower to the Lenders or the LC Issuer under the Loan Documents.

(iv) At any time while any Default is continuing, neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Administrative Agent to the Borrower or paid to whomever may be legally entitled thereto at such time.

(v) If, within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuer to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of all of the Lenders:

(i) Extend the final maturity of any Loan, or extend the expiry date of any Facility LC to a date after the Facility Termination Date or postpone any regularly scheduled payment of principal of any Loan or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate or the unused fee due under Section 2.5 or extend the time of payment of interest or fees thereon or Reimbursement Obligations related thereto.

(ii) Reduce the percentage specified in the definition of Required Lenders.

(iii) Extend the Facility Termination Date, or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2, or increase the amount of the Aggregate Commitment, the Commitment of any Lender hereunder or the commitment to issue Facility LCs, or permit the Borrower to assign its rights under this Agreement.

(iv) Amend this Section 8.2.

(v) Release any Guarantor except where the sale of all or substantially all of the assets or equity interests in a Guarantor is otherwise permitted hereunder, in which event the Administrative Agent shall execute and deliver to Borrower such release upon such sale.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent, and no amendment of any provision relating to the LC Issuer shall be effective without the written consent of the LC Issuer. The Administrative Agent may waive payment of the fee required under Section 12.3.2 without obtaining the consent of any other party to this Agreement.

8.3. Preservation of Rights. No delay or omission of the Lenders, the LC Issuer or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent, the LC Issuer and the Lenders until the Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1. Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. ENTIRE AGREEMENT. THE LOAN DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE BORROWER, THE ADMINISTRATIVE AGENT, THE LC ISSUER AND THE LENDERS AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERSTANDINGS AMONG THE BORROWER, THE ADMINISTRATIVE AGENT, THE LC ISSUER AND THE LENDERS RELATING TO THE SUBJECT MATTER THEREOF OTHER THAN THE FEE LETTER DESCRIBED IN SECTION 10.13. THE LOAN DOCUMENTS MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

9.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. Expenses; Indemnification.

(i) The Borrower shall reimburse the Administrative Agent and the Arranger for any costs, internal charges for fees and time charges of attorneys who are employees of the Administrative Agent, the Arranger, the LC Issuer and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Administrative Agent) paid or incurred by the Administrative Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Arranger, the LC Issuer and the Lenders for any costs, internal charges for fees and time charges of attorneys who are employees of the Administrative Agent, the Arranger, the LC Issuer, the Lenders and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Administrative Agent, the Arranger, the LC Issuer and the Lenders) paid or incurred by the Administrative Agent, the Arranger, the LC Issuer or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Borrower under this Section include, without limitation, costs and expenses incurred in connection with the Reports described in the following sentence. The Borrower acknowledges that from time to time Bank One may prepare and may distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by

Bank One from information furnished to it by or on behalf of the Borrower, after Bank One has exercised its rights of inspection pursuant to this Agreement.

(ii) THE BORROWER HEREBY FURTHER AGREES TO INDEMNIFY THE ADMINISTRATIVE AGENT, THE ARRANGER, THE LC ISSUER AND EACH LENDER, ITS DIRECTORS, OFFICERS AND EMPLOYEES AGAINST ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR WHETHER OR NOT THE ADMINISTRATIVE AGENT, THE ARRANGER, THE LC ISSUER OR ANY LENDER IS A PARTY THERETO) WHICH ANY OF THEM MAY PAY OR INCUR ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED HEREBY OR THE DIRECT OR INDIRECT APPLICATION OR PROPOSED APPLICATION OF THE PROCEEDS OF ANY CREDIT EXTENSION HEREUNDER EXCEPT TO THE EXTENT THAT THEY ARE DETERMINED IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED FROM THE GROSS NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF THE PARTY SEEKING INDEMNIFICATION; PROVIDED HOWEVER, THAT IN NO EVENT SHALL THE BORROWER BE LIABLE UNDER THIS SECTION 9.6 FOR ANY LOST PROFITS OR FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES. THE OBLIGATIONS OF THE BORROWER UNDER THIS SECTION 9.6 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

9.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders.

9.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. Nonliability of Lenders. The relationship between the Borrower on the one hand and the Lenders, the LC Issuer and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have liability to the Borrower (whether sounding in

tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence, bad faith or willful misconduct of the party from which recovery is sought. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Lenders and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to such Lender or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which such Lender is a party, (vi) to such Lender's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 12.4.

9.12. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Credit Extensions provided for herein.

9.13. Disclosure. The Borrower and each Lender hereby acknowledge and agree that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to, or have other relationships with the Borrower and its Affiliates.

9.14. Maximum Interest Rate. No provision of this Agreement or of any other Loan Document shall require the payment or the collection of interest in excess of the maximum amount permitted by applicable law. If any excess of interest in such respect is hereby provided for, or shall be adjudicated to be so provided, in any Loan Document or otherwise in connection with this loan transaction, the provisions of this Section shall govern and prevail and neither Borrower nor the sureties, guarantors, successors, or assigns of the Borrower shall be obligated to pay the excess amount of such interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event any Lender or the Administrative Agent ever receives, collects, or applies as interest any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment and reduction of the principal of the indebtedness owing under this Agreement; and, if the principal owing has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower, the Administrative Agent, and each Lender shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire

contemplated term of the indebtedness owing pursuant to this Agreement so that interest for the entire term does not exceed the Maximum Rate.

9.15. Non-Application of Chapter 346 of Texas Finance Code. The provisions of Chapter 346 of the Texas Credit Code, as amended from time to time, are specifically declared by the parties hereto not to be applicable to this Agreement or any of the other Loan Documents or to the transactions contemplated hereby.

9.16. Survival of Prior Agreements. The rights and privileges (excluding the confidentiality and indemnification provisions which are being restated pursuant to this Agreement) afforded the Administrative Agent and the Arranger in that certain commitment letter and that certain fee letter, each dated August 9, 2000 among such Persons and Borrower, shall survive the execution and delivery of this Agreement, and the Administrative Agent and the Arranger shall continue to be entitled to the benefits thereof.

ARTICLE X

THE ADMINISTRATIVE AGENT

10.1. Appointment; Nature of Relationship. Bank One, NA, is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Administrative Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Administrative Agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Administrative Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 9-102 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2. Powers. The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Administrative Agent.

10.3. General Immunity. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence, bad faith or willful misconduct of such Person.

10.4. No Responsibility for Credit Extensions, Recitals, etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Administrative Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Administrative Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Administrative Agent at such time, but is voluntarily furnished by the Borrower to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

10.5. Action on Instructions of Lenders. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders or all Lenders, as the case may be, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Administrative Agents and Counsel. The Administrative Agent may execute any of its duties as Administrative Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent.

10.8. Administrative Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Administrative Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders.

10.10. Rights as a Lender. In the event the Administrative Agent is a Lender, the Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Credit Extensions as any Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, at any time when the Administrative Agent is a Lender, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in

which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person.

10.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent or, if no successor Administrative Agent has been appointed, forty-five days after the retiring Administrative Agent gives notice of its intention to resign. The Administrative Agent may be removed at any time with or without cause by written notice received by the Administrative Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Administrative Agent's giving notice of its intention to resign, then the resigning Administrative Agent may appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. Notwithstanding the previous sentence, the Administrative Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Administrative Agent hereunder. If the Administrative Agent has resigned or been removed and no successor Administrative Agent has been appointed, the Lenders may perform all the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor Administrative Agent has accepted the appointment. Any such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$1,000,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Administrative Agent. Upon the effectiveness of the resignation or removal of the Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Administrative Agent, the provisions of this Article X shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the

term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent.

10.13. Administrative Agent and Arranger Fees. The Borrower agrees to pay to the Administrative Agent and the Arranger, for their respective accounts, the fees agreed to by the Borrower, the Administrative Agent and the Arranger pursuant to that certain letter agreement dated August 9, 2000, or as otherwise agreed from time to time.

10.14. Delegation to Affiliates. The Borrower and the Lenders agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles IX and X.

10.15. Co-Agents, Documentation Agent, Syndication Agent, etc. Neither any of the Lenders identified in this Agreement as a "co-agent" nor the Documentation Agent or the Syndication Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Administrative Agent in Section 10.11.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Share of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that (i) Borrower shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 12.3. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and does not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Administrative Agent may treat the Person which made any Credit Extension or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; provided, however, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Credit Extension or which holds any Note to direct payments relating to such Credit Extension or Note to another Person. Any assignee of the rights to any Credit Extension or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Credit Extension (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Credit Extension.

12.2. Participations.

12.2.1 Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Outstanding Credit Exposure of such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver

with respect to any Credit Extension or Commitment in which such Participant has an interest which forgives principal, interest, fees or any Reimbursement Obligation or reduces the interest rate or fees payable with respect to any such Credit Extension or Commitment, extends the Facility Termination Date, postpones any date fixed for any regularly-scheduled payment of principal of or interest on any Credit Extension in which such Participant has an interest, or any regularly-scheduled payment of fees on any such Credit Extension or Commitment, releases any guarantor of any such Credit Extension (except as otherwise permitted by Section 8.2(v)) or releases any collateral held in the Facility LC Collateral Account (except in accordance with the terms hereof) or all or substantially all of any other collateral, if any, securing any such Credit Extension.

12.2.3 Benefit of Setoff. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

12.3. Assignments.

12.3.1 Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents; provided however, if such assignments are of Eurodollar Loans prior to the last day of the Interest Period applicable thereto, the Borrower will not be required to pay the breakage fees, if any, associated with such assignment. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. The consent of the Borrower, the Administrative Agent and the LC Issuer shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof; provided, however, that if a Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consent from any of the Borrower, the Administrative Agent and the LC Issuer shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate thereof shall (unless each of the Borrower and the Administrative Agent otherwise consents) be in an amount not less than the lesser of (i) \$5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Credit Extensions (if the applicable Commitment has been terminated).

12.3.2 Effect; Effective Date. Upon (i) delivery to the Administrative Agent of a notice of assignment, substantially in the form attached as Exhibit I to Exhibit C (a "Notice of Assignment"), together with any consents required by Section 12.3.1, and (ii) effective on and after January 9, 2001, payment of a \$4,000 fee to the Administrative

Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the Administrative Agent and the Borrower to the effect that none of the consideration used to make the purchase of the Commitment and Outstanding Credit Exposure under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Outstanding Credit Exposure assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Administrative Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.4. Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries, including without limitation any information contained in any Reports; provided that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIII

NOTICES

13.1. Notices. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender, at its address or facsimile number set forth below its signature hereto, or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower in accordance with the provisions of this Section 13.1. Each such notice, request or other communication shall be effective (i) if given by

facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Administrative Agent under Article II shall not be effective until received.

13.2. Change of Address. The Borrower, the Administrative Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Administrative Agent, the LC Issuer and the Lenders and each party has notified the Administrative Agent by facsimile transmission or telephone that it has taken such action.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS, TEXAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE LC ISSUER OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT, THE LC ISSUER

OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT, THE LC ISSUER OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

15.3. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT, THE LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

15.4. Effect of Amendment and Restatement.

(a) This Agreement is an amendment and restatement of the terms and provisions of the Existing Credit Agreement. The indebtedness of the Borrower outstanding under the Existing Credit Agreement and the Notes outstanding thereunder immediately prior to the effectiveness hereof ("Restatement Effective Time") is called the "Existing Indebtedness". Neither the execution and delivery of this Agreement by the Borrower or any Lender, nor any of the terms or provisions contained herein, shall be construed to be a payment on or with respect to the Existing Indebtedness or any accrued interest thereon. Without limiting the foregoing, the Borrower and each of its Subsidiaries hereby ratifies and confirms each Loan Document to which such Person is a party including without limitation the Guaranty.

(b) Notwithstanding any provision of this Agreement to the contrary, all Eurodollar Advances which are outstanding at the Restatement Effective Time (each an "Existing Eurodollar Borrowing") shall continue to be maintained by the Lenders until the last day of the current Interest Period therefor (except to the extent prepaid or converted by the Borrower prior to such date).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower, the Lenders, the LC Issuer and the Administrative Agent have executed this Agreement as of the date first above written.

CENTEX CONSTRUCTION PRODUCTS, INC.,
as Borrower

By: -----

Name: -----

Title: -----

Address: 2728 N. Harwood
Dallas, Texas 75201

Attention: Arthur R. Zunker, Jr.
Chief Financial Officer

Telephone: (214) 981-6510

FAX: (214) 981-6559

Commitments:
\$35,000,000

BANK ONE, NA,
Individually, as Administrative Agent, LC
Issuer and as a Lender

By: -----

Name: -----

Title: -----

Address: 1717 Main Street, 3rd Floor
Dallas, Texas 75201

Attention: Kathy M. Turner
Telephone: (214) 290-4438
FAX: (214) 290-2765

\$30,000,000

BANK OF AMERICA, N.A.,
Individually, as Syndication Agent and as a
Lender

By: -----

Name: -----

Title: -----

Attention: Kelly Allred
Telephone: (949) 260-5654
FAX: (949) 260-5638

\$35,000,000

PNC BANK, NATIONAL ASSOCIATION
Individually, as Documentation Agent and as
a Lender

By: -----
Name: -----
Title: -----

Attention: Philip Liebscher
Telephone: (412) 762-3202
FAX: (412) 762-6484

\$15,000,000

BNP PARIBAS,

as a Lender

By: -----

Name: -----

Title: -----

By: -----

Name: -----

Title: -----

Attention: Henry F. Setina

Telephone: (972) 788-9191

FAX: (972) 788-9140

\$15,000,000

THE CHASE MANHATTAN BANK,
as a Lender

By: -----
Name: -----
Title: -----

Attention: Allen K. King
Telephone: (214) 965-2705
FAX: (214) 965-2044

\$15,000,000

FIRSTAR BANK, N.A.,
as a Lender

By: _____
Name: _____
Title: _____

Attention: Gregory L. Dryden
Telephone: (314) 418-3983
FAX: (314) 418-3859

\$15,000,000

THE BANK OF TOKYO-MITSUBISHI, LTD.,
as a Lender

By: -----
Name: -----
Title: -----

Attention: John M. Mearns
Telephone: (214) 954-1200
FAX: (214) 954-1007

\$25,000,000

CREDIT LYONNAIS NEW YORK BRANCH,
as a Lender

By: -----
Name: -----
Title: -----

Attention: Robert Smith
Telephone: (214) 220-2311
FAX: (214) 220-2323

\$20,000,000

SUNTRUST BANK,
as a Lender

By: -----
Name: -----
Title: -----

Attention: Donald L. Gaudette, Jr.
Telephone: (404) 658-4925
FAX: (404) 827-6270

\$10,000,000

BANK HAPOLIM B.M.,
as a Lender

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Attention: Gabriel Lubiner
Telephone: (212) 782-2197
FAX: (212) 782-2187

\$15,000,000

HARRIS TRUST AND SAVINGS BANK,
as a Lender

By: -----
Name: -----
Title: -----

Attention: James J. Owen
Telephone: (312) 461-2962
FAX: (312) 765-8105

\$20,000,000

BANK OF TEXAS, N.A.,
as a Lender

By: -----
Name: -----
Title: -----

Attention: David Broussard, Jr.

Telephone: (214) 987-8863
FAX: (214) 987-8892

\$15,000,000

COMERICA BANK,
as a Lender

By: _____
Name: _____
Title: _____

Attention: Carol S. Geraghty
Telephone: (972) 361-2548
FAX: (972) 361-2550

\$10,000,000

UMB BANK, N.A.,
as a Lender

By: -----
Name: -----
Title: -----

Attention: Terry Dierks
Telephone: (816) 860-7101
FAX: (816) 860-3772

\$275,000,000

Each Guarantor hereby consents and agrees to this Agreement and agrees that the Guaranty shall remain in full force and effect and shall continue to (i) guarantee the Guaranteed Obligations (as defined in the Guaranty) and (ii) be the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms.

GUARANTORS:

REPUBLIC HOLDING CORPORATION
REPUBLIC GYPSUM OPERATING LLC
REPUBLIC GYPSUM HOLDING LLC
REPUBLIC PAPERBOARD COMPANY LLC
HOLLIS & EASTERN RAILROAD COMPANY LLC
AMERICAN GYPSUM COMPANY
AMERICAN GYPSUM MARKETING COMPANY
CCP CEMENT COMPANY
CCP CONCRETE/AGGREGATES COMPANY
CCP GYPSUM COMPANY
CENTEX MATERIALS GP LTD, LLC
MATHEWS READYMIX, INC.
MOUNTAIN CEMENT COMPANY
NEVADA CEMENT COMPANY
TLCC GP LLC
TEXAS CEMENT COMPANY
WESTERN AGGREGATES, INC.

