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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, 2004
Commission File No. 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01 per share)	New York Stock Exchange
Class B 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 [ü] 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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes. [ü]. No [ ].

The aggregate market value of the voting stock held by nonaffiliates of the Company at September 30, 2003 (the last business day of the registrants' most recently completed second fiscal quarter) was $291.3 million.

As of June 7, 2004, the number of outstanding shares of each of the issuer's classes of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	9,627,682
Class B Common Stock, $.01 Par Value	8,905,769

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy statement for the Annual Meeting of Stockholders of Eagle Materials Inc. to be held on July 27, 2004 are incorporated by reference in Part III of this Report.

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Receivables Purchase Agreement
Incentive Plan
Trademark and Name License Agreement
Amended/Restated Administrative Services Agreement
Form of Indemnification Agreement
Subsidiaries of the Company
Consent of Ernst & Young LLP
Information Re: Consent of Arthur Andersen LLP
Certification of Chief Executive Officer
Certification of Chief Financial Officer
Certification of Chief Executive Officer
Certification of Chief Financial Officer

PART I

ITEM 1. BUSINESS

General

Eagle Materials Inc. (“EXP” or the “Company”) (formerly known as Centex Construction Products, Inc.) is a producer of a variety of basic construction products used in residential, industrial, commercial and infrastructure applications. EXP is a holding company and the businesses of the consolidated group are conducted through EXP’s subsidiaries. Unless the context indicates to the contrary, the terms “EXP” and the “Company” as used herein, should be understood to include subsidiaries of EXP 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.

EXP’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 January 30, 2004, Centex Corporation (“Centex”) completed the distribution to its stockholders, on a tax-free basis, of all of the shares of common stock of EXP held by Centex (the “spin-off”). Immediately prior to the distribution, the Company reclassified 9,220,000 of the shares of common stock held by Centex into a new class of common stock, par value $.01 per share (“Class B Common Stock”) having the right to elect at least 85% of the directors of the Company. The shares of common stock distributed by Centex to its stockholders consisted of (i) 9,220,000 shares of Class B Common Stock and (ii) 2,742,304 shares of our Common Stock, par value $.01 per share (“Common Stock”). At the time of the distribution, Centex owned approximately 64% of EXP’s stock.

As a result of this distribution, the Company is no longer affiliated with Centex. In addition, on January 30, 2004, the Company changed its name to Eagle Materials Inc. and effective February 2, 2004, its existing class of Common Stock began trading on the New York Stock Exchange under the symbol “EXP” and its new Class B Common Stock began trading under the symbol “EXP.B”. As of June 7, 2004, 9,627,682 shares of Common Stock and 8,905,769 shares of Class B Common Stock were outstanding.

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. The Company conducts two of its four cement plant operations through joint ventures, Texas Lehigh Cement Company LP, which is located in Buda, Texas and Illinois Cement Company, which is located in LaSalle, Illinois. The Company owns a 50% interest in each joint venture and accounts for its interests using the equity method of accounting. However, for segment reporting purposes, the Company proportionately consolidates its 50% share of the cement joint ventures’ revenues and operating earnings, which, in accordance with FASB Statement 131, is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance. Identifiable assets, depreciation, depletion and amortization, and capital expenditures by segment are presented in Note F of the Notes to the Consolidated Financial Statements on pages 51 - 54.

	For the Fiscal Years Ended March 31,				
	2004	2003	2002	2001	2000
	(dollars in millions)				
Contribution to Revenues:					
Cement	$181.9	$173.2	$183.2	$178.8	$175.4
Gypsum Wallboard	272.9	212.8	183.5	187.3	244.3
Paperboard	112.4	92.9	84.3	31.5	—
Concrete and Aggregates	63.1	56.6	57.6	61.1	55.9
Other, net	2.2	2.6	(0.8)	3.3	(0.1)
Sub-total	632.5	538.1	507.8	462.0	475.5
Less: Intersegment Revenues	(53.6)	(37.1)	(37.1)	(21.3)	(6.3)
Less: Joint Ventures Revenues	(76.3)	(71.8)	(75.5)	(73.5)	(76.7)
Total Net Revenues	$502.6	$429.2	$395.2	$367.2	$392.5

	For the Fiscal Years Ended March 31,				
	2004	2003	2002	2001	2000
	(dollars in millions)				
Contribution to Operating Earnings:					
Cement	$ 50.5	$ 54.7	$60.7	$60.2	$ 54.3
Gypsum Wallboard	35.6	27.2	4.6	27.1	107.6
Paperboard	20.9	17.6	10.0	1.4	—
Concrete and Aggregates	6.0	(0.3)	4.4	7.5	9.3
Other, net	2.2	2.6	(0.8)	3.3	(0.1)
Sub-total	115.2	101.8	78.9	99.5	171.1
Corporate Overhead	(9.3)	(5.6)	(5.5)	(4.7)	(4.7)
Earnings Before Interest and Income Taxes	$105.9	$ 96.2	$73.4	$94.8	$166.4

Net revenues (net of joint ventures and intersegment revenues, see Note F of the Notes to the Consolidated Financial Statements) 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:

	Percentage of Total Net Revenues		
	2004	2003	2002
Segment:			
Cement	20.4%	22.8%	26.0%
Gypsum Wallboard	54.3%	49.6%	46.4%
Paperboard	12.6%	14.0%	13.4%
Concrete and Aggregates:			
Readymix Concrete	8.0%	8.5%	9.5%
Aggregates	4.3%	4.5%	4.9%
Sub-total	12.3%	13.0%	14.4%
Other, net	0.4%	0.6%	(0.2%)
Total Net Revenues	100.0%	100.0%	100.0%

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 joint venture owned 50% by the Company and 50% by Lehigh 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 "Joint Ventures"). 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 kiln. 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	1	1978	60[5]
		Preheater			
		Flash Calciner		1983	
LaSalle, IL[2]	640	Dry – 4 Stage	1	1974	28[5]
		Preheater			
Laramie, WY	670	Dry – 2 Stage	1	1988	28[6]
		Preheater			
		Dry – Long	1	1996	
		Dry Kiln			
Fernley, NV	515	Dry – Long	1	1964	15[6]
		Dry Kiln			
		Dry – 1 Stage	1	1969	
		Preheater			
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 in the Buda, Texas and LaSalle, Illinois plants.

(5) Owned reserves.

(6) Includes both owned and leased reserves.

The Company's net cement production, including its 50% share of the cement Joint Ventures production, totaled 2.39 million tons in Fiscal 2004 and 2.27 million tons in Fiscal 2003. Total net cement sales, including the Company's 50% share of cement sales from the Joint Ventures, were 2.52 million tons in Fiscal 2004 and 2.36 million tons in Fiscal 2003 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 contributor to 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 2004, 8.7% of the cement sold by the Company was acquired from outside sources, compared to 6.7% in Fiscal 2003.

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 25 years or, in the case of the Company's Nevada plant, at least 15 years. The Company controls additional limestone reserves for its Nevada market that will be available when needed on an economically feasible basis but may require a new plant to be built in close proximity to these 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.

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 construction, (ii) non-residential buildings, (iii) residential buildings, and (iv) other, which comprised 49%, 17%, 28% and 6%, respectively, of U.S. cement consumption over the last 5 years, from the most recent data 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 ("TEA-21"). This legislation authorized a total of $218 billion in federal expenditures on highways, bridges and mass transit projects over the six year period beginning in 1998. Various proposals are currently pending in Congress to reauthorize the current six-year Federal Highway Program, TEA-21. The new proposal, called "SAFETEA," passed by the House and Senate, totals $275.0 billion and $318.0 billion, respectively. Both amounts are higher than the Administration's $256.0 billion proposal. 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.

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.

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

Cement is distributed directly to customers by common carriers and customer pickups from plants or distribution terminals. 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 10% or more of the Company's cement sales during Fiscal 2004.

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. 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. Therefore, the U.S. cement industry is fragmented into regional geographic areas rather than a single national selling area. 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.

According to the PCA, the United States cement industry is comprised of approximately 38 companies which own 104 gray cement plants with approximately 98 million short tons of clinker manufacturing capacity (approximately 103 million short tons of cement manufacturing capacity, assuming a 105% conversion ratio). The top five companies account for nearly 50% of industry capacity with the top ten companies accounting for a 69% concentration ratio. The PCA estimates that total U.S. cement consumption was approximately 124 million short tons in calendar 2003, with approximately 21% of such demand being satisfied by imported cement and clinker. As a result of strong residential construction activity, calendar 2003 consumption was up 4% from calendar 2002. 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 2003. The PCA reported that, as of December 2001, approximately 22 plant modernization and expansion projects, including six new cement plants, were announced or are underway. However, numerous projects have been placed on hold because of lengthy environmental permitting processes. It is estimated that over the next 4

years (thru 2008), a maximum of 4 new plants might be built and 10 modernization projects might be completed, adding approximately 12 million short tons of new domestic capacity and increasing existing capacity by 12%. The PCA has predicted total cement consumption will grow to 134 million short tons by 2008, compared with an estimated 124 million short tons of cement consumption in calendar 2003. The Company, however, cannot offer any assurances regarding any near-term or long-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 2008 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 the Mississippi river system and most coastal and border areas of the U.S. grew significantly, which included the markets served by the Company's Fernley, Nevada, La Salle, Illinois and Buda, Texas plants. According to the PCA, the 1980's were a period of relatively high cement imports. This high level of low-priced imports depressed cement prices. 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 of antidumping orders during 1999-2000 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 21% of cement used in the U.S. during calendar 2003 as compared with approximately 23% in 2002 and 24% in 2001. 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. The introduction of low-priced imported cement from new sources could adversely affect the Company's result of operations.

Capital Expenditures. Capital expenditures, not including capital expenditures associated with the 50% owned cement Joint Ventures, during Fiscal 2004 amounted to $1.8 million for the Company's wholly owned cement operations compared with $2.5 million and $1.7 million in Fiscal 2003 and 2002, respectively. Capital outlays in Fiscal 2005 are estimated to be approximately $8.9 million. The increase is due primarily to a limestone crusher relocation and the construction of a cement storage silo totaling approximately $5.8 million. Approximately 13% of the estimated Fiscal 2005 total is related to compliance with environmental regulations.

Environmental Matters. The operations of the Company are subject to numerous federal, state and local laws and regulations pertaining to health, safety and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws) impose environmental permitting requirements and govern the nature and amount of emissions that may be generated when

conducting particular operations. Some laws, such as the federal Comprehensive Environmental Response, Compensation, and Liability Act (and analogous state laws) impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim certain land upon completion of extraction and mining operations in our quarries. We believe that the Company has obtained all the material environmental permits that are necessary to conduct its operations. We further believe that the Company is conducting its operations in material compliance with these permits. In addition, none of the Company's sites is listed as a CERCLA "Superfund" site.

Four environmental issues involving the cement manufacturing industry deserve special mention. The first issue involves cement kiln dust or CKD. The federal Environmental Protection Agency or EPA has been evaluating the regulatory status of CKD under the federal Resource Conservation and Recovery Act ("RCRA") for a number of years. In 1999, the EPA proposed a rule that would allow states to regulate properly-managed CKD as a non-hazardous waste under state laws and regulations governing solid waste. In contrast, CKD that was not properly managed would be treated as a hazardous waste under RCRA. In 2002, the EPA confirmed its intention to exempt properly-managed CKD from the hazardous waste requirements of RCRA. The agency announced that it would collect additional data over the next three to five years to determine if the states' regulation of CKD is effective, which may lead the EPA to withdraw its 1999 proposal to treat any CKD as a hazardous waste. Final action implementing the 2002 announcement is expected to occur in Fiscal 2005.

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

A second industry environmental issue 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 (which does not contain chromium) and uses it as raw feed in the kiln.

A third industry environmental issue involves the potential regulation of greenhouse gasses from cement plants. Carbon dioxide is a greenhouse gas many scientists and others believe contributes to the warming of the Earth's atmosphere. Although no restrictions have yet been imposed under federal laws, it is possible that cement plants may be targeted because of the large amounts of carbon dioxide generated during the manufacturing process. Any imposition of raw materials or production limitations or fuel-use or carbon taxes could have a significant impact on the cement manufacturing industry.

Fourth, the U.S. EPA has promulgated regulations for certain toxic air pollutants including standards for portland cement manufacturing. The maximum attainable 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 standards have placed the Company at a competitive disadvantage.

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 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.

Gypsum Wallboard Operations

Company Operations. The Company owns and operates four gypsum wallboard manufacturing facilities, one located in Albuquerque and another in 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 have aesthetic as well as sound-dampening and fire-retarding characteristics.

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 EXP. The Duke, Oklahoma plant was acquired in November 2000. 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:

Location	Rated Annual Gypsum Wallboard Capacity (MMSF)(1)	Estimated Minimum Gypsum Rock Reserves (years)
Albuquerque, New Mexico	370	80(2)(3)
Bernalillo, New Mexico	510	80(2)(3)
Gypsum, Colorado	660	30(4)
Duke, Oklahoma	1,220	15(4)(5)
Total	2,760	

(1) Million Square Feet ("MMSF")

(2) The same reserves serve both New Mexico plants

(3) Leased reserves.

(4) Includes both owned and leased reserves.

(5) Additional reserves available.

The Company's gypsum wallboard production totaled 2,496 MMSF in Fiscal 2004 and 1,956 MMSF in Fiscal 2003. Total gypsum wallboard sales were 2,437 MMSF in Fiscal 2004 and 1,933 MMSF in Fiscal 2003. Total wallboard production as a percentage of rated capacity was 90% in Fiscal 2004 and 72% in Fiscal 2003 due to the Company operating at industry average capacity utilization in Fiscal 2004 combined with increased wallboard demand.

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 49 million tons, 19 million tons and 15 million tons, respectively, of gypsum reserves. There are two leases covering the New Mexico reserves. One is with the Pueblo of Zia and the other is with the State of New Mexico. The term of the Zia lease continues for so long as gypsum is produced in paying quantities, as defined therein. The term of the State lease continues for so long as the royalties paid under the lease exceed a certain amount. We do not anticipate any problems in continuing to extend the term of these leases

for the foreseeable future. Other gypsum deposits are located in the immediate area of the Duke, Oklahoma plant and may be obtained at reasonable costs when needed. Based on its current production capacity, the Company estimates that the life of its existing gypsum rock reserves is a minimum of 80 years in New Mexico, 30 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. The Company now manufactures almost 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 significant 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 October 2004 for Colorado, March 2005 for New Mexico, and October 2004 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. Gas costs increased significantly in Fiscal 2004 and are likely to increase further during Fiscal 2005. If they remain at the current high level, or continue to increase, they are expected to negatively impact Fiscal 2005 gypsum wallboard manufacturing cost and operating earnings.

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 47%, 35%, 12% and 6%, respectively, of calendar 2003 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 $130 billion in calendar 2003, up 4% from calendar 2002. 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. Two customers with multiple shipping locations accounted for approximately 13% and 10%, respectively, of the Company's total gypsum wallboard sales during Fiscal 2004. The loss of either of these customers could have a material adverse effect on the Company and its subsidiaries taken as a whole.

During Fiscal 2004, the principal states in which the Company had gypsum wallboard sales were Texas, Colorado, Arizona, California 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 different regional areas where demand is strong. The Company owns or leases 241 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 five reload yards in Arizona, California and Illinois. 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 2004, approximately 28% 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 81 plants. The Company estimates that the three largest producers - USG Corporation, National Gypsum Company and Georgia-Pacific Corporation - account for approximately 65% 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 gypsum wallboard 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, which is highly sensitive to changes in supply and demand, and to a lesser extent, on product quality and customer service.

Currently total United States gypsum wallboard production capacity is estimated at 36.0 billion square feet per year, a 33% rise from 1998. The Gypsum Association, an industry trade group, estimates that total calendar 2003 gypsum wallboard shipments by U.S. manufacturers were approximately 31.3 billion square feet (31.7 billion square feet including imports), the highest level on record, resulting in average industry capacity utilization of approximately 88%.

Capital Expenditures. Capital expenditures during Fiscal 2004 for the gypsum wallboard segment amounted to $8.2 million; $3.0 million in Fiscal 2003; and $1.2 million in Fiscal 2002. Capital outlays in Fiscal 2005 are estimated to be approximately $6.8 million with less than 1% of the estimated expenditures related to compliance with 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 closed Commerce City, Colorado paperboard mill and the sold four recovered fiber centers were acquired in November 2000. The Commerce City mill was closed 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 and linerboard) 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 Lawton 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 traveling 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 packaging 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 specialty paper 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 60% 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 2005 is for wastepaper prices to increase moderately during the first half of the year and stabilize for the remainder of the fiscal year. Current customer contracts include price escalators to compensate for changes in raw material prices.

Chemicals, including size, retention aids, bactericides and strength aids, 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. Strength aids are used to increase the tensile of the paper and strengthen the customers converted wallboard.

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 (commencing in calendar 1999) 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. This is unlikely as the City has rights to reserve capacity in addition to its normal reservoir.

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 2004, natural gas pricing significantly increased and is expected to increase

further during Fiscal 2005. If natural gas prices remain at the current high level, or continue to increase, they are expected to negatively impact Fiscal 2005 production cost and operating earnings. The Lawton mill is under a very favorable electrical agreement with Public Service of Oklahoma that renews annually, unless terminated by notice by either party.

Sales and Distribution. The recycled paperboard products manufactured by the Company are sold primarily to gypsum wallboard manufacturers. During Fiscal 2004, approximately 41% of the recycled paperboard manufactured and shipped by the Lawton mill was consumed by the Company's gypsum wallboard manufacturing operations, approximately 5% was shipped to other gypsum wallboard manufacturers and 40% was sold to BPB Gypsum (f/k/a James Hardie Gypsum) ("BPB Gypsum") pursuant to a paper supply contract (the "BPB Gypsum Agreement"). The BPB Gypsum Agreement is a long-term paper supply contract with sales to BPB Gypsum made at a defined base price determined at the time of execution of the BPB Gypsum Agreement. This defined 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. Under this agreement, the Lawton mill is obligated to sell and BPB Gypsum is obligated to purchase at least 95% (plus or minus 5%) of the gypsum-grade recycled paperboard requirements of BPB Gypsum's three gypsum wallboard plants purchased from James Hardie Gypsum. In addition, the loss of this gypsum wallboard manufacturer as a customer or a termination or reduction of its production of gypsum wallboard, unless replaced by a commercially similar arrangement, could have a material adverse effect on the Company.

Competition. In selling the portion of its production not consumed by its own gypsum wallboard manufacturing operations, the Company competes with approximately nine 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 on open market tonnage.

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 was acquired in November 2000 and is located in southwestern Oklahoma. The Lawton mill is designed to manufacture gypsum-grade recycled paperboard utilizing various technologies that were successfully introduced during the 1990's in recycled paperboard mills in the United States. These technologies include (i) the use of an advanced paper forming section in which the gap forming process utilizes a hydraulic headbox and a twin wire de-watering system to form a paper sheet operating in excess of 2,300 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 shoe 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 the Lawton mill to produce recycled paperboard that is approximately 20% to 30% lighter than that currently generally available in the United States, but with equal strength characteristics. 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 capacity, 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 currently has the capacity to produce approximately 275,000 tons of recycled paperboard annually. Production from the Lawton mill will be used both internally at all four of EXP'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.

Environmental Matters. Prior to November 2000, the Company's now closed 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. The Company 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. The CAP was approved by the Oil Inspection Section in calendar 2002. It is estimated that this CAP will cost approximately $2.5 million and take approximately eight years to complete. Under the participation agreement, the Company will pay 25% (or approximately $625,000 which is fully accrued) of such estimated costs. There can be no assurance however, that the actual costs of remediation will not exceed these estimates.

Capital Expenditures. Capital expenditures during Fiscal 2004 for the paperboard operations were $1.3 million, $4.7 million in Fiscal 2003 and $2.7 million in Fiscal 2002. Capital expenditures for Fiscal 2005 have been estimated at approximately $9.9 million. This increase is due to two large equipment upgrade projects and a plant automation project. None of the estimated Fiscal 2005 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 cement concrete and asphaltic mixes and in highway construction and maintenance.

Demand for readymix concrete and aggregates largely depends on local levels of construction activity. The construction sector is subject to weather conditions, the availability of financing at reasonable rates and overall fluctuations in local 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 50 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.

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:

Location	Number of Plants	Number of Trucks
Northern California	4	44
Austin, Texas	5	75
Total	9	119

The Austin, Texas market, which is the Company's largest concrete market, has not fully recovered from the negative impact of the market conditions affecting technology companies beginning in 2000. The Company's net readymix concrete production was 762,000 cubic yards in Fiscal 2004 and 681,000 cubic yards in Fiscal 2003.

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:

Location	Types of Aggregates	Estimated Annual Production Capacity (Thousand tons)	Estimated Minimum Reserves (Years)
Northern California	Sand and Gravel	3,000	100(1)
Austin, Texas	Limestone	2,000	15(2)
Total		5,000	

(1) Owned reserves through various subsidiaries.

(2) Leased reserves.

The Company's total net aggregate sales were 4.2 million tons in Fiscal 2004 and 4.2 million tons in Fiscal 2003. Total aggregates production was 4.7 million tons for Fiscal 2004 and 4.5 million for Fiscal 2003. A portion of the Company's total aggregates production is used internally by the Company's readymix concrete operations.

In September 2002, the Company closed its Georgetown, Texas quarry and processing plant. The Company initially planned to utilize all or a substantial portion of the assets used in the Georgetown operations at its other facilities, although it was later determined that only a portion of such assets were needed and the remainder should be sold. Assets written-off during the second quarter of Fiscal 2003 as part of the closure totaled $2.6 million.

Raw Materials. The Company supplies approximately 100% and 20% of its cement requirements for its Austin and northern California concrete operations, respectively. The Company supplies approximately 36% and 47%, 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 mines and extracts limestone and sand and gravel, the principal raw materials used in the production of aggregates, from quarries owned or leased by the Company and located near its plants. The northern California quarry is estimated to contain approximately one billion tons of sand and gravel reserves. The Austin, Texas quarry is covered by a lease which expires in 2060. Based on its current production capacity, the Company estimates its Austin, Texas quarry contains approximately 15 years of limestone reserves. Other limestone deposits are located in the immediate area of the Austin, Texas plant and may be obtained at reasonable costs when needed.

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 10% or more of the Company's concrete or aggregates sales during Fiscal 2004. 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 2004 amounted to $1.0 million for the concrete and aggregates segment compared with $1.1 million and $10.6 million in Fiscal 2003 and 2002, respectively. The majority of Fiscal 2002 capital expenditures were for the completion of the Company's Georgetown washed aggregate plant in the Austin, Texas area. Capital outlays in Fiscal 2005 are estimated to be approximately $1.6 million. Only $0.2 million of estimated Fiscal 2005 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, including the Joint Ventures, had approximately 1,529 employees at March 31, 2004. Approximately 24% of the employees are represented by collective bargaining units. The number of corporate employees of the Company is 18.

Available Information

Anyone seeking information about our business operations and financial performance can receive copies of the 2004 Annual Report to Stockholders, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports and other documents filed with the Securities and Exchange Commission in Washington, D.C., without charge, by contacting our Investor Relations office at (214) 432-2000; by writing to Eagle Materials Inc., Investor Relations, 3811 Turtle Creek Boulevard, Dallas, Texas 75219 or via email at eaglematerials.com. In addition, all filings with the Securities and Exchange Commission, news releases and quarterly earnings announcements, including live audio and replays of recent quarterly earnings webcasts, can be accessed free of charge on our web site (www.eaglematerials.com). We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available on our web site as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission. To retrieve any of this information, go to www.eaglematerials.com, select "Investor Relations" and select "SEC Filings." The reference to our web site is merely intended to suggest where additional information may be obtained by

investors, and the materials and other information presented on our web site are not incorporated in and should not otherwise be considered part of this Report.

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 EXP 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 1-15 of this Report for additional information relating to the Company's properties.

ITEM 3. LEGAL PROCEEDINGS

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 all of the pending litigation proceedings in which the Company or any subsidiary is currently involved with, will be resolved without having 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

On January 8, 2004, we held a Special Meeting of Stockholders. At the Special Meeting, the following matters were resolved by vote:

1) Stockholders approved the Reclassification Proposal as set forth under Proposal One of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
17,216,506	379,483	697	—

2) Stockholders approved the Staggered Board Proposal as set forth in Proposal Two of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
12,439,712	5,155,578	1,397	—

3) Stockholders approved the Written Consent Proposal as set forth in Proposal Three of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
12,501,600	5,093,937	1,149	—

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4) Stockholders approved the Special Meeting Proposal as set forth in Proposal Four of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
12,467,466	5,127,903	1,317	—

5) Stockholders approved the Supermajority Voting Proposal as set forth in Proposal Five of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
12,410,208	5,185,002	1,477	—

6) Stockholders approved the Authorized Capital Increase Proposal as set forth in Proposal Six of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
13,880,643	3,714,816	1,227	—

7) Stockholders approved the Name Change Proposal as set forth in Proposal Seven of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
17,518,050	77,859	777	—

8) Stockholders approved the Stockholders' Rights Plan Proposal as set forth in Proposal Eight of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
12,424,309	5,171,660	71	—

9) Stockholders approved the Incentive Plan Proposal as set forth in Proposal Nine of the Centex Construction Products, Inc. Proxy Statement dated December 1, 2003. Voting results are summarized as follows:

Number of Shares			
For	Against	Abstained	Broker Non-Votes
17,048,923	537,826	9,937	—

EXECUTIVE OFFICERS OF EXP (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 as of June 7, 2004. Except for Mr. Dutton, 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. Except for Mr. Rowley, who was appointed President and Chief Executive Officer in September 2003, and Mr. Dutton, who became Executive Vice President – Paperboard in May 2004, all executive officers were elected by the Board of Directors of the Company at its Annual Meeting on July 21, 2003. All such officers shall 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 EXP
Steven R. Rowley	51	President and Chief Executive Officer (President and Chief Executive Officer since September 2003; Executive Vice President and Chief Operating Officer from October 2002 until September 2003; Executive Vice President – Cement/Concrete and Aggregates from January 2001 through September 2002; 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.)
Arthur R. Zunker, Jr.	61	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	62	Executive Vice President – Gypsum (Executive Vice President – Gypsum since January 2004. Executive Vice-President – Gypsum and Paperboard from November 2000 through December 2003; Executive Vice President – Gypsum from January 1998 through 2000; President of American Gypsum Company since June 1997.)
Gerald J. Essl	55	Executive Vice President – Cement/Concrete and Aggregates (Executive Vice President – Cement/Concrete and Aggregates since January 2003; President of Texas Lehigh Cement Company from 1985 through December 2002.)
Jeffrey Dutton	41	Executive Vice-President – Paperboard (Executive Vice-President – Paperboard since May 2004; President of Republic Paperboard Company LLC since January 2004.)

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PART II

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

Stock Prices and Dividends

	Fiscal Year Ended March 31, 2004			Fiscal Year Ended March 31, 2003		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
First	$42.00	$35.60	$0.05	$45.25	$35.54	$0.05
Second	$48.37	$37.48	$0.05	$40.35	$32.57	$0.05
Third	$61.20	$46.30	$0.05	$37.70	$31.25	$0.05
Fourth – Common	$61.10	$53.36	$6.30(1)(2)	$37.70	$32.45	$0.05
– Class B	$59.05	$52.40	$0.30(2)	—	—	—

(1)Includes special one-time $6.00 per share dividend paid in connection with the spin-off from Centex Corporation.

(2)Quarterly dividend increased 500%.

The Common Stock and Class B Common Stock of Eagle Materials Inc. are traded on the New York Stock Exchange (ticker symbols EXP and EXP.B). The approximate number of record holders of the Common Stock and the Class B Common Stock as of June 7, 2004 was 1,168 and 2,785, respectively. We currently expect that cash dividends comparable to the $.30 per share dividend will continue to be paid throughout Fiscal 2005.

The remaining information called for by this term relating to securities authorized for issuance under equity compensation plans is reported under Note H "Stock Option Plans" on pages 56 to 57 of the Notes to the Consolidated Financial Statements.

ITEM 5C. PURCHASES OF EQUITY SECURITIES

The Company's Board of Directors has approved a cumulative total of 6,101,430 shares of the Company's Common Stock for repurchase since the Company became publicly held in April 1994. There are approximately 461,400 shares remaining under the Company's current repurchase authorization. The Company repurchased 58,500 shares of EXP.B Common Stock at a cost of $3.1 million during Fiscal 2004 and 223,284 shares of EXP Common Stock in Fiscal 2003 at a cost of $8.1 million.

The total number of shares purchased in the table below represents shares of common stock repurchased pursuant to the Board of Directors authorization dated November 29, 1998. Purchases are made from time-to-time in the open market. The share repurchase authorization has no stated expiration date, and the Board of Directors has authorized all shares repurchased.

Purchases of the Company's Class B Common Stock during the quarter ended March 31, 2004 are set below. There were no purchases of the Company's Common Stock during the quarter.

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2004 to January 31, 2004	—	—	5,581,514	519,916
February 1, 2004 to February 29, 2004	—	—	5,581,514	519,916
March 1, 2004 to March 31, 2004	58,500	$53.63	5,640,014	461,416
Total	58,500	$53.63		

ITEM 6. SELECTED FINANCIAL DATA

Summary of Selected Financial Data (unaudited)[1]
(amounts in thousands, except per share data)

	For the Years Ended March 31,				
	2004	2003	2002	2001	2000
Revenues	$502,622	$429,178	$395,188	$367,206	$392,471
Earnings Before Income Taxes	$102,123	$ 86,613	$ 59,699	$ 92,263	$170,177
Net Earnings	$ 66,901	$ 57,606	$ 39,706	$ 59,429	$108,232
Diluted Earnings Per Share	$ 3.57	$ 3.11	$ 2.15	$ 3.22	$ 5.63
Cash Dividends Per Share	$ 6.45(2)	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Total Assets	$692,975	$706,355	$737,323	$788,885	$432,305
Total Debt	$ 82,880	$ 80,927	$182,380	$278,828	$ 400
Stockholders' Equity	$439,022(2)	$479,611	$427,832	$392,320	$340,472
Average Diluted Shares Outstanding	18,736	18,524	18,461	18,473	19,211
Book Value Per Share At Year End	$ 23.39(2)	$ 26.09	$ 23.30	$ 21.40	$ 18.33

(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) Reflects a special one-time $6.00 per share ($112.9 million total) dividend paid in connection with the Spin-off from Centex Corporation.

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

Overview

Eagle Materials Inc. is a diversified producer of basic construction products used in residential, industrial, commercial and infrastructure construction. Information presented for Fiscal 2004 and 2003 reflects the Company's four businesses segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

Continued strong residential construction and mild winter weather in the Company's markets helped to increase Fiscal 2004 sales volume, revenues and net earnings. Demand in all of the Company's markets was strong as the Company reported increased sales volume in each of its segments for the fiscal year ended March 31, 2004. The majority of the earnings improvement were in the Gypsum Wallboard, Paperboard and Concrete and Aggregates operations. Fiscal 2004 revenues increased 17% to $502.6 million, net earnings were up 16% to $66.9 million and diluted earnings per share were up 15% to $3.57.

Fiscal 2004 was the 18th consecutive sold-out year for the Company's cement operations. Although Cement sales volume increased 7%, operating earnings declined 8% from last year due to lower net sales prices and increased production costs. Gypsum Wallboard sales volume was up 25% due to record industry demand and operating earnings increased 31% due to increased sales volume. Paperboard reported record sales volume and operating earnings due to increased shipments to the Company's wallboard operations and higher net sales prices. Concrete and Aggregates earnings improved from a $268,000 loss last fiscal year to $6.0 million operating profit this fiscal year due primarily to the losses incurred with the closing of the Georgetown facility last year. Corporate expenses increased $3.6 million due primarily to the cost associated with the spin-off from Centex Corporation.

Manufacturing costs in Fiscal 2004 were negatively impacted by increased natural gas, coal, power and maintenance costs. Demand for energy related products continued at a high level and prices for these products are expected to increase further in Fiscal 2005. Maintenance costs are expected to "level out" in Fiscal 2005 as the Company experienced some one-time large maintenance projects in Fiscal 2004.

EXP operates in cyclical businesses. Downturns in overall economic activity usually have a significant adverse effect on cyclical businesses due to decreased demand and reduced pricing. Recently, wallboard demand has been favorably impacted by strong residential construction due to low interest rates. Rising interest rates could bring an erosion in new residential construction activity. However, commercial and industrial activity, which are showing signs of improvement, may help to offset reduced demand in the residential construction sector if interest rates increase. Cement demand continues to be positively impacted by a strong national highway funding program. The funds to be allocated in the current re-authorization proposals in Congress exceed the prior highway funding program.

U.S. Cement consumption continues to be strong. Total U.S. cement shipments of 124 million short tons for calendar 2003 were 4% above calendar 2002. Cement imports for calendar 2003 were 25 million short tons, 4% below last year's imports. The U.S. Cement Industry has been sold out for the last 10 years as a result of a domestic capacity deficit. Current U.S. demand requires over 20% of imports to supplement domestic capacity. The U.S. Cement Industry is anticipating a tight supply of imported cement this year due to higher freight rates and increasing consumption in world markets. Although Cement pricing has declined slightly over the past three years, prospects for future price increases are favorable.

Strong demand from new housing and residential remodeling resulted in record wallboard consumption for calendar 2003. According to the Gypsum Association, national wallboard consumption of 31.7 billion square feet for calendar 2003, the highest level on record, was up 6% from last year's consumption. Industry utilization rates have been trending upward toward the 90% level, resulting in the firming of wallboard pricing. The Company implemented a price increase in January 2004 and another in March 2004. Prospects for future price increases are favorable.

The Company's paperboard mill continued operational and marketing improvements and is now producing at 25% above its original design capacity. Profitability in aggregates improved in Fiscal 2004 as a result of the issues related to the closing of the Georgetown Quarry last year.

The Company conducts two of its cement operations through joint ventures, Texas Lehigh Cement Company LP, which is located in Buda, Texas, and Illinois Cement Company, which is located in LaSalle, Illinois (the "Joint Ventures"). The Company owns a 50% interest in each joint venture and accounts for its interest under the equity method of accounting. However, for purposes of the Cement segment information presented, the Company proportionately consolidates its 50% share of the cement Joint Ventures' revenues and

operating earnings, which, consistent with FASB Statement 131, is the way management organizes the segments within the Company for making operating decisions and assessing performance. See Note F of the Notes to the Consolidated Financial Statements for additional segment information.

The Balance Sheet is well positioned at March 31, 2004 with total debt of $82.9 million, slightly higher than last year. On January 28, 2004, the Company paid a $6 per share ($112.9 million) special dividend. On January 30, 2004, the Company and Centex completed a series of transactions that resulted in the Spin-off by Centex of its entire equity interest in the Company. As a result of the Spin-off, the Company is no longer affiliated with Centex.

Results of Operations

Fiscal Year 2004 Compared to Fiscal Year 2003

Consolidated Results. Consolidated net revenues for Fiscal 2004 totaled $502.6 million, up 17% from $429.2 million for Fiscal 2003. Higher sales volume in all segments, especially Gypsum Wallboard, accounted for the majority of the revenues gain. Fiscal 2004 operating earnings of $115.2 million were up 13% from $101.9 million last fiscal year mainly due to increased Gypsum Wallboard, Paperboard and Aggregates operating earnings.

The following tables lists by line of business the revenues and operating earnings discussed in our operating segments:

	Revenues		Operating Earnings[1]	
	For the Years Ended March 31,		For the Years Ended March 31,	
	2004	2003	2004	2003
	(dollars in thousands)		(dollars in thousands)	
Cement	$181,846	$173,198	$ 50,450	$ 54,712
Gypsum Wallboard	272,924	212,790	35,604	27,196
Paperboard	112,366	92,898	20,942	17,614
Concrete & Aggregates	63,117	56,598	5,971	(268)
Other, net	2,242	2,632	2,242	2,632
Sub-total	632,495	538,116	$115,209	$101,886
Less: Intersegment Revenues	(53,567)	(37,112)		
Less Joint Venture Revenues	(76,306)	(71,826)		
Total	$502,622	$429,178		

[1]Prior to Corporate General and Administrative expenses.

Corporate General and Administrative expenses of $9.3 million increased $3.6 million from Fiscal 2003 due primarily to expenses related to the spin-off. Net interest expense of $3.8 million in Fiscal 2004 decreased $5.8 million from $9.6 million in Fiscal 2003 due to lower interest rates and reduced debt levels. As a result of the foregoing, pre-tax earnings of $102.1 million were 18% above Fiscal 2003 pre-tax earnings of $86.6 million. The Fiscal 2004 effective tax rate of 34.5%, up from 33.5% in Fiscal 2003, resulted in Fiscal 2004 net earnings of $66.9 million, a 16% increase from net earnings of $57.6 million in Fiscal 2003. Diluted earnings per share in Fiscal 2004 of $3.57 were 15% higher than the $3.11 for Fiscal 2003.

The following table compares sales volumes, average unit sales prices and unit operating margins for the Company's operations by segment (see Note F of the Notes to the Consolidated Financial Statements):

	Sales Volume (thousands)		Average Net Sales Price (2)		Operating Margin (3)	
	2004	2003	2004	2003	2004	2003
Cement (Ton) (1)	2,518	2,361	$ 66.02	$ 66.84	$20.04	$23.17
Gypsum Wallboard (MSF)	2,437	1,933	$ 86.97	$ 87.12	$14.61	$14.07
Paperboard (Ton)	264	225	$416.71	$408.44	$79.27	$78.28
Concrete (Cubic Yard)	762	681	$ 52.79	$ 53.68	$ 3.92	$ 2.74
Aggregates (Ton)	4,228	4,159	$ 5.24	$ 4.51	$ 0.71	$ (0.51)

(1) Total of wholly owned and proportionately consolidated 50% interest of Joint Ventures results.

(2) As historically reported. Does not include freight and delivery costs billed to customers.

(3) Operating margins represent operating earnings as reported in Note F of the Notes to the Consolidated Financial Statements divided by total sales volume.

Cement. Cement revenues, which includes the combined results of EXP's wholly owned cement operations and its 50% share of the two unconsolidated cement Joint Ventures, totaled $181.9 million for Fiscal 2004, up 5% from $173.2 from fiscal 2003. Operating earnings for the current fiscal year, which include the equity in earnings of unconsolidated Joint Ventures of $23.9 million, were $50.5 million, an 8% decrease from $54.7 million for Fiscal 2003. Lower net sales prices and increased manufacturing costs, partially offset by higher sales volume, accounted for the earnings decline. Sales volume of 2,518,000 tons for Fiscal 2004 was 7% above Fiscal 2003 sales volume of 2,361,000 tons due to increased sales volume in each of the Company's markets due to a 4% increase in industry demand. Purchased cement sales volume of 219,400 tons was 38% greater than the prior fiscal year's sales volume. Demand continues to be strong in all of the Company's cement markets as Fiscal 2004 was another "sold out" year. The average cement net sales price of $66.02 per ton for Fiscal 2004 was 1% lower than $66.84 per ton for last fiscal year due to competitive price pressures in the Illinois and mountain states markets. Cost of sales of $45.98 per ton for Fiscal 2004 increased 5% over Fiscal 2003 due to higher maintenance, employee benefits and energy costs.

Gypsum Wallboard. Gypsum Wallboard revenues of $272.9 million for the current fiscal year were 28% greater than last fiscal year's revenues of $212.8 million due to increased sales volume. Operating earnings for Fiscal 2004 were $35.6 million, 31% greater than operating earnings of $27.2 million for Fiscal 2003. The earnings gain resulted from higher sales volume and lower cost of sales, partially offset by a slight decrease in sales prices. Sales volume of 2,437 million square feet ("MMSF") for this fiscal year was 26% greater than 1,933 MMSF sold during Fiscal 2003. The sales volume increase resulted from record industry demand and the Company operating at a higher average utilization rate in Fiscal 2004 compared to Fiscal 2003. The Company's Fiscal 2004 average net sales price of $86.97 per thousand square feet ("MSF") decreased slightly from $87.12 per MSF for Fiscal 2003. Pricing increased from its low point of $79.00 per MSF at the end of Fiscal 2003 to approximately $97.00 per MSF at the end of Fiscal 2004. A 10% price increase was implemented mid-March 2004. Cost of sales of $72.36 per MSF was 1% below last year's cost of sales of $73.05 per MSF due to the positive impact on fixed costs from the 36% increase in production volume, partially offset by higher natural gas and paper costs.

Paperboard. For Fiscal 2004, Paperboard reported revenues (including sales to EXP's Wallboard operations) of $112.4 million compared to $92.9 million for Fiscal 2003 and operating earnings of $20.9 million, up 19% from Fiscal 2003 operating earnings of $17.6 million. The revenue gain resulted mostly from increased sales volume to EXP's Wallboard operations and higher average sales prices. The average net sales price of $416.71 per ton for Fiscal 2004 was up 2% from $408.44 per ton from Fiscal 2003 due to increased sales prices for non gypsum paper and greater percentage this year of higher priced gypsum paper sales to total sales. Paperboard sales volume was 264,000 tons, an increase of 17% from 225,000 tons from Fiscal 2003. The majority of the sales volume gain resulted from a 50% increase in sales volume to the Company's wallboard operations. Fiscal 2004 cost of sales of $337.44 per ton increased 2% from Fiscal 2003 cost of sales. Higher energy and chemical costs were partially offset by the positive impact of increased production volume on fixed manufacturing costs.

Concrete and Aggregates. Revenues from Concrete and Aggregates were $63.1 million for Fiscal 2004, up 11% from $56.6 million for last fiscal year. Concrete and Aggregates reported Fiscal 2004 operating earnings of $6.0 million compared to a $268,000 operating loss in Fiscal 2003. The earnings improvement resulted from higher Concrete and Aggregates sales volume increased Aggregates sales prices and decreased Concrete and Aggregates cost of sales.

Concrete operating earnings of $3.0 million increased 58% from Fiscal 2003 mainly due to increased sales volume and lower cost of sales. Concrete sales volume for Fiscal 2004 was 762,000 cubic yards, up 12% from last fiscal year with most of the sales volume gain at the Texas operation. The Company's Fiscal 2004 average Concrete net sales price of $52.79 per cubic yard was 2% below $53.68 per cubic yard for last fiscal year due to pricing pressures in the Texas market. Cost of sales of $48.87 per cubic yard in Fiscal 2004 decreased 4% from $50.94 per cubic yard for last fiscal year due primarily to lower materials cost at the Texas operation.

Aggregates operating earnings of $3.0 million for Fiscal 2004 improved from a $2.1 million loss in Fiscal 2003. The earnings gain was due to higher sales volume, increased sales prices, lower cost of sales and no Georgetown closing cost in Fiscal 2004. The Company's Aggregates operation reported Fiscal 2004 sales volume of 4,228,000 tons, 2% above sales volume of 4,159,000 tons for last fiscal year due to increased west coast sales volume, partially offset by lower Texas sales volume. Aggregates net sales price of $5.24 per ton increased 16% from $4.51 per ton for last fiscal year due to higher sales price at the west coast operation and no low priced Georgetown sales volume this year. Cost of sales decreased 10% to $4.53 per ton due to lower production cost at the Texas operation and the $2.6 million cost last fiscal year from closing the Georgetown facility.

Other Income. 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, asset sales and other miscellaneous income and cost items.

Corporate Overhead. Corporate general and administrative expenses for Fiscal 2004 were $9.3 million compared to $5.7 million for last fiscal year. The increase was primarily the result of increased consulting, moving, insurance, investor relations and employee costs plus $2.5 million in direct expenses related to the spin-off transaction.

Net Interest Expense. Net interest expense of $3.8 million for Fiscal 2004 declined $5.8 million from Fiscal 2003 due to lower debt balances and reduced borrowing costs.

Income Taxes. The effective tax rate for fiscal 2004 increased to 34.5% from 33.5% primarily due to legal, advisory and consultant costs incurred related to the spin-off transaction which are not deductible for tax purposes.

Fiscal Year 2003 Compared to Fiscal Year 2002

Overview. Commercial construction, which is a significant component of the demand for the Company's products, declined dramatically and remained at a depressed level in Fiscal 2003. A large portion of the decline related to the completion of pre-9/11 projects and the absence of projects to replace them. Infrastructure activity (road building) performed short of expectations. With highway construction funding softening, along with the downturn in commercial construction activity, U.S. cement consumption for calendar 2002 was 3% below calendar 2001 consumption.

Although new housing and home repair activity was strong, the gypsum wallboard industry experienced a softening in wallboard demand in the latter part of calendar 2002. While the industry reported a 1.8% increase in calendar 2002 consumption over calendar 2001 consumption, cumulative production volume at the Company's Gypsum Wallboard plants during Fiscal 2003 was 72% of its total capacity due to an "over capacity" situation in the gypsum wallboard industry. Although the Company implemented price increases during the fiscal year, the price increases completely eroded by the end of Fiscal 2003 as monthly wallboard consumption

from August 2002 to November 2002 was below the same months' consumption for the prior year. During May 2003, the Company implemented another price increase.

In Austin, Texas, which is the Company's primary concrete and aggregates market, the economy was affected by weakened economic conditions which negatively impacted concrete and aggregates demand and pricing in the Austin market. On September 3, 2002, the Company announced the closing of its aggregates facility in Georgetown, Texas (near Austin, Texas).

Consolidated Results. Consolidated net revenues for Fiscal 2003 totaled $429.2 million, up 9% from $395.2 million for Fiscal 2002. Higher net sales prices in Gypsum Wallboard and Paperboard accounted for the majority of the revenue gain. Operating earnings of $101.9 million in Fiscal 2003 were up 29% from last fiscal year mainly due to a $22.6 million increase in Gypsum Wallboard operating earnings.

The following tables lists by line of business the revenues and operating earnings discussed in our operating segments:

	Revenues		Operating Earnings[1]	
	For the Years Ended March 31,		For the Years Ended March 31,	
	2003	2002	2003	2002
	(dollars in thousands)		(dollars in thousands)	
Cement	$173,198	$183,154	$ 54,712	$60,659
Gypsum Wallboard	212,790	183,500	27,196	4,643
Paperboard	92,898	84,293	17,614	9,977
Concrete & Aggregates	56,598	57,621	(268)	4,401
Other, net	2,632	(745)	2,632	(745)
Sub-total	538,116	507,823	$101,886	$78,935
Less: Intersegment Revenues	(37,112)	(37,130)		
Less Joint Venture Revenues	(71,826)	(75,505)		
Total	$429,178	$395,188		

[1]Prior to Corporate General and Administrative expenses.

Corporate General and Administrative expenses of $5.7 million in Fiscal 2003 were up 3% over Fiscal 2002. Net interest expense of $9.6 million in Fiscal 2003 decreased $4.1 million from Fiscal 2002 due to lower interest rates and reduced debt levels. As a result of the foregoing, pre-tax earnings of $86.6 million were 45% above Fiscal 2002 pre-tax earnings of $59.7 million. The Fiscal 2003 effective tax rate of 33.5%, the same rate as in Fiscal 2002, resulted in Fiscal 2003 net earnings of $57.6 million, a 45% increase from $39.7 million in Fiscal 2002. Diluted earnings per share in Fiscal 2003 of $3.11 were 45% higher than the $2.15 for Fiscal 2002.

The following table compares sales volumes, average unit sales prices and unit operating margins for the Company's operations by segment (see Note F of the Notes to the Consolidated Financial Statements):

	Sales Volume (thousands)		Average Net Sales Price (2)		Operating Margin (3)	
	2003	2002	2003	2002	2003	2002
Cement (Ton) (1)	2,361	2,441	$ 66.84	$ 67.69	$23.17	$24.85
Gypsum Wallboard (MSF)	1,933	1,930	$ 87.12	$ 72.97	$14.07	$ 2.41
Paperboard (Ton)	225	210	$408.44	$398.13	$78.28	$47.49
Concrete (Cubic Yard)	681	673	$ 53.68	$ 55.93	$ 2.74	$ 3.71
Aggregates (Ton)	4,159	4,265	$ 4.51	$ 4.33	$(0.51)	$ 0.45

(1)Total of wholly owned and proportionately consolidated 50% interest of Joint Ventures results.

(2)As historically reported. Does not include freight and delivery costs billed to customers.

(3)Operating margins represent operating earnings as reported in Note F of the Notes to the Consolidated Financial Statements divided by sales volume.

Cement. Cement revenues (both wholly owned and Joint Ventures) for Fiscal 2003 were $173.2 million, down 5% from $183.2 million for the prior fiscal year due to decreased sales volume and lower sales prices. Operating earnings of $54.7 million, which includes the equity in earnings of unconsolidated Joint Ventures of $25.1 million and $27.1 million, respectively, decreased 10% from $60.7 million in Fiscal 2002, which had been an all-time high, due to a 3% decrease in sales volume, an $0.85 ton sales price decline and a 2% increase in cost of sales. Cement sales volume of 2.36 million tons was 80,000 tons below Fiscal 2002 sales volume. The Company supplemented its Fiscal 2003 manufactured cement sales volume with 159,000 tons of purchased cement, down 98,000 tons from last fiscal year. All of the net sales volume decline came from purchased cement as all plants operated at their capacity and were "sold out." EXP's Fiscal 2003 average net sales price of $66.84 per ton was 1% below Fiscal 2002 as lower pricing in the northern California and Texas markets was partially offset by higher pricing in the Company's other markets. Cost of sales of $43.67 per ton increased $0.83 per ton over Fiscal 2002 due to higher maintenance and energy costs.

Gypsum Wallboard. Gypsum Wallboard revenues of $212.8 million increased 16% from Fiscal 2002 revenues. Higher average sales prices resulted in the revenue gain. Operating earnings totaled $27.2 million in Fiscal 2003, up 486% from $4.6 million in Fiscal 2002. Increased sales prices, partially offset by a $2.49 per MSF increase in cost of sales, resulted in the earnings gain. Sales volume of 1,933 million square feet ("MMSF") in Fiscal 2003 was level with Fiscal 2002 sales volume. The Company's wallboard plants ran at approximately 72% of total annual capacity during Fiscal 2003 and 70% in Fiscal 2002. Excess production capacity negatively impacted industry utilization rates. U.S. wallboard consumption was 30.7 billion square feet in calendar 2002, the second highest level on record, up 1.8% from calendar 2001 consumption. Gypsum Wallboard's Fiscal 2003 average net sales price of $87.12 per thousand square feet ("MSF") increased 19% from Fiscal 2002's net sales price. Fiscal 2003 cost of sales of $73.06 per MSF increased 4% from last fiscal year's cost of sales due mostly to higher energy, paper and labor costs.

Paperboard. For Fiscal 2003, Paperboard reported revenues of $92.9 million and operating earnings of $17.6 million compared to revenues of $84.3 million and operating earnings of $10.0 million for Fiscal 2002. The operating earnings gain resulted from the combination of increased sales volume, higher sales prices and a 6% decrease in cost of sales. Included in Fiscal 2002's operating earnings is a $2.3 million loss associated with the closing of the Denver mill in Fiscal 2002's first quarter. Paperboard sales volume of 225,000 tons for Fiscal 2003 was 7% greater than the prior fiscal year's sales volume due mostly to the sale in Fiscal 2003 of an additional 10,000 tons of lower priced non-gypsum paper. The average net sales price of $408.44 per ton for Fiscal 2003 increased 3% from the prior year's average sales price of $398.13 per ton due to higher sales prices for all grades of paper. Cost of sales of $330.16 per ton during Fiscal 2003 was $20.48 per ton lower than Fiscal 2002 cost of sales due to decreased maintenance and chemical costs.

Concrete and Aggregates. Revenues from Concrete and Aggregates were $56.6 million in Fiscal 2003, down 2% from $57.6 million in Fiscal 2002. The revenue decline resulted mostly from lower Concrete sales prices. The Austin, Texas market, which is the Company's largest concrete market, was negatively

impacted by a depressed local economy. Fiscal 2003's operating loss of $268,000 declined 106% from operating earnings of $4.4 million in Fiscal 2002 mainly due to costs associated with the closing of the Georgetown quarry and lower Concrete and Aggregates operating margins.

Concrete operating earnings of $1.9 million were 25% below Fiscal 2002 operating earnings due to a 4% decrease in sales prices, partially offset by a 3% decline in cost of sales. Concrete sales volume of 681,000 cubic yards in Fiscal 2003 was 8,000 cubic yards above Fiscal 2002 sales volume. Fiscal 2003's concrete net sales price of $53.68 per cubic yard was 4% lower than $55.93 per cubic yard in Fiscal 2002 due to slow demand in the Austin, Texas market. Cost of sales of $50.94 per cubic yard decreased 3% from Fiscal 2002 due to decreased materials costs at the Texas operation.

Aggregates reported a Fiscal 2003 operating loss of $2.1 million compared to a $1.9 million operating profit in Fiscal 2002. The earnings decline resulted from increased cost of sales along with costs associated with the closing of the Georgetown quarry. On September 3, 2002, the Company closed its aggregates quarry and processing plant in Georgetown, Texas. The decision to cease operations was due primarily to excessive manufacturing costs as well as to soft local market conditions. A portion of the plant and equipment was deployed at the Company's other mining operations with the remainder to be sold. The amount written off during the second quarter of Fiscal 2003 from the closing was $2.6 million. Fiscal 2003 Aggregates sales volume of 4,159,000 tons was 3% below Fiscal 2002 due to a partial year of sales volume in Fiscal 2003 from the Georgetown operation. The average net sales price of $4.51 per ton for Fiscal 2003 was 4% higher than Fiscal 2002 due to the combination of less lower-priced Georgetown sales volume and higher sales prices at all other locations. Cost of sales (excluding Georgetown closure costs) increased 7% to $3.88 per ton in Fiscal 2003 due mostly to excessive Georgetown production cost prior to its closing.

Other Income. Fiscal 2003 other income of $2.6 million compares to a $0.8 million loss in Fiscal 2002. Included in the Fiscal 2002 loss is $0.6 million from recycled fiber collection center losses and $0.6 million of expenses related to the early retirement of subordinated debt. 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 fiber collection centers losses, trucking income, asset sales and other miscellaneous income and cost items.

Net Interest Expense. Net interest expense of $9.6 million in Fiscal 2003 declined from $13.8 million in Fiscal 2002 due to declining debt balances and lower borrowing costs. Included in last fiscal year's net interest expense is $2.5 million of interest income relating to a note receivable that was collected during Fiscal 2002's third quarter. Included in Fiscal 2003's net interest expense is $0.9 million of cost associated with the early termination of one of the Company's interest rate swap agreements and the partial termination of the remaining interest rate swap agreement.

Income Taxes. The effective tax rate for Fiscal 2003 and 2002 was 33.5%.

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 the Company'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 policies 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 assesses long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets 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. These evaluations for impairment are

significantly impacted by estimates of revenues, costs and expenses and other factors. If these 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. With the adoption of SFAS No. 142 "Goodwill and Other Intangible Assets," goodwill is no longer subject to amortization. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test. The Company has elected to test for goodwill impairment in the first quarter of each calendar year. The goodwill impairment test is a two-step process, which requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit based on a discounted cash flow model using revenues and profit forecasts and comparing those estimated fair values with the carrying value, a seconds step is performed to compute the amount of the impairment by determining a "implied fair value" of goodwill. 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 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 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 internal generation of cash flow from operations and from bank borrowings, when needed. Liquidity is not currently dependent on the use of off-balance sheet transactions. The Company currently believes that cash on hand, cash provided by operations and funds available under its two credit facilities should be sufficient to cover working capital needs, capital expenditures, dividends and debt service requirements for the next twelve months.

The Company had paid off its debt during the third quarter of Fiscal 2004. On January 29, 2004, the Company paid a $6.00 special dividend (approximately $112.9 million) funded with $92.0 million of borrowings by the Company under a new bank credit agreement and cash on hand.

On March 25, 2003, pursuant to the Second Amended and Restated Credit Agreement, the Company amended its then existing credit facility to reduce the facility amount from $175.0 million to $155.0 million, modify certain financial and other covenants and extend the maturity date three years (the "Amended Credit Facility"). The principal balance of the Amended Credit Facility was paid off and terminated on December 18, 2003 and replaced with a new $250.0 million credit facility (the "New Credit Facility"). The principal balance of the New Credit Facility matures on December 18, 2006. At March 31, 2004, the Company had $58.7 million borrowings 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 125 to 200 basis points),

which is to be established quarterly based upon the Company's ratio of consolidated EBITDA to its consolidated indebtedness; or (ii) an alternate base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus 1/2% per annum, plus an agreed margin (ranging from 25 to 100 basis points). Interest payments are payable monthly or at the end 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 and minimum tangible net worth. The Company had a total of $185.1 million of borrowings available at March 31, 2004 under this facility.

During August 2003, the Company paid off the $510,000 balance remaining under the senior subordinated notes (the "Notes") that was assumed as part of certain assets purchased on November 10, 2000.

On June 29, 2001, the Company entered into a $50.0 million trade receivables securitization facility (the "Receivables Securitization Facility"), which was funded through the issuance of commercial paper and backed by a 364-day committed bank liquidity arrangement. The Receivables Securitization Facility had a termination date of June 10, 2004, subject to a 364-day bank commitment that was renewed on June 28, 2002 for another 364-day period terminating on June 28, 2003. The Company did not renew the facility for the third year and paid off the Receivables Securitization Facility on June 27, 2003.

On February 20, 2004, the Company entered into a new $50.0 million trade receivables securitization facility (the "New Receivables Securitization Facility"), which was funded through the issuance of commercial paper and backed by a 364-day committed bank liquidity arrangement. The New Receivables Securitization Facility has a termination date of February 20, 2007, subject to a 364-day bank commitment. The purpose of the New Receivables Securitization Facility is to obtain financing at an interest rate lower than the New Credit Facility interest rate by pledging accounts receivable. The New Receivables Securitization Facility has been fully consolidated on the consolidated 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. Initially, the borrowed funds are used to pay down borrowings under the New Credit Facility. Outstanding principal amounts under the New Receivables Securitization Facility bear interest at the commercial paper rate plus a facility fee. Under the New 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 $24.1 million of borrowings outstanding at March 31, 2004 under the New Receivables Securitization Facility.

Other than the New Receivables Securitization Facility and the New Credit Facility, the Company has no other source of committed external financing in place. In the event the New Receivables 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. None of the Company's debt is rated by the rating agencies.

The Company previously entered into an interest rate swap agreement which had the effect of converting a portion of the Company's debt from a variable rate of interest to a fixed rate of interest. The agreement expired on August 30, 2003. The Company currently is not a party to any interest rate swap or other arrangement that provides protection against increases in interest rates, and accordingly expects that it would incur higher interest expense in the event of an increase in the floating rate interest rates applicable to borrowings under the New Credit Facility.

The Company does not have any off balance sheet debt except for operating leases (see Note G of the Notes to the Consolidated Financial Statements). Other than the New Receivables Securitization Facility, the Company does not have any other transactions, arrangements or relationships with "special purpose" entities. Also, the Company has no outstanding debt guarantees. The Company has available under the New Credit Facility a $25.0 million Letter of Credit Facility. At March 31, 2004, the Company had $6.2 million of letters

of credit outstanding that renew annually. Also, the Company is contingently liable for performance under $5.5 million in performance bonds relating primarily to its mining operations.

In October 2003, the Company's Board of Directors approved an increase in its annual cash dividend from $0.20 per share to $1.20 per share (representing an increase in the regular quarterly cash dividend from $0.05 to $0.30 per share), upon the completion of the spin-off of the Company shares by Centex on January 30, 2004. The increased cash dividend became effective for the first quarterly cash dividend following the January 30, 2004 spin-off. The annual dividend amount increased from approximately $3.7 million to approximately $22.7 million.

The Company historically has financed routine capital expenditures and expansion projects with cash from operations and borrowing under its revolving credit facilities. The Fiscal 2005 capital expenditures budget is estimated currently at $25.0 million, an increase of $12.5 million over Fiscal 2004.

Based on its financial condition at March 31, 2004, along with the prospects of higher net earnings in Fiscal 2005, the Company believes that its internally generated cash flow coupled with funds available under various credit facilities will enable it to provide adequately for its current operations, dividends, capital expenditures and future growth. The Company was in compliance at March 31, 2004 and during the twelve months ended March 31, 2004 with all the terms and covenants of its credit agreements and expects to be in compliance during the next twelve months.

Working capital at March 31, 2004 was $12.6 million compared to $7.3 million at March 31, 2003. The increase resulted from a $12.1 million increase in accounts and notes receivable, a $1.2 million decline in notes payable, a $4.5 million increase in accounts payable and accrued liabilities netted against a $3.3 million decrease in cash.

Cash and cash equivalents decreased $3.3 million from March 31, 2003 to $3.5 million at March 31, 2004. The net cash provided by or used in the operating, investing, and financing activities for the fiscal years ended March 31, 2004 and 2003 is summarized below:

	For the Years Ended March 31,	
	2004	**2003**
	(dollars in thousands)	
Net Cash Provided by (Used In):		
Operating Activities	$ 112,685	$ 117,887
Investing Activities	(11,687)	(8,477)
Financing Activities	(104,257)	(107,591)
Net (Decrease) Increase in Cash	$ (3,259)	$ 1,819

Net cash provided by operating activities was $112.7 million in Fiscal 2004 compared to $117.9 million in Fiscal 2003. The $5.2 million decrease in operating cash flows resulted from a $19.9 million negative year-to-year swing in accounts receivable due to increased Fiscal 2004 sales volume and $6.9 million decrease in deferred taxes, partially offset by increased earnings, a $4.0 million change in year-to-year inventory levels and a $11.1 million swing in accounts payable and accrued liabilities. The decline in deferred taxes is due to the lower tax depreciation. Inventory change was level in Fiscal 2004 compared to a $3.8 million increase in Fiscal 2003.

Net cash used in investing activities in Fiscal 2004 totaled $11.7 million compared to $8.5 million in Fiscal 2003. Spending for property, plant and equipment of approximately $12.0 million in both years consisted primarily of funding normal sustaining capital projects to help the Company to maintain its low cost position in each of its lines of business. Also, in Fiscal 2003, the Company sold $3.4 million of surplus equipment from the shut-down Georgetown aggregates plant and the three recycled paper centers acquired with the Lawton Mill.

Net cash consumed by financing activities was $104.3 million in Fiscal 2004 compared to $107.6 million in Fiscal 2003. Cash used in financing activities during Fiscal 2004 was primarily for the payment of

the $6.00 per share one-time dividend to stockholders, partially offset by increased stock option exercises and fewer stock repurchases. Cash, used in financing activities in Fiscal 2003 was primarily for the repayment of the Company's revolving credit facility along with the repurchase of 223,384 shares of the Company's common stock.

Total debt was reduced from $80.9 million at March 31, 2003 to $160,000 at December 31, 2003. On January 29, 2004, the Company borrowed $92.0 million to fund a substantial portion of the $6.00 per share special dividend ($112.9 million total). Total debt at March 31, 2004, was $82.9 million. Debt-to-Capitalization at March 31, 2004 was 15.9% compared to 14.4% at March 31, 2003.

In Fiscal 2004, the Company utilized its regular and alternative minimum tax carryovers from Fiscal 2002. The Company has approximately $4 million of alternative minimum tax credits available to offset the excess of its regular over federal and state alternative minimum tax liability in future years.

Contractual Obligations

The Company has certain contractual obligations covering manufacturing, transportation and certain other facilities and equipment. Future payments due, aggregated by type of contractual obligation are set forth as follows:

	Payments Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(dollars in thousands)				
Contractual Obligations:					
Long-term Debt/Note Payable	$ 82,800	$ 80	$82,720	$ —	$ —
Operating Leases	8,937	2,296	2,157	348	4,136
Purchase Obligations	23,747	12,742	11,005	—	—
Total	$115,484	$15,118	$95,882	$348	$4,136

Purchase obligations are non-cancelable agreements to purchase coal and natural gas, to pay royalty amounts and capital expenditure commitments.

Based on our current estimates, contributions to the Company's defined benefit plans will be approximately $0.6 million for the next fiscal year.

Stock Repurchase Program

The Company's Board of Directors has approved a cumulative total of 6,101,430 shares for repurchase. There are approximately 461,400 shares remaining under the Company's current repurchase authorization. The Company repurchased 58,500 shares of Class B Common Stock at a cost of $3.1 million during Fiscal 2004 and 223,384 shares of Common Stock at a cost of $8.1 million in Fiscal 2003. See Item 5C – "Purchase of Equity Securities."

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 2.3% in calendar 2003, 2.4% in 2002, and 1.6% in 2001. Prices of materials and services, with the exception of power, energy and transportation freight, have remained relatively stable over the three-year period. Strict cost control and improving productivity also minimize the impact of inflation. The ability to recover increasing costs by obtaining higher sales prices varies with the level of activity in the construction industry, the number, size, and strength of competitors and the availability of products to supply a local market.

General Outlook

Cement demand in calendar 2004 is expected to remain strong. The U.S. Cement industry is anticipating a tight supply of imported cement due to higher freight rates and increasing consumption in world markets. Price increases of $3 to $5 per ton were implemented in all of EXP's markets on April 1, 2004, except Texas, where a $4 per ton price increase in January 2004 has substantially held.

Gypsum wallboard demand continues to remain high and supply tight due to favorable levels of activity in residential and repair/remodel construction. The 10% price increase implemented in mid-March 2004 substantially held and another price increase was implemented in late May 2004.

However, costs are expected to be negatively impacted in Fiscal 2005 due to increased natural gas, coal, power, freight and employee benefit costs.