By:

Arthur R. Zunker, Jr.
Senior Vice President - Finance and
Treasurer

REPUBLIC GYPSUM COMPANY, LP

By: REPUBLIC GYPSUM OPERATING LLC,
as its general partner

By:

Arthur R. Zunker, Jr.
Senior Vice President - Finance and
Treasurer

CENTEX MATERIALS, LP

By: CENTEX MATERIALS GP LTD, LLC,
as its general partner

By: -----
Arthur R. Zunker, Jr.
Senior Vice President - Finance and
Treasurer

CENTEX MATERIALS LP LTD, LLC

By: -----
Name: -----
Title: -----

TLCC LP LLC

By: -----
Name: -----
Title: -----

EXHIBIT A

Pricing Schedule

APPLICABLE
MARGIN
APPLICABLE
MARGIN
APPLICABLE
FEE RATE
STATUS FOR
EURODOLLAR
RATE FOR
FLOATING
RATE FOR
COMMITMENT
FEE -----

Level I
Status
1.00%
0.00%
0.250%
Level II
Status
1.25%
0.25%
0.250%
Level III
Status
1.50%
0.50%
0.300%
Level IV
Status
1.75%
0.75%
0.375%
Level V
Status
2.25%
1.25%
0.500%
Level VI
Status
2.50%
1.50%
0.500%
Level VII
Status
2.75%
1.75%
0.500%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Financials" means the annual or quarterly financial statements of the Borrower delivered pursuant to Section 6.1(i) or (ii).

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is less than 1.00 to 1.00.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status and (ii) the Leverage Ratio is greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status or Level II Status and (ii) the Leverage Ratio is greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00.

"Level IV Status" exists at any date if, as of the last day of the

fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status, Level II Status, or Level III status and (ii) the Leverage Ratio is greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00.

"Level V Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status, Level II Status, Level III Status, or Level IV Status and (ii) the Leverage Ratio is greater than or equal to 2.50 to 1.00 but less than 3.00 to 1.00.

"Level VI Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, (i) the Borrower has not qualified for Level I Status, Level II Status, Level III Status, Level IV Status, or Level V Status and (ii) the Leverage Ratio is greater than or equal to 3.00 to 1.00 but less than 3.25 to 1.00.

"Level VII Status" exists at any date if the Borrower has not qualified for Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status, or Level VI Status.

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status, Level VI Status, or Level VII Status.

The Applicable Margin and Applicable Fee Rate shall be determined in accordance with the foregoing table based on the Borrower's Status as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin or Applicable Fee Rate shall be effective five Business Days after the Administrative Agent has received the applicable Financials. If the Borrower fails to deliver the Financials to the Administrative Agent at the time required pursuant to Section 6.1, then the Applicable Margin and Applicable Fee Rate shall be the highest Applicable Margin and Applicable Fee Rate set forth in the foregoing table until five days after such Financials are so delivered. Notwithstanding the foregoing, (a) the Applicable Margin shall remain no lower than Level V Status as of July 20, 2001 until the Administrative Agent has received the applicable Financials for the fiscal quarter ending June 30, 2001, and (b) the Applicable Fee Rate shall be 0.50% if at any time during such fiscal quarter the average daily Aggregate Outstanding Credit Exposure is less than 50% of the Aggregate Commitment.

CENTEX CONSTRUCTION PRODUCTS, INC. AND SUBSIDIARIES
 EARNINGS (LOSS) PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE
 (AMOUNTS IN THOUSANDS, EXCEPT PER-SHARE AMOUNTS)

FOR THE
 YEARS
 ENDED
 MARCH 31,

 2002 2001
 2000 -----

NET INCOME
 \$ 39,706 \$
 59,429 \$
 108,232

=====

DILUTED
 EARNINGS
 PER COMMON
 AND
 DILUTIVE
 POTENTIAL
 COMMON
 SHARE:
 Weighted
 average
 common
 shares
 outstanding
 18,351
 18,405
 19,130
 Stock
 options
 110 68 81

 Weighted
 average
 common and
 dilutive
 potential
 common
 shares
 18,461
 18,473
 19,211

=====

DILUTED
 EARNINGS
 PER COMMON
 SHARE \$
 2.15 \$
 3.22 \$
 5.63

=====

BASIC
 EARNINGS
 PER COMMON
 SHARE:
 Weighted
 average
 common
 shares
 outstanding
 18,351
 18,405

19,130

=====

=====

=====

Basic
earnings
per common
share \$
2.16 \$
3.23 \$
5.66

=====

=====

=====

Diluted net income per common equity share assumed the exercise of stock options and for all years presented. Basic net income per common share was computed by dividing net income by the weighted average number of shares of Common Stock outstanding during the year.

Centex Construction Products, Inc.

ANNUAL REPORT 2002

ELEVATING
Productivity and Efficiency

[PICTURE OF A MAN STANDING ON ONE END OF A
PLANK WITH A ROLL OF PAPER SERVING AS A CENTRAL FULCRUM UNDER THE PLANK
ELEVATING A ROCK PLACED ON THE OTHER END.]

ABOUT CXP

Centex Construction Products, Inc. (NYSE: CXP) produces and distributes building materials essential to the construction and renovation of homes, commercial, industrial and school buildings. Our products are also indispensable in the construction and improvement of America's infrastructure - our streets, roads and highways. CXP is headquartered in Dallas, Texas, and serves national markets through quarrying, manufacturing, and distribution units in 14 states. Our operations are segmented by product group: Cement, Gypsum Wallboard, Paperboard, and Concrete and Aggregates. One of only two publicly held companies operating in the cement, gypsum wallboard, and concrete and aggregates industries, CXP is 65.2% owned by Centex Corporation.

CEMENT

CXP's four manufacturing plants and network of 10 distribution terminals produce and market cement in the western half of the United States. Annual production capacity, net of two joint-venture partners' interests, is approximately 2.1 million tons, or about 2.3% of the nation's total capacity. CXP is the twelfth largest domestically owned cement manufacturer and the third largest U.S. owned cement producer.

PAPERBOARD

CXP's recycled Paperboard operation is located in southwestern Oklahoma. The mill produces paperboard products made from 100 percent reclaimed paper fiber, which are used as facing paper in the manufacturing of gypsum wallboard and industrial and consumer paperboard products. Annual production capacity is approximately 220,000 tons. The Lawton mill produces gypsum paperboard that is approximately 20% to 30% lighter than other products currently available.

GYPSUM WALLBOARD

CXP's Gypsum Wallboard operation, which includes four facilities located in New Mexico, Oklahoma and Colorado, is the nation's fifth largest wallboard producer. Together, the plants have a total annual production capacity of approximately 2.7 billion square feet, representing about 8% of total U.S. capacity. During fiscal 2002, CXP's gypsum wallboard production was shipped by rail and by truck to a total of 36 states throughout the nation.

CONCRETE AND AGGREGATES

CXP's Concrete and Aggregates operations consist of 9 readymix concrete batch plant sites, 123 readymix trucks and three aggregates plants that have approximately 6 million tons of annual single-shift production capacity. The plants are located in northern California and central Texas. CXP's northern California aggregates deposit is believed to be the largest single aggregates deposit in that area.

[PICTURE OF A BOARD BALANCED ON A LARGE ROCK.]

ABOUT THE COVER

CXP's annual report for the fiscal year ending March 31, 2002 examines the major operating strategies and processes that operate in tandem to elevate our company's financial strength and its productivity and efficiency. These include disciplined growth, balanced diversity, and improving performance. CXP's quarries, manufacturing processes and distribution capabilities add up to substantial resources now and for the future. In this year's annual report we focus on the most important of our resources: our people. The cover and other illustrations throughout this book employ images to dramatize the collective strengths and contributions of our people that have allowed CXP to grow during a period of economic challenge.

[PICTURE OF A MAN STANDING ON ONE END OF A PLANK WITH A ROLL OF PAPER SERVING AS A CENTRAL FULCRUM UNDER THE PLANK ELEVATING THE OTHER END OF THE PLANK.]

FINANCIAL HIGHLIGHTS(1)
(amounts in thousands, except per share data)

For the
Years Ended
March 31, --

-- 2002 2001
2000 1999
1998 -----

Revenues(2)

\$471,083
\$441,127
\$470,465
\$381,900
\$344,264

Earnings
Before

Income Taxes

\$ 59,699 \$
92,263
\$170,177
\$121,127 \$
88,333 Net

Earnings \$

39,706 \$
59,429
\$108,232 \$
77,289 \$
56,533

Diluted

Earnings Per
Share \$ 2.15

\$ 3.22 \$
5.63 \$ 3.71

\$ 2.56 Cash

Dividends

Per Share \$
0.20 \$ 0.20

\$ 0.20 \$

0.20 \$ 0.20

Total Assets

\$743,352
\$794,622
\$438,139
\$364,683
\$351,112

Total Debt

\$182,380
\$278,828 \$
400 \$ 480 \$
560

Stockholders'

Equity

\$427,832
\$392,320
\$340,472
\$279,920
\$274,803

Average

Diluted

Shares

Outstanding

18,461
18,473
19,211
20,832

22,063 Book

Value Per

Share At

Year End \$

23.30 \$
21.40 \$
18.33 \$
14.18 \$
12.77

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

(2) The Company adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during fiscal year 2001. As a result of this adoption, net revenues have been restated to include freight and delivery costs billed to customers. Previously such billings were offset against corresponding expenses in cost of sales.

STOCK PRICES AND DIVIDENDS

Fiscal Year Ended March 31, 2002	Fiscal Year Ended March 31, 2001
Price	Price
High	High
Low	Low
Dividends	Dividends
First	Second
Second	Third
Third	Fourth

The common stock of Centex Construction Products, Inc. is traded on the New York Stock Exchange (ticker symbol CXP). The approximate number of record holders of the common stock of CXP as of May 31, 2002 was 336. The closing price of CXP's common stock on the New York Stock Exchange on May 31, 2002 was \$41.77.

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1

TO OUR SHAREHOLDERS:

Fiscal 2002 was a challenging but successful year for CXP. Our major challenges were two-fold: to optimize shareholder value by (1) improving the Company's financial strength, and (2) elevating the productivity and efficiency of both our existing and newly acquired assets.

We believe we made excellent progress in achieving both objectives. We significantly strengthened our balance sheet and turned the under-performing Oklahoma wallboard and paperboard facilities acquired in fiscal 2001 into assets now delivering significantly improved operating performance and lower production costs. The major operational and financial highlights of fiscal 2002:

- o The optimization of CXP's recently acquired lightweight recycled paperboard operations in Lawton, Oklahoma, resulted in reaching targeted production rates while lowering costs.
- o The gypsum wallboard plant in Duke, Oklahoma greatly improved its productivity, efficiency and product quality. This plant is now able to produce in excess of 1.1 billion square feet of wallboard per year.
- o Our Cement operations achieved record earnings through record clinker production and sales volume.
- o CXP reduced debt 35% to \$182 million at March 31, 2002, from \$279 million last fiscal year.
- o The Company's debt-to-capitalization ratio at March 31, 2002 was 30%, down from 42% at March 31, 2001.
- o The price of CXP's common stock at March 31, 2002 was \$39.78 per share, up 42% from \$28.10 per share at March 31, 2001.

For the fiscal year ended March 31, 2002, CXP's net income was \$39.7 million, or \$2.15 per diluted share, compared to \$59.4 million, or \$3.22 per diluted share for the same period last fiscal year. Revenues in fiscal 2002 increased 7% to \$471.1 million from \$441.1 million in fiscal 2001. The decline in earnings was due to lower Gypsum Wallboard prices, reduced Concrete volume and increased interest expense.

Let's examine fiscal 2002 results in light of the performance of each CXP business segment: Cement, Gypsum Wallboard, Paperboard and Concrete and Aggregates.

CEMENT

CXP's Cement business recorded another stellar year. Cement sales volume in fiscal 2002 rose 2% to 2.44 million

[GRAPH]

Revenues
(\$ in
millions)

98 \$344
97 \$382
00 \$470
01 \$441
02 \$471

[GRAPH]

Net
Earnings
(\$ in
millions)

98 \$ 57
97 \$ 77
00 \$108
01 \$ 59
02 \$ 40

tons, another Company record. Thanks primarily to the increased sales volume, fiscal 2002 operating earnings from Cement increased 1% to \$60.2 million, another all-time high. Average Cement sales price for fiscal 2002 was \$67.69 per ton, about level with the average sales price in fiscal 2001. Nationally, spending for infra-structure remains strong, creating a stable market for CXP Cement. All four of our Cement plants delivered record clinker production in fiscal 2002.

GYPSUM WALLBOARD

Our Gypsum Wallboard business yielded mixed results in fiscal 2002: sales volume increased 22%, principally as a result of a full year of production from the Duke, Oklahoma plant. While U.S. gypsum wallboard consumption was a near record high in calendar 2001 with consumption at 30.2 billion square feet, market conditions required us to operate all four of our plants on reduced schedules. Operating earnings for the Gypsum Wallboard segment declined 83% from \$27.1 million in fiscal 2001 to \$4.6 million in fiscal 2002. This decline in earnings was a direct result of the 20% reduction in average wallboard pricing. Prices declined precipitously early in the fiscal year until market conditions permitted multiple price increases beginning mid-fiscal-year. Prices held steady for the remainder of fiscal 2002, and at fiscal year-end CXP initiated another price increase. While all four of our Gypsum Wallboard plants ran at 72% of total annual practical capacity in fiscal 2002, cost of sales declined 5%.

PAPERBOARD

CXP's Paperboard operations reported fiscal 2002 operating earnings of \$10.0 million, up 629% from the \$1.4 million for fiscal 2001. Sales volume for fiscal 2002 was 210,000 tons, compared to 80,000 tons last fiscal year, thanks to a full year of production from the Lawton, Oklahoma paperboard mill. The mill is currently operating at designed capacity and is expected to exceed this performance during fiscal 2003. As part of our plan to optimize the Lawton mill's potential, the high-cost Denver paperboard mill was permanently closed. Meanwhile our Lawton mill has begun production of additional grades of paper to optimize the mill's production potential.

[GRAPH]

Stockholders'
Equity (\$ in
millions) --

----- 98
\$275 97 \$280
00 \$340 01
\$392 02 \$428

[GRAPH]

Total
Assets
(\$ in
millions)

98 \$351
97 \$365
00 \$438
01 \$795
02 \$743

CONCRETE AND AGGREGATES

Operating earnings from Concrete and Aggregates were \$4.4 million for fiscal 2002, down \$3.2 million from fiscal 2001. The decline in operating earnings was primarily the result of reduced Concrete sales volume in the Austin, Texas area. Austin experienced a dramatic economic slowdown in fiscal 2002 and our Concrete sales to the market declined significantly. In the same period, Aggregates sales volume increased 6% as the new Georgetown quarry project ramped up to full operation late in fiscal 2002. We anticipate continued growth in Aggregates sales volume as the Austin market recovers. Local infrastructure spending remains at a high level.

OUTLOOK

CXP began fiscal 2003 with momentum driven by a number of positive trends. Demand for all our products is strong and we were able to increase cement prices in certain markets during April 2002. We also implemented a price increase for wallboard effective April 2002. Assuming prices for both product lines remain steady, CXP expects to report higher earnings for fiscal 2003 than it did in fiscal 2002.

CXP maintains a positive outlook at the strategic level as well. We shall continue to fulfill our long-standing commitment of investing capital in existing assets with the aim of improving efficiencies and reinforcing our position as a low-cost producer. We will also continue to maintain a strong balance sheet, search for strategic acquisitions of the highest quality and increase our share of markets.

We close by expressing gratitude to every CXP employee for a job well done. The Company weathered a difficult year and yet we entered a new one in a position of strength in all of our operations. As the visual themes of this Annual Report illustrate, talented, dedicated people can move mountains. Thanks to our employees for making CXP the great company it is.