Recent Accounting Pronouncements

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 adopted SFAS No. 143 in the first quarter of Fiscal 2004, and the adoption of SFAS No. 143 did not have a material impact on the Company's financial position or results of operations. The Company will incur additional depreciation expense over the estimated useful life of the asset and accretion expense to accrete the discounted value of the retirement obligation.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between SFAS No. 146 and EITF Issue No. 94-3 relates to SFAS No. 146's requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date an entity committed to an exit plan. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a guarantor to recognize a liability for the fair value of the obligation at the inception of the guarantee. The disclosure requirements of FIN 45, which are already effective, are disclosed in Note G - "Commitments and Contingencies," while the recognition provisions will be applied on a prospective basis to guarantees issued after December 31, 2002. As of April 1, 2003 the Company adopted FIN 45 and it did not have a material effect on our consolidated financial statements.

In January 2003, the Financial Accounting Standard Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which requires the consolidation of certain entities that are determined to be variable interest entities ("VIE's"). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity's activities or (iii) the entity's equity neither absorbs losses or benefits from gains. For VIEs created subsequent to January 31, 2003, the provisions of FIN 46 must be applied immediately. For VIEs created prior to that date, the adoption of FIN 46 is required for all reporting periods subsequent to December 15, 2003. The Company has determined that the adoption of FIN 46 did not have a material impact on our consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148 “Accounting for Stock Based Compensation – Transition and Disclosure.” SFAS No. 148 provides for expanded disclosure concerning stock-based compensation, including disclosures in interim financial statements, and amends SFAS No. 123. SFAS No. 148’s transition guidance and provisions for annual disclosures are effective for fiscal years ended after December 15, 2002. As of March 31, 2003, the Company adopted the disclosure requirements of SFAS No. 148.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Certain provisions of this Statement are effective for financial instruments entered into or modified after May 31, 2003. In October 2003, FASB deferred indefinitely certain provisions of this Statement pertaining to limited life subsidiaries. The implementation of the provisions of SFAS No. 150, which are now effective, did not have an impact on the Company’s results of operations or financial position.

Forward-Looking Statements

Certain sections of this Management’s Discussion and Analysis of Results of Operations and Financial Condition 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:

- ***Levels of construction spending.*** Demand for the Company’s products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects could have a material adverse effect on the Company’s financial condition and results of operations.

- ***Interest rates.*** The Company’s business is significantly affected by the movement of interest rates. The level of residential, commercial and infrastructure construction activity is directly related to the level of interest rates. Higher interest rates could have a material adverse effect on our business and results of operations. In addition, increases in interest rates could result in higher interest expenses related to the Company’s borrowings under its credit facilities.

- ***Price fluctuations and supply demand for our products.*** The products sold by the Company are commodities and competition among manufacturers is based largely on price. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond the Company’s control. Increases in the production capacity for products such as gypsum wallboard may create an oversupply of such products and negatively impact product prices. There can be no assurance that prices for products sold by the Company will not decline in the future or that such declines will not have a material adverse effect on the Company’s financial condition and results of operations.

- ***Significant changes in the cost of, and the availability of, fuel, energy and other raw materials.*** Significant increases in the cost of fuel, energy or raw materials used in connection with the Company’s business or substantial increases in their availability could materially and adversely affect the Company’s sales and operating profits. A major cost component in each of the Company’s businesses is the cost of fuel, energy and raw materials. Prices for fuel, energy or raw materials used in connection with the Company’s business could change significantly in a short period of time for

reasons outside the Company's control. In the event of large or rapid increases in prices, the Company may not be able to pass the increases through to its customers in full, which would reduce the Company's operating margin.

- ***National and regional economic conditions.*** A majority of the Company's revenues are from customers who are in industries and businesses that are cyclical in nature and subject to changes in general economic conditions. In addition, since operations occur in a variety of geographic markets, the Company's business is subject to the economic conditions in each such geographic market. General and economic downturns or localized downturns in the regions where the Company has operations, including any downturns in the construction industry or increases in capacity in the gypsum wallboard, paperboard and cement industries, could have a material adverse effect on the Company's business, financial condition and results of operations.

- ***The seasonal nature of the Company's business.*** A majority of the Company's business is seasonal with peak revenues and profits occurring primarily in the months of April through November. Quarterly results have varied significantly in the past and are likely to vary significantly from quarter to quarter in the future. Such variations could have a negative impact on the price of the company's common stock.

- ***Unfavorable weather conditions during peak construction periods and other unexpected operational difficulties.*** Because a majority of the Company's business is seasonal, bad weather conditions and other unexpected operational difficulties during peak periods could adversely affect operating income and cash flow and could have a disproportionate impact on the Company's results of operations for the full year.

- ***Competition from new or existing competitors or the ability to successfully penetrate new markets.*** The construction products industry is highly competitive. If the Company is unable to keep its products competitively priced, its sales could be reduced materially. Also, the Company may experience increased competition from companies offering products based on new processes that are more efficient or result in improvements in product performance, which could put the Company at a disadvantage and cause it to lose customers and sales volume. The Company's failure to continue to compete effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

- ***Environmental liabilities.*** The Company's operations are subject to state, federal and local environmental laws and regulations, which impose liability for cleanup or remediation of environmental pollution and hazardous waste arising from past acts; and require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of its operations. Certain of the Company's operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Risk of environmental liability is inherent in the operation of the Company's business. As a result, it is possible that environmental liabilities could have a material adverse effect on the Company in the future.

- ***Compliance with governmental regulations.*** The operations of the Company and its customers are subject to and affected by federal, state and local laws and regulations with respect to such matters and land usage, street and highway usage, noise level and health and safety and environmental matters. In many instances, various permits are required for construction and related operations. Although management believes that the Company is in compliance in all material respects with regulatory requirements, there can be no assurance that the Company will not incur material costs or liabilities in connection with regulatory requirements or that demand for its products will be affected by regulatory issues affecting its customers.

- ***The Company's ability to successfully identify, complete and efficiently integrate acquisitions.*** Integrating acquired businesses requires a significant amount of management time and skill and may

place significant demands on the Company's operations and financial resources. The Company may not be able to successfully integrate acquired businesses into its operations, which could have a material effect on its business and results of operations. If the Company is unable to achieve the anticipated synergies from an acquisition, the costs of such an acquisition could exceed the net income the Company derives from the acquired operations.

- ***Events that may disrupt the U.S. or world economy.*** Future terrorist attacks, the ensuing U.S. military and other responsive actions, could have a significant adverse effect on the general economic, market and political conditions, which in turn could have material adverse effect on the Company's business.

In general, the Company is subject to the risks and uncertainties of the construction industry and of doing business in the U.S. The forward-looking statements are made as of the date of this report, and the Company undertakes no obligation to update them, whether as a result of new information, future events or otherwise.

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 from time-to-time has utilized 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, 2004, the Company had approximately $82.8 million in variable rate debt ($58.7 million in bank debt and $24.1 million in note payable under the Company's accounts receivable securitization program). Accordingly, using the unhedged balance of the Company's variable rate debt as of March 31, 2004 of $82.8 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 $828,000 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 $828,000 for such period. The Company does not utilize forward or option contacts on foreign currencies or other types of derivative financial instruments.

The Company is subject to commodity risk with respect to price changes principally in coal, coke, natural gas and power. The Company attempts to limit its exposure to changes in commodity prices by entering into contracts or increasing the use of alternative fuels.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Earnings
(dollars in thousands, except per share data)

	For the Years Ended March 31,		
	2004	**2003**	**2002**
REVENUES			
Cement	$102,250	$ 97,867	$102,556
Gypsum Wallboard	272,924	212,790	183,500
Paperboard	63,110	59,939	52,832
Concrete and Aggregates	62,096	55,950	57,045
Other, net	2,242	2,632	(745)
	502,622	429,178	395,188
COSTS AND EXPENSES			
Cement	75,711	68,236	68,999
Gypsum Wallboard	237,320	185,594	178,857
Paperboard	42,168	42,325	42,855
Concrete and Aggregates	56,125	56,218	52,644
Corporate General and Administrative	9,272	5,654	5,486
Interest Expense, net	3,814	9,619	13,750
	424,410	367,646	362,591
EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURES	23,911	25,081	27,102
EARNINGS BEFORE INCOME TAXES	102,123	86,613	59,699
Income Taxes	35,222	29,007	19,993
NET EARNINGS	$ 66,901	$ 57,606	$ 39,706
EARNINGS PER SHARE			
Basic	$ 3.60	$ 3.13	$ 2.16
Diluted	$ 3.57	$ 3.11	$ 2.15
DIVIDENDS PER SHARE	$ 6.45	$ 0.20	$ 0.20

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets
(dollars in thousands)

	March 31,	
	2004	**2003**
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 3,536	$ 6,795
Accounts and Notes Receivable, net	54,352	42,209
Inventories	48,890	49,138
Total Current Assets	106,778	98,142
Property, Plant and Equipment -	715,734	708,998
Less: Accumulated Depreciation	(234,929)	(207,810)
Property, Plant and Equipment, net	480,805	501,188
Investments in Joint Ventures	51,503	53,741
Goodwill	40,290	40,290
Other Assets	13,599	12,994
	$ 692,975	$ 706,355
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities –		
Note Payable	$ 24,100	$ 25,257
Accounts Payable	31,470	26,178
Accrued Liabilities	38,521	39,297
Current Portion of Long-term Debt	80	80
Total Current Liabilities	94,171	90,812
Long-term Debt	58,700	55,590
Deferred Income Taxes	101,082	80,342
Stockholders' Equity –		
Preferred Stock, Par Value $0.01; Authorized 5,000,000 Shares; None Issued	—	—
Common Stock, Par Value $0.01; Authorized 50,000,000 Shares; Issued and Outstanding 9,607,029 and 18,379,558 Shares, respectively. Class B Common Stock, Par Value $0.01; Authorized 50,000,000 Shares; Issued and Outstanding 9,161,459 and Zero Shares, respectively.	188	184
Capital in Excess of Par Value	28,223	14,228
Accumulated Other Comprehensive Losses	(1,877)	(2,282)
Unamortized Restricted Stock	(591)	—
Retained Earnings	413,079	467,481
Total Stockholders' Equity	439,022	479,611
	$ 692,975	$ 706,355

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(dollars in thousands)

	For the Years Ended March 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Earnings	$ 66,901	$ 57,606	$ 39,706
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of Effect of Non-Cash Activity -			
Depreciation, Depletion and Amortization	33,022	33,166	32,266
Deferred Income Tax Provision	21,826	28,748	21,229
Asset Impairment Charge	—	2,586	—
Loss on Asset Sale	—	564	—
Equity in Earnings of Unconsolidated Joint Ventures	(23,911)	(25,081)	(27,102)
Distributions from Joint Ventures	26,149	23,975	29,374
(Increase) Decrease in Accounts and Notes Receivable	(12,028)	7,898	32,494
Decrease (Increase) in Inventories	248	(3,778)	1,380
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,936	(9,193)	(12,107)
(Increase) Decrease in Other Assets, net	(2,832)	2,496	(231)
Increase (Decrease) in Income Taxes Payable	1,374	(1,100)	—
Net Cash Provided by Operating Activities	112,685	117,887	117,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, Plant and Equipment Additions, net	(12,427)	(11,891)	(16,294)
Proceeds from Asset Dispositions	740	3,414	855
Net Cash Used in Investing Activities	(11,687)	(8,477)	(15,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Note Payable	24,100	6,627	18,630
Repayment of Note Payable	(25,257)	—	—
Proceeds from Long-term Debt	92,000	—	—
Repayment of Long-term Debt	(88,380)	(108,080)	(105,580)
Redemption of Subordinated Debt	(510)	—	(9,498)
Dividends Paid to Stockholders	(116,580)	(3,683)	(3,671)
Retirement of Common Stock	(3,137)	(8,135)	—
Proceeds from Stock Option Exercises	13,507	5,680	301
Net Cash Used in Financing Activities	(104,257)	(107,591)	(99,818)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,259)	1,819	1,752
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,795	4,976	3,224
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,536	$ 6,795	$ 4,976

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(dollars in thousands)

	For the Years Ended March 31,		
	2004	**2003**	**2002**
Common Stock -			
Balance at Beginning of Period	$ 184	$ 184	$ 183
Retirement of Common Stock	—	(2)	—
Stock Option Exercises	4	2	1
Balance at End of Period	188	184	184
Capital In Excess of Par Value -			
Balance at Beginning of Period	14,228	15,153	14,614
Retirement of Common Stock	(3,137)	(8,133)	—
Stock Option Exercises	17,132	7,208	539
Balance at End of Period	28,223	14,228	15,153
Retained Earnings -			
Balance at Beginning of Period	467,481	413,558	377,523
Dividends to Stockholders	(121,303)	(3,683)	(3,671)
Net Earnings	66,901	57,606	39,706
Balance at End of Period	413,079	467,481	413,558
Unamortized Restricted Stock -			
Balance at Beginning of Period	—	—	—
Issuance of Restricted Stock	(709)	—	—
Amortization	118	—	—
Balance at End of Period	(591)	—	—
Accumulated Other Comprehensive Losses -			
Balance at Beginning of Period	(2,282)	(1,063)	—
Unrealized Gain (Loss) on Hedging Instruments, net of tax	579	484	(1,063)
Minimum Pension Liability, net of tax	(174)	(1,703)	—
Balance at End of Period	(1,877)	(2,282)	(1,063)
Total Stockholders' Equity	$ 439,022	$479,611	$427,832

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

(A) Significant Accounting Policies

Basis of Presentation –

The consolidated financial statements include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries ("EXP" or the "Company") after elimination of intercompany balances and transactions. EXP is a holding company whose assets consist of its investments in its subsidiaries, joint ventures, intercompany balances and holdings of cash and cash equivalents. The businesses of the consolidated group are conducted through EXP's subsidiaries. The Company conducts two out of four of its cement plant operations through joint ventures, Texas Lehigh Cement Company, which is located in Buda, Texas and Illinois Cement Company, which is located in LaSalle, Illinois (the "Joint Ventures"). Investments in Joint Ventures and affiliated companies, owned 50% or less, are accounted for using the equity method of accounting. The Equity in Earnings of Unconsolidated Joint Ventures has been included for the same period as the Company's March 31 year end.

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

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.

Accounts and Notes Receivable –

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of $4.8 million and $4.5 million at March 31, 2004 and 2003, respectively. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectibility of accounts receivable that are past due and the expected collectibility of overall receivables. The Company has no significant credit risk concentration among its diversified customer base.

Notes receivable at March 31, 2004 are collectible primarily over three years. The weighted average interest rate at March 31, 2004 and 2003 was 6.5% and 7.6%, 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,	
	2004	**2003**
Raw Materials and Materials-in-Progress	$12,543	$13,970
Finished Cement	4,423	4,507
Aggregates	3,803	3,021
Gypsum Wallboard	7,982	5,520
Paperboard	1,512	4,819
Repair Parts and Supplies	17,727	16,668
Fuel and Coal	900	633
	$48,890	$49,138

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 $31.5 million, $31.6 million and $30.8 million for the years ended March 31, 2004, 2003 and 2002, 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, 2004 and 2003, management believes no events or circumstances indicate that the carrying value may not be recoverable.

Other Assets –

Other assets are primarily composed of loan fees and financing costs, 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. It also requires the recognition of future tax benefits such as operating loss carry forwards, to the extent that realization of such benefits is more likely than not.

Stock Repurchases –

The Company’s Board of Directors has approved a cumulative total of 6,101,430 shares for repurchase. There are approximately 461,400 shares remaining under the Company’s current repurchase authorization at March 31, 2004. The Company repurchased and retired 58,500 shares of Class B Common Stock at a cost of $3.1 million during Fiscal 2004 and 223,384 shares of Common Stock at a cost of $8.1 million in Fiscal 2003.

Comprehensive Income/Losses –

A summary of comprehensive income for the fiscal years ended March 31, 2004, 2003 and 2002 is presented below:

	For the Years Ended March 31,		
	2004	2003	2002
Net Earnings	$66,901	$57,606	$39,706
Other Comprehensive Income (Loss), net of tax:			
Unrealized Gain (Loss) on Hedging Instruments	579	484	(1,063)
Minimum Pension Liability Adjustments	(174)	(1,703)	0
Comprehensive Income	$67,306	$56,387	$38,643

The unrealized gain (loss) on hedging instruments represents the deferral in other comprehensive earnings of the unrealized loss on swap agreements designated as cash flow hedges. During Fiscal 2004, the Company had an interest rate swap agreement with a bank for a total notional amount of $55.0 million. This interest rate swap agreement expired on August 28, 2003 resulting in the reversal of the comprehensive loss recorded at March 31, 2003, and such amounts were reclassified to earnings. The accounting for interest rate swaps and other derivative financial instruments is discussed 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 Losses.”

As of March 31, 2004, the Company has an accumulated other comprehensive loss of $1.9 million net of income taxes of $1.0 million, in connection with recognizing a minimum pension liability. The minimum pension liability relates to the accumulated benefit obligation in excess of the fair value of assets of the defined benefit retirement plans discussed in Note K.

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 include administration, financial, legal, employee benefits and other corporate activities not allocated to the segment and 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,		
	2004	2003	2003
Operating Units Selling G&A	$23,383	$20,481	$20,660
Corporate G&A	6,778	5,654	5,486
Spin-Off Expenses	2,494	—	—
	$32,655	$26,135	$26,146

Maintenance and repair expenses are included in each segment’s costs and expenses. The Company incurred expenses of $38.9 million, $30.5 million and $27.7 million in the years ended March 31, 2004, 2003 and 2002, respectively, for maintenance and repairs.

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

Statements of Consolidated Cash Flows – Supplemental Disclosures –

Interest payments made during the years ended March 31, 2004, 2003 and 2002 were $2.7 million, $8.9 million and $14.4 million, respectively.

The Company made net payments of $10.3 million and $1.5 million for federal and state income taxes in Fiscal 2004 and Fiscal 2003, respectively. The Company received a $1.4 million cash refund in Fiscal 2002.

Earnings Per Share –

The Company computes earnings per share in accordance with SFAS No. 128, “Earnings Per Share.” Basic earnings per common share is based on the weighted average number of shares of common stock outstanding for the years ended March 31, 2004, 2003 and 2002 of 18,584,399, 18,418,191 and 18,350,716, 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 18,736,368, 18,523,651 and 18,461,414 for the years ended March 31, 2004, 2003 and 2002, respectively. Anti-dilutive options to purchase shares of common stock that were excluded from the computation of diluted earnings per share were 65,000 shares at an average price of $42.85 for the year ended March 31, 2004, 322,000 shares at an average price of $38.92 for the year ended March 31, 2003 and 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 May 2012.

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. In Fiscal 2003, the Company recorded a pre-tax charge of $0.1 million for employee stock-based compensation.

As of March 31, 2003, the Company adopted the disclosure requirements of SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure.” SFAS No. 148 provides for expanded disclosure concerning stock-based compensation, including disclosures in interim financial statements, and amends SFAS No. 123.

In accordance with SFAS No. 123, the Company discloses the compensation cost based on the estimated fair value at the date of grant. For disclosures under SFAS No. 123, employee stock options are valued at the grant date using the Black-Scholes option-pricing model and compensation expense is recognized ratably over the vesting period. The weighted average assumptions used in the Black-Scholes model to value the option awards in Fiscal 2004, 2003, and 2002, respectively, are as follows: dividend yield of 0.50 percent,

0.50 percent, and 0.64 percent; expected volatility of 31.7 percent, 32.3 percent, and 32.2 percent; risk-free interest rates of 3.2 percent, 5.0 percent, and 6.9 percent; and expected lives of 10 years for all three years.

If the Company had recognized compensation expense for the stock options plan based on the fair value at the grant dates for awards, pro forma net earnings for Fiscal 2004, 2003 and 2002 would be as follows:

	For the Years Ended March 31,		
	2004	2003	2002
Net Earnings -			
As reported	$66,901	$57,606	$39,706
Add stock-based employee compensation included in the determination of net income as reported, net of tax	77	47	—
Deduct fair value of stock-based employee compensation, net of tax	(402)	(2,911)	(1,887)
Pro forma	$66,576	$54,742	$37,819
Basic Earnings Per Share -			
As reported	$ 3.60	$ 3.13	$ 2.16
Pro forma	$ 3.58	$ 2.97	$ 2.06
Diluted Earnings Per Share -			
As reported	$ 3.57	$ 3.11	$ 2.15
Pro forma	$ 3.55	$ 2.96	$ 2.05

New Accounting Standards –

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. SFAS No. 143’s primary impact on the Company relates to the accounting of quarry reclamation obligations. The Company adopted SFAS No. 143 in the first quarter of Fiscal 2004, and the adoption of SFAS No. 143 did not have a material impact on the Company’s financial position or results of operations.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” The principal difference between SFAS No. 146 and EITF Issue No. 94-3 relates to SFAS No. 146’s requirement for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date an entity committed to an exit plan. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (“FIN 45”). FIN 45 requires a guarantor to recognize a liability for the fair value of

the obligation at the inception of the guarantee. The disclosure requirements of FIN 45, which are already effective, are disclosed in Note G — "Commitments and Contingencies," while the recognition provisions will be applied on a prospective basis to guarantees issued after December 31, 2002. As of April 1, 2003 the Company adopted FIN 45 and it did not have a material effect on our consolidated financial statements.

In January 2003, the Financial Accounting Standard Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which requires the consolidation of certain entities that are determined to be variable interest entities ("VIE's"). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity's activities or (iii) the entity's equity neither absorbs losses or benefits from gains. For VIEs created subsequent to January 31, 2003, the provisions of FIN 46 must be applied immediately. For VIEs created prior to that date, the adoption of FIN 46 is required for all reporting periods subsequent to December 15, 2003. The adoption of FIN 46 did not have a material impact on our consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 provides for expanded disclosure concerning stock-based compensation, including disclosures in interim financial statements, and amends SFAS No. 123. SFAS No. 148's transition guidance and provisions for annual disclosures are effective for fiscal years ending after December 15, 2002. As of March 31, 2003, the Company adopted the disclosure requirements of SFAS No. 148.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Certain provisions of this Statement are effective for financial instruments entered into or modified after May 31, 2003. In October 2003, FASB deferred indefinitely certain provisions of this Statement pertaining to limited life subsidiaries. The implementation of the provisions of SFAS No. 150, which are now effective, did not have an impact on the Company's results of operations or financial position.

Goodwill and Other Intangible Assets –

Goodwill represents the excess of purchase price over net assets of businesses acquired. Goodwill is no longer subject to amortization over its estimated useful life. Rather, 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. If an impairment is identified, the second step of the goodwill impairment test is to measure the amount of impairment loss, if any. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. On January 1, 2004, the Company completed the first step of its annual impairment assessment and determined that the fair value of its reporting units exceeds its carrying amounts. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. There have been no changes in the carrying amount of the Company's goodwill during the fiscal years ended March 31, 2004 and 2003.

Other intangibles are amortized on a straight-line basis over 15 years. Other intangibles amortization totaled $0.1 million in Fiscal 2004, Fiscal 2003 and Fiscal 2002, respectively. The balance of other intangibles

at March 31, 2004 and 2003 was $1.0 million and $1.1 million, respectively. Other intangibles amortization expense for the next five years is estimated to be $0.1 million annually.

Impairment or Disposal of Long-Lived Assets –

The Company evaluates the recoverability of its long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 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 the Company's products, capital needs, economic trends in the construction sector 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 their fair value. Assets to be disposed of by sale are reflected at the lower of their carrying amount or fair value less cost to sell.

Revenue Recognition –

Revenue from the sale of cement, gypsum wallboard, paperboard, concrete and aggregates is recognized when title and ownership are transferred upon shipment to the customer. Fees for shipping and handling are recorded as revenue, while costs incurred for shipping and handling are recorded as expenses.

In accordance with EITF 00-10, "Accounting for Shipping and Handling Costs," the Company classifies its freight revenue as sales and freight costs as cost of goods sold, respectively. Approximately $72.3 million in Fiscal 2004, $54.9 million in Fiscal 2003 and $54.4 million in Fiscal 2002 were classified as sales and cost of goods sold.

Reclassifications -

Certain prior year balances have been reclassified to be consistent with the Fiscal 2004 presentation.

(B) Spin-Off by Centex

In January 2004, the Company and Centex completed a series of transactions that resulted in the spin-off by Centex of its entire equity interest in the Company (the "Spin-off"). As a result of the Spin-off, the Company is no longer affiliated with Centex.

At a special meeting of the stockholders of the Company held on January 8, 2004, the Company's stockholders approved a proposal to reclassify the Company's shares of common stock into two separate classes (Common Stock and Class B Common Stock), which was a condition to the obligation of Centex to consummate the Spin-off. Also at the special meeting, eight other stockholder proposals were approved by the required vote of stockholders, including a proposal to change the Company's name to Eagle Materials Inc.

On January 29, 2004, in connection with the Spin-off, the Company paid a special one-time cash dividend of $6.00 per share ($112.9 million total) to the holders of record of its common stock (including Centex) as of January 13, 2004. The Company used borrowings under its credit facility and cash on hand to fund the special dividend, and, consequently, immediately after payment of the dividend, the Company's debt was $92.0 million.

On January 30, 2004, the Company completed the reclassification of 9,220,000 of the approximately 12 million shares of the Company's common stock held by Centex into a Class B Common Stock. Under the

terms of the reclassification, the holders of Class B Common Stock have the right to elect at least 85% of the directors of the Company and the holders of the Common Stock have the right to elect the remaining members of the board. As of March 31, 2004, the holders of Class B Common Stock are entitled to elect six directors and the holders of Common Stock are entitled to elect one director.

Immediately following the reclassification on January 30, 2004, Centex distributed all of the shares of Class B Common Stock received by it in the reclassification and the remaining shares of Common Stock held by Centex to its stockholders on a tax-free basis.

On January 30, 2004, the Company also changed its name to Eagle Materials Inc. and on February 2, 2004, its existing class of common stock began trading on the NYSE under the symbol “EXP” and its new Class B Common Stock began trading under the symbol “EXP.B”.

(C) Property, Plant and Equipment

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

	March 31,	
	2004	2003
Land and Quarries	$ 46,906	$ 46,891
Plants	620,411	615,047
Buildings, Machinery and Equipment	48,417	47,060
	715,734	708,998
Accumulated Depreciation	(234,929)	(207,810)
	$ 480,805	$ 501,188

During the second quarter of Fiscal 2003, the Company closed its Georgetown, Texas quarry and crushing plant. Assets written off during the second quarter as part of the Georgetown closure totaled $2.6 million and was recorded in cost of sales. Portions of the Georgetown assets will be utilized at other company locations with the remainder to be sold. The Georgetown assets held for sale have been reclassified to other assets and totaled $0.7 million at March 31, 2004. During the first quarter of Fiscal 2003, all of the Company’s recycled fiber collection centers were sold.

(D) Indebtedness

Note Payable -

Note payable balances are set forth below:

	March 31,	
	2004	2003
Receivables Securitization Facility	$24,100	$25,257

The weighted-average interest rate of the note payable borrowings during Fiscal 2004 and 2003 was 1.4% and 1.7%, respectively. The interest rate on note payable debt was 1.5% and 1.3% at March 31, 2004 and 2003, respectively. The amount of accounts receivable pledged under the receivables securitization program at March 31, 2004 and 2003 was $43.3 million and $36.9 million, respectively.

Long-term Debt -

Long-term debt is set forth below:

	March 31,	
	2004	2003
Bank Debt, Due December 2006, Unsecured	$58,700	$55,000
Subordinated Notes, 9½%, due July 2008, Unsecured	—	510
Property Note, Interest at 7%, Due March 2005, Secured	80	160
Less: Current Maturities	(80)	(80)
	$58,700	$55,590

The weighted-average interest rate of bank debt borrowings during Fiscal 2004 and 2003 was 2.3% and 3.1%, respectively. The interest rate on the bank debt was 2.6% at March 31, 2004 and 2.3% at March 31, 2003.

Maturities of long-term debt during the next five fiscal years are: 2005, $80; 2006, zero; 2007, $58,700; thereafter, zero.

Credit Facilities -

On March 25, 2003, the Company amended its then existing credit facility to reduce the facility amount from $175.0 million to $155.0 million, modify certain financial and other covenants and extend the maturity date three years. The principal balance of the facility was paid off and terminated on December 18, 2003 and replaced with a new $250.0 million credit agreement (the “New Credit Facility”). The principal balance of the New Credit Facility matures on December 18, 2006. At March 31, 2004 the Company had $58.7 million in borrowings 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 125 to 200 basis points), which is to be established quarterly based upon the Company’s ratio of consolidated EBITDA to its consolidated indebtedness; or (ii) an alternate base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus 1/2% per annum, plus an agreed margin (ranging from 25 to 100 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 and minimum tangible net worth. The Company had $185.1 million of borrowings available at March 31, 2004.

On February 20, 2004, the Company entered into a $50.0 million trade receivable securitization facility (the “New Receivables Securitization Facility”), which is funded through the issuance of commercial paper and backed by a 364-day committed bank liquidity arrangement. The New Receivables Securitization Facility has a termination date of February 20, 2007, subject to a 364-day bank commitment. The New 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 New 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 New Receivables Securitization Facility bear interest at the commercial paper rate plus a facility fee. Under the New 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 $24.1 million outstanding under the New Receivables Securitization Facility at March 31, 2004.

The Company was in compliance with all financial ratios and tests at March 31, 2004 and throughout the fiscal year under the Amended Credit Facility, the New Credit Facility and the New Receivables Securitization Facility.

The New Credit Facility has a $25.0 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, 2004, the Company had $6.2 million of letters of credit outstanding.

(E) Income Taxes

The provision for income taxes includes the following components:

	For the Years Ended March 31,		
	2004	2003	2002
Current Provision (Benefit) -			
Federal	$12,549	$ 0	$ (1,146)
State	847	259	(90)
	13,396	259	(1,236)
Deferred Provision -			
Federal	20,325	26,919	18,949
State	1,501	1,829	2,280
	21,826	28,748	21,229
Provision for Income Taxes	$35,222	$29,007	$19,993

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

	For the Years Ended March 31,		
	2004	2003	2002
Earnings Before Income Taxes	$102,123	$86,613	$59,699
Income Taxes at Statutory Rate	$ 35,743	$30,315	$20,895
Increases (Decreases) in Tax Resulting from -			
State Income Taxes, net	1,526	1,357	1,424
Statutory Depletion in Excess of Cost	(3,148)	(3,048)	(2,556)
Other	1,101	383	230
Provision for Income Taxes	$ 35,222	$29,007	$19,993
Effective Tax Rate	34%	33%	33%

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,		
	2004	2003	2002
Excess Tax Depreciation and Amortization	$10,134	$21,253	$ 39,951
Net Operating Loss Carryover	12,115	3,757	(14,342)
Bad Debts	810	32	26
Uniform Capitalization	19	(390)	(259)
Accrual Changes	(1,566)	3,390	(5,144)
Other	314	706	997
	$21,826	$28,748	$ 21,229

Components of deferred income taxes are as follows:

	March 31,	
	2004	2003
Items Giving Rise to Deferred Tax Liabilities -		
Excess Tax Depreciation and Amortization	$120,764	$111,934
Other	5,305	5,084
	126,069	117,018
Items Giving Rise to Tax Assets -		
Accrual Changes	(14,754)	(13,499)
Net Operating Loss Carryover	—	(12,115)
Bad Debts	(9,518)	(10,328)
Uniform Capitalization	(715)	(734)
	(24,987)	(36,676)
Net Deferred Income Tax Liability	$101,082	$ 80,342

In Fiscal 2004, the Company fully utilized its regular and alternative minimum tax carryovers from Fiscal 2002. The Company has approximately $4 million of alternative minimum tax credits available to affect the excess of its regular over alternative minimum tax liability in future years.

(F) Business Segments

Segment information is presented in accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” which establishes standards for reporting information about operating segments in annual financial statements and requires selected information abut operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and geographic areas. Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by the Company’s chief operating decision makes in order to allocate resources and assess performance.

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 is 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.

As further discussed below the Company operates four cement plants, ten cement distribution terminals, four gypsum wallboard plants, five gypsum wallboard reload centers, a gypsum wallboard distribution center, a recycled paperboard mill, nine readymix concrete batch plant locations and two 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 paperboard are distributed throughout the continental United States. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area and northern California.

The Company conducts two out of four of its cement plant operations through joint ventures, Texas Lehigh Cement Company, which is located in Buda, Texas and Illinois Cement Company, which is located in LaSalle, Illinois. For segment reporting purposes, the Company proportionately consolidates its 50% share of the cement Joint Ventures' revenues and operating earnings, which, in accordance with FASB Statement 131, is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance.

The Company accounts for inter-segment sales at market prices. The following table sets forth certain financial information relating to the Company's operations by segment:

	For the Years Ended March 31,		
	2004	**2003**	**2002**
Revenues -			
Cement	$181,846	$173,198	$183,154
Gypsum Wallboard	272,924	212,790	183,500
Paperboard	112,366	92,898	84,293
Concrete and Aggregates	63,117	56,598	57,621
Other, net	2,242	2,632	(745)
	632,495	538,116	507,823
Less: Intersegment Revenues	(53,567)	(37,112)	(37,130)
Less: Joint Venture Revenues	(76,306)	(71,826)	(75,505)
	$502,622	$429,178	$395,188

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	For the Years Ended March 31,		
	2004	2003	2002
Intersegment Revenues -			
Cement	$ 3,290	$ 3,505	$ 5,093
Paperboard	49,256	32,959	31,461
Concrete and Aggregates	1,021	648	576
	$ 53,567	$ 37,112	$ 37,130
Operating Earnings (Loss)-			
Cement	$ 50,450	$ 54,712	$ 60,659
Gypsum Wallboard	35,604	27,196	4,643
Paperboard	20,942	17,614	9,977
Concrete and Aggregates	5,971	(268)	4,401
Other, net	2,242	2,632	(745)
Sub-Total	115,209	101,886	78,935
Corporate General and Administrative	(9,272)	(5,654)	(5,486)
Earnings Before Interest and Income Taxes	105,937	96,232	73,449
Interest Expense, net	(3,814)	(9,619)	(13,750)
Earnings Before Income Taxes	$102,123	$ 86,613	$ 59,699
Cement Operating Earnings -			
Wholly Owned	$ 26,539	$ 29,631	$ 33,557
Joint Ventures	23,911	25,081	27,102
	$ 50,450	$ 54,712	$ 60,659
Cement Sales Volumes (M tons) -			
Wholly Owned	1,340	1,260	1,321
Joint Ventures	1,178	1,101	1,120
	2,518	2,361	2,441
Identifiable Assets (1) -			
Cement	$133,165	$135,894	$135,705
Gypsum Wallboard	327,137	322,580	341,724
Paperboard	184,447	193,661	206,607
Concrete and Aggregates	33,603	35,100	39,174
Corporate and Other	14,623	19,120	14,113
	$692,975	$706,355	$737,323
Capital Expenditures (1) -			
Cement	$ 1,834	$ 2,517	$ 1,694
Gypsum Wallboard	8,208	3,028	1,197
Paperboard	1,263	4,724	2,745
Concrete and Aggregates	1,035	1,070	10,604
Other, net	87	552	54
	$ 12,427	$ 11,891	$ 16,294

	For the Years Ended March 31,		
	2004	2003	2002
Depreciation, Depletion and Amortization [1] -			
Cement	$ 5,039	$ 4,970	$ 4,828
Gypsum Wallboard	15,571	15,325	15,070
Paperboard	7,808	7,739	7,921
Concrete and Aggregates	2,982	3,651	3,052
Other, net	1,622	1,481	1,395
	$33,022	$33,166	$32,266

[1] Basis conforms with equity method accounting.

Segment operating earnings, including the proportionately consolidated 50% interest in the revenues and expenses of the Joint Ventures, represent revenues less direct operating expenses, segment depreciation, and segment selling, general and administrative expenses. The Company accounts for intersegment sales at market prices. Corporate assets consist primarily of cash and cash equivalents, general office assets and miscellaneous other assets. Goodwill at March 31, 2004 and 2003 was $40.3 million. The segment breakdown of goodwill at March 31, 2004 and 2003 was Gypsum Wallboard ($33.3 million) and Paperboard ($7.0 million).

Combined summarized financial information for the two jointly owned operations that are not consolidated is set out below (this combined summarized financial information includes the total combined amounts for the Joint Ventures and not the Company's 50% interest in those amounts):

	For the Years Ended March 31,		
	2004	2003	2002
Revenues	$158,002	$148,612	$156,670
Gross Margin	$ 54,439	$ 55,886	$ 59,794
Earnings Before Income Taxes	$ 47,823	$ 50,162	$ 54,204

	March 31,	
	2004	2003
Current Assets	$50,223	$50,360
Non-Current Assets	$65,880	$68,566
Current Liabilities	$13,098	$11,444

(G) 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 currently 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, 2004, the Company had contingent liabilities under these outstanding letters of credit of approximately $6.2 million.

The following table compares insurance accruals and payments for the Company's operations:

	For the Years Ended March 31,	
	2004	**2003**
Accrual Balances at Beginning Period	$ 3,849	$ 3,539
Insurance Expense Accrued	4,310	4,575
Payments	(4,276)	(4,265)
Accrual Balance at End of Period	$ 3,883	$ 3,849

The Company is currently contingently liable for performance under $5.5 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.

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

Republic Paperboard Company LLC is a party to a long-term paper supply agreement with BPB Gypsum Inc. (f/k/a James Hardie Gypsum Inc.) pursuant to which Republic is obligated to sell to BPB Gypsum 95% of the gypsum-grade recycled paperboard requirements to BPB Gypsum's three gypsum wallboard plants acquired form James Hardie Gypsum. This amounts to approximately 35% to 40% of the Lawton, Oklahoma mill's output of gypsum-grade recycled paperboard.

The Company has certain operating leases covering manufacturing, transportation and certain other facilities and equipment. Rental expense for the fiscal years 2004, 2003, and 2002 totaled $2.8 million, $2.9 million and $3.0 million, respectively. Minimum annual rental commitments as of March 31, 2004, under noncancellable leases are set forth as follows:

Fiscal Year	Total
2005	$2,296
2006	$1,309
2007	$ 848
2008	$ 302
2009	$ 46
Thereafter	$4,135

(H) Stock Option Plans

The Company accounts for its stock option plans under APB Opinion No. 25 and the associated interpretations. No compensation expense has been recognized for these plans. Pro-forma footnote disclosure in accordance with SFAS 148 is presented in Note A "Summary of Significant Accounting Policies."

Prior to January 2004, the Company had two stock option plans for certain directors, officers and key employees of the Company: the Eagle Materials Inc. Amended and Restated Stock Option Plan (the "1994 Plan") and the Eagle Materials Inc. 2000 Stock Option Plan (the "2000 Plan"). Although the 1994 Plan and the 2000 Plan provided that option grants may be at less than fair market value at the date of grant, the Company 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. Nearly 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.

On January 8, 2004, the Company's stockholders approved a new incentive plan (the "Plan") that is a combined amendment and restatement of the two existing stock option plans discussed above. The number of shares available for issuance under the Plan has not increased from, and is the same as, the total number of shares available for issuance under the two stock plans listed above.

	For the Years Ended March 31,					
	2004		2003		2002	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding Options at Beginning of Year	939,578	$32.23	1,069,499	$28.66	1,046,009	$28.77
Granted	130,500	$39.94	142,000	$42.88	109,500	$27.45
Exercised	(432,440)	$31.03	(244,469)	$22.94	(19,711)	$18.24
Cancelled	(69,582)	$34.75	(27,452)	$30.93	(66,299)	$31.55
Modification[1]	60,404	—	—		—	
Outstanding Options at End of Year	628,460	$31.27	939,578	$32.23	1,069,499	$28.66
Options Exercisable at End of Year	332,662		577,294		548,537	
Weighted Average Fair Value of Options Granted during the Year	$ 16.76		$ 18.85		$ 14.95	

[1]In connection with the Spin-off, in order to ensure that the economic value of outstanding stock options was preserved, but not increased in accordance with FIN 44, a modification was made to the number of shares and their exercise price so that the award's intrinsic value immediately after the modification was not greater than its intrinsic value immediately before and the ratio of exercise price per share to market value per share was not reduced.

During Fiscal 2004, the Company issued 15,000 shares of Restricted Stock pursuant to the Plan. The restricted shares have a seven year vesting period and the value of the shares are being amortized over the term of the grant.

The following table summarizes information about stock options outstanding at March 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares Outstanding	Weighted Average Exercise Price
$10.87	5,518	0.3 years	$10.87	5,518	$10.87
$20.39 - $24.44	165,702	6.5 years	$22.06	112,318	$21.46
$28.72 - $31.63	140,164	5.6 years	$30.98	116,650	$31.40
$33.12 - $56.38	317,076	7.4 years	$36.57	98,176	$33.82
	628,460	6.7 years	$31.27	332,662	$28.42

Shares available for future stock option grants were 1,131,062 at March 31, 2004.

(I) Fair Value of Financial Instruments

The fair value of the Company's long-term debt 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 approximate 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.

(J) Agreements with Centex Corporation

On January 30, 2004, the Spin-off of all of the Company shares owned by Centex was completed. At the time of the Spin-off, the Company entered into the following agreements with Centex:

Administrative Services: The Company entered into an amended and restated administrative services agreement with Centex Service Company (“CSC”) that amended and restated a similar agreement with Centex entered into in 1994. The administrative services agreement will have a term of two years, but provides that the services to be provided by CSC will be phased out over the two-year term. The Company will pay CSC a fee of $21,125 per month, subject to adjustment, for such services. In addition the Company will reimburse CSC for its out-of-pocket expenses incurred in connection with the performance of such services.

Intellectual Property: Under the terms of the intellectual property agreement, Centex will grant to the Company an exclusive, perpetual and royalty-free license to use all trademarks held by Centex which relate primarily or exclusively to the Company’s business.

Tax Matters: In connection with the Spin-off from Centex, the Company has agreed to certain undertakings, including that, for a period of two years after the date of the distribution of EXP Common Stock by Centex, it will maintain its status as a company engaged in the active conduct of a trade or business, and will take no action to facilitate certain acquisitions of the Company’s stock. In addition, under Section 335(e) of the Internal Revenue Code, the distribution will be taxable to Centex if the distribution is part of a plan or series of related transactions pursuant to which one or more persons acquire directly or indirectly stock representing a 50% or greater interest, based on either vote or value, in Centex or EXP. Acquisitions that occur during the period beginning two years before the distribution and ending two years after the distribution are subject to a rebuttable presumption that they are part of such a plan. If Centex becomes subject to tax under Section 355(e), its tax liability will be based upon the difference between the fair market value of the shares of Class B Common Stock and the shares of common stock at the time of the distribution and its adjusted basis in such stock at that time and this tax liability will be a significant amount.

If the Company fails to comply with any such undertakings, or takes any other action or fails to take any other required action, and that failure to comply, action or omission contributes to a determination that the distribution fails to qualify as a tax free distribution, the Company will be required to indemnify Centex and the other members of the Centex group for all federal, state and local taxes, including any interest, penalty or additions to tax, incurred or imposed upon Centex or any other members of the Centex group and for any established tax liabilities of Centex stockholders resulting from the distribution.

(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. The Company is not a party to any multi-employer pension plan. Benefits paid under the defined benefit plans covering certain hourly employees are based on years of service and the employee’s qualifying compensation over the last few years of employment. The Company’s funding policy is to generally contribute amounts that are deductible for income tax purposes.

The annual measurement date is March 31 for the benefit obligations, fair value of plan assets and the funded status of the defined benefit plans.

The following table (excluding the Joint Ventures) provides a reconciliation of the defined benefit plan obligations and fair value of plan assets over the two-year period ended March 31, 2004 and a statement of the funded status as of March 31, 2004 and 2003:

	For the Years Ended March 31,	
	2004	2003
Reconciliation of Benefit Obligations -		
Benefit Obligation at April 1,	$ 5,885	$ 4,489
Service Cost - - Benefits Earned During the Period	300	840
Interest Cost on Projected Benefit Obligation	420	355
Actuarial Loss	1,538	401
Benefits Paid	(207)	(200)
Benefit Obligation at March 31,	7,936	5,885
Reconciliation of Fair Value of Plan Assets -		
Fair Value of Plan Assets at April 1,	3,702	4,300
Actual Return on Plan Assets	1,150	(784)
Employer Contributions	804	386
Benefits Paid	(207)	(200)
Fair Value of Plans at March 31,	5,449	3,702
Funded Status -		
Funded Status at March 31,	(2,487)	(2,183)
Unrecognized Loss from Past Experience Different than that Assumed and Effects of Changes in Assumptions	3,033	2,655
Unrecognized Prior-Service Cost	723	848
Net Amount Recognized	$ 1,269	$ 1,320
Amounts Recognized in the Balance Sheet Consist of -		
Accrued Benefit Liability	$(3,611)	$(3,468)
Prepaid Benefit Cost	1,269	1,320
Intangible Asset	723	848
Accumulated Other Comprehensive Income	2,888	2,620
Net Amount Recognized	$ 1,269	$ 1,320

The accumulated benefit obligation for the defined benefit pension plan was $7.8 million and $5.9 million at March 31, 2004 and 2003, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	March 31,	
	2004	2003
Projected Benefit Obligation	$7,936	$5,885
Accumulated Benefit Obligation	$7,791	$5,850
Fair Value of Plan Assets	$5,449	$3,702

Net periodic pension cost for the fiscal years ended March 31, 2004, 2003 and 2002, included the following components:

	For the Years Ended March 31,		
	2004	2003	2002
Service Cost - - Benefits Earned During the Period	$ 300	$ 239	$ 164
Interest Cost of Projected Benefit Obligation	420	355	288
Expected Return on Plan Assets	(286)	(336)	(246)
Amortization of Transition Asset	125	101	48
Amortization of Prior-Service Cost	296	132	66
Net Periodic Pension Cost	$ 855	$ 491	$ 320

The following table sets forth the assumptions used in the actuarial calculations of the present value of net periodic benefit cost and benefit obligations:

	March 31,		
	2004	2003	2002
Net Periodic Benefit Costs -			
Discount Rate	5.8%	6.3%	7.0%
Expected Return on Plan Assets	8.0%	8.0%	8.0%
Rate of Compensation Increase	3.5%	3.5%	3.5%

	March 31,	
	2004	2003
Benefit Obligations -		
Discount Rate	5.8%	6.3%
Rate of Compensation Increase	3.5%	3.5%

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

The pension plan weighted-average asset allocation at March 31, 2004 and 2003 and the range of target allocation follows:

	Range of Target Allocation	Percentage of Plan Assets at March 31,	
		2004	2003
Asset Category -			
Equity Securities	40–60%	70%	80%
Debt Securities	35–60%	30%	20%
Other	0–5%	—	—
Total		100%	100%

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

The principal pension investment strategies include asset allocation and active asset management. The range of target asset allocations have been determined after giving consideration to the expected returns of each asset class, the expected variability or volatility of the asset class returns over time, and the complementary nature or correlation of the asset classes within the portfolio. The Company also employs an active management approach for the portfolio. Each asset class is managed by one or more external money managers with the objective of generating returns, net of management fees that exceed market-based benchmarks. None of the Plans hold any EXP stock.

The Company expects to contribute to its defined benefit plan during Fiscal 2005. The amounts expected to be contributed to the pension plans is estimated to be adequate to satisfy minimum funding requirements.

The Company had at March 31, 2004, a minimum pension liability of $3.6 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 $2.2 million, $1.9 million and $1.3 million in fiscal years 2004, 2003 and 2002, respectively.

In addition, the Company provides 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 $0.1 million, $0.1 million and $0.4 million for these employees during fiscal years 2004, 2003 and 2002, respectively.

(L) Net Interest Expense

The following components are included in interest expense, net:

	For the Years Ended March 31,		
	2004	2003	2002
Interest (Income)	$ (13)	$ (36)	$ (2,419)
Interest Expense	2,517	8,247	14,918
Other Expenses	1,310	1,408	1,251
Interest Expense, net	$3,814	$9,619	$13,750

Interest income includes interest on investments of excess cash and interest on notes receivable. Components of interest expense include interest associated with the assumed Notes the Amended Credit Facility, the New Credit Facility, the Receivables Securitization Facility, the New Receivables Securitization Facility and commitment fees based on the unused portion of the New Credit Facility and Amended Credit Facility. Included in interest expense for Fiscal 2003 is $0.5 million of costs resulting from the early termination of the Amended Credit Facility. , Other expenses include amortization of debt issue costs and costs associated with the New Credit Facility and the Amended Credit Facility and the New Receivables Securitization Facility.

(M) Hedging Activities

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 earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are immediately recognized in earnings.

During Fiscal 2004, the Company had an interest rate swap agreement with a bank for a total notional amount of $55.0 million. This agreement expired on August 28, 2003 and the amount recorded in accumulated other comprehensive losses at March 31, 2003 was reclassified to earnings. The Company currently is not a party to any interest rate swap agreement.

(N) Stockholders' Equity

On January 8, 2004, the Company's stockholders approved an amendment to the Company's certificate of incorporation to increase the authorized number of shares of capital stock that the Company may issue from 50,000,000 shares of common stock and 2,000,000 shares of preferred stock to 100,000,000 shares of common stock (consisting of 50,000,000 shares of Common Stock and 50,000,000 shares of Class B Commons Stock) and 5,000,000 shares of preferred stock. The amendment to the Certificate of Incorporation became effective on January 30, 2004. The Company's Board of Directors designated 40,000 shares of preferred stock (20,000 Class A Preferred and 20,000 Class B Preferred) for use in connection with the Rights Plan discussed below.

Effective February 2, 2004, the Company entered into a Rights Agreement ("Rights Agreement") that was approved by stockholders at the Special Meeting of Stockholders held on January 8, 2004. In connection with the Rights Agreement, the Board authorized and declared a dividend of one right per share of Common Stock and one right per share of Class B Common Stock. The Rights entitle the Company's stockholders to purchase the Common Stock (the "Class A Rights") or the Class B Common Stock (the "Class B Rights") as applicable, in the event certain efforts are made to acquire control of the Company. There are no separate certificates or market for the Rights.

The Class A Rights are represented by and trade with the Company's Common Stock, and the Class B Rights are represented by and trade with the Company's Class B Common Stock. The Rights will separate from the Common Stock or the Class B Common Stock upon the earlier of: (1) a public announcement that a person has acquired beneficial ownership of shares of Common Stock and/or Class B Common Stock representing in the aggregate 15% or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of Common Stock and Class B Common Stock then outstanding, voting together as a class, or (2) the commencement of a tender or exchange offer that would result in a person beneficially owning shares of Common Stock and/or Class B Common Stock representing in the aggregate

15% or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of Common Stock and Class B Common Stock then outstanding, voting together as a class. Should either of these conditions be met and the Rights become exercisable, each Class A Right will entitle the holder to buy 1/1,000th of a share of the Company's Class A Preferred Stock at an exercise price of $140.00, and each Class B Right will entitle the holder to buy 1/1,000th of a share of the Company's Series B Preferred Stock at an exercise price of $140.00. Each 1/1,000th of a share of the Series A Preferred Stock will essentially be the economic equivalent of one share of Common Stock, and each 1/1,000th of a share of the Series B Preferred Stock will essentially be the economic equivalent of one share of Class B Common Stock.

Under certain circumstances, the Rights entitle the holders to buy the Company's stock or shares of the acquirer's stock at a 50% discount. The Rights may be redeemed by the Company for $0.001 per Right at any time prior to the first public announcement of the acquisition of beneficial ownership of shares of Common Stock and/or Class B Common Stock representing, in the aggregate, 15% or more of the total number of votes entitled to be cast generally (other than in an election of directors) by the holders of Common Stock and Class B Common Stock then outstanding, voting together as a class. If not redeemed, the Rights will expire on January 7, 2014.

(O) Quarterly Results (unaudited)

	Quarterly Results March 31,	
	2004	2003
	(dollars in thousands, except per share data)	
First Quarter -		
Revenues	$124,403	$109,568
Earnings Before Income Taxes	$ 21,385	$ 25,161
Net Earnings	$ 14,223	$ 16,735
Diluted Earnings Per Share	$ 0.77	$ 0.90
Second Quarter -		
Revenues	$134,636	$116,077
Earnings Before Income Taxes	$ 28,664	$ 24,218
Net Earnings	$ 18,564	$ 16,107
Diluted Earnings Per Share	$ 1.00	$ 0.87
Third Quarter -		
Revenues	$121,319	$101,880
Earnings Before Income Taxes	$ 27,481	$ 23,122
Net Earnings	$ 18,003	$ 15,378
Diluted Earnings Per Share	$ 0.95	$ 0.83
Fourth Quarter -		
Revenues	$122,264	$101,653
Earnings Before Income Taxes	$ 24,593	$ 14,112
Net Earnings	$ 16,111	$ 9,386
Diluted Earnings Per Share	$ 0.85	$ 0.51

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Eagle Materials Inc.:

We have audited the accompanying consolidated balance sheets of Eagle Materials Inc. and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of earnings, cash flows and shareholders' equity, for each of the three years in the period ended March 31, 2004. 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 the standards of the Public Company Accounting Oversight Board (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 Eagle Materials Inc. and subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with United States generally accepted accounting principles.

/s/ERNST & YOUNG LLP

Dallas, Texas,
May 6, 2004

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Texas Lehigh Cement Company LP

Statements of Operations

	For the Years Ended December 31,	
	2003	**2002**
Sales	$92,382,025	$88,448,870
Cost of goods sold	60,113,659	53,063,213
Gross margin	32,268,366	35,385,657
Selling, general, and administrative expenses	3,862,302	3,788,942
Operating income	28,406,064	31,596,715
Interest and other income	405,041	386,892
Net income	$28,811,105	$31,983,607

See accompanying notes.

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Texas Lehigh Cement Company LP

Balance Sheets

	December 31,	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 3,948,273	$ 1,845,296
Receivables:		
Trade accounts receivable, net of allowance for doubtful accounts and discounts of $639,131 and $555,327	10,593,007	10,506,726
Notes receivable	2,101,366	2,121,366
	12,694,373	12,628,092
Inventories:		
Cement	2,603,107	2,722,506
Raw materials and materials-in-process	1,752,875	1,439,374
Parts and supplies	7,205,053	7,312,782
	11,561,035	11,474,662
Other current assets	709,527	564,143
Total current assets	28,913,208	26,512,193
Property, plant, and equipment:		
Land, including quarry	3,755,765	3,755,765
Cement plant	101,605,134	99,872,496
Mobile equipment and other	4,641,600	4,593,089
Construction-in-progress	123,419	697,894
	110,125,918	108,919,244
Less accumulated depreciation and depletion	(74,526,361)	(70,408,924)
	35,599,557	38,510,320
Long-term notes receivable	448,842	2,536,522
Other assets	814,774	446,329
Total assets	$ 65,776,381	$ 68,005,364
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 4,097,608	$ 3,209,637
Accrued liabilities	4,169,816	3,711,164
Due to affiliates	183,076	393,862
Total liabilities	8,450,500	7,314,663
Commitments and contingencies Partners' capital:		
TLCC LP LLC	28,605,614	30,284,660
Lehigh Portland Investments, LLC	28,605,615	30,284,659
TLCC GP LLC	57,326	60,691
Lehigh Portland Holdings, LLC	57,326	60,691
Total partners' capital	57,325,881	60,690,701
Total liabilities and partners' capital	$ 65,776,381	$ 68,005,364

See accompanying notes.

Texas Lehigh Cement Company LP

Statements of Changes in Partners' Capital

	TLCC LP LLC	Lehigh Portland Investments, LLC	TLCC GP LLC	Lehigh Portland Holdings, LLC	Total
Balance at December 31, 2001	$ 31,540,340	$ 31,540,340	$ 63,207	$ 63,207	$ 63,207,094
Net income for the year	15,959,820	15,959,819	31,984	31,984	31,983,607
Distribution of earnings	(17,215,500)	(17,215,500)	(34,500)	(34,500)	(34,500,000)
Balance at December 31, 2002	30,284,660	30,284,659	60,691	60,691	60,690,701
Net income for the year	14,376,741	14,376,742	28,811	28,811	28,811,105
Distribution of earnings	(15,718,500)	(15,718,500)	(31,500)	(31,500)	(31,500,000)
Other comprehensive loss	(337,287)	(337,286)	(676)	(676)	(675,925)
Balance at December 31, 2003	$ 28,605,614	$ 28,605,615	$ 57,326	$ 57,326	$ 57,325,881

See accompanying notes.

Texas Lehigh Cement Company LP

Statements of Cash Flows

	For the Years Ended December 31	
	2003	**2002**
Operating Activities		
Net income	$ 28,811,105	$ 31,983,607
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	4,611,700	4,595,783
Gain on sale of equipment	(14,140)	(25,504)
(Increase) Decrease in trade accounts receivable	(86,281)	910,152
Decrease (Increase) in notes receivable	2,107,680	(1,520,404)
Increase in inventories	(86,373)	(1,532,839)
Increase in other current assets	(145,384)	(222,724)
Increase in other assets	(137,957)	(99,992)
Increase in accounts payable	887,971	508,884
(Decrease) Increase in accrued liabilities and due to affiliates	(658,547)	165,841
Net cash provided by operating activities	35,289,774	34,762,804
Investing Activities		
Additions to property, plant, and equipment	(1,706,319)	(1,310,997)
Proceeds from sale of equipment	19,522	70,055
Net cash used in investing activities	(1,686,797)	(1,240,942)
Financing Activity		
Distributions of earnings	(31,500,000)	(34,500,000)
Net cash used in financing activity	(31,500,000)	(34,500,000)
Net increase (decrease) in cash and cash equivalents	2,102,977	(978,138)
Cash and cash equivalents at beginning of year	1,845,296	2,823,434
Cash and cash equivalents at end of year	$ 3,948,273	$ 1,845,296

See accompanying notes.

Texas Lehigh Cement Company LP

Notes to Financial Statements
December 31, 2003 and 2002

1. Organization

Texas Lehigh Cement Company (the Company), a Texas general partnership, was formed June 27, 1986 to operate a cement plant near Austin, Texas. The Company was a fifty-fifty joint venture between Texas Cement Company (TCC), a wholly owned subsidiary of Eagle Materials, Inc. (EXP, formerly known as Centex Construction Products, Inc.), and Lehigh Portland Cement Company (Lehigh). On October 1, 2000, the existing Texas general partnership was converted to a Texas limited partnership. Subsequent to the limited partnership formation, TCC and Lehigh each contributed a .1% interest to a general partner, TLCC GP LLC and Lehigh Portland Holdings, LLC, and a 49.9% interest to a limited partner, TLCC LP LLC and Lehigh Portland Investments, LLC. The conversion and subsequent contributions were done to afford the former partners additional liability protection. Texas Lehigh Cement Company LP continues to do business as "Texas Lehigh Cement Company."

TCC's initial capital contribution consisted of a cement plant and related real property located in Buda, Texas; four distribution terminals; various operating agreements, licenses, and excavation rights; and net working capital as specified in the joint venture agreement. Lehigh's initial capital contribution consisted of a distribution terminal and related operating agreements, licenses, inventory, and cash.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include investments with original maturities of three months or less. The carrying amount approximates fair value due to the short maturity of those investments.

Trade Accounts Receivable

Accounts receivable are net of an allowance for doubtful accounts that is based on factors affecting the credit risk of customers, as well as historical trends and other information. The Company continually evaluates the creditworthiness of its customers' financial condition and generally does not require collateral.

Inventories

Inventories are valued at the lower of average cost or market. Cement and materials-in-process include materials, labor, and manufacturing overhead.

Notes Receivable

The Company has three notes receivable with customers totaling $2,550,208 and $4,657,888 at December 31, 2003 and 2002. The first and second notes accrue interest at LIBOR (1.12% and 1.38% at December 31, 2003 and 2002, respectively) plus 3% and mature in 2007 and 2004, respectively. The third note accrues interest at 9%, with any past due principal and interest accruing interest at 18%. This note is currently past due. The amounts of the individual notes at December 31, 2003 are $661,531, $1,874,987, and $13,690, and December 31, 2002 are $2,374,991, $2,249,207, and $33,690, respectively.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The Company's policy is to capitalize renewals and betterments and to expense repairs and maintenance when incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the financial statements, and any gain or loss is recorded in interest and other income on the statement of operations. The Company periodically evaluates whether current events or circumstances indicate that the carrying value of its depreciable assets may not be recoverable. At December 31, 2003 and 2002, management believes no events or circumstances indicate that the carrying value may not be recoverable.

Depreciation and Depletion

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which are as follows:

Cement plant	5 to 30 years
Mobile equipment and other	2 to 10 years

Raw material deposits are depleted as such deposits are extracted for production utilizing the units-of-production method.

Use of Estimates

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

Revenue Recognition

Revenue from the sale of cement is recognized when title and ownership are transferred upon shipment to the customer.

Concentration of Risk

One customer accounted for 7.6% and 13.8% of cement sales for 2003 and 2002 and 30.6% and 46.8% of trade and notes receivable at December 31, 2003 and 2002, respectively.

Federal Income Taxes

No federal or state income taxes are payable by the Company, and none have been provided for in the accompanying financial statements. The partners are to include their respective share of Company income or loss in their individual tax returns.

The Company's tax return and the amount of allocable Company income or losses are subject to examination by federal and state taxing authorities. If such examinations result in changes to Company income

or losses, the tax liability of the partners could be changed accordingly. No such examination is presently in process.

Shipping and Handling Fees and Costs

In accordance with Emerging Issues Task Force (EITF) Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs*, the Company classifies its freight revenue as sales and freight cost as cost of goods sold, respectively. Approximately $4,124,000 and $3,292,000 were classified as sales in 2003 and 2002, respectively.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income consists of net income and the minimum pension liability adjustment. As of December 31, 2003, the Company recorded a cumulative adjustment for the minimum pension liability of $675,925. The minimum pension liability relates to the accumulated benefit obligation in excess of the fair value of assets of the Company’s defined benefit pension plan as of December 31, 2003. This item is excluded from earnings and reported in a separate component of partners’ capital as “Other Comprehensive Loss.” Total accumulated comprehensive income for the years ended December 31, 2003 and 2002 was $28,135,180 and $31,983,607, respectively.

New Accounting Standards

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146). This statement supersedes EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability is recognized at the date an entity commits to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The provisions of SFAS No. 146 are effective for any exit and disposal activities initiated after December 31, 2002. SFAS No. 146 had no impact on the Company’s financial statements.

Effective January 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, and requires that legal obligations associated with the retirement of long-lived assets be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset. The asset is depreciated and the liability is accreted over the useful life of the asset. SFAS No. 143 had no impact on the Company’s financial statements.

3. Related-Party Transactions

The Company recorded sales to affiliates of $18,381,356 and $17,762,005 in 2003 and 2002, of which approximately $2,736,608 and $1,139,738 is included in trade accounts receivable at December 31, 2003 and 2002. The Company also purchased $825,891 and $786,264 of cement from Lehigh in 2003 and 2002, respectively. The Company accrued $26,265 and $97,571 for purchased cement received from affiliates but not paid for at December 31, 2003 and 2002, respectively.

The Company reimburses EXP for certain expenses paid by EXP on the Company's behalf. Total payments made to EXP for reimbursement of expenses were $1,839,409 and $1,734,572 during 2003 and 2002. At December 31, 2003 and 2002, the Company had accrued liabilities of $156,811 and $296,291, respectively, for the reimbursement of expenses paid by EXP.

4. Purchased Cement

The Company purchases small amounts of cement for resale. Sales were approximately $11,790,650 and $8,940,748, and cost of sales was approximately $10,341,417 and $7,485,223 for 2003 and 2002, respectively.

5. Pension and Profit Sharing Plans

The Company provides a profit sharing plan and a noncontributory defined benefit pension plan which together cover substantially all employees and provides specified benefits to qualified employees. The Company is not a party to any multi-employer pension plan. Benefits paid under the defined benefit plan cover hourly employees and 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 annual measurement date is December 31 for the benefit obligations, fair value of plan assets and the funded status of the defined benefit plan.

The following table provides a reconciliation of the defined benefit pension plan obligations and fair value of plan assets over the two-year period ended December 31, 2003 and a statement of the funded status as of December 31, 2003 and 2002:

	2003	2002
Reconciliation of Benefit Obligations		
Benefit obligation at January 1	$2,152,676	$1,576,601
Service cost – benefits earned during the period	114,555	92,661
Interest cost on projected benefit obligation	144,209	122,046
Actuarial loss	74,025	379,326
Benefits paid	(24,363)	(17,958)
Benefit obligation at December 31	2,461,102	2,152,676
Reconciliation of Fair Value of Plan Assets		
Fair value of plan assets at January 1	1,519,878	1,260,560
Actual return on plan assets	237,109	(6,696)
Employer contributions	335,552	283,972
Benefits paid	(24,363)	(17,958)
Fair value of plan assets at December 31	2,068,176	1,519,878
Funded Status		
Funded status at December 31	(392,926)	(632,798)
Unrecognized loss from past experience different than that assumed and effects of changes in assumptions	742,724	839,136
Unrecognized prior-service cost	230,488	274,128
Net amount recognized	$ 580,286	$ 480,466

Amounts recognized in the statements of financial position as of December 31, 2003 and 2002, consist of:

	2003	2002
Prepaid benefit cost	$ —	$480,466
Accrued benefit liability	(326,127)	—
Intangible asset	230,488	—
Accumulated other comprehensive income	675,925	—
Net amount recognized	$ 580,286	$480,466

The accumulated benefit obligation for the defined benefit pension plan was $2.4 million and $2.1 million at December 31, 2003 and 2002, respectively.