/s/ DICK JONES
Richard D. Jones, Jr.
President and
Chief Executive Officer

[PHOTO OF LAURENCE HIRSCH, CHAIRMAN; AND RICHARD JONES, PRESIDENT AND
CHIEF EXECUTIVE OFFICER.]

/s/ LARRY HIRSCH
Laurence E. Hirsch
Chairman

Producers of construction commodities face the ongoing challenge of growing shareholder value while navigating the economic cycles that impact construction activity. CXP approaches this challenge by following three fundamental strategies:

- o Disciplined Growth
- o Balanced Diversity
- o Improving Performance

[BACKGROUND NUMBER 3]

[PHOTO OF MAN AGAINST WALL WITH THREE LINES FOR FISCAL YEARS 2001, 2002 AND 2003
INDICATING GROWTH, ANOTHER MAN IN BACKGROUND STANDING ON A LADDER PAINTING THE
LINES OF GROWTH.]

DISCIPLINED GROWTH

ORDERLY

Discipline, as we define it, applies (1) to our standards for growth by acquisition, (2) to optimizing the productivity of existing assets while controlling costs, and (3) to managing the balance sheet.

CXP makes strategic acquisitions only if they meet exacting return thresholds. In fiscal 2001, when no Aggregates acquisition candidates met these thresholds, we focused on opportunities in the other segments of our business with an excellent outcome.

In November 2000, we acquired a gypsum wallboard plant and a recycled paperboard mill in Oklahoma. Both assets were under-performing, but each offered the promise of achieving our return threshold and becoming best-in-class in their industries. To date, their performance has exceeded our original goals.

CXP's record of consistent growth in its cement manufacturing capacity is a solid example of how we optimize internal capabilities. Last year our cement plants set a record for clinker production - 2.1 million net tons in fiscal 2002 from 1.4 million net tons in fiscal 1991.

As for managing the balance sheet, our acquisition in fiscal 2001 leveraged our balance sheet with \$280 million of new debt. By optimizing cash flow in fiscal 2002, we reduced debt by \$96 million. As the earnings outlook improves, we'll further reduce debt to a level that will position CXP to take advantage of major growth opportunities.

STABILIZING

Balanced diversity refers both to CXP's product mix and to our geographic deployment. CXP is well positioned to supply product to the vigorous growth regions of the western half of the U.S., while our centrally located wallboard operations enables us to be competitive nationwide.

CXP manufactures and processes products indispensable to residential and commercial construction and remodeling. Cement, concrete and aggregates are also essential to the growth and maintenance of U.S. infrastructure. These products and geographic diversity gives CXP increased earnings stability throughout economic cycles.

Historically, gypsum wallboard demand is driven by new residential construction that booms at the front end of an economic cycle. As the inventory of older housing has increased, repair and remodeling demand has grown until it nearly equals demand from new construction. This trend reduces the spread between highs and lows of wallboard demand.

Because most of our paperboard output is dedicated to wallboard manufacturing, the demand for gypsum paperboard is tied to demand for wallboard. In fiscal 2002, CXP launched a new line of paper products with a diversity of commercial and industrial applications.

Cement, concrete and aggregates demand is usually stronger at the back end of an economic cycle and is driven by spending for infrastructure. These projects typically span several years, thus balancing out demand cycles.

[PHOTO OF HAND HOLDING ROLL OF PAPER UPON WHICH IS BALANCED WALLBOARD WITH
MOUNDS OF CEMENT AND AGGREGATES ON IT.]

[PHOTO OF A MAN ON A LADDER BALANCING ON ANOTHER LADDER HELD BY A MAN.]

ACHIEVING GOALS IS A FORMAL COMPANY-WIDE PROCESS FOR CXP

IMPROVING PERFORMANCE

MOTIVATION

Like balance, diversity and discipline, performance improvement is a continual process, consisting of programs, procedures and rewards for achieving specified goals.

One of the principal components of performance improvement is the architecture of the Company. CXP is structured with minimal corporate staff and decentralized profit centers. Corporate focuses on strategic issues while operations respond promptly and appropriately to the needs of customers, employees, vendors, and communities.

The Company's incentive compensation programs are performance-based with incentives tied to operating profit and achieving individual goals. Stock options are incentive-based and are earned when designated returns on net assets and operating profit goals are achieved.

A sampling of financial and operational highlights for fiscal 2002 substantiates the results of our Company's emphasis on continually improving performance:

- o Cement operations delivered record clinker production and earnings and posted industry-leading margins.
- o Gypsum Wallboard set records for production and sales and averaged the fastest line speeds in the industry.
- o The Lawton Paperboard mill achieved production levels that reached the mill's designed capacity.

Perhaps the most dramatic demonstration of performance in fiscal 2002 was our success in rapidly deleveraging the balance sheet, thus enabling CXP to profit from future growth opportunities that increase shareholder value.

MAJOR FACILITIES

[MAP OF UNITED STATES SHOWING LOCATION OF MAJOR FACILITIES.]

CEMENT PLANTS

- o Illinois Cement Company - LaSalle, Illinois*
- o Mountain Cement Company - Laramie, Wyoming
- o Nevada Cement Company - Fernley, Nevada
- o Texas Lehigh Cement Company LP - Buda, Texas*

GYPSUM WALLBOARD PLANTS

- o American Gypsum Company - Albuquerque and Bernalillo, New Mexico; Gypsum, Colorado; and Duke, Oklahoma

CONCRETE AND AGGREGATES PLANTS

- o Centex Materials LP - Austin, Buda, and Georgetown, Texas
- o Mathews Readymix, Inc. - Marysville, California
- o Western Aggregates, Inc. - Marysville, California

PAPERBOARD PLANT

- o Republic Paperboard Company LLC - Lawton, Oklahoma

*50%-owned with joint-venture partners

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CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in thousands, except per share data)

For the Years
Ended March
31, -----

--- 2002 2001
2000 -----

REVENUES
Cement \$
183,154 \$
178,783 \$
175,395
Gypsum
Wallboard
183,500
187,347
244,245
Paperboard
84,293 31,492
-- Concrete
and
Aggregates
57,621 61,101
55,906 Other,
net (355)
3,673 1,231
Less:
Intersegment
Sales
(37,130)
(21,269)
(6,312) -----

- 471,083
441,127
470,465 COSTS

AND EXPENSES
Cement
122,981
119,169
122,390
Gypsum
Wallboard
178,857
160,250
136,621
Paperboard
74,316 30,124
-- Concrete
and
Aggregates
53,220 53,547
46,643 Less:
Intersegment
Purchases
(37,130)
(21,269)
(6,312)
Corporate
General and
Administrative
5,486 4,691
4,683
Interest
Expense
(Income), net
13,654 2,352
(3,737) -----

- 411,384
348,864
300,288 -----

- EARNINGS
BEFORE INCOME

TAXES 59,699
92,263
170,177

Income Taxes
19,993 32,834
61,945 -----

NET EARNINGS
\$ 39,706 \$
59,429 \$
108,232
=====

EARNINGS PER
SHARE Basic \$
2.16 \$ 3.23 \$
5.66
=====

Diluted \$
2.15 \$ 3.22 \$
5.63
=====

DIVIDENDS
PAID PER
SHARE \$ 0.20
\$ 0.20 \$ 0.20
=====

See notes to consolidated financial statements.

Centex Construction Products, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

March 31, --

2002 2001 --

ASSETS

Current

Assets -

Cash and

Cash

Equivalents

\$ 11,403 \$

8,747

Accounts and

Notes

Receivable,

net 58,957

92,619

Inventories

54,220

56,008 -----

---- Total

Current

Assets

124,580

157,374 -----

Property,

Plant and

Equipment -

796,766

781,713

Less:

Accumulated

Depreciation

(230,283)

(198,380) --

Property,

Plant &

Equipment,

net 566,483

583,333

Notes

Receivable,

net 1,299

1,905

Goodwill

41,088

41,088 Other

Assets 9,902

10,922 -----

---- \$

743,352 \$

794,622

=====

=====

LIABILITIES

AND

STOCKHOLDERS'

EQUITY

Current

Liabilities

- Note

Payable \$

18,630 \$ --

Accounts

Payable

31,155

42,168

Accrued

Liabilities

48,204

47,943

Current

Portion of	
Long-term	
Debt 80 80 -	

Total	
Current	
Liabilities	
98,069	
90,191 -----	

---- Long-	
term Debt	
163,670	
278,748	
Deferred	
Income Taxes	
53,781	
33,363	
Stockholders'	
Equity -	
Common	
Stock, Par	
Value \$0.01;	
Authorized	
50,000,000	
Shares;	
Issued and	
Outstanding	
18,358,473	
and	
18,338,762	
Shares,	
respectively	
184 183	
Capital in	
Excess of	
Par Value	
15,153	
14,614	
Accumulated	
Other	
Comprehensive	
Earnings	
(1,063) --	
Retained	
Earnings	
413,558	
377,523 -----	

----- Total	
Stockholders'	
Equity	
427,832	
392,320 -----	

----- \$	
743,352 \$	
794,622	
=====	
=====	

See notes to consolidated financial statements.

Centex Construction Products, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

For the Years Ended March 31, --	-----	-----
2002 2001	2000	-----
- CASH FLOWS FROM		
OPERATING ACTIVITIES		
Net Earnings	\$ 39,706	\$ 59,429
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of	108,232	
Effect of Non-Cash Activity		
Depreciation, Depletion and Amortization	35,808	24,871
Deferred Income Tax Provision	21,229	23,377
Decrease (Increase) in Accounts and Notes Receivable	34,268	(3,223)
Decrease (Increase) in Inventories	1,788	(2,805)
Increase in Accounts Payable and Accrued Liabilities	(12,387)	(5,707)
Decrease (Increase) in Other Assets, net	12,335	231,485
Increase in Income Taxes Payable --	(5,620)	(1,447)
	1,447	-----
-- Net Cash	-----	-----

Provided by
Operating
Activities
120,643
101,980
118,627 -----

----- CASH
FLOWS FROM
INVESTING
ACTIVITIES
Property,
Plant and
Equipment
Additions,
net (19,024)
(16,250)
(28,019)
Acquisition
of Net
Assets --
(342,200) --
Proceeds
from Asset
Dispositions
855 -- 1,946

----- Net
Cash Used in
Investing
Activities
(18,169)
(358,450)
(26,073) ---

----- CASH
FLOWS FROM
FINANCING
ACTIVITIES
Proceeds
from Note
Payable
18,630 -- --
Proceeds
from Long-
term Debt --
268,500 --
Repayment of
Long-term
Debt
(105,580)
(80) (80)
Redemption
of
Subordinated
Debt (9,498)
(89,992) --
Dividends
Paid to
Stockholders
(3,671)
(3,690)
(3,865)
Retirement
of Common
Stock --
(6,198)
(43,233)
Proceeds
from Stock
Option
Exercises
301 507
1,148 -----

-- Net Cash
(Used in)
Provided by
Financing
Activities
(99,818)
169,047

(46,030) ---

----- NET
INCREASE
(DECREASE)
IN CASH AND
CASH
EQUIVALENTS
2,656
(87,423)
46,524 CASH
AND CASH
EQUIVALENTS
AT BEGINNING
OF PERIOD
8,747 96,170
49,646 -----

--- CASH AND
CASH
EQUIVALENTS
AT END OF
PERIOD \$
11,403 \$
8,747 \$
96,170
=====

See notes to consolidated financial statements.

Centex Construction Products, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(dollars in thousands)

For the Years
Ended March 31,

----- 2002
2001 2000 -----

NET EARNINGS \$
39,706 \$ 59,429
\$ 108,232 OTHER
COMPREHENSIVE
EARNINGS BEFORE
TAX Unrealized
Loss on Hedging
Instruments
(1,635) -- --
Unrealized Gain
(Loss) on
Investment in
Securities --
4,703 (2,753)
Reclassification
Adjustment --
(1,950) -- -----

COMPREHENSIVE
EARNINGS BEFORE
INCOME TAXES
38,071 62,182
105,479 INCOME
TAX RELATED TO
OTHER ITEMS OF
COMPREHENSIVE
EARNINGS 572
(964) 964 -----

COMPREHENSIVE
EARNINGS \$
38,643 \$ 61,218
\$ 106,443
=====
=====
=====

See notes to consolidated financial statements.

Centex Construction Products, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)

For the
Years Ended
March 31, --

2002 2001
2000 -----

- COMMON
STOCK

Balance at
Beginning of
Period \$ 183
\$ 186 \$ 197
Retirement
of Common
Stock -- (3)
(12) Stock
Option
Exercises 1
-- 1 -----

- Balance at
End of
Period 184
183 186 -----

---- CAPITAL
IN EXCESS OF
PAR VALUE

Balance at
Beginning of
Period
14,614
20,302
62,376
Retirement
of Common
Stock --
(6,195)
(43,222)
Stock Option
Exercises
539 507
1,148 -----

-- Balance
at End of
Period
15,153
14,614
20,302 -----

--- RETAINED
EARNINGS

Balance at
Beginning of
Period
377,523
321,773
217,347
Dividends to
Stockholders
(3,671)
(3,679)
(3,806) Net
Earnings
39,706
59,429
108,232 -----

---- Balance
at End of

Period
 413,558
 377,523
 321,773 ----

 ACCUMULATED
 OTHER
 COMPREHENSIVE
 EARNINGS
 Balance at
 Beginning of
 Period --
 (1,789) --
 Other
 Comprehensive
 Earnings
 (1,063)
 1,789
 (1,789) ----

 ---- Balance
 at End of
 Period
 (1,063) --
 (1,789) ----

 ---- TOTAL
 STOCKHOLDERS'
 EQUITY \$
 427,832 \$
 392,320 \$
 340,472
 =====
 =====
 =====

See notes to consolidated financial statements.
 Centex Construction Products, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

(A) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Centex Construction Products, Inc. and its majority-owned subsidiaries ("CXP" or the "Company") after the elimination of all significant intercompany balances and transactions. CXP is a holding company whose assets consist of its investments in its subsidiaries, intercompany balances and holdings of cash and cash equivalents. The businesses of the consolidated group are conducted through CXP's subsidiaries. In addition, the Company holds 50% joint venture interests in its cement plants in Illinois and Texas and has proportionately consolidated its pro rata interest in the revenues, expenses, assets and liabilities of those extractive industry ventures.

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 disclosure 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.

CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less, and are recorded at cost, which approximates market value. Included in cash and cash equivalents at March 31, 2002 and 2001 is \$3.6 million and \$2.6 million, respectively, belonging to the Company's 50%-owned joint ventures.

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$4.6 million and \$4.6 million at March 31, 2002 and 2001, respectively. The Company has no significant credit risk concentration among its diversified customer base.

Notes receivable at March 31, 2002 are collectible primarily over three years. The weighted average interest rate at March 31, 2002 and 2001 was 7.1% and 8.2%, respectively.

INVENTORIES

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

March 31,	
-----	-----
2002	2001
-----	-----
Raw Materials and Materials- in- Progress	\$
15,218	\$
14,741	
Finished Cement	
5,636	
4,775	
Aggregates	
2,772	
2,686	
Gypsum	
Wallboard	
5,140	
7,743	
Paperboard	
2,894	
5,394	
Repair Parts and Supplies	
21,576	

19,789
Fuel and
Coal 984
880 -----

- \$ 54,220
\$ 56,008
=====

Centex Construction Products, Inc. and Subsidiaries

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized and depreciated. Repairs and maintenance are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of depreciable assets. Depreciation expense was \$34.4 million, \$23.7 million and \$18.5 million for the years ended March 31, 2002, 2001 and 2000, respectively. Raw material deposits are depleted as such deposits are extracted for production utilizing the units-of-production method. Costs and accumulated depreciation applicable to assets retired or sold are eliminated from the accounts and any resulting gains or losses are recognized at such time. The estimated lives of the related assets are as follows:

Plants	20 to 30 years
Buildings	20 to 40 years
Machinery and Equipment	3 to 20 years

The Company periodically evaluates whether current events or circumstances indicate that the carrying value of its depreciable assets may not be recoverable. At March 31, 2002 and 2001, management believes no events or circumstances indicate that the carrying value may not be recoverable.

INVESTMENT SECURITIES

Investments in debt or marketable equity securities are reported at fair value based primarily on quoted market prices. All investment securities are designated as available for sale, with unrealized gains and losses included in stockholders' equity, net of applicable taxes. Investment securities are regularly reviewed for impairment based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, and the financial health of the issuer. Unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are accounted for on the specific identification method. During the year ended March 31, 2001, the Company sold an investment in marketable equity securities for \$10.8 million and recognized a gain of \$1.9 million. The gain is included in other income on the Consolidated Statements of Earnings.

OTHER ASSETS

Other assets are primarily composed of loan fees and financing cost, prepaid pension costs and other expenses, deposits and identified intangible assets other than goodwill.

INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." That statement requires, among other things, that deferred taxes be provided on differences between the financial reporting basis and tax basis of assets and liabilities using existing tax laws and rates.

STOCK REPURCHASES

The Company's Board of Directors has authorized the repurchase of a cumulative total of 6,101,430 shares of the Company's common stock. The Company repurchased no shares in Fiscal 2002 and 264,300 shares at a cost of \$6.2 million in Fiscal 2001 and 1,224,600 shares at a cost of \$43.2 million in Fiscal 2000. Cumulative shares repurchased at March 31, 2002 were 5,358,130, leaving approximately 743,300 shares remaining under the Company's current authorization. Centex Corporation ("Centex") owned 65.2% of the Company's outstanding common stock at March 31, 2002.

Centex Construction Products, Inc. and Subsidiaries

COMPREHENSIVE EARNINGS

Comprehensive earnings as presented in the accompanying Consolidated Statements of Comprehensive Earnings is defined as the total of net income and all other non-owner changes in equity. Securities that are classified as available-for-sale are stated at market value as determined by the most recently traded price at the balance sheet date. The unrealized loss on hedging instruments represents the deferral in other comprehensive earnings of the unrealized loss on swap agreements designed as cash flow hedges. The accounting for interest rate swaps and other derivative financial instruments is discussed in detail in Note M. The unrealized gains and losses, net of deferred tax, are excluded from earnings and reported in a separate component of stockholders' equity as "Accumulated Other Comprehensive Earnings".

STATEMENTS OF CONSOLIDATED EARNINGS - SUPPLEMENTAL DISCLOSURES

Selling, general and administrative expenses of the operating units are included in costs and expenses of each segment. Corporate general and administrative expenses are shown separately in the statements of consolidated earnings. Total selling, general and administrative expenses for each of the periods are summarized as follows:

For the
Years
Ended
March
31, ----

-- 2002
2001
2000 ---

Operating
Units
Selling,
G&A \$
23,550 \$
19,157 \$
17,625
Corporate
G&A
5,486
4,691
4,683 --

\$ 29,036
\$ 23,848
\$ 22,308
=====
=====
=====

Maintenance and repair expenses are included in each segment's costs and expenses. The Company incurred expenses of \$35.1 million, \$36.0 million and \$38.4 million in the years ended March 31, 2002, 2001 and 2000, respectively, for maintenance and repairs.

Other net revenues include clinker sales income, lease and rental income, asset sale income, non-inventoried aggregates sales income, recycled waste paper income, and trucking income as well as other miscellaneous revenue items and costs which have not been allocated to a business segment.

STATEMENTS OF CONSOLIDATED CASH FLOWS - SUPPLEMENTAL DISCLOSURES

Interest payments made during the years ended March 31, 2002, 2001 and 2000 were \$14.4 million, \$9.0 million and \$0.1 million, respectively.

In Fiscal 2002, the Company received a cash refund of \$1.4 million compared to net payments made for federal and state income taxes during the years ended March 31, 2001 and 2000 of \$19.7 million and \$57.1 million, respectively.

EARNINGS PER SHARE

The Company computes earnings per share in accordance with SFAS No. 128, "Earnings Per Share". This statement established new standards for computing and presenting earnings per share ("EPS"). SFAS No. 128 replaced the presentation of

primary EPS previously prescribed by Accounting Principles Board ("APB") Opinion No. 15 with a presentation of basic EPS which is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. SFAS No. 128 also requires dual presentation of basic and diluted EPS.

Basic earnings per common share is based on the weighted average number of common shares outstanding for the years ended March 31, 2002, 2001 and 2000 of 18,350,716, 18,405,116 and 19,130,084, respectively. Diluted earnings per common share is based on the weighted average number of common shares outstanding and share equivalents outstanding, assuming dilution from issued and unexercised stock options outstanding, of 18,461,414, 18,473,114 and 19,211,324 for the years ended March 31, 2002, 2001 and 2000, respectively. Anti-dilutive options to purchase shares of common

Centex Construction Products, Inc. and Subsidiaries

stock that were excluded from the computation of diluted earnings per share were 551,000 shares at an average price of \$35.66 for the year ended March 31, 2002. All anti-dilutive options have expiration dates ranging from April 2008 to January 2010.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for employee stock options using the intrinsic value method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by SFAS No. 123 "Accounting for Stock-Based Compensation." Generally, no expense is recognized related to the Company's stock options because each option's exercise price is set at the stock's fair market value on the date the option is granted.

NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Also, under the new rules, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so.

For non-calendar year-end companies, early adoption of SFAS No. 142 could be made if an entity's fiscal year began after March 15, 2001, and its first interim period financial statements had not been issued. The Company elected to early adopt SFAS No. 142 and as a result, reported no goodwill amortization for the fiscal year ended March 31, 2002.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. SFAS No. 143, requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The Company will adopt SFAS No. 143 on April 1, 2003, and, based on current circumstances, does not believe that the impact of adoption of SFAS No. 143 will have a material impact on the Company's financial position or results of operations.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provision of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transaction." SFAS No. 144 became effective for the Company on April 1, 2002, and the Company does not expect the impact of its adoption to be material to its financial position or results of operations.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of purchase price over net assets of businesses acquired. Under the provisions of SFAS No. 142, intangible assets, including goodwill, that are not subject to amortization will be tested for impairment annually at the reporting unit level using a two step impairment assessment. Impairment testing must be performed more frequently if events or changes in circumstances indicate that the asset might be impaired. The first step is to identify potential impairment by determining whether the carrying amount of a reporting unit exceeds its fair value. This step must be completed within six months of adoption. If an impairment is identified, the second step of the goodwill impairment test is to measure

the amount of impairment loss, if any. During the quarter ended September 30, 2001, the Company completed the first step of impairment assessment and determined that the fair value of its reporting units exceeds their carrying amounts. There have been no material changes in the carrying amount of the Company's goodwill during the fiscal year ended March 31, 2002. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. Goodwill amortization totaled zero in Fiscal 2002, \$1.0 million in Fiscal 2001 and \$0.1 million in Fiscal 2000. Prior to the early adoption of SFAS No. 142 on April 1, 2001 goodwill was amortized over 20 years.

The proforma adoption of SFAS No. 142 for the fiscal year ended March 31, 2001 would have resulted in an increase in net earnings of \$694 with a \$0.04 and \$0.03 increase in basic and diluted earnings per share, respectively. There would have been no material impact to Fiscal year 2000. The acquisition of the Strategic Assets that resulted in the recording of the Company's goodwill occurred in the middle of last fiscal year's third quarter (see Note J).

Other intangibles are intangibles associated with the Strategic Assets purchase. Other intangibles are amortized over various periods between seven months and 15 years. Other intangibles amortization totaled \$0.1 million in Fiscal 2002, \$0.2 million in Fiscal 2001 and zero in Fiscal 2000. The balance of other intangibles at March 31, 2002 and 2001 was \$1.2 million and \$1.3 million, respectively. Other intangibles amortization expense for the next five years is estimated to be \$0.1 million annually.

REVENUE RECOGNITION

Revenue from the sale of cement, gypsum wallboard, paperboard, concrete and aggregates is recognized upon shipment to customers.

During Fiscal 2001, the Company adopted the provisions of the Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Costs" ("EITF 00-10"), which provides guidance regarding how shipping and handling costs incurred by the seller and billed to a customer should be treated. EITF 00-10 requires that all amounts billed to a customer in a sales transaction related to shipping and handling be classified as revenue, and the costs incurred by the seller for shipping and handling be classified as an expense. Historically, certain amounts the Company billed for shipping and handling has been shown as an offset to shipping costs which are recorded in cost of goods sold in the accompanying Consolidated Statements of Earnings. There was no impact to the Company's income from operations or net earnings as a result of the adoption of EITF 00-10. Prior-year financial statements have been restated to conform to the requirements of EITF 00-10. The amount of billed shipping and handling costs reclassified from cost of goods sold to net sales in the accompanying consolidated statements of earnings were \$61.9 million and \$51.7 million in Fiscal 2001 and 2000, respectively. For Fiscal 2002 such costs totaled \$62.8 million.

In December 1999, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," which summarized certain of the SEC staff's views in applying U.S. generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective for the fiscal year ended March 31, 2001, and did not have a material impact on the Company's consolidated financial statements.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to be consistent with the Fiscal 2002 presentation.

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(B) PROPERTY, PLANT AND EQUIPMENT

Cost by major category and accumulated depreciation are summarized as follows:

March 31, -

- 2002 2001

Land and
Quarries \$
49,049 \$
48,531
Plants
693,606
683,599
Buildings,
Machinery
and
Equipment
54,111
49,583 ----

796,766
781,713
Accumulated
Depreciation
(230,283)
(198,380) -

----- \$
566,483 \$
583,333
=====
=====

The Company acquired certain Strategic Assets with a fair market value of \$355.5 million in Fiscal 2001 (see Note J). The 50,000 ton-per-year Commerce City (Denver), Colorado paperboard mill was idled on April 23, 2001. Management believes the idled facility was recorded at its net realizable value at the purchase date. At March 31, 2002 and 2001 the net book value of the idled facility was \$5.0 million. Also, the Company completed the construction of the Georgetown secondary crushing plant (\$11.6 million total cost) during Fiscal 2002.

(C) INDEBTEDNESS

NOTE PAYABLE

Note payable balances are set forth below:

March 31, ---

--- 2002 2001

Receivables
Securitization
\$ 18,630 --

The weighted-average interest rate of note payable borrowings during Fiscal 2002 was 4.2%. The interest rate on note payable debt was 2.0% at March 31, 2002. The amount of accounts receivable pledged under the receivables securitization program at March 31, 2002 was \$39.3 million.

LONG-TERM DEBT

Long-term debt is set forth below:

March 31, -

- 2002 2001

Bank Debt,
Due
November
2003,

Unsecured \$
 163,000 \$
 268,500
 Subordinated
 Notes, 9
 1/2%, due
 July 2008,
 Unsecured
 510 10,008
 Property
 Note,
 Interest at
 7%, Due
 March 2005,
 Secured 240
 320 Less:
 Current
 Maturities
 (80) (80) -
 ----- -
 ----- \$
 163,670 \$
 278,748
 =====
 =====

The weighted-average interest rates of the bank debt borrowings during Fiscal 2002 and 2001 were 5.4% and 7.8%, respectively. The interest rate on the bank debt was 3.7% at March 31, 2002 and 6.6% at March 31, 2001.

Maturities of long-term debt during the next five fiscal years are: 2003, \$80; 2004, \$163,080; 2005, \$80; 2006, zero; 2007, zero; thereafter, \$510.

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CREDIT FACILITIES

On November 10, 2000, the Company's \$35 million unsecured revolving credit facility used to finance its working capital and capital expenditures requirements was cancelled and replaced with a new \$325 million senior revolving credit facility. During the quarter ended June 30, 2001, pursuant to an Amended and Restated Credit Agreement, the credit facility was amended to reduce the facility amount from \$325 million to \$275 million and to modify certain financial and other covenants (the "New Credit Facility"). The principal balance of the New Credit Facility matures on November 10, 2003. At March 31, 2002, and 2001, the Company had \$163.0 million and \$268.5 million, respectively, outstanding under the New Credit Facility. The borrowings under the New Credit Facility are guaranteed by all major operating subsidiaries of the Company. At the option of the Company, outstanding principal amounts on the New Credit Facility bear interest at a variable rate equal to: (i) LIBOR, plus an agreed margin (ranging from 100 to 275 basis points), which is to be established quarterly based upon the Company's ratio of EBITDA to total funded debt; or (ii) an alternate base rate which is the higher of (a) prime rate or (b) the federal funds rate plus 1/2% per annum, plus an agreed margin (ranging from 0 to 175 basis points). 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. Under the New Credit Facility, the Company is required to adhere to a number of financial and other covenants, including covenants relating to the Company's interest coverage ratio, consolidated funded indebtedness ratio, minimum tangible net worth, and limitations on dividends and capital expenditures. At March 31, 2002, \$105.8 million of borrowings were available to the Company.

Also, on November 10, 2000, a subsidiary of the Company (the "Debtor Subsidiary") assumed \$100 million of 9.5% senior subordinated notes (the "Notes") with a maturity date of July 15, 2008. Interest payments on the Notes are due on January 15 and July 15. The Notes are redeemable at the option of the Debtor Subsidiary, in whole or in part, at any time after July 15, 2003. Upon the acquisition of the Strategic Assets on November 10, 2000, the Debtor Subsidiary was required to commence a tender offer for the Notes at 101%. On December 20, 2000, \$90.0 million in principal amount of the Notes was tendered, leaving \$10.0 million outstanding. During the June 30, 2001 quarter, the Debtor Subsidiary commenced another tender offer for the Notes at 108.75%. On June 28, 2001, the Debtor Subsidiary purchased \$9.5 million in principal amount of the Notes, leaving \$510 outstanding. Prior to the commencement of the second tender offer, the Debtor Subsidiary obtained the necessary consents from a majority of holders of the Notes to eliminate certain covenants and reporting requirements.

On June 29, 2001, the Company entered into a \$50.0 million trade receivable securitization facility (the "Receivables Securitization Facility"), which is funded through the issuance of commercial paper and backed by a 364-day committed bank liquidity arrangement. The Receivables Securitization Facility has a termination date of June 10, 2004, subject to the renewal of the 364-day bank commitment currently scheduled to terminate on June 28, 2002. The Receivables Securitization Facility is fully consolidated on the balance sheet. Subsidiary company receivables are sold on a revolving basis first to the Company and then to a wholly-owned special purpose bankruptcy remote entity of the Company. This entity pledges the receivables as security for advances under the facility. The purpose of the Receivables Securitization Facility is to obtain financing at a lower interest rate by pledging accounts receivable. The borrowed funds have been used to pay down borrowings under the New Credit Facility. Outstanding principal amounts under the Receivables Securitization Facility bear interest at the commercial paper rate plus a facility fee. Under the Receivables Securitization Facility, the Company is required to adhere to certain financial and other covenants that are similar to those in the New Credit Facility. The Company had \$18.6 million outstanding under the Receivables Securitization Facility at March 31, 2002.

The Company was in compliance with all financial ratios and tests at March 31, 2002 and throughout the fiscal year under the New Credit Facility, the Notes and the Receivables Securitization Facility.

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The New Credit Facility has a \$15.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At March 31, 2002, the Company had \$6.2 million of letters of credit outstanding.