Net periodic pension cost for the fiscal years ended December 31, 2003 and 2002, included the following components:

	For the Years Ended December 31,	
	2003	2002
Service cost – benefits earned during the period	$ 114,555	$ 92,661
Interest cost of projected benefit obligation	144,209	122,046
Expected return on plan assets	(137,930)	(115,648)
Recognized net actuarial loss	71,258	38,472
Amortization of prior-service cost	43,640	43,640
Net periodic pension cost	$ 235,732	$ 181,171

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:

	For the Years Ended December 31,	
	2003	2002
Assumptions used to determine benefit obligations at the annual measurement date were:		
Obligation discount rate	6.5%	6.5%
Compensation increase rate	4.0%	4.0%
Assumptions used to determine net periodic benefit costs were:		
Obligation discount rate	6.5%	7.0%
Long-term rate of return on plan assets	8.0%	8.0%
Compensation increase rate	4.0%	4.0%

The expected long-term rate of return on plan assets is an assumption reflecting the anticipated weighted average rate of earnings on the portfolio over the long-term. To arrive at this rate, the Company developed estimates of the key components underlying capital asset returns including: market-based estimates of inflation, real risk-free rates of return, yield curve structure, credit risk premiums and equity risk premiums.

As appropriate, these components were used to develop benchmark estimates of expected long-term rates of return for each asset class, which were portfolio weighted.

The pension plan weighted-average asset allocation at year-end 2003 and 2002 and the range of target follows:

	Range of Target Allocation	Percentage of Plan Assets at Year-End	
		2003	2002
Asset category:			
Equity securities	40-60%	61%	27%
Debt securities	35-60%	36	72
Other	0-5%	3	1
Total		100%	100%

The Company's pension investment strategies have been developed as part of a comprehensive asset/liability management process that considers the interaction between both the assets and liabilities of the plan. These strategies consider not only the expected risks and returns on plan assets, but also the detailed actuarial projections of liabilities as well as plan-level objectives such as projected contributions, expense and funded status.

The principal pension investment strategies include asset allocation and active asset management. The range of target asset allocations have been determined after giving consideration to the expected returns of each asset class, the expected variability or volatility of the asset class returns over time, and the complementary nature or correlation of the asset classes within the portfolio. The Company also employs an active management approach for the portfolio. Each asset class is managed by one or more external money managers with the objective of generating returns, net of management fees that exceed market-based benchmarks.

The Company does not expect to contribute to its defined benefit plan during 2004. The amount previously contributed to the pension plan is estimated to be adequate to satisfy minimum funding requirements.

The Company also provides a profit sharing plan, which covers substantially all salaried and certain hourly employees. The Company matches employees' 401(k) contributions up to 4% of employees' salaries. The Company's contributions to the profit sharing plan were approximately $242,000 and $245,000 in 2003 and 2002, respectively.

6. Commitments and Contingencies

The Company is involved in certain legal actions arising in the ordinary course of its business. Management is of the opinion that all outstanding litigation will be resolved without material effect to the financial position or results of operations of the Company.

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Report of Independent Auditors

The Management Committee
Texas Lehigh Cement Company LP

We have audited the accompanying balance sheets of Texas Lehigh Cement Company LP (a Texas limited partnership) as of December 31, 2003 and 2002 and the related statements of operations, changes in partners' capital, and cash flows for the years then ended. 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 financial position of Texas Lehigh Cement Company LP at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ERNST & YOUNG LLP

Dallas, Texas,
January 16, 2004

Texas Lehigh Cement Company LP

Statements of Operations
For the Years Ended December 31, 2001 and 2000

	2001	2000
SALES	$ 83,824,693	$ 85,998,813
COST OF GOODS SOLD	(47,575,470)	(47,530,973)
Gross income	36,249,223	38,467,840
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	(3,449,627)	(3,461,191)
Operating income	32,799,596	35,006,649
INTEREST AND OTHER INCOME	2,683,917	2,908,329
NET INCOME	$ 35,483,513	$ 37,914,978

Texas Lehigh Cement Company LP

Balance Sheets—December 31, 2001 and 2000

	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,823,434	$ 2,973,984
Receivables-		
Trade accounts, net of allowance for doubtful accounts and discounts of $619,376 and $587,342 in 2001 and 2000, respectively	11,416,878	11,823,694
Current notes receivables	762,493	3,471,106
	12,179,371	15,294,800
Inventories-		
Cement	2,127,569	2,415,212
Raw Materials and materials-in-process	1,185,528	1,020,986
Parts and supplies	6,628,726	6,572,714
	9,941,823	10,008,912
Other current assets	341,419	349,705
Total current assets	25,286,047	28,627,401
PROPERTY, PLANT AND EQUIPMENT:		
Land, including quarry	3,845,665	3,845,665
Cement plant	99,262,445	98,431,781
Mobile equipment and other	4,583,382	4,575,682
Construction-in-progress	91,808	116,236
	107,783,300	106,969,364
Less – Accumulated depreciation and depletion	(65,943,643)	(61,403,025)
	41,839,657	45,566,339
LONG-TERM NOTES RECEIVABLE	2,374,991	2,874,995
OTHER ASSETS	346,337	183,580
Total assets	$ 69,847,032	$ 77,252,315
LIABILITIES AND PARTNERS’ CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 2,925,469	$ 3,568,842
Accrued Liabilities	3,584,767	3,797,654
Due to affiliates	129,702	162,238
Total liabilities	6,639,938	7,528,734
COMMITMENTS AND CONTINGENCIES PARTNERS’ CAPITAL:		
TLCC LP LLC	31,540,340	34,792,067
TLCC GP LLC	63,207	69,724
Lehigh Portland Investments, LLC	31,540,340	34,792,066
Lehigh Portland Holdings, LLC	63,207	69,724
Total partners’ capital	63,207,094	69,723,581
Total liabilities and partners’ capital	$ 69,847,032	$ 77,252,315

The accompanying notes are an integral part of these financial statements.

Texas Lehigh Cement Company LP

Statements of Changes in Partners' Capital
For the Years Ended December 31, 2001 and 2000

	Texas Cement Company	Lehigh Portland Cement Company	TLCC LP LLC	Lehigh Portland Investments, LLC	TLC GP LLC	Lehigh Portland Holdings, LLC	Total
BALANCE, December 31, 1999	$ 33,154,301	$ 33,154,302	$ —	$ —	$ —	$ —	$ 66,308,603
Net Income through September 30, 2000	13,654,578	13,654,577	—	—	—	—	27,309,155
Distribution through September 30, 2000	(12,500,000)	(12,500,000)	—	—	—	—	(25,000,000)
BALANCE, September 30, 2000	34,308,879	34,308,879	—	—	—	—	68,617,758
Limited Partnership formation	(34,308,879)	(34,308,879)	—	—	—	—	—
Net income from October 1 through December 31, 2000	—	—	34,240,261	34,240,261	68,618	68,618	—
Distributions from October 1 through December 31, 2000	—	—	5,292,306 (4,740,500)	5,292,305 (4,740,500)	10,606 (9,500)	10,606 (9,500)	10,605,823 (9,500,000)
BALANCE, December 31, 2000	—	—	34,792,067	34,792,066	69,724	69,724	69,723,581
Net income for the year	—	—	17,706,273	17,706,274	35,483	35,483	35,483,513
Distribution of earnings	—	—	(20,958,000)	(20,958,000)	(42,000)	(42,000)	(42,000,000)
BALANCE, December 31, 2001	$ —	$ —	$ 31,540,340	$ 31,540,340	$ 63,207	$ 63,207	$ 63,207,094

The accompanying notes are an integral part of these financial statements.

Texas Lehigh Cement Company LP

Statement of Cash Flows
For the Years Ended December 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 35,483,513	$ 37,914,978
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and depletion	4,596,504	4,422,943
Gain on sale of equipment	(8,482)	(19,382)
Decrease (increase) in trade accounts receivable	406,816	(1,315,605)
Decrease (increase) in notes receivable	3,208,617	(1,682,670)
Decrease (increase) in inventories	67,089	(286,801)
Decrease (increase) in other current assets	8,286	(112,067)
(Increase) decrease in other assets	(162,757)	75,671
(Decrease) increase in accounts payable	(643,373)	290,264
Decrease in accrued liabilities and due to affiliates	(245,423)	(77,053)
Net cash provided by operating activities	42,710,790	39,210,278
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(869,822)	(3,001,392)
Proceeds from sale of equipment	8,482	19,382
Net cash used in investing activities	(861,340)	(2,982,010)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions of earnings	(42,000,000)	(34,500,000)
Net cash used in financing activities	(42,000,000)	(34,500,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(150,550)	1,728,268
CASH AND CASH EQUIVALENTS, beginning of year	2,973,984	1,245,716
CASH AND CASH EQUIVALENTS, end of year	$ 2,823,434	$ 2,973,984

The accompanying notes are an integral part of these financial statements.

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Texas Lehigh Cement Company LP

Notes to Financial Statements
December 31, 2001 and 2000

1. Organization:

Texas Lehigh Cement Company (the “Company”), a Texas general partnership, was formed June 27, 1986 to operate a cement plant near Austin, Texas. The Company was a fifty-fifty joint venture between Texas Cement Company (TCC), a wholly owned subsidiary of Centex Construction Products (CXP), and Lehigh Portland Cement Company (Lehigh”). On October 1, 2000, the existing Texas general partnership was converted to a Texas limited partnership. Subsequent to the limited partnership formation, TCC and Lehigh each contributed a .1% interest to a general partner and a 49.9% interest to a limited partner. The conversion and subsequent contributions were done to afford the former partners additional liability protection. Texas Lehigh Cement Company LP continues to do business as “Texas Lehigh Cement Company”.

TCC’s initial capital contribution consisted of a cement plant and related real property located in Buda, Texas; four distribution terminals; various operating agreements, licenses, and excavation rights; and net working capital as specified in the joint venture agreement. Lehigh’s initial capital contribution consisted of a distribution terminal and related operating agreements, licenses, inventory, and cash.

2. Significant Accounting Policies:

Cash and Cash Equivalents

Cash and cash equivalents include investments with original maturities of three months or less. The carrying amount approximates fair value due to the short maturity of those investments.

Trade Accounts Receivable

Accounts receivable are net of an allowance for doubtful accounts that is based on factors affecting the credit risk of customers, as well as historical trends and other information.

Inventories

Inventories are valued at the lower of average cost or market. Cement and materials-in-process include materials, labor, and manufacturing overhead.

Notes Receivable

The Company has two notes receivable with customers totaling $3,137,484 and $6,346,101 at December 31, 2001 and 2000, respectively. The first note accrues interest at LIBOR (1.87% and 6.62% at December 31, 2001 and 2000, respectively) plus 3% and matures in 2007. The second note accrues interest at 9%, with any past due principal and interest accruing interest at 18%. This note matures in 2002. The amounts of the individual notes at December 31, 2001, are $2,874,995 and $262,489, respectively.

Texas Lehigh Cement Company LP

Notes to Financial Statements
December 31, 2001 and 2000

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Company's policy is to capitalize renewals and betterments and to expense repairs and maintenance when incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the books, and any gain or loss is recorded in the statements of operations.

Depreciation and Depletion

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are as follows:

Cement plant	5 to 30 years
Mobile equipment and other	2 to 10 years

Depletion is provided using the units-of-production method.

Use of Estimates

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

Concentration of Risk

One customer accounted for 15.5% and 15.4% of the cement sales for 2001 and 2000, respectively.

Federal Income Taxes

No federal or state income taxes are payable by the Company and none have been provided for in the accompanying financial statements. The partners are to include their respective share of Company income or losses in their individual tax returns.

The Company's tax return and the amount of allocable Company income or losses are subject to examination by federal and state taxing authorities. If such examinations result in changes to Company income or losses, the tax liability of the partners could be changed accordingly. No such examination is presently in process.

Shipping and Handling Fees and Costs

In accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company reclassified its freight revenue and costs, previously shown net in the accompanying financial statements, to sales and cost of sales, respectively. Approximately $3,930,000 was reclassified in 2001, and $3,802,000 had been previously reclassified in 2000.

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Texas Lehigh Cement Company LP

Notes to Financial Statements
December 31, 2001 and 2000

3. Related-Party Transactions:

The Company recorded sales to affiliates of $15,702,893 and $16,329,356 in 2001 and 2000, respectively, of which approximately $1,578,000 and $1,307,000 are included in trade accounts receivable at December 31, 2001 and 2000, respectively. The Company also purchased $969,158 and $1,094,342 of cement from Lehigh in 2001 and 2000, respectively. These transactions were on terms comparable to those extended to third parties.

4. Purchased Cement:

The Company purchases small amounts of cement for resale. Sales were approximately $9,813,000 and $14,346,000 and cost of sales were approximately $8,183,000 and $12,209,000 for 2001 and 2000, respectively. Income on these sales is recognized in interest and other income in the accompanying statements of operations.

5. Retirement Plans:

The Company provides a profit sharing plan and a noncontributory pension plan covering substantially all employees and providing specified benefits to qualified employees. The Company matches employees' 401(k) contributions up to 4% of employees' salaries. The Company's contributions to the benefit plans were approximately $772,316 and $409,000 in 2001 and 2000, respectively.

6. Commitments and Contingencies:

The Company is involved in certain legal actions arising in the ordinary course of its business. Management is of the opinion that all outstanding litigation will be resolved without material effect to the financial position or results of operations of the Company.

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Report of Independent Public Accountants

To the Management Committee of
Texas Lehigh Cement Company LP:

We have audited the accompanying balance sheets of Texas Lehigh Cement Company LP (a Texas limited partnership) as of December 31, 2001 and 2000, and the related statements of operations, changes in partners' capital and cash flows for the years then ended. 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 financial position of Texas Lehigh Cement Company LP as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/Arthur Andersen LLP

Dallas, Texas
January 24, 2002

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with the issuance of Texas Lehigh Cement Company LP's financial statements for the year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with the completion of Texas Lehigh Cement Company LP's 2003 financial statements or the filing of Eagle Materials, Inc. Form 10-K. See Exhibit 23.2 for further discussion.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this Annual Report on Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a – 14c. Based upon the evaluations, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's current disclosure controls and procedures are effective for the purpose of ensuring that information required to be disclosed by the Company in this report has been processes, summarized and reported in a timely manner. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to such evaluation by the Chief Executive Officer and Chief Financial Officer.

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 and the information below regarding our code of ethics, the information called for by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to the information included and referenced under the following captions in the Company's Proxy Statement for the Company's July 27, 2004 Annual Meeting of Stockholders (the "2004 EXP Proxy Statement"):

Items	Caption in the 2004 EXP Proxy Statement
10	Election of Directors
10	Stock Ownership—Section 16(a) Beneficial Ownership Reporting Compliance
11	Executive Compensation
12	Stock Ownership
13	Certain Transactions
14	Relationship with Independent Public Accountants

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

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

ITEM 11. EXECUTIVE COMPENSATION

See Item 10 above.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See Item 10 above.

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The following table shows the number of outstanding options and shares available for future issuance of options under all of the Company's equity compensation plans of March 31, 2004. All of the Company's equity compensation plans have been approved by the Company's shareholders.

Plan Category	Incentive Plan	Number of securities be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)
Equity compensation plans approved by stockholders	2004	628,460	$31.27	1,131,062
Equity compensation plans not approved by shareholders		0	0	0
Total		628,460	$31.27	1,131,062

ITEM 13.CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Item 10 above.

ITEM 14.PRINCIPAL ACCOUNTANT FEES AND SERVICES

See Item 10 above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

(1) Financial Statements

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

(2) Schedules

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

(3) Exhibits

The information on exhibits required by this Item 15 is set forth in the Eagle Materials Inc. Index to Exhibits appearing on pages 89 - 90 of this Report.

b) Reports on Form 8-K

On January 9, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K announcing the results of the Stockholders' meeting held on January 8, 2004.

On January 19, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K announcing its third quarter net earnings for the quarter ended December 31, 2003.

On January 26, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K making available the presentation that will be made to investors at a series of meetings during January 2004 and from time to time thereafter.

On January 30, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K/A announcing the completion of the distribution by Centex on January 30, 2004 and the change of the Company's name to Eagle Materials Inc.

On February 4, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K announcing the signing of a Rights Agreement approved by Stockholders on January 8, 2004.

On February 13, 2004, the Company filed with the Securities and Exchange Commission a current report on Form 8-K/A announcing the termination of the temporary suspension of trading under the Company's Employee Benefit Plan.

SIGNATURES

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

	EAGLE MATERIALS INC.
	Registrant
June 10, 2004	/s/ STEVEN R. ROWLEY
	Steven R. Rowley, 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 10, 2004	/s/ STEVEN R. ROWLEY
	Steven R. Rowley Chief Executive Officer
June 10, 2004	/s/ ARTHUR R. ZUNKER, JR.
	Arthur R. Zunker, Jr., Senior Vice President – Finance and Treasurer (principal financial and accounting officer)
June 10, 2004	/s/ F WILLIAM BARNETT
	F. William Barnett, Director
June 10, 2004	/s/ ROBERT L. CLARKE
	Robert L. Clarke, Director
June 10, 2004	/s/ O. GREG DAGNAN
	O. Greg Dagnan, Director
June 10, 2004	/s/ LAURENCE E. HIRSCH
	Laurence E. Hirsch, Director
June 10, 2004	/s/ MICHAEL R. NICOLAIS
	Michael R. Nicolais, Director
June 10, 2004	/s/ DAVID W. QUINN
	David W. Quinn, Director

INDEX TO EXHIBITS
EAGLE MATERIALS INC.
AND SUBSIDIARIES

Exhibit Number	Description of Exhibits
2.1	Amended and Restated Agreement and Plan of Merger, dated as of November 4, 2003, among Centex Corporation, Centex Construction Products, Inc. (now known as Eagle Materials Inc.) and ARG Merger Corporation filed as Exhibit 2.1 to the Current Report on Form 8-K/A filed with the Securities Exchange Commission (the “Commission”) on November 12, 2003 and incorporated herein by reference.
2.2	Amended and Restated Distribution Agreement dated as of November 4, 2003 between Centex Corporation and Centex Construction Products, Inc. (now known as Eagle Materials Inc.) filed as Exhibit 2.2 to the Company’s Current Report on Form 8-K/A filed with the Commission on November 12, 2003 and incorporated herein by reference.
3.1	Restated Certificate of Incorporation filed as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2003 filed with the Commission on February 13, 2004 and incorporated herein by reference.
3.2	Amended and Restated Bylaws filed as Exhibit B to the Registration Statement on Form 8-A filed with the Commission on January 9, 2004 and incorporated herein by reference.
4.1	Credit Agreement dated December 18, 2003 among Centex Construction Products, Inc. (now known as Eagle Materials Inc.), JPMorgan Chase Bank, as the administrative agent, and the Lenders named therein filed as Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2003, filed with the Commission on February 13, 2004 and incorporated herein by reference.
4.2*	Receivables Purchase Agreement dated as of February 20, 2004 between the Company, EXP Funding LLC, Market Street Funding Corporation and PNC Bank, National Association.
4.3	Rights Agreement, dated as of February 2, 2004, between Eagle Materials Inc. and Mellon Investor Services LLC, as Rights Agent filed as Exhibit 1 to the Registration Statement on Form 8-A filed with the Commission on February 4, 2004 and incorporated herein by reference.
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 with the Commission 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 with the Commission on June 21, 2001 (the “2001 10-K”) and incorporated herein by reference.
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 and incorporated herein by reference.
10.3*	The Eagle Materials Inc. Incentive Plan.(1)
10.4	The Eagle Materials Inc. Amended and Restated Supplemental Executive Retirement Plan filed as Exhibit 10.4 to the Company’s Annual Report on Form 10-K (File No. 1-12984) for the fiscal year ended March 31, 2000 and incorporated herein by reference.(1)

Exhibit Number	Description of Exhibits
10.5*	Trademark License and Domain Name Agreement dated January 30, 2004 between the Company and Centex Corporation.
10.6	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.
10.7*	Amended and Restated Administrative Services Agreement dated as of January 30, 2004, between the Company and Centex Service Company.
10.8	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. filed as Exhibit 10.11 to the 2001 10-K and incorporated herein by reference. 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.
10.9*	Form of Indemnification Agreement between the Company and each of its Directors.
21*	Subsidiaries of the Company.
23.1*	Consent of Independent Auditors – Ernst & Young LLP.
23.2*	Information Regarding Consent of Arthur Andersen LLP.
31.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

[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.

EXHIBIT 4.2

RECEIVABLES PURCHASE AGREEMENT

dated as of February 20, 2004

among

EAGLE MATERIALS INC.,
as initial Servicer

EXP FUNDING, LLC,
as Seller

MARKET STREET FUNDING CORPORATION,
as Issuer

and

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

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ANNEX A Form of Purchase Notice

ANNEX B Form of Paydown Notice

ANNEX C Form of Servicer Report

This RECEIVABLES PURCHASE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement") is entered into as of February 20, 2004, among EXP FUNDING, LLC, a Delaware limited liability company, as seller (the "Seller"), EAGLE MATERIALS INC., a Delaware corporation ("Eagle Materials"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation, as Issuer (the "Issuer") and PNC BANK, NATIONAL ASSOCIATION, a national banking association ("PNC"), as administrator for the Issuer (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

PRELIMINARY STATEMENTS

WHEREAS, certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I. References in the Exhibits hereto to "the Agreement" refer to this Agreement, as amended, supplemented or otherwise modified from time to time.

WHEREAS, the Seller desires to sell, transfer and assign an undivided percentage ownership interest in a pool of receivables, and the Issuer desires to acquire such undivided percentage interest, as such percentage interest shall be adjusted from time to time based upon, in part, reinvestment payments that are made by the Issuer.

NOW THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I

AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchase Facility. (a) On the terms and conditions hereinafter set forth, the Issuer hereby agrees to purchase from the Seller, and make reinvestments in, undivided percentage ownership interests with regard to the Purchased Interest from time to time from the date hereof to the Facility Termination Date. Under no circumstances shall the Issuer make any such purchase or reinvestment if, after giving effect to such purchase or reinvestment (i) the aggregate outstanding Capital of the Purchased Interest would exceed the Purchase Limit or (ii) the Purchased Interest would exceed 100%.

(b) The Seller may, upon at least 30 days' written notice to the Administrator, terminate the Facility provided in this Agreement in whole or, upon at least 30 days' written notice to the Administrator, from time to time, irrevocably reduce in part the unused portion of the Purchase Limit; provided, that each partial reduction shall be in the amount of at least $5,000,000, or an integral multiple of $1,000,000 in excess thereof, and that, unless terminated in whole, the Purchase Limit shall in no event be reduced below $20,000,000.

Section 1.2. Making Purchases. (a) Each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder shall be made upon the Seller's irrevocable written notice (a "Purchase Notice") in the form of Annex A delivered to the Administrator in accordance with Section 5.2 (which notice must be received by the Administrator before 11:00 a.m., New York City time) at least two Business Days before the

requested purchase date, which notice shall specify: (A) the amount requested to be paid to the Seller (such amount, which shall not be less than $300,000 and anything in excess of $300,000 shall be an integral multiple of $100,000), being the Capital relating to the undivided percentage ownership interest then being purchased, (B) the date of such purchase (which shall be a Business Day) and (C) a pro forma calculation of the Purchased Interest after giving effect to such purchase. The funding basis for each such purchase shall be the CP Rate or, if the Issuer has exercised its discretion not to fund or maintain such purchase through the issuance of Notes because such purchase with the issuance of Notes would be economically inadvisable to the Issuer, the Administrator, the Seller or any other similarly situated Person, or otherwise not permitted or available, the Yield Rate selected at such time by the Administrator.

(b) On the date of each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder, the Issuer shall, upon satisfaction of the applicable conditions set forth in Exhibit II, make available to the Seller in same day funds, at PNC Bank, National Association, account number 1013639238, ABA 043 000 096 (or such other account as may be so designated in writing by the Seller to the Administrator) an amount equal to the Capital relating to the undivided percentage ownership interest then being funded.

(c) Effective on the date of each purchase pursuant to this Section and each reinvestment pursuant to Section 1.4, the Seller hereby sells and assigns to the Issuer an undivided percentage ownership interest in: (i) each Pool Receivable then existing, (ii) all Related Security with respect to such Pool Receivables and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security.

(d) To secure all of the Seller's obligations (monetary or otherwise) under this Agreement and the other Transaction Documents to which it is a party, whether now or hereafter existing or arising, due or to become due, direct or indirect, absolute or contingent, the Seller hereby grants to the Issuer (and its assigns) a security interest in all of the Seller's right, title and interest (including any undivided interest of the Seller) in, to and under all of the following, whether now or hereafter owned, existing or arising: (i) all Pool Receivables, (ii) all Related Security with respect to such Pool Receivables, (iii) all Collections with respect to such Pool Receivables, (iv) the Lock-Box Accounts and all amounts on deposit therein, and all certificates and instruments, if any, from time to time evidencing such Lock-Box Accounts and amounts on deposit therein, (v) all rights (but none of the obligations) of the Seller under the Sale Agreements, and (vi) all proceeds of, and all amounts received or receivable under any or all of, the foregoing (collectively, the "Pool Assets"). The Issuer shall have, with respect to the Pool Assets, and in addition to all the other rights and remedies available to the Issuer, all the rights and remedies of a secured party under any applicable UCC.

Section 1.3. Purchased Interest Computation. The Purchased Interest shall be initially computed on the date of the initial purchase hereunder. Thereafter, until the Facility Termination Date, the Purchased Interest shall be automatically recomputed (or deemed to be recomputed) on each Business Day other than a Termination Day. From and after the occurrence of any Termination Day, the Purchased Interest shall (until the event(s) giving rise to such Termination Day are satisfied or waived by the Administrator), be deemed to be 100%. The Purchased Interest shall become zero when the Capital thereof and Discount thereon shall have been paid in

full, all the amounts owed by the Seller and the Servicer hereunder to the Issuer, the Administrator and any other Indemnified Party or Affected Person are paid in full, and the Servicer shall have received the accrued Servicing Fee thereon.

Section 1.4. Settlement Procedures. (a) The collection and distribution of the Pool Receivables shall be administered by the Servicer in accordance with the terms of this Agreement.

(b) The Servicer shall, on each day on which Collections of Pool Receivables are received (or deemed received) by the Seller or Servicer:

(i) set aside, segregate and hold in trust for the benefit of the Issuer (and, if requested by the Administrator, transfer to a separate account approved by the Administrator) out of the percentage of Collections represented by the Purchased Interest, first, an amount equal to the Discount accrued through such day for each Portion of Capital and not previously set aside, second, an amount equal to the fees set forth in the Fee Letter accrued and unpaid through such day, and third, to the extent funds are available therefor, an amount equal to the Issuer's Share of the Servicing Fee accrued through such day and not previously set aside,

(ii) subject to Section 1.4(f), if such day is not a Termination Day, remit to the Seller, on behalf of the Issuer, the remainder of the percentage of Collections represented by the Purchased Interest (to the extent representing a return on Capital); such remainder shall be automatically reinvested in Pool Receivables, and in the Related Security, Collections and other proceeds with respect thereto; provided, however, that if after giving effect to such reinvestment the Purchased Interest would exceed 100%, then the Servicer shall not remit to the Seller, but shall set aside and hold in trust for the Issuer (and, if requested by the Administrator, transfer to a separate account approved by the Administrator), a portion of such Collections that, together with the other Collections set aside pursuant to this paragraph, shall equal the amount necessary to reduce the Purchased Interest to 100%,

(iii) if such day is a Termination Day, set aside, segregate and hold in trust for the benefit of the Issuer (and, if requested by the Administrator, transfer to a separate account approved by the Administrator) the entire remainder of the Issuer's Share of the Collections; provided, that so long as the Facility Termination Date has not occurred, if amounts are set aside and held in trust on any Termination Day and, thereafter, the conditions set forth in Section 2 of Exhibit II are satisfied or are waived by the Administrator, such previously set aside amounts shall, unless already distributed pursuant to Section 1.4(d), below, to the extent representing a return on Capital, be reinvested in accordance with clause (ii) of this Section 1.4(b) on the day of such subsequent satisfaction or waiver, and

(iv) remit to the Seller (subject to Section 1.4(f)) for its own account any Collections in excess of (without duplication): (a) amounts required to be reinvested in accordance with clause (ii) or the proviso to clause (iii) of this Section 1.4(b) plus (b) the amounts that are required to be set aside pursuant to clause (i), the proviso to clause (ii)

and clause (iii) of this Section 1.4(b) plus (c) the Seller's Share of the Servicing Fee accrued and unpaid through such day (which shall be retained by the Servicer for its own account and, on each Settlement Date, be treated for all purposes hereof as the payment by the Seller of its share of the Servicing Fee as contemplated by Section 4.6(a) on such date) plus (d) all other amounts owed by the Seller under this Agreement to the Issuer, the Administrator, and any other Indemnified Party or Affected Person.

(c) The Servicer shall deposit into the Administration Account (or such other account designated by the Administrator at such time), on each Settlement Date with respect to any Portion of Capital, Collections held for the Issuer pursuant to clause (b)(i) or (f) of this Section 1.4 plus the amount of Collections then held for the Issuer pursuant to clauses (b)(ii) and (iii) of this Section 1.4. Prior to the occurrence and continuation of any Termination Day, the Servicer may deposit into its own account on each Settlement Date from Collections held on deposit in the Lock-Box Accounts pursuant to Section 1.4(b)(i) in respect of the accrued Servicing Fee, an amount equal to the Issuer's Share of such accrued Servicing Fee.

(d) Upon receipt of funds deposited into the Administration Account pursuant to clause (c) of this Section, the Administrator shall cause such funds to be distributed as follows:

(i) if such distribution occurs on a day that is not a Termination Day and the Purchased Interest does not exceed 100%, first, to the Issuer, in payment in full of all accrued Discount and fees (other than Servicing Fees) with respect to each such Portion of Capital, and second, if the Servicer has not, in accordance with the last sentence of Section 1.4(c), deposited such amounts in its own account, to the Servicer in payment in full of the Issuer's Share of accrued Servicing Fees, and

(ii) if such distribution occurs on a Termination Day or on a day when the Purchased Interest exceeds 100%, first, if Eagle Materials or an Affiliate thereof is not the Servicer, to the Servicer in payment in full of all accrued Servicing Fees; second, to the Issuer, in payment in full of all accrued Discount and fees (other than Servicing Fees); third, to the Issuer, in payment in full of Capital (or, if such day is not a Termination Day, the amount necessary to reduce the Purchased Interest to 100%), fourth, if the Capital and accrued Discount with respect to each Portion of Capital have been reduced to zero, and all accrued Servicing Fees payable to the Servicer (if other than Eagle Materials or an Affiliate thereof) have been paid in full, to the Issuer, the Administrator and any other Indemnified Party or Affected Person in payment in full of any other amounts owed thereto by the Seller hereunder and, fifth, to the Servicer (if the Servicer is Eagle Materials or an Affiliate thereof) in payment in full of the Issuer's Share of all accrued Servicing Fees.

After the Capital, Discount, fees payable pursuant to the Fee Letter and Servicing Fees with respect to the Purchased Interest, and any other amounts payable by the Seller and the Servicer to the Issuer, the Administrator or any other Indemnified Party or Affected Person hereunder, have been paid in full, all additional Collections with respect to the Purchased Interest shall be paid to the Seller for its own account.

(e) For the purposes of this Section 1.4:

(i) if on any day the Outstanding Balance of any Pool Receivable is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any revision, cancellation, allowance, discount or other adjustment made by the Servicer, the Seller or any Affiliate of the Servicer or the Seller (other than as a result of (x) having been written off the Seller's books as uncollectible due to credit reasons of an Obligor or (y) a discharge in bankruptcy of an Obligor), or any setoff or dispute between the Seller or any Affiliate of the Seller and an Obligor, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or adjustment and shall immediately pay any and all such amounts in respect thereof to a Lock-Box Account for the benefit of the Issuer and its assigns and for application pursuant to this Section 1.4;

(ii) if on any day any of the representations or warranties in Section 1(l) or Section 3(a) of Exhibit III is not true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full and shall immediately pay any and all such amounts in respect thereof to a Lock-Box Account for the benefit of the Issuer and its assigns and for application pursuant to this Section 1.4 (Collections deemed to have been received pursuant to clause (i) or (ii) of this paragraph (e) are hereinafter sometimes referred to as "Deemed Collections") (any Receivable which becomes subject to a Deemed Collection in an amount equal to the Outstanding Balance of such Receivable, pursuant to clauses (i) or (ii) of this paragraph (e), and for which such Deemed Collection has actually been paid in cash and deposited into a Lock-Box Account in accordance with the terms hereof, shall no longer be a "Receivable" for purposes of this Agreement and the other Transaction Documents and the security interest or undivided ownership interest of the Issuer therein and in the Related Security solely with respect thereto shall be and be deemed to be automatically released upon actual receipt of such Deemed Collection by deposit thereof (in an amount at least equal to the entire aggregate Outstanding Balance of such Receivable) in a Lock-Box Account without any further action by or notice to any Person, and the Issuer hereby authorizes at the expense of the Seller, the filing of any release or partial termination at such time in accordance with the UCC of any applicable jurisdiction solely with respect to the Receivable and applicable Related Security to which such Deemed Collection relates);

(iii) except as required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates in writing its payment for application to specific Receivables; and

(iv) if and to the extent the Administrator or the Issuer shall be required for any reason to pay over to an Obligor (or any trustee, receiver, custodian or similar official in any Insolvency Proceeding) any amount received by it hereunder, such amount shall be deemed not to have been so received by the Administrator or the Issuer but rather to have been retained by the Seller and, accordingly, the Administrator or the Issuer, as the case

may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(f) If at any time the Seller shall wish to cause the reduction of Capital, the Seller may do so as follows:

(i) the Seller shall give the Administrator and the Servicer at least two (2) Business Days' prior written notice thereof (a "Paydown Notice"), which notice shall be in the form of Annex B hereto;

(ii) on the proposed date of commencement of such reduction and on each day thereafter, the Servicer shall cause Collections not to be remitted to the Seller for reinvestment until the amount thereof not so remitted shall equal the desired amount of reduction; and

(iii) the Servicer shall account for such Collections and make payment to the Administrator on the next succeeding Settlement Date and Capital shall be deemed reduced in the amount to be paid to the Administrator only when in fact finally so paid;

provided, that:

(A) the amount of any such reduction shall be not less than $300,000 (or for any specific request, $100,000, at the sole discretion of the Administrator) and shall be an integral multiple of $100,000, and the entire Capital of the Purchased Interest after giving effect to such reduction shall be not less than $5,000,000 and shall be in an integral multiple of $100,000 (unless Capital shall have been reduced to zero in accordance with Section 1.1(b)); and

(B) the Seller shall choose a reduction amount, and the date of commencement thereof, so that to the extent practicable such reduction shall commence and conclude in the same Yield Period.