(D) INCOME TAXES

The provision for income taxes includes the following components:

For the	
Years	
Ended	
March	
31, ----	

---	2002
	2001
2000	---

Current	
Provision	
(Benefit)	
Federal	
\$	
(1,146)	
\$ 7,423	
\$ 56,034	
State	
(90)	
2,034	
5,745	--

(1,236)	
9,457	
61,779	
Deferred	
Provision	
(Benefit)	
Federal	
18,949	
20,900	
(1,045)	
State	
2,280	
2,477	
1,211	--

21,229	
23,377	
166	----

Provision	
for	
Income	
Taxes \$	
19,993 \$	
32,834 \$	
61,945	
=====	
=====	
=====	

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

For the
Years
Ended
March 31,

 2002 2001
 2000 -----

Earnings
 Before
 Income
 Taxes \$
 59,699 \$
 92,263 \$
 170,177

=====
 =====
 =====

Income
 Taxes at
 Statutory
 Rate \$
 20,895 \$
 32,292 \$
 59,562

Increases
 (Decreases)
 in Tax
 Resulting
 from -
 State
 Income
 Taxes, net
 1,424
 2,932
 4,522

Statutory
 Depletion
 in Excess
 of Cost
 (2,556)
 (2,600)
 (2,413)

Other 230
 210 274 --

Provision
 for Income
 Taxes \$
 19,993 \$
 32,834 \$
 61,945

=====
 =====
 =====

Effective
 Tax Rate
 33% 36%
 36%

The deferred income tax provision results from the following temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes:

For the Years
 Ended March
 31, -----

 2002 2001
 2000 -----

---- Excess
 Tax
 Depreciation
 and
 Amortization
 \$ 39,951 \$
 32,919 \$
 3,391 Net
 Operating
 Loss
 Carryover

(14,342) -- -
 - Bad Debts
 26 (9,364)
 (305) Uniform
 Capitalization
 (259) (73) 10
 Accrual
 Changes
 (5,144) (317)
 (2,971) Other
 997 212 41 --

 -- ----- \$
 21,229 \$
 23,377 \$ 166
 =====
 =====
 =====

Centex Construction Products, Inc. and Subsidiaries

Components of deferred income taxes are as follows:

For the Years	
Ended March	
31, -----	

----- 2002	
2001 -----	

---- Items	
Giving Rise	
to Deferred	
Taxes Excess	
Tax	
Depreciation	
and	
Amortization	
\$ 90,681 \$	
50,869 Other	
5,295 4,399 -	
----- -	

95,976 55,268	

Items Giving	
Rise to	
Prepaid Taxes	
Accrual	
Changes	
(17,149)	
(11,433) Net	
Operating	
Loss	
Carryover	
(14,342) --	
Bad Debts	
(10,360)	
(10,387)	
Uniform	
Capitalization	
(344) (85) --	
----- --	

(42,195)	
(21,905) ----	

----- Net	
Deferred	
Income Tax	
Liability \$	
53,781 \$	
33,363	
=====	
=====	

Deferred taxes of \$15.3 million have been recast to reflect an adjustment to deferred taxes and goodwill relating to the Strategic Assets purchase.

In Fiscal 2002, the Company experienced a net operating loss for regular and alternative minimum tax purposes amounting to \$41.0 million and \$24.2 million, respectively. The Company intends to elect to carryover the net operating loss to Fiscal 2003; the 2002 net operating loss, if unused, will expire after 2022. The Company has federal and state alternative minimum tax credit carry forwards of \$1.6 million available to offset the excess of regular over alternative minimum tax in the future.

(E) BUSINESS SEGMENTS

The Company operates in four business segments: Cement, Gypsum Wallboard, Recycled Paperboard, and Concrete and Aggregates, with Cement and Gypsum Wallboard being the Company's principal lines of business. These operations are conducted in the United States and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and the manufacture and sale of gypsum wallboard, the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters, the sale of readymix concrete, and the mining and sale of aggregates (crushed stone, sand and gravel). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways.

Demand for the Company's products are derived primarily from residential construction, commercial and industrial construction and public (infrastructure) construction which are highly cyclical and are influenced by prevailing economic conditions including interest rates and availability of public funds. Due to the low value-to-weight ratio of cement, concrete and aggregates, these industries are largely regional and local with demand tied to local economic factors that may fluctuate more widely than those of the nation as a whole.

The Company operates four cement plants, ten cement distribution terminals, four gypsum wallboard plants, ten gypsum wallboard reload centers, a gypsum wallboard distribution center, a recycled paper-board mill, nine readymix concrete batch plant locations and three aggregates processing plant locations. The principal markets for the Company's cement products are Texas, northern Illinois (including Chicago), the Rocky Mountains, northern Nevada, and northern California. Gypsum wallboard and recycled paper-board 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.

Centex Construction Products, Inc. and Subsidiaries

The following table sets forth certain financial information relating to the Company's operations by segment:

For the Years
 Ended March
 31, -----

 --- 2002 2001
 2000 -----
 -- -----

Revenues
 Cement \$
 183,154 \$
 178,783 \$
 175,395
 Gypsum
 Wallboard
 183,500
 187,347
 244,245
 Paperboard
 84,293 31,492
 -- Concrete
 and
 Aggregates
 57,621 61,101
 55,906 Other,
 net (355)
 3,673 1,231 -

 ----- 508,213
 462,396
 476,777 Less:
 Intersegment
 Sales
 (37,130)
 (21,269)
 (6,312) -----

- \$ 471,083 \$
 441,127 \$
 470,465
 =====
 =====
 =====

Intersegment
 Sales Cement
 \$ 5,093 \$
 6,347 \$ 5,858
 Paperboard
 31,461 14,393
 -- Concrete
 and
 Aggregates
 576 529 454 -

----- \$
 37,130 \$
 21,269 \$
 6,312
 =====
 =====
 =====

Segment
 Operating
 Earnings
 Cement \$
 60,173 \$
 59,614 \$
 53,005 Gypsum
 Wallboard
 4,643 27,097
 107,624
 Paperboard
 9,977 1,368 -
 - Concrete
 and
 Aggregates

4,401 7,554
9,263 Other,
net (355)
3,673 1,231
Corporate
General and
Administrative
(5,486)
(4,691)
(4,683)
Interest
(Expense)
Income, net
(13,654)
(2,352) 3,737

----- \$
59,699 \$
92,263 \$
170,177
=====
=====
=====
Identifiable
Assets Cement
\$ 141,734 \$
145,696 \$
147,270
Gypsum
Wallboard
341,724
353,104
159,780
Paperboard
206,607
243,026 --
Concrete and
Aggregates
39,174 33,233
30,018 Other,
net 14,113
19,563
101,071 -----

- \$ 743,352 \$
794,622 \$
438,139
=====
=====
=====

Capital
Expenditures
Cement \$
4,424 \$ 6,199
\$ 10,306
Gypsum
wallboard
1,197 4,521
10,783
Paperboard
2,745 489 --
Concrete and
Aggregates
10,604 4,859
6,890 Other,
net 54 182 40

----- \$
19,024 \$
16,250 \$
28,019
=====
=====
=====

Depreciation,
Depletion and
Amortization
Cement \$
8,370 \$ 8,219
\$ 8,742
Gypsum
wallboard
15,070 10,529

7,210	
Paperboard	
7,921	3,164 -
- Concrete	
and	
Aggregates	
3,052	2,924
2,465	Other,
net	1,395 35
172	-----
-	-----
-----	\$
35,808	\$
24,871	\$
18,589	
=====	
=====	
=====	

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Segment operating earnings 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 and miscellaneous other assets. Goodwill at March 31, 2002, 2001 and 2000 was \$41.1 million, \$41.1 million and zero, respectively. The segment breakdown of goodwill at March 31, 2002 and 2001 was Gypsum Wallboard of \$33.3 million and Paperboard of \$7.8 million.

Certain summarized financial information of the two cement joint ventures, in the aggregate, is included below, presenting the applicable financial statement amounts that have been proportionately consolidated into the Company's financial statements.

For the
Years
Ended
March
31, ---

2002
2001
2000 --

- ----

Revenues
\$
78,725
\$
77,701
\$
80,677
Costs
and
Expenses
\$
51,623
\$
50,953
\$
50,397
Earnings
Before
Income
Taxes \$
27,102
\$
26,748
\$
30,280

(F) COMMITMENTS AND CONTINGENCIES

The Company, in the ordinary course of business, has various litigation, commitments and contingencies. Management believes that none of the litigation in which it or any subsidiary is involved, if finally determined unfavorably to the Company, would have a material adverse effect on the consolidated financial condition or results of operations of the Company.

The Company's operations and properties are subject to extensive and changing federal, state and local laws, regulations and ordinances governing the protection of the environment, as well as laws relating to worker health and workplace safety. The Company carefully considers the requirements mandated by such laws and regulations and has procedures in place at all of its operating units to monitor compliance. Any matters which are identified as potential exposures under these laws and regulations are carefully reviewed by management to determine the Company's potential liability. Although management is not aware of any exposures which would require an accrual under SFAS No. 5, "Accounting for Contingencies," there can be no assurance that prior or future operations will not ultimately result in violations, claims or other liabilities associated with these regulations.

The Company has certain deductible limits under its workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims.

The Company has entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At March

31, 2002, the Company had contingent liabilities under these outstanding letters of credit of approximately \$6.2 million.

In the normal course of business, the Company is currently contingently liable for performance under \$2.9 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. The Company has indemnified the underwriting insurance company against any exposure under the performance bonds. In the Company's past experience, no material claims have been made against these financial instruments.

Subject to early termination, the Company has a contract until October 2015 (subject to the purchaser's right to shorten the term to October 2010) to supply approximately 35% to 40% of the Lawton, Oklahoma mill's output of gypsum-grade recycled paperboard to another gypsum wallboard producer.

The Company has certain operating leases covering manufacturing, transportation and certain other facilities and equipment. Rental expense for the fiscal years 2002, 2001, and 2000 totaled \$3.0 million, \$2.6 million and \$3.2 million, respectively. Minimum annual rental commitments as of March 31, 2002, under noncancellable leases are set forth as follows:

Fiscal	Year Total
-----	-----
2003	\$2,684
2004	\$2,279
2005	\$1,623
2006	\$1,010
2007	\$ 294
Thereafter	\$1,269

Centex Construction Products, Inc. and Subsidiaries

(G) STOCK OPTION PLANS

The Company has two stock option plans for certain directors, officers and key employees of the Company: the Centex Construction Products, Inc. Amended and Restated Stock Option Plan (the "1994 Plan") and the Centex Construction Products, Inc. 2000 Stock Option Plan (the "2000 Plan"). Although the 1994 Plan and the 2000 Plan provide that option grants may be at less than fair market value at the date of grant, the Company has consistently followed the practice of issuing options at or above fair market value at the date of grant. Under both plans, option periods and exercise dates may vary within a maximum period of 10 years. All option grants have been issued with vesting occurring near the end of the option grants' 10-year life; however, the option grants may qualify for early vesting, on an annual basis, if certain predetermined performance criteria are met. The Company records proceeds from the exercise of options as additions to common stock and capital in excess of par value. The federal tax benefit, if any, is considered additional capital in excess of par value. No charges or credits would be made to earnings unless options were to be granted at less than fair market value at the date of grant. A summary of the activity of the stock option plans is presented as follows:

For the
Years
Ended
March 31,

2002 2001
2000 -----

Weighted
Weighted
Weighted
Number
Average
Number
Average
Number
Number

Average of
Exercise
of
Exercise
of
Exercise
Shares
Price
Shares
Price
Shares
Price ----

Outstanding
Options at
Beginning
of Year
1,046,009
\$ 28.77
803,208 \$
31.72
528,552 \$
27.82
Granted
109,500 \$
27.45
393,500 \$
22.63
370,000 \$

\$57,445 and \$106,917 for the fiscal years ended March 31, 2002, 2001 and 2000, respectively. Basic and diluted earnings per share for the fiscal year ended March 31, 2002 would have been \$2.01 and \$2.00, respectively, for the fiscal year ended March 31, 2001 would have been \$3.12 and \$3.11, respectively, and for the fiscal year ended March 31, 2000 would have been \$5.59 and \$5.57, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

For the	
Years	
Ended	
March 31,	

-- 2002	
2001 2000	

Expected	
Volatility	
32.2%	
32.5%	
33.6%	
Risk-free	
Interest	
Rate 6.9%	
6.4% 5.8%	
Dividend	
Yield .6%	
.9% .6%	
Expected	
Life	
(Years) 10	
10 10	

(H) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's long-term debt, before the interest rate swap, of which 99% has floating rate terms, has been estimated based upon the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying values of the Company's long-term debt approximates fair value.

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.

(I) AGREEMENTS WITH CENTEX CORPORATION

On April 19, 1994 ("the Closing Date") the Company completed the sale of 11,730,000 shares or 51% of its common stock through an Initial Public Offering. Prior to that time, the Company was a wholly owned subsidiary of Centex. On the Closing Date the Company entered into certain agreements with Centex to define the Company's ongoing relationship with Centex. The major agreements are:

INDEMNIFICATION AGREEMENT: The Company and Centex entered into an Indemnification Agreement, pursuant to which the Company and Centex agreed generally to indemnify each other against substantially all liabilities relating to the businesses of the Company and its subsidiaries as they had been and will be conducted, including environmental liabilities.

TAX SEPARATION AGREEMENT: The Company and Centex entered into a Tax Separation Agreement (the "Tax Agreement"). The Tax Agreement (i) provides for the termination of any existing tax sharing or allocation arrangements between the Company and Centex, (ii) specifies the manner in which the federal income tax liability and certain state tax liabilities (including any subsequent adjustments to such federal and state liabilities) of the consolidated group of which Centex is the common parent (the "Group") will be allocated for the final year in which the Company is a member of the Group and for any prior tax year of the Group and (iii) specifies the manner in which audits or administrative or judicial proceedings relating to federal income taxes and certain state taxes of the Group will be controlled.

ADMINISTRATIVE SERVICES: Centex Service Company ("CSC"), a subsidiary of Centex, provides the Company with employee benefit administration,

public/investor relations and certain other services. The Administrative Services Agreement is renewable annually with the administrative fee determined on an annual basis. The Company paid CSC an administrative fee of \$220 in Fiscal 2002, \$220 in Fiscal 2001 and \$198 in Fiscal 2000. In addition, the Company reimburses CSC for its out-of-pocket expenses incurred in connection with the performance of such services.

Centex Construction Products, Inc. and Subsidiaries

(J) ACQUISITIONS

On November 10, 2000, the Company and a wholly owned subsidiary (together, the "Purchasers") entered into a purchase agreement to acquire certain strategic assets as summarized below (collectively, the "Strategic Assets"):

- (1) A 1.1 billion square foot gypsum wallboard plant located in Duke, Oklahoma;
- (2) A short line railroad and railcars linking the Duke plant to adjacent railroads;
- (3) A 220,000 ton-per-year lightweight paper mill in Lawton, Oklahoma;
- (4) A 50,000 ton-per-year Commerce City (Denver), Colorado paper mill; and
- (5) Three recycled paper fiber collection sites.

Pursuant to the purchase agreement, the Purchasers paid aggregate consideration consisting of (1) \$338.2 million in cash, plus (2) the assumption by the subsidiary of \$100.0 million of 9.5% senior subordinated notes due 2008. In exchange for this consideration, the subsidiary acquired the assets described above and a \$24.3 million net secured note receivable, which was collected during Fiscal 2002.

The acquisition has been accounted for as a purchase, and accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair market values at the date of acquisition. The results of operations of the Strategic Assets since November 10, 2000 are included in the Company's financial statements. The fair value of tangible assets purchased, goodwill (prior to the early adoption of SFAS 142, amortized over a 20-year period) and other intangible assets (prior to the early adoption of SFAS 142, amortized over various periods from seven months to 15 years) are as follows:

Cash Consideration Paid	
CXP Cash	\$ 150,000
Bank Borrowings	188,200

	338,200
CXP Transaction Costs	4,000

Total Cash Consideration	342,200
Subordinated Debt Assumed	100,000
Liabilities Assumed	24,358

	466,558
Fair Value of Property, Plant, Equipment, Inventory, Receivables, Other Miscellaneous Assets and Applicable Deferred Taxes	(423,039)

Goodwill and Other Intangible Assets	\$ 43,519
	=====

The unaudited proforma results for the fiscal years ended March 31, 2001 and 2000 assumes that the acquisition was completed on April 1, 1999:

For the
Years
Ended
March
31, ---

2001
2000 --

--
Revenues
\$
520,380
\$
621,884
Net
Earnings
\$
44,975

\$
121,306
Earnings
per
Dilutive
Share \$
2.43 \$
6.31

The proforma results have been prepared for comparative purposes only and include certain adjustments such as additional depreciation expense, goodwill amortization and interest expense on new bank borrowings and debt assumed. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect at April 1, 1999 or of future results of operations of the consolidated entities.

Centex Construction Products, Inc. and Subsidiaries

(K) PENSION AND PROFIT SHARING PLANS

The Company has several defined benefit and defined contribution retirement plans which together cover substantially all of its employees. Benefits paid under the defined benefit plans are based on years of service and the employee's qualifying compensation over the last few years of employment. The Company's funding policy is to generally contribute amounts that are deductible for income tax purposes.

The following table provides a reconciliation of the defined benefit plan obligations and fair value of plan assets over the two-year period ended March 31, 2002 and a statement of the funded status as of March 31, 2002 and 2001:

2002	2001	---
-----	-----	-----
-	-	-
Reconciliation		
of Benefit		
Obligations		
Benefit		
Obligation at		
April 1, \$		
5,589	\$ 4,228	
Service Cost		
- Benefits		
Earned During		
the Period		
232	209	
Interest Cost		
on Projected		
Benefit		
Obligation		
419	379	
Actuarial		
Loss 522	951	
Benefits Paid		
(193)	(178)	-
-----	-----	-----
--- Benefit		
Obligation at		
March 31,		
6,569	5,589	
Reconciliation		
of Fair Value		
of Plan		
Assets Fair		
Value of Plan		
Assets at		
April 1,		
4,691	5,872	
Actual Return		
on Plan		
Assets 124		
(1,003)		
Employer		
Contributions		
1,536	--	
Benefits Paid		
(193)	(178)	-
-----	-----	-----
--- Fair		
Value of		
Plans at		
March 31,		
6,158	4,691	
Funded Status		
Funded Status		
at March 31,		
(411)	(898)	
Unrecognized		
Loss from		
Past		
Experience		
Different		
than that		
Assumed and		
Effects of		
Changes in		
Assumptions		
1,794	1,229	
Unrecognized		
Prior-Service		
Cost 614	583	

 ---- Net
 Amount
 Recognized
 (Prepaid
 Pension Cost
 Included in
 Other Assets)
 \$ 1,997 \$ 914
 =====
 =====

Net periodic pension cost for the fiscal years ended March 31, 2002, 2001 and 2000, included the following components:

For the Years Ended March 31, - ----- ----- 2002 2001 2000 ----- -- ----- -----		
	Service Cost - Benefits Earned During the Period \$	232 \$ 209 \$ 192
	Interest Cost of Projected Benefit Obligation	419 379 306
	Expected Return on Plan Assets	(366) (463) (401)
	Amortization of Transition Asset 65	(52) (53)
	Amortization of Prior- Service Cost 103	101 54 ----- ----- -----
	Net Periodic Pension Cost \$	\$ 453 \$ 174 \$ 98 =====
		=====
		=====

The following table sets forth the rates used in the actuarial calculations of the present value of benefit obligations and the rate of return on plan assets:

2002 2001 2000 ----- -----	
--	Weighted Average Discount Rate 7.0% 7.5% 7.8%
	Rate of Increase in Future Compensation Levels 3.5% 3.5% 3.5%
	Expected

Long-term
Rate of
Return on
Assets 8.0%
8.0% 8.0%

Centex Construction Products, Inc. and Subsidiaries

The Company has at March 31, 2002 a minimum pension liability of \$2.0 million related to the accumulated benefit obligation in excess of the fair value of the plan assets.

The Company also provides a profit sharing plan, which covers substantially all salaried and certain hourly employees. The profit sharing plan is a defined contribution plan funded by employer discretionary contributions and also allows employees to contribute on an after tax basis up to 10% of their base annual salary. Employees are fully vested to the extent of their contributions and become fully vested in the Company's contributions over a seven-year period. Costs relating to the employer discretionary contributions for the Company's defined contribution plan totaled \$1,619, \$1,514 and \$1,369, in fiscal years 2002, 2001 and 2000, respectively.

In addition, as a part of the November 2000 Strategic Assets purchase, the Company agreed to provide to former employees of the seller, who became employed by the Company as a result of the November 2000 Strategic Asset purchase, benefits substantially comparable to those provided under the seller's welfare plans. These welfare plans included the seller's 401(k) plan which included employer matching percentages. As a result, the Company made matching contributions to its 401(k) plan totaling \$413 and \$184 for these employees during fiscal years 2002 and 2001, respectively.

(L) NET INTEREST INCOME/EXPENSE

The following components are included in interest income/expense, net:

For the
 Years
 Ended
 March
 31, ----

 2002
 2001
 2000 ---

Interest
 (Income)
 \$
 (2,515)
 \$
 (6,694)
 \$
 (3,826)
 Interest
 Expense
 14,918
 8,766 89
 Other
 Expenses
 1,251
 280 -- -

 Interest
 Expense
 (Income),
 net \$
 13,654 \$
 2,352 \$
 (3,737)
 =====
 =====
 =====

Interest income includes interest on investments of excess cash and interest on notes receivable. Components of interest expense include interest associated with the assumed subordinated debt, the New Credit Facility and Receivables Securitization Facility and commitment fees based on the unused portion of the New Credit Facility. Other expenses include amortization of debt issue costs and New Credit Facility costs.

(M) HEDGING ACTIVITIES

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on April 1, 2001. The effect of the

adoption of SFAS No. 133 had no impact on the Company's operating earnings. The Company does not use derivative financial instruments for trading purposes, but utilizes them to convert a portion of its variable-rate debt to fixed-rate debt and to manage its fixed to variable-rate debt ratio. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are immediately recognized in earnings.

On July 19, 2001, the Company entered into two interest rate swap agreements, designated as cash flow hedges, with two banks for a total notional amount of \$100.0 million. These agreements expire on August 30, 2003. The swap agreements can be matched against \$100.0 million of variable-rate LIBOR indexed debt principal and will effectively fix the Company's interest rate on that debt at 4.493%, plus the applicable margin on the Company's debt. During the fiscal year ended March 31, 2002, the swap agreements resulted in approximately \$1.1 million of additional interest expense. As of March 31, 2002, the fair value of the swap agreements was a liability of approximately (\$1.6) million [(\$1.1) million loss net of tax]. Hedge ineffectiveness, determined in accordance with SFAS No. 133, had no impact on the Company's results of operations for the year ended March 31, 2002.

Centex Construction Products, Inc. and Subsidiaries

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Centex Construction Products, Inc.

We have audited the accompanying consolidated balance sheets of Centex Construction Products, Inc. and subsidiaries (the "Company") as of March 31, 2002 and 2001, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Centex Construction Products, Inc. and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note A to the consolidated financial statements, in fiscal year 2002 the Company changed its method of accounting for goodwill.

ERNST & YOUNG LLP

Dallas, Texas,
May 24, 2002

Centex Construction Products, Inc. and Subsidiaries

Wallboard
(MSF)
1,930
1,584 \$
72.97 \$
91.12 \$
2.41 \$
17.11
Paperboard
(Ton) 210
80 \$
398.13 \$
386.32 \$
47.49 \$
17.04
Concrete
(Cubic
Yard) 673
808 \$
55.93 \$
53.70 \$
3.71 \$
7.38
Aggregates
(Ton)
4,265
4,009 \$
4.33 \$
4.16 \$
0.45 \$
0.40

(1) As historically reported. Does not include freight and delivery costs billed to customers.

Centex Construction Products, Inc. and Subsidiaries

CEMENT. Cement revenues for Fiscal 2002 were \$183.2 million, up 2% from \$178.8 million for the prior fiscal year due to increased sales volume. Operating earnings of \$60.2 million, an all-time-high, increased 1% from \$59.6 million in Fiscal 2001 due to a 2% increase in sales volume being partially offset by a 1% decline in operating margins. Cement sales volume of 2.44 million tons, also an all-time-high, was 54,000 tons higher than Fiscal 2001's sales volume. Favorable weather conditions and record U.S. cement consumption contributed to the sales volume gain. All plants experienced sales volume gains and again operated at their capacity and were "sold out". The Company supplemented its Fiscal 2002 manufactured cement sales volume with 257,000 tons of purchased cement, up 99,000 tons from last fiscal year. Fueled by strong infrastructure spending, Calendar 2001 U.S. portland cement consumption of 110.5 million metric tons was 3% above calendar 2000 consumption. Cement imports of 25.9 million metric tons in Calendar 2001 were 10% below prior year's cement imports. The Fiscal 2002 average net sales price of \$67.69 per ton was level with Fiscal 2001 as lower pricing in the Illinois and Texas markets was offset by higher pricing in the Company's western markets. Operating margins of \$24.66 per ton decreased \$0.32 per ton from Fiscal 2001 due to higher power, fuel and maintenance costs and the cost impact from the 63% increase in higher cost purchased cement sales volume.

GYPSUM WALLBOARD. Fiscal 2002 Gypsum Wallboard revenues of \$183.5 million decreased 2% from Fiscal 2001 revenues. Lower average sales prices partially offset by increased sales volume resulted in the revenue decline. Operating earnings totaled \$4.6 million in Fiscal 2002, down 83% from \$27.1 million in Fiscal 2001. Increased sales volume offset by an 86% decrease in operating margins, due primarily to lower pricing, resulted in the earnings decline. Sales volume of 1,930 million square feet ("MMSF") in Fiscal 2002 increased 22% from Fiscal 2001 sales volume. Fiscal 2002's sales volume gain resulted from a full year of sales at the Oklahoma wallboard plant that was acquired during the middle of last fiscal year's third quarter partially offset by reduced shipments at each of the Company's heritage wallboard plants. The Company's wallboard plants ran at approximately 72% of average total annual capacity during Fiscal 2002 compared to 82% last fiscal year. The Company's plants are currently operating at less than full capacity. Excess production capacity continues to negatively impact industry utilization rates. U.S. wall-board consumption was 30.2 billion square feet in calendar 2001, the second highest level on record. Gypsum Wallboard's Fiscal 2002 average net sales price of \$72.97 per thousand square feet ("MSF") declined 20% from Fiscal 2001's net sales price. Pricing declined during the first part of Fiscal 2002 until the Company successfully implemented price increases during the second quarter. Pricing held during the remainder of Fiscal 2002 and at fiscal year end, the Company implemented an additional 15% price increase. Operating margins of \$2.41 per MSF declined \$14.70 per MSF or 86% from Fiscal 2001's \$17.11 per MSF operating margin. The operating margin decline resulted from lower sales prices being partially offset by a \$3.45 per MSF decrease in cost of sales. Fiscal 2002 cost of sales of \$70.56 per MSF decreased 5% from last fiscal year's cost of sales due to lower energy costs and decreased Duke production costs partially offset by the impact on fixed costs at the Company's heritage wallboard plants from decreased production volume.

PAPERBOARD. Paperboard reported Fiscal 2002 revenues and operating earnings of \$84.3 million and \$10.0 million, respectively, compared to revenues of \$31.5 million and operating earnings of \$1.4 million in Fiscal 2001. The Paperboard operations were acquired during the third quarter of Fiscal 2001. Fiscal 2002 revenues of \$84.3 million increased 168% from Fiscal 2001 due to a full year of sales volume and higher net pricing. Fiscal 2002 sales volume of 210,000 tons was 162% greater than prior year's sales volume. Approximately 32% of Fiscal 2002 sales volume was to the Company's gypsum wallboard plants. The average net sales price of \$398.13 per ton increased \$11.81 per ton or 3% from Fiscal 2001's net sales price. Fiscal 2002 net sales price was favorably impacted by the smaller percentage this fiscal year of lower priced off grade paper sales volume to total sales volume. Operating earnings of \$10.0 million for Fiscal 2002 increased 629% from Fiscal 2001 due to increased sales volume and higher operating margins. Operating earnings were negatively impacted early in Fiscal 2002 by costs associated with idling the Denver mill on April 23, 2001. The Denver mill's production requirements were transferred to the Lawton,

Centex Construction Products, Inc. and Subsidiaries

Oklahoma mill. The Denver mill reported a \$2.3 million loss for Fiscal 2002. Cost of sales of \$350.64 per ton for Fiscal 2002 declined 5% from Fiscal 2001's cost of sales. Reduced energy costs and improved operating efficiencies were major contributors to the cost of sales reduction. Excluding the Denver mill results, Fiscal 2002 cost of sales would have been \$339.22 per ton. The Lawton mill is now capable of running at its designed capacity of 220,000 tons annually. The recycled paper centers were sold after fiscal year end. Fiscal 2002 recycled paper operating losses of \$585,000 are reported in other income.

CONCRETE AND AGGREGATES. Revenues from Concrete and Aggregates were \$57.6 million in Fiscal 2002, down 6% from \$61.1 million in Fiscal 2001. The revenue decline resulted from decreased Concrete sales volume partially offset by higher Concrete and Aggregates sales prices and increased Aggregates sales volume. The Austin, Texas market, which is the Company's largest Concrete and Aggregates market, has enjoyed exemplary growth over the past decade. However, in Fiscal 2002, Austin was negatively impacted by the troubles of the high technology companies. Fiscal 2002 operating earnings of \$4.4 million declined 42% from \$7.6 million in Fiscal 2001. Decreased Concrete sales volume and operating margins partially off-set by increased Aggregates sales volume and operating margins resulted in the earnings decline. Concrete operating earnings of \$2.5 million for Fiscal 2002 were \$3.5 million or 58% below Fiscal 2001 operating earnings. Concrete sales volume of 673,000 cubic yards in Fiscal 2002 declined 17% from Fiscal 2001 due to decreased demand in the Austin, Texas market. Concrete's Fiscal 2002 net sales price of \$55.93 per cubic yard was 4% higher than \$53.70 per cubic yard in Fiscal 2001. The net sales price gain resulted mainly from higher prices in the California market. The Austin, Texas market experienced some price weakening late in Fiscal 2002. Cost of sales of \$52.22 per cubic yard in Fiscal 2002 increased 13% from Fiscal 2001 due to higher materials and operating costs. Aggregates Fiscal 2002 operating earnings of \$1.9 million increased 20% from \$1.6 million in Fiscal 2001 as a result of increased sales volume and higher operating margins. Fiscal 2002 Aggregates sales volume of 4,265,000 tons was 6% greater than Fiscal 2001 due to 223,000 tons of additional sales volume from the Texas operations. The Georgetown Aggregates plant expansion was completed mid-Fiscal 2002 and is now producing commercial aggregates products. The average net sales price of \$4.33 per ton for Fiscal 2002 was 4% higher than \$4.16 per ton in Fiscal 2001. Cost of sales of \$3.88 per ton in Fiscal 2002 increased 3% from Fiscal 2001 due to increased production costs at the Texas operations and product mix.

OTHER INCOME. Fiscal 2002 other income recorded a \$355,000 loss compared to a \$3.7 million profit in Fiscal 2001. Included in the Fiscal 2002 loss is \$585,000 of recycled center losses, \$600,000 of expenses related to the early retirement of subordinated debt and \$393,000 less distribution center income. Included in Fiscal 2001 results is a \$1.9 million gain on the disposition of investment securities owned by the Company. Other income consists of a variety of items that are non-segment operating in nature and includes clinker sales income, non-inventoried aggregates income, gypsum wallboard distribution center income, recycled waste paper earnings, trucking income, asset sales and other miscellaneous income and cost items.

NET INTEREST EXPENSE. Net interest expense of \$13.6 million in Fiscal 2002 was \$11.3 million greater than \$2.4 million in Fiscal 2001 due to a full year of debt outstanding in Fiscal 2002. On November 10, 2000, the Company utilized \$150 million of cash on hand and incurred \$280 million of new debt to complete the acquisition of the Strategic Assets. The increase in net interest expense was some what mitigated by declining interest rates on the Company's variable rate debt.

INCOME TAXES. The effective tax rate for Fiscal 2002 was 33.5% compared to 35.6% in Fiscal 2001 due primarily to decreased franchise and state income taxes.

FISCAL YEAR 2001 COMPARED TO FISCAL YEAR 2000

Although Centex Construction Products, Inc.'s Cement group reported record operating earnings and each of its business segments had higher shipments than last year's shipments, dramatically falling Gypsum Wallboard prices caused net earnings to decline in Fiscal 2001 after six consecutive fiscal years of record results.

CONSOLIDATED. Total net revenues for Fiscal 2001 were \$441.1 million, down 6% from \$470.5 million in

- (1) As historically reported. Does not include freight and delivery costs billed to customers.

CEMENT. Cement revenues for Fiscal 2001 were \$178.8 million, up 2% over \$175.4 million for Fiscal 2000 due to increased sales volume being partially offset by lower average sales prices. Operating earnings of \$59.6 million, an all-time high, increased 12% over \$53.0 million in Fiscal 2000 due to a 4% increase in sales volume and an 8% improvement in operating margins. Sales volume of 2.4 million tons was 92,000 tons higher than Fiscal 2000's record high sales volume primarily due to favorable weather conditions and a 17% increase in sales volume at the Laramie plant. All plants operated at capacity and were again "sold out". The Company purchased 157,000 tons of cement in Fiscal 2001, down 44% from last fiscal year, to supplement its manufactured cement shipments. U.S. cement consumption of 109 million metric tons in calendar 2000 was a record high. The average net sales price in Fiscal 2001 was \$67.65 per ton, 2% less than \$69.25 per ton last fiscal year due to pressures from imports in the Texas market and softer northern California pricing. Operating margins of \$24.98 per ton in Fiscal 2001 increased \$1.89 per ton mainly due to a 8% reduction in cost of sales. The cost of sales decrease resulted from a 5% reduction in manufacturing costs and the replacement of 123,000 tons of lower-margin purchased cement sales volume in Fiscal 2000 with higher-margin manufactured cement sales volume in Fiscal 2001. The decrease in manufacturing costs resulted from lower maintenance expenses and a 20% improvement in manufacturing costs at the Laramie plant. Power and fuel costs increased during the last half of Fiscal 2001.