Section 1.5. Fees. The Seller shall pay to the Administrator for the benefit of the Issuer and the Administrator, certain fees in the amounts and on the dates set forth in the Fee Letter.

Section 1.6. Payments and Computations, Etc. (a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be made without reduction for offset or counterclaim and shall be paid or deposited no later than 12:00 p.m. (New York City time) on the day when due in same day funds to the Administration Account. All amounts received after 12:00 p.m. (New York City time) will be deemed to have been received on the next Business Day.

(b) The Seller or the Servicer, as the case may be, shall, to the extent permitted by law, pay interest on any amount not paid or deposited by the Seller or the Servicer, as the case may be, when due hereunder, at an interest rate equal to 2.0% per annum above the Base Rate, payable on demand.

(c) All computations of interest under clause (b) and all computations of Discount, fees and other amounts hereunder shall be made on the basis of a year of 360 (or 365 or 366, as applicable, with respect to Discount or other amounts calculated by reference to the Base Rate) days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next Business Day and such extension of time shall be included in the computation of such payment or deposit.

Section 1.7. Increased Costs. (a) If, after the date hereof, the Administrator, the Issuer, any Liquidity Bank, any other Program Support Provider or any of their respective Affiliates (each an "Affected Person") reasonably determines that the existence of or compliance with: (i) any law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein or in the interpretation or application thereof, or (ii) any request, guideline or directive from Financial Accounting Standards Board ("FASB"), or any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Affected Person, and such Affected Person determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of (or otherwise to maintain the investment in) Pool Receivables or any related liquidity facility, credit enhancement facility and other commitments of the same type, then, upon demand by such Affected Person (with a copy to the Administrator), the Seller shall promptly pay to the Administrator, for the account of such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments. For the avoidance of doubt, if the issuance of FASB Interpretation No. 46, or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of the Issuer or the Seller with the assets and liabilities of the Administrator or any other Affected Person, such event shall constitute a circumstance on which such Person may base a claim for reimbursement under this Section 1.7. A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(b) If, subsequent to the execution of this Agreement, due to either: (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing, or maintaining the ownership of, the Purchased Interest (or its portion thereof) in respect of which Discount is computed by reference to the Euro-Rate, then, upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person for such increased costs. A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(c) If such increased costs affect the related Affected Person's portfolio of financing transactions, such Affected Person shall use reasonable averaging and attribution methods to allocate such increased costs to the transactions contemplated by this Agreement.

Section 1.8. Requirements of Law. If, after the date hereof, any Affected Person reasonably determines that the existence of or compliance with: (a) any law or regulation or any change therein or in the interpretation or application thereof, or (b) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law):

(i) does or shall subject such Affected Person to any tax of any kind whatsoever with respect to this Agreement, any increase in the Purchased Interest (or its portion thereof) or in the amount of Capital relating thereto, or does or shall change the basis of taxation of payments to such Affected Person on account of Collections, Discount or any other amounts payable hereunder (excluding taxes imposed on the overall income of such Affected Person, and franchise taxes imposed on such Affected Person, by the jurisdiction under the laws of which such Affected Person is organized or a political subdivision thereof), or

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Person that are not otherwise included in the determination of the Euro-Rate hereunder,

and the result of any of the foregoing is: (A) to increase the cost to such Affected Person of agreeing to purchase or purchasing or maintaining the ownership of undivided percentage ownership interests with regard to the Purchased Interest (or interests therein) or any Portion of Capital, or (B) to reduce any amount receivable hereunder (whether directly or indirectly), then, in any such case, upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person additional amounts necessary to compensate such Affected Person for such additional cost or reduced amount receivable. All such amounts shall be payable as incurred. A certificate as to such amounts from such Affected Person to the Seller and the Administrator shall be conclusive and binding for all purposes, absent manifest error.

Section 1.9. Inability to Determine Euro-Rate. (a) If the Administrator determines before the first day of any Yield Period (which determination shall be final and conclusive) that, by reason of circumstances affecting the interbank eurodollar market generally (i) deposits in dollars (in the relevant amounts for such Yield Period) are not being offered to banks in the interbank eurodollar market for such Yield Period, (ii) adequate means do not exist for ascertaining the Euro-Rate for such Yield Period, or (iii) the Euro-Rate does not accurately reflect the cost to any Liquidity Bank (as determined by the Administrator) of maintaining any Portion of Capital during such Yield Period, then until the Administrator notifies the Servicer that the circumstances giving rise to such suspension no longer exist, (x) no Portions of Capital shall be Euro-Rate Portions of Capital and (y) the Discount for any outstanding Portions of Capital that are Euro-Rate Portions of Capital shall, on the last day of the then current Yield Period, be converted to Base Rate Portions of Capital.

(b) If, on or before the first day of any Yield Period, the Administrator shall have been notified by any Affected Person that, such Affected Person has determined (which determination shall be final and conclusive) that, any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Affected Person with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for such Affected Person to fund or maintain any Euro-Rate Portion of Capital, then until the Administrator notifies the Servicer that the circumstances giving rise to such determination no longer apply, no Portions of Capital shall be Euro-Rate Portions of Capital and any outstanding Euro-Rate Portions of Capital at such time shall be converted into Base Rate Portions of Capital.

Section 1.10. Funding Losses. The Seller shall compensate each Affected Person, upon written request by such Person (which request shall set forth in reasonable detail the basis for requesting such amounts) for all reasonable losses, expenses and liabilities (including any interest paid by such Affected Person to lenders of funds borrowed by it to fund or maintain any Portion of Capital hereunder at the Yield Rate determined by reference to the Euro-Rate and any loss sustained by such Person in connection with the re-employment of such funds), which such Affected Person may sustain with respect to funding or maintaining such Portion of Capital at the Euro-Rate if, for any reason, at the applicable request by the Seller to fund or maintain such Portion of Capital at the Yield Rate determined by reference to the Euro-Rate does not occur on a date specified therefor.

Section 1.11. Taxes. The Seller agrees that:

(a) (i) Any and all payments by the Seller under this Agreement shall be made free and clear of and without deduction for any and all current or future taxes, stamp or other taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding overall income or franchise taxes, in either case, imposed on the Person receiving such payment by the Seller hereunder by the jurisdiction under whose laws such Person is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Seller shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Issuer, any Liquidity Bank or the Administrator, then the sum payable shall be increased by the amount necessary to yield to such Person (after payment of all Taxes) an amount equal to the sum it would have received had no such deductions been made.

(i) Whenever any Taxes are payable by the Seller, as promptly as possible thereafter, the Seller shall send to the Administrator for its own account or for the account of the Issuer or any Liquidity Bank or other Program Support Provider, as the case may be, a certified copy of an original official receipt showing payment thereof or such other evidence of such payment as may be available to the Seller and acceptable to the taxing authorities having jurisdiction over such Person. If the Seller fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrator the required receipts or other required documentary evidence, the Seller shall indemnify the Administrator and/or any other Affected Person, as applicable, for any incremental taxes,

interest or penalties that may become payable by such party as a result of any such failure.

(b) (i) If the Administrator or the applicable Affected Person is not created or organized under the laws of the United States or a political subdivision thereof, such Person shall, to the extent that it may then do so under applicable laws and regulations, deliver to the Seller (with, in the case of any Affected Person, a copy to the Administrator) (i) within thirty (30) days after the date hereof, or, if later, the date on which such Person becomes an Affected Person pursuant to this Agreement two (or such other number as may from time to time be prescribed by applicable laws or regulations) duly completed copies of IRS Form 4224 or Form 1001 (or any successor form or other certificate or statement which may be required from time to time by the relevant United States taxing authorities or applicable law or regulation), as appropriate, to permit the Seller to make payments hereunder for the account of such Person, as the case may be, without deduction or withholding of income taxes and (ii) upon the obsolescence of or after the occurrence of any event requiring a change in any form or certificate previously delivered pursuant to this Section 1.11(b), copies (in such numbers as may from time to time be prescribed by applicable law or regulation) of such additional, amended or successor form, certificate or statement as may be required under applicable law or regulation to permit the Seller to make payments hereunder for the account of such Person without deduction or withholding of income taxes.

(i) The Seller shall not be required to pay any amounts to any Affected Person in respect of Taxes for any period pursuant to paragraph (a), above, if the obligation to pay such amounts would not have arisen but for a failure by such Affected Person to comply with the provisions of this paragraph (b) for such period, unless such Affected Person is unable to comply with this paragraph (b) because of (i) a change in applicable law, regulation or official interpretation thereof or (ii) an amendment, modification or revocation of any applicable tax treaty or a change in official position regarding the application or interpretation thereof, in each case after the date hereof (or, in the case of any Person who became an Affected Person after the date hereof, after the date on which it so became an Affected Person).

(ii) Within thirty (30) days of the written request of the Seller therefor, the Administrator or such Affected Person, as appropriate, shall execute and deliver to the Borrower such certificates, forms or other documents which can be furnished consistent with the facts and which are reasonably necessary to assist the Seller in applying for refunds of taxes remitted hereunder.

Section 1.12. Repurchase Option. So long as no Termination Event or Unmatured Termination Event would occur or be continuing after giving effect thereto, the Seller shall have the right (the "Call Right") to repurchase all, but not less than all, of the Purchased Interest held by the Issuer upon not less than 30 days' prior written notice to the Administrator. Such notice shall specify the date that the Seller desires that such repurchase occur (such date, the "Repurchase Date"). On the Repurchase Date, the Seller shall transfer to the Administration Account in immediately available funds an amount equal to (i) the aggregate outstanding Capital of the Purchased Interest at such time, (ii) all accrued and unpaid Discount to the Repurchase Date, (iii) all accrued and unpaid fees owing to the Issuer and the Administrator pursuant to the

Fee Letter, and (iv) all expenses, indemnities and other amounts payable hereunder to the Issuer and the Administrator. Any repurchase pursuant to this Section 1.12 shall be made without recourse to or warranty by the Issuer or the Administrator. Further, on the Repurchase Date, the Facility Termination Date shall have occurred and no further purchases or reinvestments of Collections shall be made hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES; COVENANTS; TERMINATION EVENTS

Section 2.1. Representations and Warranties; Covenants. Each of the Seller and the Servicer hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, applicable to it set forth in Exhibits III and IV, respectively.

Section 2.2. Termination Events. If any of the Termination Events set forth in Exhibit V shall occur, the Administrator may by notice to the Seller, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred); provided, that automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in paragraph (f) of Exhibit V, the Facility Termination Date shall occur. Upon any such declaration, occurrence or deemed occurrence of the Facility Termination Date, the Issuer and the Administrator shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided after default under the New York UCC and under other applicable law, which rights and remedies shall be cumulative.

ARTICLE III

INDEMNIFICATION

Section 3.1. Indemnities by the Seller. Without limiting any other rights that the Administrator, the Issuer, the Liquidity Banks, any other Program Support Providers or any of their respective Affiliates, employees, officers, directors, agents, counsel, successors, transferees or assigns (each, an "Indemnified Party") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, damages, expenses, costs, losses and liabilities (including Attorney Costs) (all of the foregoing being collectively referred to as "Indemnified Amounts"), which may be asserted against or incurred by any of them, arising out of or resulting from this Agreement (whether directly or indirectly), the use of proceeds of purchases or reinvestments, the ownership of the Purchased Interest, or any interest therein, or in respect of any Receivable, Related Security or Contract, excluding, however: (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party, (b) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables, or (c) any overall income taxes or franchise taxes, in either case, imposed on such Indemnified Party by the jurisdiction under the laws of which such Indemnified Party is organized or any political subdivision thereof. Without limiting or being limited by the foregoing, and subject to the exclusions set forth in the preceding sentence, the Seller shall pay on demand to each Indemnified Party any and all

amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

(i) the failure of any Receivable included in the calculation of the Net Receivables Pool Balance as an Eligible Receivable to be an Eligible Receivable, the failure of any information contained in any Servicer Report to be true and correct, or the failure of any other information provided to the Issuer or the Administrator with respect to Receivables or this Agreement to be true and correct,

(ii) the failure of any representation, warranty or certification made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made in all respects when made,

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation,

(iv) the failure to vest in the Issuer a valid and enforceable: (A) perfected undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, or (B) first priority perfected security interest in the Pool Assets, in each case, free and clear of any Adverse Claim,

(v) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time,

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the related Obligor) of the related Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or services related to such Receivable or the furnishing or failure to furnish such goods or services or relating to collection activities with respect to such Receivable,

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions hereof,

(viii) any products liability or other claim, investigation, litigation or proceeding arising out of or in connection with merchandise, insurance or services that are the subject of any Contract,

(ix) the commingling of Collections at any time with other funds,

(x) the use of proceeds of purchases or reinvestments, or

(xi) any reduction in Capital as a result of the distribution of Collections pursuant to Section 1.4(d), if all or a portion of such distributions shall thereafter be rescinded or otherwise must be returned for any reason.

Section 3.2. Indemnities by the Servicer. Without limiting any other rights that the Administrator, the Issuer or any other Indemnified Party may have hereunder or under applicable law, but subject to the exclusions set forth in clauses (a) through (c) of the first sentence of Section 3.1, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts arising out of or resulting from (whether directly or indirectly): (a) the failure of any information contained in any Servicer Report to be true and correct, or the failure of any other information provided to any such Indemnified Party by, or on behalf of, the Servicer to be true and correct, (b) the failure of any representation, warranty or statement made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made in all respects when made, (c) the failure by the Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, (d) any dispute, claim, offset or defense of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool resulting from or related to the collection activities with respect to such Receivable, or (e) any failure of the Servicer to perform its duties or obligations in accordance with the provisions hereof.

ARTICLE IV

ADMINISTRATION AND COLLECTIONS

Section 4.1. Appointment of the Servicer. (a) The servicing, administering and collection of the Pool Receivables shall be conducted by the Person so designated from time to time as the Servicer in accordance with this Section. Until the Administrator gives notice to Eagle Materials (in accordance with this Section) of the designation of a new Servicer, Eagle Materials is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. Upon the occurrence of a Termination Event or, to the extent not capable of cure, an Unmatured Termination Event, the Administrator may designate as Servicer any Person (including itself) to succeed Eagle Materials or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

(b) Upon the designation of a successor Servicer as set forth in clause (a), Eagle Materials agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrator determines will facilitate the transition of the performance of such activities to the new Servicer, and Eagle Materials shall in all reasonable respects cooperate with and assist such new Servicer in the transition. Such cooperation shall include, access to and transfer of related records and use by the new Servicer of all licenses, hardware or software (to the extent legally permissible and to the extent Eagle Materials may transfer or grant access to any such licenses or software without violating the terms of any agreement between Eagle Materials and the

applicable provider of such licenses or software and relating to the transfer and/or assignment thereof), reasonably necessary to collect the Pool Receivables and the Related Security.

(c) Eagle Materials acknowledges that, in making their decision to execute and deliver this Agreement, the Administrator and the Issuer have relied on Eagle Materials' agreement to act as Servicer hereunder. Accordingly, Eagle Materials agrees that it will not voluntarily resign as Servicer, except to the extent required by law.

(d) The Servicer may delegate its duties and obligations hereunder to any subservicer (each a "Sub-Servicer"); provided, that, in each such delegation: (i) such Sub-Servicer shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable for the performance of the duties and obligations so delegated, (iii) the Seller, the Administrator and the Issuer shall have the right to look solely to the Servicer for performance and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Administrator may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to each such Sub-Servicer); provided, however, that if any such delegation is to any Person other than an Affiliate of the Servicer, the Administrator shall have consented in writing in advance to such delegation.

Section 4.2. Duties of the Servicer. (a) The Servicer shall take or cause to be taken all such action as may be necessary or advisable to administer and collect each Pool Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policies. The Servicer shall set aside for the accounts of the Seller and the Issuer the amount of Collections to which each is entitled in accordance with Article I hereof. The Servicer and the Originators may, in accordance with the applicable Credit and Collection Policy, take such action, including modifications, waivers or restructurings of Pool Receivables and the related Contracts, as the Servicer and the Originators may reasonably determine to be appropriate to maximize Collections thereof or reflect adjustments permitted under the Credit and Collection Policy or required under applicable laws, rules or regulations or the applicable Contract; provided, however, that for the purposes of this Agreement: (i) such action shall not change the number of days such Pool Receivable has remained unpaid from the date of the original due date related to such Pool Receivable, (ii) such action shall not alter the status of such Pool Receivable as a Delinquent Receivable or a Defaulted Receivable under this Agreement or limit the rights of the Issuer or the Administrator under this Agreement and (iii) if a Termination Event or an Unmatured Termination Event has occurred and is continuing and Eagle Materials or an Affiliate thereof is serving as the Servicer, Eagle Materials or such Affiliate may take such action only upon the prior approval of the Administrator or without such prior approval to the extent such action is required by applicable laws, rules or regulations. The Seller shall deliver to the Servicer and the Servicer shall hold for the benefit of the Seller and the Issuer, in accordance with their respective interests, all records and documents (including computer tapes or disks) with respect to each Pool Receivable. Notwithstanding anything to the contrary contained herein, the Administrator may direct the Servicer (whether the Servicer is Eagle Materials or any other Person) to commence or settle any legal action to enforce collection of any Pool Receivable or to foreclose upon or repossess any Related Security; provided, however, that no such direction may be given unless either: (A) a Termination Event or Unmatured Termination Event has occurred

and is continuing or (B) the Administrator reasonably believes that failure to commence, settle or effect such legal action, foreclosure or repossession could adversely affect Receivables constituting a material portion of the Pool Receivables.

(b) The Servicer shall, as soon as practicable following actual receipt of collected funds, turn over to the Seller the collections of any indebtedness that is not a Pool Receivable, less, if Eagle Materials or an Affiliate thereof is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses of such Servicer of servicing, collecting and administering such collections. The Servicer, if other than Eagle Materials or an Affiliate thereof, shall, as soon as practicable upon demand, deliver to the Seller all records in its possession that evidence or relate to any indebtedness that is not a Pool Receivable, and copies of records in its possession that evidence or relate to any indebtedness that is a Pool Receivable.

(c) The Servicer's obligations hereunder shall terminate on the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full.

After such termination, if Eagle Materials or an Affiliate thereof was not the Servicer on the date of such termination, the Servicer shall promptly deliver to the Seller all books, records and related materials that the Seller previously provided to the Servicer, or that have been obtained by the Servicer, in connection with this Agreement.

Section 4.3. Establishment and Use of Certain Accounts.

(a) Lock-Box Accounts. Prior to the initial purchase hereunder, the Seller and the Servicer shall enter into Lock-Box Agreements establishing the Lock-Box Accounts listed on Schedule II with all of the Lock-Box Banks, and deliver original counterparts thereof to the Administrator.

(b) Permitted Investments. Prior to the occurrence and continuation of any Termination Event or Unmatured Termination Event, any amounts in the Lock-Box Accounts may be invested by the Lock-Box Bank at Servicer's direction, in Permitted Investments, so long as (i) either (A) such Permitted Investments are credited to a "securities account" (as defined in the applicable UCC) over which the Administrator (for the benefit of the Issuer) shall have a first priority perfected security interest, (B) such Permitted Investments are purchased in the name of the Issuer or (C) such Permitted Investments are held in another manner sufficient to establish the Administrator's first priority perfected security interest over such Permitted Investments and (ii) such Permitted Investments are scheduled to mature prior to the last day of the Yield Period during which such investment is made.

(c) Control of Accounts. The Administrator may at any time following the occurrence and during the continuance of a Termination Event or Unmatured Termination Event give notice to each Lock-Box Bank that the Administrator is exercising its rights under the Lock-Box Agreements to do any or all of the following: (i) to have the exclusive ownership and control of the Lock-Box Accounts transferred to the Administrator, to the extent provided in the

related Lock-Box Agreement, (ii) to have the proceeds that are sent to the respective Lock-Box Accounts be redirected pursuant to its instructions rather than deposited in the applicable Lock-Box Account and (iii) to take any or all other actions permitted under the applicable Lock-Box Agreement. The Seller hereby agrees that if the Administrator at any time takes any action set forth in the preceding sentence, the Administrator shall have exclusive control of the proceeds (including Collections) of all Pool Receivables and the Seller hereby further agrees to take any other action that the Administrator may reasonably request to transfer such control. Any proceeds of Pool Receivables received by the Seller or the Servicer, thereafter shall be sent immediately to the Administrator. The parties hereto hereby acknowledge that if at any time the Administrator takes control of any Lock-Box Account, the Administrator shall not have any rights to the funds therein in excess of the unpaid amounts due to the Administrator, the Issuer or any other Person hereunder and any such funds shall be distributed by the Administrator in accordance with the provisions set forth in Section 1.4.

Section 4.4. Enforcement Rights. (a) At any time following the occurrence and during the continuance of a Termination Event or Unmatured Termination Event:

(i) the Administrator may notify any or all of the Obligors of the Issuer's interest in the Pool Receivables and may direct any or all of the Obligors of Pool Receivables to pay all amounts payable under any such Receivables directly to the Administrator or its designee;

(ii) at the Administrator's request and at the Seller's expense, the Seller shall give notice of the Issuer's interest in the Pool Receivables to each Obligor and direct that payments be made directly to the Administrator or its designee;

(iii) the Seller shall assemble all books and records necessary or desirable to collect the Pool Receivables and Related Security, and make the same available to the Administrator at a place selected by the Administrator or its designee; and

(iv) the Administrator may enforce the Sale Agreements against the parties thereto and shall have the right to give or withhold any or all consents, requests, notices, directions, approvals, demands, extensions or waivers under or with respect thereto, to the same extent as the Seller would otherwise be entitled to do.

(b) The Seller hereby authorizes the Administrator , and gives to the Administrator its irrevocable power of attorney, which shall be coupled with an interest, during the occurrence and continuation of a Termination Event or Unmatured Termination Event, to take any and all steps during such occurrence and continuance in the name of the Seller, which steps are necessary or desirable, in the reasonable determination of the Administrator, to collect all amounts due under the Pool Receivables and Related Security, including, without limitation, endorsing the Seller's name on checks and other instruments representing Collections and, enforcing such Receivables and the related Contracts. Notwithstanding anything to the contrary contained in this subsection, none of the powers conferred upon such attorney-in-fact pursuant to the preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever.

Section 4.5. Responsibilities of the Seller. (a) Anything herein to the contrary notwithstanding, the Seller shall (directly or indirectly by causing the applicable Originator to): (i) perform all of its obligations, if any, under the Contracts related to the Pool Receivables to the same extent as if interests in such Pool Receivables had not been transferred hereunder, and the exercise by the Administrator or the Issuer of their respective rights hereunder shall not relieve the Seller from such obligations, and (ii) pay when due any taxes, including any sales taxes payable in connection with the Pool Receivables and their creation and satisfaction. The Administrator and the Issuer shall not have any obligation or liability with respect to any Pool Asset, nor shall any of them be obligated to perform any of the obligations of the Seller, Eagle Materials or any Originator thereunder.

(b) Eagle Materials hereby irrevocably agrees that if at any time it shall cease to be the Servicer hereunder, it shall act (if the then-current Servicer so requests) as the data-processing agent of the Servicer and, in such capacity, Eagle Materials shall conduct the data-processing functions of the administration of the Receivables and the Collections thereon in substantially the same way that Eagle Materials conducted such data-processing functions while it acted as the Servicer.

Section 4.6. Servicing Fee. (a) Subject to clause (b), the Servicer shall be paid a fee equal to 1.0% per annum (the "Servicing Fee Rate") of the daily average aggregate Outstanding Balance of the Pool Receivables. The Issuer's Share of such fee shall be paid through the distributions contemplated by Section 1.4(d), and the Seller's Share of such fee shall be paid directly by the Seller in the manner contemplated by Section 1.4(b)(iv).

(b) If the Servicer ceases to be Eagle Materials or an Affiliate thereof, the servicing fee shall be the greater of: (i) the amount calculated pursuant to clause (a) and (ii) an alternative amount specified by the successor Servicer not to exceed 110% of the aggregate reasonable costs and expenses incurred by such successor Servicer in connection with the performance of its obligations as Servicer.

ARTICLE V

MISCELLANEOUS

Section 5.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Transaction Document, or consent to any departure by a party therefrom, shall be effective unless in a writing signed by the Administrator, and, in the case of any such waiver or consent, by the party or parties thereto against whom such waiver or consent is sought to be enforced, and, in the case of any amendment, by the other parties thereto; and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that, to the extent required at such time in connection with the Issuer's commercial paper program, no such material amendment shall be effective until both Moody's and Standard & Poor's have notified the Servicer and the Administrator in writing that such action will not result in a reduction or withdrawal of the rating of any Notes. No failure on the part of the Issuer or the Administrator to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial

exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 5.2. Notices, Etc. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication) and be sent or delivered to each party hereto at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent (and shall be followed by hard copy sent by first class mail), and notices and communications sent by other means shall be effective when received.

Section 5.3. Successors and Assigns; Assignments; Participations. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; all covenants, promises and agreements by or on behalf of any parties hereto that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. The Seller may not assign or transfer any of its rights or obligations hereunder without the written consent of the Administrator.

(b) This Agreement and the Issuer's rights and obligations herein (including ownership of the Purchased Interest or an interest therein)shall be assignable, in whole or in part, by the Issuer and its successors and assigns with the prior written consent of the Seller; provided, however, that such consent shall not be unreasonably withheld; and provided further, that no such consent shall be required if the assignment is made to PNC, any Affiliate of PNC (other than a director or officer of PNC), or any Person that is: (i) in the business of issuing Notes and (ii) associated with or administered by PNC or any Affiliate of PNC. Each assignor may, in connection with the assignment, disclose to the applicable assignee any information relating to the Seller, the Servicer, any Originator or the Pool Receivables furnished to such assignor by or on behalf of the Servicer, the Seller, the Issuer or the Administrator, subject to compliance with the provisions of Section 5.5.

(c) The Issuer may at any time grant to one or more banks or other institutions (each a "Liquidity Bank") party to the Liquidity Agreement, or to any other Program Support Provider, participating interests in the Purchased Interest. In the event of any such grant by the Issuer of a participating interest to a Liquidity Bank or other Program Support Provider, the Issuer shall remain responsible for the performance of its obligations hereunder. The Seller agrees that each Liquidity Bank or other Program Support Provider shall be entitled to the benefits of Sections 1.7, 1.8 and 1.10.

(d) This Agreement and the rights and obligations of the Administrator hereunder shall be assignable, in whole or in part, by the Administrator and its successors and assigns; provided, that unless: (i) such assignment is to an Affiliate of PNC, (ii) it becomes unlawful for PNC to serve as the Administrator or (iii) a Termination Event exists, the Seller has consented to such assignment, which consent shall not be unreasonably withheld.

(e) Without limiting any other rights that may be available under applicable law, the rights of each Liquidity Bank may be enforced through it or by its agents.

(f) Promptly, but in any event within two (2) Business Days following the effectiveness thereof, the Administrator agrees to provide the Seller with written notice of any reductions in the aggregate commitments of the then existing Liquidity Banks under the Liquidity Agreement. On or prior to the date which is 30 days prior to the then existing scheduled termination date of the Liquidity Agreement, and promptly after it obtains knowledge thereof during such 30-day period, the Administrator shall provide the Seller with written notice of any Liquidity Bank's decision not to renew or extend its commitment thereunder on or prior to such scheduled termination date.

Section 5.4. Costs, Expenses and Taxes. (a) In addition to the indemnification provisions set forth in Section 3.1, the Seller shall pay on demand (i) all reasonable out-of-pocket fees and expenses (including Attorneys Costs) of the Administrator incurred in connection with the preparation, execution, delivery, administration, amendment, modification and waiver of this Agreement and the other Transaction Documents and (ii) all reasonable out-of-pocket fees and expenses of the Administrator and the Issuer (including Attorneys Costs) incurred in connection with the enforcement of this Agreement and the other Transaction Documents, including, without limitation, any Servicer fees paid to any third party other than the Seller or Eagle Materials for services rendered to the Issuer and the Administrator in collecting the Receivables and the other Related Security.

(b) In addition, the Seller will pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, recording or enforcement of this Agreement or the other Transaction Documents, and hereby indemnifies and saves the Administrator and the Issuer harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 5.5. Confidentiality. Unless otherwise required by applicable law, regulation or legal process, each of the Seller and the Servicer agrees to maintain the confidentiality of this Agreement and the other Transaction Documents (and all drafts thereof) in communications with third parties and otherwise; provided, that this Agreement and the other Transaction Documents may be disclosed to: (a) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Administrator, (b) the Originators and their Affiliates if they agree to hold such documents confidential, and (c) the legal counsel and auditors of the Seller, the Servicer and the Originators if they agree to hold such documents confidential. Unless otherwise required by applicable law, regulation or legal process, each of the Administrator and the Issuer agree to maintain the confidentiality of non-public information regarding Eagle Materials and its Affiliates and the Receivables Pool; provided, that such information may be disclosed to: (i) assignees or participants under Section 5.3 to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to Eagle Materials, (ii) legal counsel and auditors of the Issuer or the Administrator if they agree to hold it confidential in accordance with this Section, (iii) the rating agencies rating the Notes, (iv) any Program Support Provider or potential Program Support Provider (if they agree to hold it confidential in accordance with this Section), (v) any placement agency placing the Notes and (vi) any regulatory authorities having jurisdiction over the Administrator, the Issuer, any Program Support Provider or any Liquidity Bank. Anything herein to the contrary notwithstanding, each Person to whom any such nonpublic information has been disclosed pursuant to this Section and

any successor or assign of any such
Person (and each employee, representative or other agent of any of the foregoing), may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure.

Section 5.6. No Proceedings; Limitation on Payments. (a) Each of the Seller, the Servicer, the Administrator and each assignee of the Purchased Interest or any interest therein, hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest maturing Note issued by the Issuer is paid in full. The provisions of this Section 5.6(a) shall survive any termination of this Agreement.

(b) Notwithstanding any provisions contained in this Agreement to the contrary, except with respect to the Issuer's commitment to make purchases and reinvestments pursuant to and in accordance with the terms of this Agreement, the Issuer shall not, and shall not be obligated to, pay any amount, if any, payable by it pursuant to this Agreement or any other Transaction Document unless (i) the Issuer has received funds which may be used to make such payment and which funds are not required to repay the Notes when due and (ii) after giving effect to such payment, either (x) the Issuer could issue Notes to refinance all outstanding Notes (assuming such outstanding Notes matured at such time) in accordance with the program documents governing the Issuer's securitization program or (y) all Notes are paid in full. Any amount which the Issuer does not pay pursuant to the operation of the preceding sentence shall not constitute a claim (as defined in Section 101 of the Bankruptcy Code) against or company obligation of the Issuer for any such insufficiency unless and until the Issuer satisfies the provisions of clauses (i) and (ii) above. The provisions of this Section 5.6(b) shall survive any termination of this Agreement.

Section 5.7. GOVERNING LAW AND JURISDICTION. (a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF A SECURITY INTEREST OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT SITTING IN THE SOUTHERN DISTRICT OF NEW YORK; AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE

LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH SERVICE MAY BE MADE BY ANY OTHER MEANS PERMITTED BY APPLICABLE LAW.

Section 5.8. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

Section 5.9. Survival of Termination. The provisions of Sections 1.7, 1.8, 3.1, 3.2, 5.4, 5.5, 5.6, 5.7 and 5.10 shall survive any termination of this Agreement.

Section 5.10. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. EACH OF THE PARTIES HERETO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF THE PARTIES HERETO FURTHER AGREES THAT ITS RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING THAT SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

Section 5.11. Entire Agreement. This Agreement and the other Transaction Documents embody the entire agreement and understanding between the parties hereto, and supersede all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

Section 5.12. Headings. The captions and headings of this Agreement and in any Exhibit, Schedule or Annex hereto are for convenience of reference only and shall not affect the interpretation hereof or thereof.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

EXP FUNDING, LLC

By: /s/ Arthur R. Zunker, Jr.