GYPSUM WALLBOARD. Gypsum Wallboard revenues of \$187.3 million for Fiscal 2001 decreased 23% or \$56.9 million from Fiscal 2000. Increased sales volume offset by dramatically lower average sales prices resulted in the revenue decline. Operating earnings from Gypsum Wallboard totaled \$27.1 million in Fiscal 2001, down 75% from \$107.6 million in Fiscal 2000. The earnings decline resulted from increased sales volume being offset by a 78% reduction in operating margins. Fiscal 2001 sales volume of 1,584 million square feet ("MMSF") increased 16% over Fiscal 2000 due to sales volume from the Duke, Oklahoma plant acquired in November 2000. Excluding Duke's sales volume, the Company's Fiscal 2001 sales volume was level with last fiscal year's sales volume. U.S. gypsum wallboard consumption of 28 billion square feet in calendar 2000 was down 3% from prior year's record consumption. Lower consumption, along with industry-wide

Centex Construction Products, Inc. and Subsidiaries

excess production capacity, dropped average plant utilization rates below 80%. The Company's wall-board plants operated at full capacity prior to the November Strategic Assets purchase. After the Strategic Assets purchase, they operated on a reduced schedule for the remainder of Fiscal 2001. Correspondently, Gypsum Wallboard average net pricing declined 41% in Fiscal 2001 to \$91.12 per thousand square feet ("MSF") from \$153.57 per MSF in Fiscal 2000. Average net pricing for the March 2001 quarter was \$68.49 per MSF. Operating margins of \$17.11 per MSF in Fiscal 2001 declined \$61.85 per MSF or 78% from Fiscal 2000's operating margin of \$78.96 per MSF. All of the operating margin decline resulted from lower sales prices. Although gas and power costs increased in the last half of Fiscal 2000, lower raw materials costs, and the cost benefits from higher plant operating efficiencies resulted in Fiscal 2001 cost of sales of \$74.01 per MSF, one percent lower than prior year's cost of sales.

PAPERBOARD. In November 2000, the Company acquired two recycled paperboard mills and three recycled paper collection centers. Paperboard reported Fiscal 2001 operating earnings of \$1.4 million. Paperboard revenues for Fiscal 2001 were \$31.5 million at an average net sales price of \$386.32 per ton. Sales prices were negatively impacted by a high percentage of lower-priced, off-grade Lawton paper sales to total sales. The off-grade paper sales volume was higher than normal as the new Lawton, Oklahoma mill completed its start-up. Sales volume for Fiscal 2001 was 80,000 tons. Although Paperboard cost of sales were negatively impacted by higher gas costs, manufacturing costs declined as the Lawton mill increased its production volume and efficiency. Operating earnings of \$171,000 from the recycled paper collection centers is reported in other income. During April 2001, the Company idled the Denver mill and transferred Denver's production to the new Lawton mill. The additional production volume allowed the more efficient Lawton mill to run at a higher plant utilization rate.

CONCRETE AND AGGREGATES. Revenues from Concrete and Aggregates in Fiscal 2001 were \$61.1 million, up 9% over \$55.9 million in Fiscal 2000. The revenue gain resulted from increased Concrete and Aggregates sales volume along with higher Concrete sales prices. Fiscal 2001 segment operating earnings of \$7.6 million declined 18% from \$9.3 million in Fiscal 2000 mostly due to a 60% reduction in Aggregates operating margins. Concrete operating earnings of \$6.0 million in Fiscal 2001 were level with Fiscal 2000's operating earnings. Concrete sales volume of 808,000 cubic yards in Fiscal 2001 increased 3% over Fiscal 2000 due to a 12% sales volume gain at the northern California operation. Fiscal 2001 Concrete net sales price of \$53.70 per cubic yard was 3% higher than Fiscal 2000's sales price. Cost of sales in Fiscal 2001 was \$46.32 per cubic yard, 4% higher than Fiscal 2000 as result of increased materials and maintenance costs. Aggregates operating earnings of \$1.6 million in Fiscal 2001 declined 52% from Fiscal 2000 operating earnings mostly due to a \$0.59 per ton decrease in operating margins. Fiscal 2001 Aggregates sales volume of 4,009,000 tons was 19% higher than Fiscal 2000 sales volume due to 602,000 tons of additional sales volume from the new Georgetown road aggregates operation. The average Fiscal 2001 Aggregates net sales price was \$4.16 per ton, 3% below Fiscal 2000 due to the impact on total net pricing of the lower priced Georgetown sales volume. Cost of sales of \$3.76 per ton in Fiscal 2001 was 14% greater than in Fiscal 2000 due to higher major maintenance and power costs.

NET INTEREST EXPENSE. Net interest expense in Fiscal 2001 was \$2.4 million compared to \$3.7 million of net interest income in Fiscal 2000. During November 2000, the Company utilized \$150.0 million of cash on hand, incurred \$188.0 million of debt and assumed \$100.0 million of subordinated debt to purchase the Strategic Assets. During Fiscal 2001, interest expense of \$9.0 million was partially offset by \$6.7 million of interest income from invested excess cash prior to the November 2000 Strategic Assets purchase.

OTHER INCOME. Fiscal 2001 other income of \$3.7 million increased \$2.4 million over Fiscal 2000 mostly due to a \$1.9 million gain on the disposition of investment securities owned by the Company.

CRITICAL ACCOUNTING POLICIES

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

IMPAIRMENT OF LONG-LIVED ASSETS. The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (see Note A - New Accounting Standards). SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Such evaluations for impairment are significantly impacted by estimates of future prices for our products, capital needs, economic trends and other factors. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

GOODWILL. The Company early adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Upon the adoption of SFAS No. 142, goodwill is no longer subject to amortization. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. If the carrying amounts exceed the fair value, an impairment has occurred. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining balance of goodwill may not be recoverable. In evaluating impairment, the Company estimates the sum of the expected future cash flows derived from such goodwill over its remaining life. Similar to the review for impairment of other long-lived assets, evaluations for impairment are significantly impacted by estimates of future prices for the Company's products, capital needs, economic trends and other factors.

ENVIRONMENTAL LIABILITIES. The Company's operations, like those of its competitors, 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; and require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of its operations. The Company records environmental accruals when it is probable that a reasonably estimable liability has been incurred. Environmental remediation accruals are based on internal studies and estimates, including shared financial liability with third parties. Environmental expenditures that extend the life, increase the capacity, improve the safety or efficiency of assets or to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

VALUATION OF ACCOUNTS RECEIVABLE. The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances when the Company is aware of a specific customer's inability to meet its financial obligation to the Company, the balance in the reserve for doubtful accounts is evaluated, and if determined to be deficient, a specific amount will be added to the reserve. For all other customers, the reserve for doubtful accounts is determined by the length of time the receivables are past due or the status of the customer's financial condition.

LIQUIDITY AND CAPITAL RESOURCES

The Company funds the growth of its business through the combination of cash flow from operations, advances under the receivables securitization program and bank borrowings. Liquidity is not currently dependent on the use of off-balance sheet transactions other than normal operating leases. The Company believes that cash on hand, cash provided by operations and funds available under the Receivable Securitization Facility and the New Credit Facility should be sufficient to cover working capital needs, capital expenditures and debt service requirements for the next twelve months and beyond.

Centex Construction Products, Inc. and Subsidiaries

Other than the Receivable Securitization Facility and the New Credit Facility, the Company has no other financing alternatives in place. In the event the Receivable Securitization Facility is terminated, funds should be available under the New Credit Facility to repay borrowings. However, if the New Credit Facility is terminated, no assurance can be given as to the Company's ability to secure a new source of financing. Consequently, if a balance is outstanding on the New Credit Facility at the time of termination, and an alternative source of financing cannot be secured, it would have a material adverse impact on the Company.

On November 10, 2000, the Company's \$35.0 million unsecured revolving credit facility used to finance its working capital and capital expenditures requirements was cancelled and replaced with a new \$325.0 million senior revolving credit facility. During the quarter ended June 30, 2001, pursuant to an Amended and Restated Credit Agreement, the credit facility was amended to reduce the facility amount from \$325.0 million to \$275.0 million and to modify certain financial and other covenants (the "New Credit Facility"). The principal balance of the New Credit Facility matures on November 10, 2003. At March 31, 2002, the Company had \$163.0 million outstanding under the New Credit Facility. The borrowings under the New Credit Facility are guaranteed by all major operating subsidiaries of the Company. At the option of the Company, outstanding principal amounts on the New Credit Facility bear interest at a variable rate equal to: (i) LIBOR, plus an agreed margin (ranging from 100 to 275 basis points), which is to be established quarterly based upon the Company's ratio of EBITDA to total funded debt; or (ii) an alternate base rate which is the higher of (a) prime rate or (b) the federal funds rate plus 1/2% per annum, plus an agreed margin (ranging from 0 to 175 basis points). 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. Under the New Credit Facility, the Company is required to adhere to a number of financial and other covenants, including covenants relating to the Company's interest coverage ratio, consolidated funded indebtedness ratio, minimum tangible net worth, and limitations on dividends and capital expenditures. The Company had \$105.8 million of borrowings available at March 31, 2002.

Also, on November 10, 2000, a subsidiary of the Company (the "Debtor Subsidiary") assumed \$100.0 million of 9.5% senior subordinated notes (the "Notes") with a maturity date of July 15, 2008. Interest payments on the Notes are due on January 15 and July 15. The Notes are redeemable at the option of the Debtor Subsidiary, in whole or in part, at any time after July 15, 2003. Upon the acquisition of the Strategic Assets on November 10, 2000, the Debtor Subsidiary was required to commence a tender offer for the Notes at 101%. On December 20, 2000, \$90.0 million in principal amount of the Notes was tendered, leaving \$10.0 million outstanding. During the June 30, 2001 quarter, the Debtor Subsidiary commenced another tender offer for the Notes at 108.75%. On June 28, 2001, the Debtor Subsidiary purchased \$9.5 million in principal amount of the Notes, leaving \$510,000 outstanding. Prior to the commencement of the second tender offer, the Debtor Subsidiary obtained the necessary consents from a majority of holders of the Notes to eliminate certain covenants and reporting requirements.

On June 29, 2001 the Company entered into a \$50.0 million trade receivable securitization facility (the "Receivables Securitization Facility"), which is funded through the issuance of commercial paper and backed by a 364-day committed bank liquidity arrangement. The Receivables Securitization Facility has a termination date of June 10, 2004, subject to the renewal of the 364-day bank commitment currently scheduled to terminate on June 28, 2002. The Receivables Securitization Facility is fully consolidated on the balance sheet. Subsidiary company receivables are sold on a revolving basis first to the Company and then to a wholly-owned special purpose bankruptcy remote entity of the Company. This entity pledges the receivables as security for advances under the facility. The purpose of the Receivables Securitization Facility is to obtain financing at a lower interest rate. The borrowed funds will be used to pay down borrowings under the New Credit Facility. Outstanding principal amounts under the Receivables Securitization Facility bear interest at the commercial paper rate plus a facility fee. Under the Receivables Securitization Facility, the Company is required to adhere to certain financial and other covenants that are similar to those in the New Credit Facility. The Company had \$18.6 million outstanding under the Receivables Securitization Facility at March 31, 2002.

The Company uses interest rate swaps to mitigate interest rate risk associated with its variable rate debt. On July 19, 2001, the Company entered into two interest rate swap agreements which have the effect of converting a total notional amount of \$100.0 million of the Company's debt from a variable rate of interest to a fixed rate of interest. The Company receives three month LIBOR and pays a fixed rate of interest under these agreements. These agreements expire on August 30, 2003. At March 31, 2002, the Company has recorded a cumulative net after-tax loss of \$1.1 million to accumulated other comprehensive earnings for the change in fair value of these swap agreements.

Other than the Receivables Securitization Facility, the Company does not have any other transactions, arrangements or relationships with "special purpose" entities, and the Company does not have any off balance sheet debt. Also, the Company has no outstanding debt guarantees. The Company has available under the New Credit Facility a \$15 million Letter of Credit Facility. At March 31, 2002, the Company had \$6.2 million of letters of credit outstanding that renew annually. Also, the Company is contingently liable for performance under \$2.9 million in performance bonds relating to its mining operations.

The Company's Fiscal 2003 plan calls for a continued reduction in debt. Cash generated from operating activities are expected to increase over Fiscal 2002 due to higher Gypsum Wallboard and Paperboard earnings. Gypsum Wallboard pricing declined in the first half of Fiscal 2002 due to excessive new production capacity coming on stream, increased during the middle of Fiscal 2002 and rose again at the beginning of Fiscal 2003. Longer term, the level of Gypsum Wallboard demand and pricing will be determined by the housing market and other general economic conditions. Other than anticipated increases in natural gas and recovered paper fiber costs, the Company does not expect any significant cost increases for other goods and services it acquires in Fiscal 2003. The Fiscal 2003 plan calls for \$17 million in capital expenditures and \$38 million of depreciation and amortization expenses. Also, due to the utilization of the Fiscal 2002 net operating loss and high tax depreciation, the Company is anticipating minimal cash income tax payments in Fiscal 2003. Based on its financial condition at March 31, 2002, the Company believes that its internally generated cash flow coupled with funds available under various credit facilities will enable the Company to provide adequately for its current operations and future growth. The Company was in compliance at March 31, 2002, and during the fiscal year with all the terms and covenants of its credit agreements.

Working capital at March 31, 2002 was \$26.5 million compared to \$67.2 million at March 31, 2001. The decline resulted mainly from the \$2.7 million increase in cash and \$11.0 million decrease in accounts payable offset by the \$1.8 million decrease in inventories, \$33.7 million decrease in accounts and notes receivable, and \$18.6 million increase in notes payable resulting from the Receivables Securitization Facility.

Cash and cash equivalents increased \$2.7 million. The net cash provided by or used in the operating, investing, and financing activities for the fiscal years ended March 31, 2002 and 2001 is summarized as follows:

For the	
Years Ended	
March 31, -	

----- 2002	
2001 -----	

(dollars in	
thousands)	
Net Cash	
Provided by	
(Used In):	
Operating	
Activities	
\$ 120,643 \$	
101,980	
Investing	
Activities	
(18,169)	
(358,450)	
Financing	
Activities	
(99,818)	
169,047 ---	

Net	
Increase	
(Decrease)	
in Cash \$	
2,656 \$	

=====
=====

Cash provided by operating activities of \$120.6 million for Fiscal 2002 increased \$18.7 million from last fiscal year due to the combination of a \$19.7 million decline in net earnings, a \$2.1 million decrease in deferred tax liability, a \$29.4 million decrease in working capital items and a \$10.8 million increase in depreciation and amortization expense. Cash used for investing activities was \$18.2 million compared to \$358.5 million in Fiscal 2001 due mostly to the \$342.2 million Strategic Assets purchase in last fiscal year's third quarter. Cash used in financing activities for the current fiscal year was \$99.8 million compared to \$169.0 million provided in Fiscal 2001 due to a \$96.4 million reduction in total debt this year versus the combination of \$178.5 million of new debt to fund the Strategic Assets acquisition and the repurchase of \$6.2 million of common stock in Fiscal 2001.

Centex Construction Products, Inc. and Subsidiaries

During Fiscal 2002, the Company reduced total debt by \$96.4 million to \$182.4 million at March 31, 2002. The debt-to-capitalization ratio at March 31, 2002 was 29.9% compared to 41.5% at March 31, 2001.

In Fiscal 2002, the Company had a net operating loss for regular and alternative minimum tax purposes and as a result, had a cash income tax refund of \$1.4 million compared to a cash income tax payment of \$19.7 million in Fiscal 2001. The cash tax refund in Fiscal 2002 is attributable to the significant increase in tax depreciation over book depreciation as a result of the Strategic Assets purchase during Fiscal 2001's third quarter.

DERIVATIVE INSTRUMENTS

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" on April 1, 2002. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their respective fair values. The adoption of SFAS No. 133 did not materially impact the Company's consolidated results of operations or financial condition.

STOCK REPURCHASE PROGRAM

The Company's Board of Directors has approved a cumulative total of 6,101,430 shares for repurchase since the Company became publicly held in April 1994. The Company repurchased no shares during Fiscal 2002. Centex Corporation now owns approximately 65.2% of the outstanding shares of the Company's common stock. There are approximately 743,300 shares remaining under the Company's current repurchase authorization.

PURCHASE OF STRATEGIC ASSETS

On November 10, 2000, the Company acquired selected strategic assets. The purchase price was \$342 million cash plus the assumption by a subsidiary of \$100 million of subordinated debt. Funding came from cash on hand and borrowings under a new \$325 million senior credit facility entered into during November 2000.

The principal strategic assets acquired were: a 1.1 billion square foot gypsum wallboard plant located at Duke, Oklahoma; a short line railroad and railcars linking the Duke plant to adjacent railroads; a 220,000 ton-per-year lightweight recycled paperboard mill in Lawton, Oklahoma; and three recycled paper fiber collection sites. The gypsum wallboard plant is operated by the Company's American Gypsum Company located in Albuquerque, New Mexico. The paperboard operations are located in Lawton, Oklahoma and focus primarily on the gypsum wallboard paper business.

INFLATION AND CHANGING PRICES

Inflation has become less of a factor in the U.S. economy as the rate of increase has moderated during the last several years. The Consumer Price Index rose approximately 1.6% in calendar 2001, 3.4% in 2000, and 2.7% in 1999. Prices of materials and services, with the exception of power and natural gas, have remained relatively stable over the three-year period. Strict cost control and improving productivity also minimize the impact of inflation. The impact of inflation on income from operations for Fiscal 2002 has been a factor along with decreasing Gypsum Wallboard sales prices due to industry over capacity. These factors resulted in lower per unit profit margins for the Company's Gypsum Wallboard operations.

GENERAL OUTLOOK

Demand for the Company's products remains steady. Cement price increases in certain markets have been implemented effective April 2002. Gypsum Wallboard prices which fell dramatically early in Fiscal 2002, mainly due to excessive new production capacity coming on stream, increased during the middle of Fiscal 2002 and increased again at the end of Fiscal 2002.

Assuming prices for Cement and Gypsum Wallboard remain steady, the Company expects to report significantly higher earnings for Fiscal 2003 than it did for Fiscal 2002.

Centex Construction Products, Inc. and Subsidiaries

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Also, under the new rules, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. For non-calendar year-end companies, early adoption of SFAS No. 142 could be made if an entity's fiscal year began after March 15, 2001, and its first interim period financial statements had not been issued. The Company elected to early adopt SFAS No. 142 and as a result, reported no goodwill amortization for the fiscal year ended March 31, 2002.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. SFAS No. 143, requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The Company will adopt SFAS No. 143 on April 1, 2003, and, based on current circumstances, does not believe that the impact of adoption of SFAS No. 143 will have a material impact on the Company's financial position or results of operations.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provision of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transaction." SFAS No. 144 became effective for the Company on April 1, 2002, and the Company does not expect the impact of adoption to be material to its financial position or results of operations.

FORWARD-LOOKING STATEMENTS

Certain sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when the Company is discussing its beliefs, estimates or expectations. These statements involve known and unknown risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, the cyclical and seasonal nature of the Company's business, public infrastructure expenditures, adverse weather, availability of raw materials, unexpected operational difficulties, governmental regulation and changes in governmental and public policy, changes in economic conditions specific to any one or more of the Company's markets, competition, announced increases in capacity in the gypsum wallboard, paperboard, and cement industries, general economic conditions, and interest rates. Investors should take such risks and uncertainties into account when making investment decisions.

Centex Construction Products, Inc. and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA
(dollars in thousands, except per share data)
(unaudited)

For the Years
Ended March
31, -----

2002 2001
2000 -----

Revenues(1)		
\$471,083		
\$441,127		
\$470,465 Net		
Earnings \$		
39,706 \$		
59,429		
\$108,232		
Total Assets		
\$743,352		
\$794,622		
\$438,139		
Total Long-		
term Debt		
\$163,750		
\$278,828 \$		
400 Total		
Debt \$182,380		
\$278,828 \$		
400 Deferred		
Income Taxes		
\$ 53,781 \$		
33,363 \$		
24,360		
Stockholders'		
Equity		
\$427,832		
\$392,320		
\$340,472		
Total Debt as		
a Percent of		
Total		
Capitalization		
(Total Debt		
and		
Stockholders'		
Equity) 29.9%		
41.5% 0.1%		
Net Earnings		
as a Percent		
of Beginning		
Stockholders'		
Equity 10.1%		
17.5% 38.7%		
Per Common		
Share -		
Diluted Net		
Earnings(2) \$		
2.15 \$ 3.22 \$		
5.63 Cash		
Dividends(3)		
\$ 0.20 \$ 0.20		
\$ 0.20 Book		
Value Based		
on Shares		
Outstanding		
at Year		
End(2) \$		
23.30 \$ 21.40		
\$ 18.33 Stock		
Prices - High		
\$ 39.90 \$		
33.50 \$ 41.81		
Low \$ 25.70 \$		
21.75 \$ 22.63		

(1) The Company adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during fiscal year 2001. As a result of this adoption, net revenues have been restated to include

freight and delivery costs billed to customers. Previously such billings were offset against corresponding expenses in cost of sales.

(2) Prior to April 1994, CXP was a wholly-owned subsidiary of Centex Corporation and accordingly did not report per share information. To facilitate comparisons between periods, per share data for 1994 has been presented using the 23,000,000 shares outstanding immediately after the Initial Public Offering.

(3) Declared initial quarterly cash dividend of five cents per share on March 12, 1996.

Centex Construction Products, Inc. and Subsidiaries

For the Years
 Ended March
 31, -----

 ----- 1999
 1998 1997
 1996 1995
 1994 1993 ---

 Revenues(1)
 \$381,900
 \$344,264
 \$278,144
 \$258,637
 \$222,672
 \$193,038
 \$158,912 Net
 Earnings \$
 77,289 \$
 56,533 \$
 41,799 \$
 33,944 \$
 21,820 \$
 10,240 \$
 3,112 Total
 Assets
 \$364,683
 \$351,112
 \$305,637
 \$269,575
 \$250,103
 \$257,315
 \$258,994
 Total Long-
 term Debt \$
 480 \$ 560 \$
 640 \$ 720 \$
 24,500 \$
 15,585 \$
 34,519 Total
 Debt \$ 480 \$
 560 \$ 2,640 \$
 720 \$ 24,500
 \$ 16,200 \$
 38,943
 Deferred
 Income Taxes
 \$ 25,158 \$
 22,250 \$
 18,835 \$
 14,344 \$
 6,705 \$
 37,925 \$
 36,224
 Stockholders'
 Equity
 \$279,920
 \$274,803
 \$239,436
 \$216,462
 \$183,405
 \$170,839
 \$160,599
 Total Debt as
 a Percent of
 Total
 Capitalization
 (Total Debt
 and
 Stockholders'
 Equity) 0.2%
 0.2% 1.1%
 0.3% 11.8%
 8.7% 19.5%
 Net Earnings

as a Percent
 of Beginning
 Stockholders'
 Equity 28.1%
 23.6% 19.3%
 18.5% 12.8%
 6.4% 2.0% Per
 Common Share
 - Diluted Net
 Earnings(2) \$
 3.71 \$ 2.56 \$
 1.89 \$ 1.47 \$
 0.95 \$ 0.45 \$
 0.14 Cash
 Dividends(3)
 \$ 0.20 \$ 0.20
 \$ 0.20 \$ 0.05
 -- -- -- Book
 Value Based
 on Shares
 Outstanding
 at Year
 End(2) \$
 14.18 \$ 12.77
 \$ 10.89 \$
 9.42 \$ 7.99 \$
 7.43 \$ 6.98
 Stock Prices
 -- High \$
 45.13 \$ 39.00
 \$ 20.00 \$
 15.50 \$ 14.38
 -- -- Low \$
 31.25 \$ 18.00
 \$ 12.50 \$
 11.38 \$ 8.88
 -- --

Centex Construction Products, Inc. and Subsidiaries

QUARTERLY RESULTS

(dollars in thousands, except per share data)
(unaudited)

March
31, ---

-- 2002
2001 --

- FIRST
QUARTER

Revenues
\$117,423
\$115,065
Earnings
Before
Income
Taxes \$
8,142 \$
36,619
Net
Earnings
\$ 5,455
\$
23,290
Diluted
Earnings
Per
Share \$
0.30 \$
1.25

SECOND
QUARTER

Revenues
\$129,545
\$114,876
Earnings
Before
Income
Taxes \$
17,921
\$
32,942
Net
Earnings
\$
11,880
\$
20,951
Diluted
Earnings
Per
Share \$
0.64 \$
1.14

THIRD
QUARTER

Revenues
\$112,750
\$105,295
Earnings
Before
Income
Taxes \$
17,427
\$
18,139
Net
Earnings
\$
11,590
\$
11,536
Diluted
Earnings
Per
Share \$
0.63 \$
0.63

FOURTH

QUARTER
Revenues
\$111,365
\$105,891
Earnings
Before
Income
Taxes \$
16,209
\$ 4,563
Net
Earnings
\$
10,781
\$ 3,652
Diluted
Earnings
Per
Share \$
0.58 \$
0.20

Centex Construction Products, Inc. and Subsidiaries

BOARD OF DIRECTORS	CENTEX CONSTRUCTION PRODUCTS, INC.	CENTEX MATERIALS LP	NEVADA CEMENT COMPANY
Robert L. Clarke(2, 3) Senior Partner, Bracewell & Patterson, L.L.P.	Richard D. Jones, Jr. President and Chief Executive Officer	Philip Bowden President	Nicholas Stiren President
Timothy R. Eller Chairman, Centex Homes and President and Chief Operating Officer, Centex Corporation	H.D. House Executive Vice President- Gypsum/Paperboard	J. David Loftis Vice President	John R. Bremner Vice President
Laurence E. Hirsch(1) Chairman and Chief Executive Officer, Centex Corporation	Steven R. Rowley Executive Vice President- Cement and Concrete/Aggregates	ILLINOIS CEMENT COMPANY	Gary J. Roma Vice President
Richard D. Jones, Jr.(1) President and Chief Executive Officer	James H. Graass Executive Vice President, General Counsel and Secretary	Wayne W. Emmer President	REPUBLIC PAPERBOARD COMPANY LLC
Michael R. Nicolais(2, 3) Partner, Olivhan Investments, L.P.	Arthur R. Zunker, Jr. Senior Vice President- Finance, Treasurer and Chief Financial Officer	Thomas F. Clarke Vice President	H.D. House President
David W. Quinn(1) Former Vice Chairman, Centex Corporation	David A. Greenblatt Senior Vice President- Mergers and Acquisitions	Frank P. Koepfel Vice President	John A. Fortunato Vice President
Harold K. Work(2, 3) Director, Elcor Corporation	Rodney E. Cumnickel Vice President	MATHEWS READYMIX, INC.	TEXAS LEHIGH CEMENT COMPANY LP
(Numbers in parentheses indicate Board Committees)	Hubert L. Smith, Jr. Vice President	Joe Chevreaux, Jr. President	Gerald J. Essl President
(1) Executive Committee	AMERICAN GYPSUM COMPANY	James D. Elliott Vice President	R. Lee Hunter Vice President
(2) Compensation and Stock Option Committee	H.D. House President	MOUNTAIN CEMENT COMPANY	Larry E. Roberson Vice President
(3) Audit Committee	Kerry G. Gannaway Vice President	Bruce E. Ballinger President	WESTERN AGGREGATES, INC.
	Geoff W. Gray Vice President	John Arellano Vice President	Joe Chevreaux, Jr. President
	Keith W. Metcalf Vice President		James D. Elliott Vice President
	Mary Schafer Vice President		

Centex Construction Products, Inc. and Subsidiaries

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Dallas, Texas 75219-9000

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC
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Overpeck Center
Ridgefield Park, NJ 07660
1-800-635-9270 (Toll-Free)

STOCK LISTINGS

New York Stock Exchange
Ticker Symbol "CXP"

ANNUAL MEETING

The Annual Meeting of Stockholders of Centex Construction Products, Inc. will be held on Tuesday, July 16, 2002 at 10:00 a.m. in the Red Oak Room at the Sheraton Suites Market Center, 2101 Stemmons Freeway, Dallas, Texas.

STOCKHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends or change of address should be sent to Mellon Investor Services LLC at the address listed above.

FORM 10-K

A copy of the Annual Report on Form 10-K of Centex Construction Products, Inc. is available upon request to the Senior Vice President-Finance at corporate headquarters.

Centex Construction Products, Inc. and Subsidiaries

[CENTEX LOGO]

THE FOLLOWING IS A LIST OF SUBSIDIARIES OF CENTEX CONSTRUCTION PRODUCTS, INC., WHOLLY-OWNED UNLESS OTHERWISE STATED. THIS LIST OF SUBSIDIARIES INCLUDES ALL OF THE SIGNIFICANT SUBSIDIARIES OF CENTEX CONSTRUCTION PRODUCTS, INC. AS OF MAY 31, 2002.

JURISDICTION OF
 ENTITY NAME
 ORGANIZATION - ---

 ----- AMERICAN
 GYPSUM COMPANY
 DELAWARE AMERICAN
 GYPSUM MARKETING
 COMPANY D/B/A
 AMERICAN GYPSUM
 MARKETING COMPANY,
 INC. DELAWARE BP
 SAND & GRAVEL,
 INC. DELAWARE
 CENTEX CEMENT
 CORPORATION NEVADA
 CENTEX MATERIALS
 GP LTD, LLC
 DELAWARE CENTEX
 MATERIALS LP LTD,
 LLC D/B/A CENTEX
 MATERIALS, LLC
 DELAWARE CENTEX
 MATERIALS, LP
 TEXAS CCP CEMENT
 COMPANY NEVADA CCP
 CONCRETE/AGGREGATES
 COMPANY NEVADA CCP
 GYPSUM COMPANY
 NEVADA CCP LAND
 COMPANY NEVADA CXP
 FUNDING, LLC
 DELAWARE HOLLIS &
 EASTERN RAILROAD
 COMPANY LLC
 DELAWARE ILLINOIS
 CEMENT COMPANY 50%
 ILLINOIS ILLINOIS
 CEMENT COMPANY,
 JOINT VENTURE 50%
 TEXAS M & W
 DRYWALL SUPPLY
 COMPANY NEVADA
 MATHEWS READYMIX,
 INC. CALIFORNIA
 MOUNTAIN CEMENT
 COMPANY NEVADA
 NEVADA CEMENT
 COMPANY NEVADA
 REPUBLIC FIBER
 COMPANY LLC
 DELAWARE REPUBLIC
 PAPERBOARD COMPANY
 LLC DELAWARE
 REPUBLIC RESOURCE
 CONTROL LLC
 DELAWARE TEXAS
 CEMENT COMPANY
 NEVADA TEXAS
 LEHIGH CEMENT
 COMPANY LP D/B/A
 TEXAS LEHIGH
 CEMENT 50% TEXAS
 TLCC GP LLC
 DELAWARE TLCC LP
 LLC DELAWARE
 WESTERN
 AGGREGATES, INC.
 D/B/A CENTEX
 WESTERN AGGREGATES
 NEVADA WESTERN
 CEMENT COMPANY OF
 CALIFORNIA
 CALIFORNIA
 WISCONSIN CEMENT

COMPANY 50%
WISCONSIN

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Centex Construction Products, Inc. of our report dated May 24, 2002, included in the 2002 Annual Report to Shareholders of Centex Construction Products, Inc. We also consent to the incorporation by reference in the registration statements (Form S-8 No's. 33-82820, 33-82928, 33-84394, and 333-54102) of Centex Construction Products, Inc. of our report dated May 24, 2002, with respect to the consolidated financial statements of Centex Construction Products, Inc. incorporated by reference in the Form 10-K for the year ended March 31, 2002.

Dallas, Texas
June 21, 2002

/s/ ERNST & YOUNG

Ernst & Young