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

Address:

2728 N. Harwood, Suite 600
Dallas, Texas 75201-1516

Attention: Art Zunker
Telephone No.: (214) 981-6510
Facsimile No.: (214) 981-6559

New address information to be effective on or about March 8, 2004:

Address:

3811 Turtle Creek Boulevard
Suite 1100
Dallas, Texas 75219

Attention: Art Zunker
Telephone No.: (214) 432-2000
Facsimile No.: (214) 432-2100

EAGLE MATERIALS INC.,
as initial Servicer

By: /s/ Arthur R. Zunker, Jr.

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

Address:

2728 N. Harwood, Suite 600
Dallas, Texas 75201-1516

Attention: Art Zunker
Telephone No.: (214) 981-6510
Facsimile No.: (214) 981-6559

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Address:

3811 Turtle Creek Boulevard
Suite 1100
Dallas, Texas 75219

Attention: Art Zunker
Telephone No.: (214) 432-2000
Facsimile No.: (214) 432-2100

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: /s/ John T. Smathers

Name: John T. Smathers
Title: Vice President

Address:

PNC Bank, National Association
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222

Attention: John Smathers
Telephone No.: (412) 762-6440
Facsimile No.: (412) 762-9184

MARKET STREET FUNDING CORPORATION,
as Issuer

By: /s/ Evelyn Echevarria

Name: Evelyn Echevarria
Title: Vice President

Address:

c/o AMACAR Group, LLC
6525 Morrison Blvd., Suite 318
Charlotte, North Carolina 28211

Attention: Douglas Johnson
Telephone No.: (704) 365-0569
Facsimile No.: (704) 365-1362

EXHIBIT I
DEFINITIONS

As used in the Agreement (including its Exhibits, Schedules and Annexes), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

"Administration Account" means the account (account number 1002422076) of the Administrator maintained at the office of PNC at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15220-2707, or such other account as may be so designated in writing by the Administrator to the Servicer.

"Administrative Services Agreement" means the Administrative Services and Lease Agreement, dated as of February 20, 2004 between Eagle Materials and the Seller, as such agreement may be amended, supplemented or otherwise modified from time to time.

"Administrator" has the meaning set forth in the preamble to the Agreement.

"Adverse Claim" means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement; it being understood that any thereof in favor of Eagle Materials as against the Affiliate Originators, in favor of the Seller as against Eagle Materials or in favor of the Issuer, in each case pursuant to the Transaction Documents, shall not constitute an Adverse Claim.

"Affected Person" has the meaning set forth in Section 1.7 of the Agreement.

"Affiliate" means, as to any Person: (a) any Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or (b) who is a director or officer: (i) of such Person or (ii) of any Person described in clause (a). For purposes of this definition, control of a Person shall mean the power, direct or indirect: (x) to vote 25% or more of the securities having ordinary voting power for the election of directors of such Person or (y) to direct or cause the direction of the management and policies of such Person, in either case whether by ownership of securities, contract, proxy or otherwise.

"Affiliate Originator" means each Affiliate of Eagle Materials from time to time party to the Purchase and Sale Agreement as originator or transferor thereunder, in accordance with the terms thereof.

"Agreement" has the meaning set forth in the preamble to the Agreement.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel and all reasonable disbursements of internal counsel.

"Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.), as amended from time to time.

"Base Rate" means for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

(a) the rate of interest in effect for such day as publicly announced from time to time by PNC in Pittsburgh, Pennsylvania as its "prime rate." Such "prime rate" is set by PNC based upon various factors, including PNC's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and

(b) 0.50% per annum above the latest Federal Funds Rate.

"Base Rate Portion of Capital" shall mean a Portion of Capital the Discount with respect to which is calculated at a per annum rate based on the Yield Rate determined by reference to the Base Rate.

"BBA" means the British Bankers' Association.

"Benefit Plan" means any employee benefit pension plan as defined in Section 3(2) of ERISA in respect of which the Seller, any Originator, Eagle Materials or any ERISA Affiliate is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"Business Day" means any day (other than a Saturday or Sunday) on which: (a) banks are not authorized or required to close in Dallas, Texas, New York, New York or Pittsburgh, Pennsylvania, and (b) if this definition of "Business Day" is utilized in connection with the Euro-Rate, dealings are carried out in the London interbank market.

"Capital" means the aggregate amounts paid to the Seller in respect of the Purchased Interest by the Issuer pursuant to Section 1.2 of the Agreement, as reduced from time to time by amounts actually distributed and applied on account of the principal of the Purchased Interest pursuant to the Agreement; provided, that if such Capital shall have been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

"Change in Control" means that Eagle Materials ceases to own, directly or indirectly, 100% of the limited liability company interests or capital stock of the Seller or any Affiliate Originator free and clear of all Adverse Claims.

"Closing Date" means February 20, 2004.

"Collections" means, with respect to any Pool Receivable: (a) all funds that are received by any Originator, Eagle Materials, the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for

the payment of such Pool Receivable and available to be applied thereon), (b) all Deemed Collections and (c) all other proceeds of such Pool Receivable.

"Company Note" has the meaning set forth in the Purchase and Sale Agreement.

"Concentration Percentage" means: (a) for any Group A Obligor, 15%, (b) for any Group B Obligor, 10%, (c) for any Group C Obligor, 7.5% and (d) for any Group D Obligor, 6.0%.

"Concentration Reserve" means, on any date, the outstanding Capital at the close of business of the Servicer on such date multiplied by (a) the Concentration Reserve Percentage divided by (b) 1 minus the Concentration Reserve Percentage at such time.

"Concentration Reserve Percentage" means, on any date, the largest of: (a) the sum of four largest Group D Obligor Percentages, (b) the sum of the two largest Group C Obligor Percentages and (c) the greater of (i) the largest Group B Obligor Percentage or (ii) the largest Group A Obligor Percentage.

"Contract" means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other writings pursuant to which such Receivable arises or that evidence such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

"CP Rate" means, for any Yield Period for any Portion of Capital, the per annum rate equivalent to the weighted average cost (as determined by or on behalf of the Issuer and which shall include commissions of placement agents and dealers, incremental carrying costs incurred with respect to Notes maturing on dates other than those on which corresponding funds are received by the Issuer, other borrowings by the Issuer (other than under any Program Support Agreement) and any other costs associated with the issuance of Notes) of or related to the issuance of Notes that are allocated, in whole or in part, by or on behalf of the Issuer to fund or maintain such Portion of Capital (and which may be also allocated in part to the funding of other assets of the Issuer); provided, however, that if any component of such rate is a discount rate, in calculating the "CP Rate" for such Portion of Capital for such Yield Period, the Issuer shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum. Notwithstanding the foregoing, the "CP Rate" for any day while a Termination Event exists, shall be an interest rate equal to 2.0% above the Base Rate in effect on such day.

"Credit and Collection Policy" means, those receivables credit and collection policies and practices of Eagle Materials and the other Originators in effect on the date of the Agreement and described in Schedule I to the Agreement, as modified from time to time in compliance with the Agreement.

"Days' Sales Outstanding" means, for any calendar month: (a) the average, for the three most recently ended calendar months, of the Outstanding Balance of all Pool Receivables (determined as of the last day of each such calendar month) divided by (b)(i) the aggregate credit sales made by the Originator during such calendar months, divided by (ii) 90.

"Debt" means: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services (exclusive of trade payables incurred in the ordinary course of business and payables according to ordinary business terms), (d) obligations as lessee under leases that shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, and (e) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (d).

"Deemed Collections" has the meaning set forth in Section 1.4(e)(ii) of the Agreement.

"Defaulted Receivable" means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date thereof, or

(b) without duplication, (i) as to which an Event of Bankruptcy shall have occurred with respect to the Obligor thereof or any other Person obligated thereon or owning any Related Security with respect thereto or (ii) that has been written off the Seller's books as uncollectible.

"Default Ratio" means the ratio, (expressed as a percentage and rounded to the nearest 1/100 of 1%) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that became Defaulted Receivables during such calendar month (other than as a result of an event of the type described in clause (b)(i) of the definition of "Defaulted Receivable" herein), by (b) the aggregate credit sales made by the Originators during the calendar month that is three calendar months before such calendar month.

"Delinquency Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by (b) the aggregate Outstanding Balance of all Pool Receivables on such day.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment.

"Dilution Horizon" means, for any calendar month, the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%) computed as of the last day of such calendar month of: (a) the aggregate credit sales made by the Originator during the most recent two calendar months, to (b) the Net Receivables Pool Balance at the last day of such calendar month.

"Dilution Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%), computed as of the last day of each calendar month by dividing: (a) the aggregate amount of payments made or owed by the Seller pursuant to Section 1.4(e)(i) of the Agreement during such calendar month (other than in respect of cash discounts for all Originators, and rebates of American Gypsum Company during such month, of the type described in clause (ii) of the definition of "Specifically Reserved Dilution Amount" herein) by

(b) the aggregate credit sales made by the Originator during the calendar month that is one calendar month prior to such calendar month.

"Dilution Reserve" means, on any date, an amount equal to: (a) the outstanding Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Dilution Reserve Percentage on such date, divided by (ii) 1 minus the Dilution Reserve Percentage on such date.

"Dilution Reserve Percentage" means on any date, the greater of: (a) 2.0% and (b) the product of (i) the Dilution Horizon multiplied by (ii) the sum of (x) 2 times the average of the Dilution Ratios for the twelve most recent calendar months and (y) the Dilution Spike Factor.

"Dilution Spike Factor" means, for any calendar month, the product of (a) the positive difference, if any, between: (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months and (ii) the arithmetic average of the Dilution Ratios for such twelve months and (b) (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months, divided by (ii) the arithmetic average of the Dilution Ratios for such twelve months.

"Discount" means:

(a) with respect to any Portion of Capital for any Yield Period to the extent the Issuer will be funding such Portion of Capital during such Yield Period through the issuance of Notes:

$$CPR \times C \times ED/360 + YPF$$

(b) with respect to any Portion of Capital for any Yield Period to the extent the Issuer will not be funding such Portion of Capital during such Yield Period through the issuance of Notes:

$$YR \times C \times ED/Year + YPF$$

where:

C = such Portion of Capital during such Yield Period,

CPR = the CP Rate for the Portion of Capital for such Yield Period,

ED = the actual number of days during such Yield Period,

Year = if such Portion of Capital is funded based upon: (i) the Euro-Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable,

YPF = the Yield Protection Fee, if any, for the Portion of Capital for such Yield Period,

YR = the Yield Rate for the Portion of Capital for such Yield Period,

provided, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"Eagle Materials" has the meaning set forth in the preamble.

"Eligible Receivable" means, at any time, a Pool Receivable:

(a) the Obligor of which is:

(i) a United States resident or, so long as the foreign currency rating of Canada is a least A by Standard & Poor's and A2 by Moody's, a resident of Canada;

(ii) not subject to any proceeding of the type described in paragraph (f) of Exhibit V to the Agreement, except, solely in the case of L&W Supply Corporation as an Obligor, and solely (x) with respect to post-petition Receivables of L&W Supply Corporation for which the Administrator has received evidence satisfactory to it, in its sole discretion, of the final order of the applicable bankruptcy or federal district court in L&W Supply Corporation's bankruptcy case confirming or reconfirming, as the case may be, payments made and to be made on amounts payable or that become payable by L&W Supply Corporation to third party vendors or suppliers (including the Originators in respect to any applicable Contracts) and (y) to the extent that such bankruptcy case of L&W Supply Corporation is and remains a case under the provisions of Chapter 11 of the Bankruptcy Code and has not been converted to a case under Chapter 7 of the Bankruptcy Code; and

(iii) not an Affiliate of Eagle Materials or any Originator,

(b) that is denominated and payable only in U.S. dollars in the United States,

(c) that has a stated maturity that is not more than 60 days after the original invoice date of such Receivable,

(d) that arises under a duly authorized Contract for the sale and delivery of goods and services in the ordinary course of the applicable Originator's business,

(e) that arises under a duly authorized Contract that is in full force and effect and that is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms,

(f) that conforms in all material respects with all applicable laws, rulings and regulations in effect,

(g) that is not the subject of any asserted dispute, offset, hold back defense or Adverse Claim,

(h) that satisfies all applicable requirements of the applicable Credit and Collection Policy,

(i) that has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 4.2 of the Agreement,

(j) in which the Seller owns good and marketable title, free and clear of any Adverse Claims, and that is freely assignable by the Seller (including without any consent of the related Obligor),

(k) for which the Issuer shall have a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, and a valid and enforceable first priority perfected security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim,

(l) that constitutes an account or payment intangible as defined in the UCC, and that is not evidenced by instruments or chattel paper,

(m) that is neither a Defaulted Receivable nor a Delinquent Receivable,

(n) for which neither the applicable Originator thereof, the Seller nor the Servicer has established any offset arrangements with the related Obligor,

(o) for which Defaulted Receivables of the related Obligor do not exceed 35% of the Outstanding Balance of all such Obligor's Receivables, and

(p) that represents amounts earned and payable by the Obligor that are not subject to the performance of additional services by the applicable Originator thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Affiliate" means: (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Seller, any Originator or Eagle Materials, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Seller, any Originator or Eagle Materials, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Seller, any Originator, Eagle Materials, any corporation described in clause (a) or any trade or business described in clause (b).

"Euro-Rate" means with respect to any Yield Period the interest rate per annum determined by the Administrator by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrator in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank market offered rates for U.S.

dollars quoted by the British Bankers' Association ("BBA") as set forth on Dow Jones Markets Service (formerly known as Telerate) (or appropriate successor, if BBA or its successor ceases to provide display page 3750 (or such other display page on the Dow Jones Markets Service system as may replace display page 3750)), at or about 11:00 a.m. (London time) on the Business Day which is two (2) Business Days prior to the first day of such Yield Period for an amount comparable to the Euro-Rate Portion of Capital during such Yield Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA as shown on Dow Jones Markets Service display page 3750 or appropriate successor}}{\text{1.00 - Euro-Rate Reserve Percentage}}$$

where "Euro-Rate Reserve Percentage" means, the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities"). The Euro-Rate shall be adjusted with respect to any Euro-Rate Portion of Capital that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrator shall give prompt notice to the Seller of the Euro-Rate as determined or adjusted in accordance herewith (which determination shall be conclusive absent manifest error).

"Euro-Rate Portion of Capital" shall mean a Portion of Capital the Discount with respect to which is calculated at a per annum rate based on the Yield Rate determined by reference to the Euro-Rate.

"Event of Bankruptcy" means (a) any case, action or proceeding before any court or other governmental authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors or (b) any general assignment for the benefit of creditors of a Person, or composition or marshalling of assets for creditors of a Person, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each of cases (a) and (b) undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Excess Concentration" means the sum of:

(i) the sum of the amounts by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds an amount equal to: (a) the Concentration Percentage for such Obligor multiplied by (b) the Outstanding Balance of all Eligible Receivables then in the Receivables Pool, plus

(ii) the amount by which the aggregate Outstanding Balance of all Eligible Receivables, the Obligors of which are residents of Canada, exceeds an amount equal to 3.0% of all Eligible Receivables then in the Receivables Pool, plus

(iii) the amount by which the aggregate Outstanding Balance of all Eligible Receivables, the Obligors of which are governments or governmental subdivisions, affiliates or agencies, exceeds an amount equal to 1.0% of all Eligible Receivables then in the Receivables Pool, plus

(iv) the amount by which the aggregate Outstanding Balance of all Eligible Receivables that have a stated maturity that is greater than 30 days after the original invoice date of any such Receivable (but not more than 60 days), exceeds an amount equal to 25.0% of all Eligible Receivables then in the Receivables Pool.

"Facility" shall mean the facility under the Agreement for revolving purchases of undivided interests in the Pool Receivables by the Issuer.

"Facility Termination Date" means the earliest to occur of: (a) February 19, 2007, (b) the date determined pursuant to Section 2.2 of the Agreement, (c) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of the Agreement and (d) the date the commitments of all Liquidity Banks terminate under the Liquidity Agreement (which date shall initially be February 18, 2005, as such date may be extended from time to time).

"Federal Funds Rate" means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such day opposite the caption "Federal Funds (Effective)." If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotations") for such day under the caption "Federal Funds Effective Rate." If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrator of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrator.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"Fee Letter" means that certain fee letter agreement dated as of the Closing Date among the Seller, the Servicer, the Issuer and the Administrator, relating to the fees payable by the Seller to the Issuer and the Administrator under the Agreement, as amended, supplemented or otherwise modified from time to time.

"GAAP" shall mean generally accepted accounting principles as set forth from time to time in the opinions and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by significant segments of the accounting profession.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any

body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Group A Obligor" means any Obligor with a short-term rating of at least: (a) "A-1" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "A+" or better by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-1" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "A1" or better by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group A Obligor Percentage" means, at any time, for each Group A Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group A Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group B Obligor" means an Obligor, not a Group A Obligor, with a short-term rating of at least: (a) "A-2" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of at least "BBB+" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-2" by Moody's, or if such Obligor does not have a short-term rating from Moody's, at least "Baa1" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group B Obligor Percentage" means, at any time, for each Group B Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group B Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group C Obligor" means an Obligor, not a Group A Obligor or Group B Obligor, with a short-term rating of at least: (a) "A-3" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of at least "BBB-" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-3" by Moody's, or if such Obligor does not have a short-term rating from Moody's, at least "Baa3" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities."

"Group C Obligor Percentage" means, at any time, for each Group C Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group C Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group D Obligor" means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor.

"Group D Obligor Percentage" means, at any time, for each Group D Obligor: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group D Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Indemnified Amounts" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnified Party" has the meaning set forth in Section 3.1 of the Agreement.

"Independent Director" has the meaning set forth in Section 3(c) of Exhibit IV to the Agreement.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

"Issuer" has the meaning set forth in the preamble to the Agreement.

"Issuer's Share" of any amount means such amount multiplied by the Purchased Interest at the time of determination.

"JPMorgan Credit Agreement" means the Credit Agreement, dated as of December 18, 2003, among Eagle Materials, JPMorgan Chase Bank, Bank of America, N.A., PNC Bank, N.A., Bank One, N.A., SunTrust Bank, other lenders from time to time party thereto, and J.P. Morgan Securities Inc., as such agreement may be amended, supplemented or otherwise modified from time to time; it being understood that if the JPMorgan Credit Agreement is ever terminated, cancelled, replaced (solely to the extent PNC Bank, N.A. or any affiliate thereof, is not a party to such replacement) or otherwise released, any reference thereto in the Transaction Documents shall be deemed to be to the JPMorgan Credit Agreement as in effect on the date immediately prior to the date of such termination, cancellation, replacement or release.

"Liquidity Agent" means PNC in its capacity as the Liquidity Agent pursuant to the Liquidity Agreement.

"Liquidity Agreement" means the Liquidity Asset Purchase Agreement, dated as of February 20, 2004 between the Liquidity Banks from time to time party thereto, the Issuer and PNC, as Administrator and Liquidity Agent, as the same may be further amended, supplemented or otherwise modified from time to time.

"Liquidity Bank" shall have the meaning set forth in Section 5.3(c) of the Agreement.

"Lock-Box Account" means, each account listed on Schedule II to the Agreement, maintained at a bank or other financial institution for the purpose of receiving Collections.

"Lock-Box Agreement" means an agreement, in form and substance satisfactory to the Administrator, among the Seller, the Servicer, the Administrator and a Lock-Box Bank.

"Lock-Box Bank" means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

"Lock-Box Sale and Assignment Agreement" means the Lock-Box Account Sale and Assignment Agreement dated as of February 20, 2004, between Eagle Materials, as buyer, and CXP Funding, LLC, as seller.

"Loss Reserve" means, on any date, an amount equal to: (a) the outstanding Capital as at the close of business of the Servicer on such date multiplied by (b)(i) the Loss Reserve Percentage on such date divided by (ii) 1 minus the Loss Reserve Percentage on such date.

"Loss Reserve Percentage" means, on any date, the greater of: (a) 10.0% or (b) (i) the product of (A) 2 times the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months multiplied by (B) the aggregate credit sales made during the four most recent calendar months divided by (ii) the Net Receivables Pool Balance as of such date.

"Material Adverse Effect" means, relative to any Person with respect to any event or circumstance, a material adverse effect on:

(a) the assets, operations, business or financial condition of such Person and, to the extent they are parties to the transactions contemplated by the Agreement and the other Transaction Documents, its Subsidiaries, taken as a whole,

(b) the ability of such Person to perform its obligations under the Agreement or any other Transaction Document to which it is a party,

(c) the validity or enforceability of the Agreement or any other Transaction Document, or the validity, enforceability or collectibility of the Pool Receivables or

(d) the status, perfection, enforceability or priority of the Issuer's or the Seller's interest in the Pool Assets.

"Monthly Settlement Date" means the 20th day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day.

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

"Net Receivables Pool Balance" means, at any time: (a) the Outstanding Balance of Eligible Receivables then in the Receivables Pool minus (b) the Excess Concentration.

"Notes" means short-term promissory notes issued, or to be issued, by the Issuer to fund its investments in accounts receivable or other financial assets.

"Obligor" means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Originator" means, as the context may require, any or all of Eagle Materials as originator or transferor under the Sale and Contribution Agreement, and each Affiliate Originator as originator or transferor under the Purchase and Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Permitted Investments" means certificates of deposit that are not represented by instruments, have a maturity of one week or less and are issued by any Lock-Box Bank or PNC; provided, however, that the Administrator (on behalf of Issuer) may, from time to time, upon three Business Days' prior written notice to Servicer, remove from the scope of "Permitted Investments" certificates of deposit of any such bank(s) and specify to be within such scope, certificates of deposit of any other bank; provided, further, however, that any such notice of removal shall apply only to Permitted Investments that are invested in following the receipt of such notice by the Servicer.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"PNC" has the meaning set forth in the preamble to the Agreement.

"Pool Assets" has the meaning set forth in Section 1.2(d) of the Agreement.

"Pool Receivable" means a Receivable in the Receivables Pool.

"Portion of Capital" shall mean a portion of the outstanding Capital which accrues Discount according to the same Yield Rate and as to which a single Yield Period is in effect.

"Program Support Agreement" means and includes the Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for: (a) the issuance of one or more letters of credit for the account of the Issuer, (b) the issuance of one or more surety bonds for which the Issuer is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, (c) the sale by the Issuer to any Program Support Provider of the Purchased Interest (or portions thereof) and/or (d) the making of loans and/or other extensions of credit to the Issuer in connection with the Issuer's securitization program, together with any letter of credit, surety bond or other instrument issued thereunder (but excluding any discretionary advance facility provided by the Administrator).

"Program Support Provider" means and includes any Liquidity Bank and any other Person (other than any customer of the Issuer) now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, the Issuer pursuant to any Program Support Agreement.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement dated as of February 20, 2004, between each Affiliate Originator from time to time party thereto as originator or transferor, and Eagle Materials, as buyer, as such agreement may be amended, supplemented or otherwise modified from time to time.

"Purchase Limit" means the lesser of (a) $50,000,000, as such amount may be reduced pursuant to Section 1.1(b) of the Agreement and (b) the aggregate of the liquidity commitments of all then existing Liquidity Banks under the Liquidity Agreement, divided by 102% (which

commitments on the date hereof equal in the aggregate $51,000,000). References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the sum of the then outstanding Capital.

"Purchased Interest" means, at any time, the undivided percentage ownership interest in: (a) each and every Pool Receivable now existing or hereafter arising, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as:

$$\frac{\text{Capital + Total Reserves}}{\text{Net Receivables Pool Balance}}$$

The Purchased Interest shall be determined from time to time pursuant to Section 1.3 of the Agreement.

"Rating Agency" means, each of Moody's, Standard & Poor's, and any other nationally recognized rating agency then rating the Issuer's Notes.

"Rating Agency Condition" means, with respect to any event or occurrence, receipt by the Administrator of written confirmation from each Rating Agency that such event or occurrence shall not cause the rating on the Issuer's then outstanding Notes to be downgraded or withdrawn.

"Receivable" means any indebtedness and other obligations owed to any Originator or the Seller by an Obligor or any right of the Seller or any Originator to payment from or on behalf of an Obligor, or any right to reimbursement for funds paid or advanced by the Seller or any Originator on behalf of an Obligor, whether constituting an account, chattel paper, payment intangible, instrument or general intangible, however arising (whether or not earned by performance), and includes, without limitation, the obligation to pay any finance charges, fees and other charges with respect thereto, that arises under a Contract for the sale and delivery of goods or services in the ordinary course of an Originator's business. Indebtedness and other obligations arising from any one transaction, including, without limitation, indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

"Receivables Pool" means, at any time, all of the then outstanding Receivables purchased by the Seller pursuant to the Sale and Contribution Agreement.

"Related Security" means, with respect to any Receivable:

(a) all of the Seller's and the related Originator's interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(b) all instruments and chattel paper that may evidence such Receivable,

(c) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings relating thereto,

(d) all of the Seller's and the related Originator's rights, interests and claims under the Contracts and all guaranties, indemnities, insurance and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, and

(e) all of Seller's and the related Originator's rights, interests and claims under the Sale Agreements, any Contract and any other agreement or document between such Originator and the related Obligor.

"Sale Agreements" means, collectively, the Purchase and Sale Agreement and the Sale and Contribution Agreement.

"Sale and Contribution Agreement" means the Sale and Contribution Agreement, dated as of February 20, 2004, between the Seller and Eagle Materials, as originator or transferor, as such agreement may be amended, supplemented or otherwise modified from time to time.

"Seller" has the meaning set forth in the preamble to the Agreement.

"Seller's Share" of any amount means the greater of: (a) $0 and (b) such amount minus the Issuer's Share.

"Servicer" has the meaning set forth in the preamble to the Agreement.

"Servicer Report" shall mean a report, in the form of Annex C to the Agreement, prepared by the Servicer and delivered to the Administrator pursuant to Section 2(i) of Exhibit IV to the Agreement.

"Servicing Fee" shall mean the fee referred to in Section 4.6 of the Agreement.

"Servicing Fee Rate" shall mean the rate referred to in Section 4.6 of the Agreement.

"Settlement Date" means (a) with respect to any Portion of Capital not being funded or maintained by the issuance of Notes, two (2) Business Days following the last Business Day of the Yield Period for such Portion of Capital and (b) with respect to any Portion of Capital funded or maintained by the issuance of Notes, and any fees payable under the Agreement, the Monthly Settlement Date; provided, however, that on and after the occurrence and continuation of any Termination Event, the Settlement Date with respect to any Portion of Capital (or fees) shall be the date selected as such by the Administrator from time to time (it being understood that the Administrator may select such Settlement Date to occur as frequently as daily) or, in the absence of any such selection, the date which would be the Settlement Date for such Portion of Capital (or fees) pursuant to clause (a) or (b) of this definition.

"Solvent" means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) the fair value and present fair saleable value of such Person's assets is greater than the amount that will be required to pay such Person's probable liability on its existing debts as they become absolute and matured ("debts," for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent);

(iii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iv) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to Purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's-length transaction in an existing and not theoretical market.

"Specifically Reserved Dilution Amount" means, on any date, an amount equal to the sum of:

(i) the product of (x) 1.0% and (y) the aggregate Outstanding Balance of all Pool Receivables reported as "current to 30 days past due" on the aging schedule of the Servicer as of the last day of the most recently ended calendar month; plus

(ii) the amount recorded on the books and records of American Gypsum Company on such date (or the books and records of the Servicer on its behalf), as the

aggregate of the accrued liability of American Gypsum Company for all future rebate payments.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Subordinated Note" has the meaning set forth in the Sale and Contribution Agreement.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such entity are at the time owned, or management of which is otherwise controlled: (a) by such Person, (b) by one or more Subsidiaries of such Person or (c) by such Person and one or more Subsidiaries of such Person.

"Termination Day" means: (a) each day on which the conditions set forth in Section 2 of Exhibit II are not satisfied or (b) each day that occurs on or after the Facility Termination Date.

"Termination Event" has the meaning specified in Exhibit V to the Agreement.

"Total Reserves" means, on any date, the sum of : (a) the Yield Reserve, plus (b) the Dilution Reserve, plus (c) the Specifically Reserved Dilution Amount, plus (d) the greater of the Loss Reserve or the Concentration Reserve.

"Transaction Documents" means the Agreement, the Lock-Box Agreements, the Sale Agreements, the Fee Letter, the Administrative Services Agreement, the Lock-Box Sale and Assignment Agreement, the Company Notes, the Subordinated Note and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with the Agreement, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

"UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

"Unmatured Termination Event" means an event that, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

"Yield Period" means (a) with respect to any Portion of Capital funded by the issuance of Notes, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Capital and ending on (but not including) the next Monthly Settlement Date, and (ii) thereafter, each period commencing on (and including) such Monthly Settlement Date and ending on (but not including) the next Monthly Settlement Date; and (b) with respect to any Portion of Capital not funded by the issuance of Notes, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Capital and ending such number of days later (including a period of one day) as the Administrator shall select, and (ii) thereafter, each period commencing on the last day of the

immediately preceding Yield Period for such Portion of Capital and ending such number of days later (including a period of one day) as the Administrator shall select; provided, that

(i) any Yield Period (other than of one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day; provided, however, if Discount in respect of such Yield Period is computed by reference to the Euro-Rate, and such Yield Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Yield Period shall end on the next preceding Business Day;

(ii) in the case of any Yield Period of one day, (A) if such Yield Period is the initial Yield Period for a purchase hereunder (other than a reinvestment), such Yield Period shall be the day of such purchase; (B) any subsequently occurring Yield Period which is one day shall, if the immediately preceding Yield Period is more than one day, be the last day of such immediately preceding Yield Period, and, if the immediately preceding Yield Period is one day, be the day next following such immediately preceding Yield Period; and (C) if such Yield Period occurs on a day immediately preceding a day which is not a Business Day, such Yield Period shall be extended to the next succeeding Business Day; and

(iii) in the case of any Yield Period for any Portion of Capital which commences before the Facility Termination Date and would otherwise end on a date occurring after the Facility Termination Date, such Yield Period shall end on such Facility Termination Date and the duration of each Yield Period which commences on or after the Facility Termination Date shall be of such duration as shall be selected by the Administrator.

"Yield Protection Fee" means, for any Yield Period, with respect to any Portion of Capital, to the extent that (i) any payments are made by the Seller to the Issuer or any applicable Program Support Provider in respect of such Capital hereunder prior to the applicable maturity date of any Notes or other instruments or obligations used or incurred by such Person to fund or maintain such Portion of Capital or (ii) without duplication of any amounts payable by the Seller pursuant to Section 1.10 of the Agreement, any failure by the Seller to borrow, continue or prepay any Portion of Capital on the date specified in any Purchase Notice delivered pursuant to Section 1.2 of the Agreement, the amount, if any, by which: (a) the additional Discount related to such Portion of Capital that would have accrued through the maturity date of such Notes or other instruments on the portion thereof for which payments were received from the Seller (or with respect to which the Seller failed to borrow such amounts), exceeds (b) the income, if any, received by the Issuer or any applicable Program Support Provider from investing the proceeds so received in respect of such Portion of Capital, as determined by the Administrator, which determination shall be binding and conclusive for all purposes, absent manifest error.

"Yield Rate" for any Yield Period for any Portion of Capital of the Purchased Interest, to the extent the Issuer is not funding such Portion of Capital through the issuance of Notes, means the rate per annum, selected by the Administrator equal to: (a) 1.75% per annum above the Euro-Rate for such Yield Period, or (b) the Base Rate for such Yield Period; provided, however, that in the case of:

(i) any Yield Period on or before the first day of which the Administrator shall have been notified by any Liquidity Bank that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Liquidity Bank, to fund any Euro-Rate Portion of Capital (and such Liquidity Bank shall not have subsequently notified the Administrator that such circumstances no longer exist),

(ii) any Yield Period of one to (and including) 29 days,

(iii) any Yield Period as to which the Administrator does not receive a notice of funding pursuant to the Agreement before noon (New York City time) on the third Business Day preceding the date of such requested date of such funding or drawing, or

(iv) any Yield Period relating to a Portion of Capital that is less than $1,000,000,

the "Yield Rate" for each such Yield Period shall be an interest rate per annum equal to the Base Rate in effect on each day of such Yield Period. Notwithstanding anything to the contrary in this definition or otherwise in the Agreement, the "Yield Rate" for any day while a Termination Event exists shall be an interest rate equal to 2% per annum above the Base Rate in effect on such day.

"Yield Reserve" means, on any date, an amount equal to (a) the Capital at the close of business of the Servicer on such date, multiplied by (b) (i) the Yield Reserve Percentage on such date, divided by (ii) 1 minus the Yield Reserve Percentage on such date.

"Yield Reserve Percentage" means, at any time:

$$\frac{(BR + SFR)}{360} \times 1.5 \times DSO$$

where:

BR = the Base Rate in effect at such time,

SFR = the Servicing Fee Rate,

DSO = the Days' Sales Outstanding.

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, "or" means "and/or," and "including" (and with correlative meaning "include" and "includes") means including without limiting the generality of any description preceding such term.

EXHIBIT II
CONDITIONS PRECEDENT

1. Conditions Precedent to Effectiveness. The effectiveness of this Agreement is subject to the conditions precedent that the Administrator shall have received on or before the Closing Date the following, each in form and substance (including the date thereof) satisfactory to the Administrator:

(a) A counterpart of the Agreement and the other Transaction Documents executed by the parties thereto.

(b) Certified copies of: (i) all documents evidencing necessary governmental approvals, if any, with respect to the Agreement and the other Transaction Documents and (ii) the applicable organizational documents of the Seller, the Servicer and each Originator.

(c) A certificate of the Secretary or Assistant Secretary of the Seller, the Servicer and each Originator certifying the names and true signatures of its officers who are authorized to sign the Agreement and the other Transaction Documents. Until the Administrator receives a subsequent incumbency certificate from the Seller, the Servicer and each Originator, as the case may be, the Administrator shall be entitled to rely on the last such certificate delivered to it by the Seller, the Servicer, and each Originator, as the case may be.

(d) Evidence that the proper financing statements, under the UCC of all relevant jurisdictions necessary or desirable in order to perfect the interests of Eagle Materials, the Seller and the Issuer contemplated by the Agreement, the Purchase and Sale Agreement and the Sale and Contribution Agreement, as the case may be, have been duly filed in each such jurisdiction.

(e) Completed UCC search reports, dated on or shortly before the date of the initial purchase hereunder, listing the financing statements filed in all applicable jurisdictions that name any Originator, Eagle Materials or the Seller as debtor, together with copies of such other financing statements, and similar search reports with respect to judgment liens, federal tax liens and liens of the Pension Benefit Guaranty Corporation in such jurisdictions, as the Administrator may request, showing no Adverse Claims on any Pool Assets.

(f) Favorable opinions, in form and substance reasonably satisfactory to the Administrator, of Greenberg Traurig, LLP, as counsel for the Seller, the Originators and the Servicer as to various corporate, enforceability, UCC (including creation, perfection and priority), bankruptcy and other matters as the Administrator may reasonably request.

(g) Satisfactory results of a review and audit (performed by representatives of the Administrator) of the Servicer's collection, operating and reporting systems, the Credit and Collection Policy of the Originators, historical receivables data and accounts, including satisfactory results of a review of the Servicer's operating location(s) and satisfactory review and approval of the Eligible Receivables in existence on the date of the initial purchase under the Agreement.

(h) A pro forma Servicer Report representing the performance of the anticipated Receivables Pool for the calendar month before closing.

(i) Evidence of payment by the Seller of all accrued and unpaid fees (including those contemplated by the Fee Letter), costs and expenses to the extent then due and payable on the date thereof, including any such costs, fees and expenses arising under or referenced in Section 5.4 of the Agreement and the Fee Letter.

(j) Good standing certificates with respect to the Seller, the Servicer and each Originator issued by the Secretaries of State (or similar official) of the states of each such Person's organization and principal place of business.

(k) A computer file containing all information with respect to the Receivables as the Administrator may reasonably request.

(l) Such other approvals, opinions or documents as the Administrator may reasonably request.

2. Conditions Precedent and Condition Subsequent to all Purchases and Reinvestment. Each purchase (including the initial purchase) and each reinvestment shall be subject to the further conditions precedent and condition subsequent, as the case may be, that:

(a) in the case of each purchase, the Servicer shall have delivered to the Administrator, in form and substance satisfactory to the Administrator on or before such purchase, a completed pro forma Servicer Report as of such date to reflect the level of the Capital, the Total Reserves and the Receivables Pool;

(b) on the date of such purchase or reinvestment, as the case may be, the following statements shall be true (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i) the representations and warranties contained in Exhibit III to the Agreement are true and correct in all material respects on and as of the date of such purchase or reinvestment, as the case may be, as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such purchase or reinvestment, as the case may be, that constitutes a Termination Event or an Unmatured Termination Event; and

(iii) the Capital, after giving effect to any such purchase or reinvestment, as the case may be, shall not be greater than the Purchase Limit, and the Purchased Interest shall not exceed 100%; and

(c) On or prior to sixty (60) days from the date hereof, the Seller shall have provided the Administrator with evidence, in form and substance satisfactory to the Administrator, of (i) the termination and/or partial release of financing statement number 03-0034472467 filed against Centex Construction Products, Inc. (the entity now called Eagle Materials Inc.) in favor of Barton Creek Office II, Inc. with the office of the Secretary of State of the State of Texas, which

financing statement purports to cover all or part of the Receivables and Related Security of Centex Construction Products, Inc. (it being understood that the Seller hereby represents and warrants that the underlying grant of security interest by Centex Construction Products, Inc. to Barton Creek Office II, Inc. in connection with the transactions contemplated by the documentation to which such filed financing statement relates does not extend to any Receivables or Related Security and such financing statement is, therefore, ineffective and unenforceable as to any Pool Assets), (ii) a lien search (including judgment, ERISA and tax lien searches) performed in the office of the Secretary of State of the State of New Mexico against Centex Eagle Gypsum Company, LLC (an entity previously merged into one of the Affiliate Originators) and (iii) a full and complete copy (with all applicable attachments) of financing statement number 2002010072721 filed against Republic Gypsum Company (a trade name of one of the Affiliate Originators) in favor of Signode Packaging Systems in Oklahoma County (Central Filing), Oklahoma.

EXHIBIT III
REPRESENTATIONS AND WARRANTIES

1. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

(a) The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business, and is in good standing, as a foreign limited liability company in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Seller of the Agreement and the other Transaction Documents to which it is a party, including its use of the proceeds of purchases and reinvestments: (i) are within its organizational powers, (ii) have been duly authorized by all necessary action, (iii) do not contravene or result in a default under or conflict with: (A) its organizational documents, (B) any law, rule or regulation applicable to it, (C) any contractual restriction binding on or affecting it or any of its property or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property, and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Seller.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by the Seller of the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in Exhibit II to the Agreement.

(d) Each of the Agreement and the other Transaction Documents to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or, to the knowledge of the Seller, threatened action or proceeding affecting Seller or any of its properties before any court or any other Governmental Authority or arbitrator, except any such pending or threatened proceeding which could not be reasonably expected to have a Material Adverse Effect.

(f) [Reserved].

(g) Each Servicer Report, information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Administrator or the Issuer in connection with the Agreement or any other Transaction

Document to which it is a party is or will be complete and accurate in all material respects as of its date or as of the date so furnished.

(h) The Seller is "located" (as such term is defined in the applicable UCC) in Delaware. The Seller's chief executive office and the office where the Seller keeps its records concerning the Receivables is at the address set forth below its signature to the Agreement or at such other address as to which the Administrator has been notified, in writing, in accordance with the Agreement.

(i) The names and addresses of all the Lock-Box Banks together with the account numbers of the Lock-Box Accounts at such Lock-Box Banks, are specified in Schedule II to the Agreement (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts as have been notified to the Administrator in accordance with the Agreement), and all Lock-Box Accounts are subject to Lock-Box Agreements.

(j) The Seller is not in violation of any order of any court, arbitrator or Governmental Authority that could be reasonably expected to have a Material Adverse Effect.

(k) No proceeds of any purchase or reinvestment will be used for any purpose that violates any applicable law, rule or regulation, including Regulations T, U or X of the Federal Reserve Board.

(l) Each Pool Receivable included as an Eligible Receivable in the calculation of the Net Receivables Pool Balance is an Eligible Receivable.

(m) To the knowledge of the Seller, no event has occurred and is continuing, or would result from a purchase in respect of the Purchased Interest or from the application of the proceeds therefrom, that constitutes a Termination Event or an Unmatured Termination Event.

(n) The Seller has complied in all material respects with the Credit and Collection Policy of each Originator with regard to each Pool Receivable originated by such Originator.

(o) The Seller has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(p) The Seller's complete company name is set forth in the preamble to the Agreement, and it does not use and has not during the last five years used any other company name, trade name, doing-business name or fictitious name.

(q) The Seller is not an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended. In addition, the Seller is not a "holding company," 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.

2. Representations and Warranties of the Servicer. The Servicer, represents and warrants as follows:

(a) The Servicer is duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business, and is in good standing, as a foreign organization in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Servicer of the Agreement and the other Transaction Documents to which it is a party: (i) are within its organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene or result in a default under or conflict with: (A) its organizational documents, (B) any law, rule or regulation applicable to it, (C) any contractual restriction binding on or affecting it or any of its property or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property, and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which the Servicer is a party have been duly executed and delivered by the Servicer.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by the Servicer of the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in the Sale Agreements.

(d) Each of the Agreement and the other Transaction Documents to which the Servicer is a party constitutes the legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) The balance sheets of the Servicer and its consolidated Subsidiaries as at March 31, 2003, and the related statements of income and retained earnings for the fiscal year then ended, copies of which have been furnished to the Administrator, fairly present in all material respects the financial condition of the Servicer and its consolidated Subsidiaries as at such date and the results of the operations of the Servicer and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied.

(f) There is no pending or, to the knowledge of the Servicer, threatened action or proceeding affecting the Servicer or any of its properties before any court or other Governmental Authority or arbitrator, except any such pending or threatened proceeding which could not reasonably be expected to have a Material Adverse Effect.

(g) Each Servicer Report, information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Servicer to the

Administrator in connection with the Agreement is or will be complete and accurate in all material respects as of its date or as of the date so furnished.

(h) The Servicer is not in violation of any order of any court, arbitrator or Governmental Authority, which could reasonably be expected to have a Material Adverse Effect.

(i) The Servicer has complied in all material respects with the Credit and Collection Policy of each Originator with regard to each Pool Receivable originated by such Originator.

(j) The Servicer has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(k) The Servicer is not an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended. In addition, the Servicer is not a "holding company," 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.

3. Representations, Warranties and Agreements Relating to the Security Interest. The Seller hereby makes the following representations, warranties and agreements with respect to the Receivables and Related Security:

(a) The Receivables.

(i) Creation. This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Pool Receivables in favor of the Issuer, which security interest is prior to all other Adverse Claims, and is enforceable as such as against creditors of and purchasers from the Seller.

(ii) Nature of Receivables. The Pool Receivables constitute either "accounts," "general intangibles" or "tangible chattel paper" within the meaning of the applicable UCC.

(iii) Ownership of Receivables. The Seller owns and has good and marketable title to the Pool Receivables and Related Security free and clear of any Adverse Claim.

(iv) Perfection and Related Security. Seller has caused (and will cause each Originator to cause), within ten days after the Closing Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the sale of the Receivables and Related Security from such Originator to Eagle Materials (in the case of the Affiliate Originators under the Purchase and Sale Agreement), from Eagle Materials to the Seller (in the case of the Sale and Contribution Agreement), and the sale and security interest therein from the Seller to the Issuer under this Agreement, to the extent that such collateral constitutes "accounts," "general intangibles," or "tangible chattel paper."

(v) Tangible Chattel Paper. With respect to any Pool Receivables that constitute "tangible chattel paper", if any, the Seller (or the Servicer on its behalf) has in its possession the original copies of such tangible chattel paper that constitute or evidence such Pool Receivables, and the Seller has caused (and will cause the applicable Originator to cause), within ten days after the Closing Date, the filing of financing statements described in clause (iv), above, each of which will contain a statement that: "A purchase of, or security interest in, any collateral described in this financing statement will violate the rights of the Issuer." The Pool Receivables to the extent they are evidenced by "tangible chattel paper" do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Seller or the Issuer, as the case may be, as contemplated by the Transaction Documents.

(b) The Accounts.

(i) Nature of Lock-Box Accounts. Each Lock-Box Account constitutes a "deposit account" within the meaning of the applicable UCC.

(ii) Ownership. The Seller owns and has good and marketable title to the Lock-Box Accounts free and clear of any Adverse Claim.

(iii) Perfection. The Seller has delivered to the Administrator a fully executed Lock-Box Agreement relating to each Lock-Box Account pursuant to which each applicable Lock-Box Bank has agreed, following the occurrence and continuation of a Termination Event or Unmatured Termination Event, to comply with all instructions originated by the Administrator (on behalf of the Issuer) directing the disposition of funds in such Lock-Box Account without further consent by the Seller or the Servicer.

(c) Priority.

(i) Other than the transfer of the Receivables to Eagle Materials, the Seller and the Issuer under the Purchase and Sale Agreement, the Sale and Contribution Agreement and this Agreement, respectively, and/or the security interest granted to Eagle Materials, the Seller and the Administrator pursuant to the Purchase and Sale Agreement, the Sale and Contribution Agreement and this Agreement, respectively, none of Eagle Materials, the Seller or any Originator has pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables, the Lock-Box Accounts or any subaccounts thereof, except for any such pledge, grant or other conveyance which has been released or terminated. None of Eagle Materials, the Seller or any Originator has authorized the filing of, or is aware of any financing statements against Eagle Materials, the Seller or any such Originator that include a description of Receivables, the Lock-Box Accounts or any subaccounts thereof, other than any financing statement (i) relating to the sale thereof by the Originators under the applicable Sale Agreement, (ii) relating to the security interest granted to the Issuer under this Agreement, or (iii) that has been released or terminated.

(ii) As of the Closing Date, the Seller is not aware of any judgment, ERISA or tax lien filings against either the Seller or any Originator. As of any other date, the Seller

is not aware of any judgment, ERISA or tax lien filings against either the Seller or any Originator, other than as disclosed to the Administrator in writing.

(iii) No Lock-Box Account is in the name of any person other than the Seller, the Issuer or the Administrator. Neither the Seller nor the Servicer has consent to any bank maintaining such account to comply with instructions of any person other than the Administrator.

(d) Survival of Supplemental Representations. Notwithstanding any other provision of the Agreement or any other Transaction Document, the representations contained in this Section shall be continuing, and remain in full force and effect until such time as the Purchased Interest and all other obligations under the Agreement have been finally and fully paid and performed.

(e) No Waiver. The parties to the Agreement: (i) shall not, without obtaining a confirmation of the then-current rating of the Notes, waive any of the representations set forth in this Section; (ii) shall provide the Ratings Agencies with prompt written notice of any breach of any representations set forth in this Section, and shall not, without obtaining a confirmation of the then-current rating of the Notes (as determined after any adjustment or withdrawal of the ratings following notice of such breach) waive a breach of any of the representations set forth in this Section.

(f) Servicer to Maintain Perfection and Priority. In order to evidence the interests of the Issuer and the Administrator under the Agreement, the Servicer shall, from time to time take such action, or execute and deliver such instruments as may be reasonably necessary or advisable (including, without limitation, such actions as are reasonably requested by the Administrator) to maintain and perfect, as a first-priority interest, the Issuer's security interest in the Pool Receivables, Related Security and Collections. The Servicer shall, from time to time and within the time limits established by law, prepare and present to the Issuer for the Issuer's authorization and approval, all financing statements, amendments, continuations or initial financing statements in lieu of a continuation statement, or other filings necessary to continue, maintain and perfect the Issuer's security interest as a first-priority interest. The Issuer's approval of such filings shall authorize the Servicer to file such financing statements under the UCC without the signature of the Seller, any Originator or the Issuer where allowed by applicable law. Notwithstanding anything else in the Transaction Documents to the contrary, the Servicer shall not have any authority to file a termination, partial termination, release, partial release, or any amendment that deletes the name of a debtor or excludes collateral of any such financing statements, without the prior written consent of the Administrator.

EXHIBIT IV
COVENANTS

1. Covenants of the Seller. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to any Liquidity Bank, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Seller shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its limited liability company existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such rights, franchises, qualifications and privileges could not reasonably be expected to have a Material Adverse Effect.

(b) Location and Name or Structural Changes. The Seller shall provide the Administrator with at least 30 days' prior written notice before making any change in the Seller's name, location (other than a change in the address of the offices of the Seller to one of the addresses already set forth under its name on the signature page to the Agreement) or making any other change in the Seller's identity or limited liability company structure that could impair or otherwise render any UCC financing statement filed in connection with this Agreement "seriously misleading" as such term (or similar term) is used in the applicable UCC; each notice to the Administrator pursuant to this sentence shall set forth the applicable change and the proposed effective date thereof. The Seller will also maintain and implement (or cause the Servicer to maintain and implement) administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain (or cause the Servicer to keep and maintain) all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Pool Receivables (including records adequate to permit the daily identification of each Pool Receivable and all Collections of and adjustments to each existing Pool Receivable).

(c) Ownership Interest, Etc. The Seller shall (and shall cause the Servicer to), at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Pool Receivables, the Related Security and Collections with respect thereto, and a first priority perfected security interest in the Pool Assets, in each case free and clear of any Adverse Claim, in favor of the Issuer, including taking such action to perfect, protect or more fully evidence the interest of the Issuer as the Administrator may reasonably request.

(d) Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under any Pool Assets (including the Seller's undivided interest in any Pool Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Pool Receivables are sent), or assign any right to receive income in respect of any items contemplated by this paragraph.

(e) Extension or Amendment of Receivables. Except as otherwise provided in the Agreement, the Seller shall not, and shall not permit the Servicer to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any related Contract.

(f) Change in Business or Credit and Collection Policy. The Seller shall not (i) make any material change in the character of its business or (ii) make any material change in any Credit and Collection Policy, or any other change thereto that could reasonably be expected to adversely affect the collectibility of the Pool Receivables, the enforceability of any related Contract or its ability to perform its obligations under the related Contract or the Transaction Documents, in the case of either (i) or (ii) above, without the prior written consent of the Administrator. The Seller shall not make any change in any Credit and Collection Policy without giving prior written notice thereof to the Administrator.

(g) Audits. (i) The Seller shall, at the Seller's expense, from time to time during regular business hours as reasonably requested in advance by the Administrator, permit the Administrator, or its agents or representatives: (A) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller relating to Pool Receivables and the Related Security, including the related Contracts, and (B) to visit the offices and properties of the Seller for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's, the Servicer's or any Originator's performance under the Transaction Documents or under the Contracts with any of the officers, employees or outside accountants of the Seller having knowledge of such matters and (ii) without limiting the provisions of clause (i) above, from time to time during regular business hours, at the Seller's expense, upon reasonable prior written notice from the Administrator, permit certified public accountants or other auditors acceptable to the Administrator to conduct a review of its books and records with respect to the Pool Receivables.

(h) Change in Lock-Box Banks or Lock-Box Accounts and Payment Instructions to Obligors. The Seller shall not, and shall not permit the Servicer or any Originator to, add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Seller, the Originators, the Servicer or any Lock-Box Account (or related post office box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(i) Deposits to Lock-Box Accounts. The Seller shall (or shall cause the Servicer to): (i) instruct all Obligors to make payments of all Pool Receivables to one or more Lock-Box Accounts or to post office boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such post office boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it, the Servicer or any Originator into a Lock-Box Account not later than one Business Day after receipt thereof (or, in the case of amounts received by such Person after 3:00 p.m. on any Business Day, the second Business Day following such receipt). Each Lock-Box Account shall at all times be subject to a

Lock-Box Agreement. The Seller will not (and will not permit the Servicer to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections.

(j) Marking of Records. At its expense, the Seller shall: (i) mark (or cause the Servicer to mark) its master data processing records relating to Pool Receivables and related Contracts to indicate that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement, and (ii) cause each Originator to so mark its master data processing records pursuant to the applicable Sale Agreement.

(k) Reporting Requirements. The Seller will provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 120 days after the end of each fiscal year of the Seller, a copy of the unaudited financial statements of the Seller for such year certified as to accuracy by the chief financial officer or treasurer of the Seller;

(ii) as soon as possible and in any event within two Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or Unmatured Termination Event and the action that the Seller has taken and proposes to take with respect thereto;

(iii) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any ERISA Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that the Seller or any Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of any Reportable Event (as defined in ERISA) that could, in the aggregate, result in the imposition of liability on the Seller and/or any such Affiliate;

(iv) promptly after the Seller obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between the Seller and any Governmental Authority or other Person or (B) litigation or proceeding relating to any Transaction Document;

(v) promptly after the Seller obtains knowledge thereof, notice of any Material Adverse Effect with respect to the Seller, the Servicer or any Originator; and

(vi) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller, Eagle Materials or the other Originators as the Administrator may from time to time reasonably request.

(l) Certain Agreements. Without the prior written consent of the Administrator, the Seller will not amend, modify, waive, revoke or terminate any Transaction Document to which it

is a party or any provision of Seller's organizational documents which requires the consent of the "Independent Director" (as defined in the Seller's limited liability company agreement).

(m) Restricted Payments. (i) Except pursuant to clauses (ii) and (iii) below, the Seller will not: (A) purchase or redeem any of its membership interests, (B) declare or pay any dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any Debt, (D) lend or advance any funds or (E) repay any loans or advances to, for or from any of its Affiliates (the amounts described in clauses (A) through (E) being referred to as "Restricted Payments").

(i) Subject to the limitations set forth in clause (iii) below, the Seller may make Restricted Payments so long as such Restricted Payments are made only in one or more of the following ways: (A) the Seller may make cash payments (including prepayments) on the Subordinated Note in accordance with its terms, and (B) if no amounts are then outstanding under the Subordinated Note, the Seller may declare and pay dividends.

(ii) The Seller may make Restricted Payments only out of the funds, if any, it receives pursuant to Sections 1.4(b)(ii) and (iv) and 1.4(c) of the Agreement. Furthermore, the Seller shall not pay, make or declare: (A) any dividend if, after giving effect thereto, the Seller's tangible net worth would be less than $1,500,000, or (B) any Restricted Payment (including any dividend) if, after giving effect thereto, any Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(n) Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents, (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to the Transaction Documents or the Subordinated Note, or (iii) form any Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.) (not to exceed $11,625, in the aggregate, outstanding at any one time).

(o) Use of Seller's Share of Collections. The Seller shall apply the Seller's Share of Collections to make payments in the following order of priority: (i) the payment of its expenses (including all obligations payable to the Issuer and the Administrator under the Agreement and under the Fee Letter), (ii) the payment of accrued and unpaid interest on the Subordinated Note and (iii) other legal and valid corporate purposes.

(p) Tangible Net Worth. The Seller will not permit its tangible net worth, at any time, to be less than $1,500,000.

2. Covenants of the Servicer. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Servicer shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges could not reasonably be expected to have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Servicer shall keep the office where it keeps its records concerning the Pool Receivables at the address of the Servicer set forth under its name on the signature page to the Agreement or, such other location (other than a change in the address of the offices of the Servicer to one of the addresses already set forth under its name on the signature page to the Agreement) as identified by the Servicer to the Administrator in writing at least 30 days' prior to such proposed change. The Servicer also will maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Pool Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Pool Receivables (including records adequate to permit the daily identification of each Pool Receivable and all Collections of and adjustments to each existing Pool Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Servicer shall at its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy with regard to each Pool Receivable and the related Contract.

(d) Extension or Amendment of Receivables. Except as otherwise provided in the Agreement, the Servicer shall not extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any related Contract.

(e) Change in Business or Credit and Collection Policy. The Servicer shall not (i) make any material change in the character of its business that could reasonably be expected to adversely affect the collectibility of the Receivables, the enforceability of any related Contract or its ability to perform its obligations under the related Contract or the Transaction Documents or (ii) make any material change in any Credit and Collection Policy or any other change thereto that could reasonably be expected to adversely affect the collectibility of the Receivables, the enforceability of any related Contract or its ability to perform its obligations under the related Contract or the Transaction Documents, in the case of either (i) or (ii) above, without the prior written consent of the Administrator. The Servicer shall not make any change in any Credit and Collection Policy without giving prior written notice thereof to the Administrator.

(f) Audits. (i) The Servicer shall, at the Servicer's expense, from time to time during regular business hours as reasonably requested in advance by the Administrator, permit the Administrator, or its agents or representatives: (A) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or

under its control relating to Pool Receivables and the Related Security, including the related Contracts, and (B) to visit its offices and properties for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to Pool Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees or outside accountants having knowledge of such matters and (ii) without limiting the provisions of clause (i) above, from time to time during regular business hours, at the Servicer's expense, upon reasonable prior written notice from the Administrator, permit certified public accountants or other auditors acceptable to the Administrator to conduct, a review of its books and records with respect to the Pool Receivables.

(g) Change in Lock-Box Banks or Lock-Box Accounts and Payment Instructions to Obligors. The Servicer shall not add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Originators, the Servicer or any Lock-Box Account (or related post office box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(h) Deposits to Lock-Box Accounts. The Servicer shall: (i) instruct all Obligors to make payments of all Pool Receivables to one or more Lock-Box Accounts or to post office boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such post office boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it or any Originator into a Lock-Box Account not later than one Business Day after receipt thereof (or, in the case of amounts received by such Person after 3:00 p.m. on any Business Day, the second Business Day following such receipt). Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Servicer will not deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections.

(i) Reporting Requirements. The Servicer shall provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as publicly available and in any event within 60 days after the end of the first three quarters of each fiscal year of the Servicer, balance sheets of the Servicer and its consolidated Subsidiaries as of the end of such quarter and statements of income, retained earnings and cash flow of the Servicer and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of such Person;

(ii) as soon as publicly available and in any event within 120 days after the end of each fiscal year of the Servicer, a copy of the annual report for such year for the Servicer and its consolidated Subsidiaries, containing financial statements for such year audited by independent certified public accountants of nationally recognized standing;

(iii) as soon as available and in any event not later than the second Business Day prior to each Monthly Settlement Date, a Servicer Report as of the last day of the

calendar month immediately preceding the calendar month during which such Monthly Settlement Date occurs;

(iv) as soon as possible and in any event within two Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Servicer setting forth details of such Termination Event or Unmatured Termination Event and the action that such Person has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Servicer sends to its security holders generally, and copies of all Form 10-K, Form 10-Q and Form 8-K reports that the Servicer files with the Securities and Exchange Commission;

(vi) promptly after the filing or receiving thereof, copies of all reports and notices that the Servicer or any of its ERISA Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that such Person or any of its Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which such Person or any of its Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of any Reportable Event (as defined in ERISA) that could, in the aggregate, result in the imposition of liability on the Servicer and/or any such Affiliate;

(vii) promptly after the Servicer obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between the Servicer or any of its Subsidiaries and any Governmental Authority or other Person that could reasonably be expected to have a Material Adverse Effect, or (B) litigation or proceeding relating to any Transaction Document; and

(viii) such other information respecting the Pool Receivables or the condition or operations, financial or otherwise, of the Servicer or any of its Subsidiaries as the Administrator may from time to time reasonably request.

(j) Barton Creek Financings. Until the conditions subsequent to purchases and reinvestments set forth in Section 2(c) of Exhibit II to the Agreement have been satisfied, Eagle shall not enter into any new or further lease agreements, credit agreements or other financial arrangements with Barton Creek Office II, Inc.

3. Separate Existence. Each of the Seller and the Servicer hereby acknowledges that the Issuer and the Administrator are entering into the transactions contemplated by this Agreement and the other Transaction Documents in reliance upon the Seller's identity as a legal entity separate from Eagle Materials, the Originators and their respective Affiliates. Therefore, from and after the date hereof, each of the Seller and the Servicer shall take all steps specifically required by the Agreement or reasonably required by the Administrator to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of Eagle Materials, any Originator and any

other Person, and is not a division of Eagle Materials, any Originator or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, each of the Seller and the Servicer shall take such actions as shall be required in order that:

(a) The Seller will be a limited liability company whose primary activities are restricted in its organizational documents to: (i) purchasing or otherwise acquiring from Eagle Materials and/or the other Originators, owning, holding, granting security interests or selling interests in Pool Assets, (ii) entering into agreements for the selling and servicing of the Receivables Pool, and (iii) conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(b) The Seller shall not engage in any business or activity, or incur any indebtedness or liability, other than as expressly permitted by the Transaction Documents;

(c) Not less than one member of the Seller's Board of Directors (the "Independent Director") shall be an individual who is not a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate or supplier of Eagle Materials, any other Originator or any of their respective Affiliates. The organizational documents of the Seller shall provide that: (i) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing before the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller, Eagle Materials, any other Originator or any of their respective Affiliates;

(e) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool, which servicer will be fully compensated for its services by payment of the Servicing Fee, and a manager, which manager will be fully compensated from the Seller's funds;

(f) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller and the Issuer will pay the Servicer the Servicing Fee pursuant to Sections 1.4 and 4.6. Except as contemplated by the Administrative Services Agreement, the Seller will not incur any material indirect or overhead expenses for items shared with Eagle Materials or any Originator (or any other Affiliate thereof) that are not reflected in the Servicing Fee. To the extent, if any, that the Seller (or any Affiliate thereof) shares items of expenses not reflected in the Servicing Fee or the manager's fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; it being understood that Eagle Materials, in its capacity as Servicer, shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, agency and other fees;

(g) The Seller's operating expenses will not be paid by Eagle Materials or any other Originator or any Affiliate thereof;

(h) The Seller will have its own separate stationery;

(i) The Seller's books and records will be maintained separately from those of Eagle Materials, each Originator and any other Affiliate thereof;

(j) All financial statements of Eagle Materials or any Originator or any Affiliate thereof that are consolidated to include Seller will contain detailed notes clearly stating that: (i) a special purpose limited liability company exists as a Subsidiary of Eagle Materials, and (ii) certain Subsidiaries of Eagle Materials have, directly or indirectly, sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities;

(k) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of Eagle Materials, the Originators or any Affiliates thereof;

(l) The Seller will strictly observe corporate formalities in its dealings with Eagle Materials, the Originators or any Affiliates thereof, and funds or other assets of the Seller will not be commingled with those of Eagle Materials, the Originators or any Affiliates thereof except as permitted by the Agreement in connection with servicing the Pool Receivables. The Seller shall not maintain joint bank accounts or other depository accounts to which Eagle Materials or any Affiliate thereof (other than Eagle Materials in its capacity as the Servicer) has independent access. The Seller is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy with respect to any loss relating to the property of Eagle Materials, the Originators or any Subsidiaries or other Affiliates thereof; and

(m) The Seller will maintain arm's-length relationships with Eagle Materials, the other Originators (and any Affiliates thereof). Any Person that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services it renders or otherwise furnishes to the Seller. Neither the Seller on the one hand, nor Eagle Materials or any other Originator, on the other hand, will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other. The Seller, Eagle Materials and the other Originators will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity.

EXHIBIT V
TERMINATION EVENTS

Each of the following shall be a "Termination Event":

(a) (i) the Seller, any Originator or the Servicer shall fail to perform or observe any term, covenant or agreement under the Agreement or any other Transaction Document and, except as otherwise provided herein, such failure shall continue for ten (10) Business Days after knowledge or notice thereof or (ii) the Seller or the Servicer shall fail to make when due any payment or deposit to be made by it under the Agreement, and such failure shall remain unremedied for one (1) Business Day;

(b) Eagle Materials (or any Affiliate thereof) shall fail to transfer to any successor Servicer, when required, any rights pursuant to the Agreement that Eagle Materials (or such Affiliate) then has as Servicer;

(c) any representation or warranty made or deemed made by the Seller, the Servicer or any Originator (or any of their respective officers) under or in connection with the Agreement or any other Transaction Document, or any information or report delivered by the Seller, any Originator or the Servicer pursuant to the Agreement or any other Transaction Document, shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered; provided, however, that if any such representation or warranty is of a type described in Section 1.4(e) and related to a Receivable in connection with which the Seller has satisfied in full its obligation with respect thereto pursuant to such Section 1.4(e), then such breach shall not give rise to a Termination Event under this paragraph (c);

(d) the Seller or the Servicer shall fail to deliver any Servicer Report when due pursuant to the Agreement, and such failure shall remain unremedied for two (2) Business Days;

(e) the Agreement or any purchase or reinvestment pursuant to the Agreement shall for any reason: (i) cease to create, or the Purchased Interest shall for any reason cease to be, a valid and enforceable first priority perfected undivided percentage ownership or security interest to the extent of the Purchased Interest in each Pool Receivable, the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, or (ii) cease to create with respect to the Pool Assets, or the interest of the Issuer with respect to such Pool Assets shall cease to be, a valid and enforceable first priority perfected security interest, free and clear of any Adverse Claim;

(f) (i) the Seller, the Servicer or any Originator shall generally not pay its debts as such debts become due, shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against the Seller, the Servicer or any Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted

by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or (iii) the Seller, the Servicer or any Originator shall take any corporate action to authorize any of the actions set forth above in this paragraph;

(g) (i) the (A) Default Ratio shall exceed 7.0% or (B) Delinquency Ratio shall exceed 13.0% or (ii) the average for three consecutive calendar months of: (A) the Default Ratio shall exceed 6.0%, (B) the Delinquency Ratio shall exceed 10.0%, or (C) the Dilution Ratio shall exceed 4.0%;

(h) a Change in Control shall occur;

(i) the Purchased Interest shall exceed 100%, and such condition shall remain unremedied for two consecutive Business Days;

(j) the Seller, any Originator or Eagle Materials shall fail to pay any principal of or premium or interest on any of its Debt that is outstanding in a principal amount of at least $10,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt (whether or not such failure shall have been waived under the related agreement); or any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument (whether or not such failure shall have been waived under the related agreement), if the effect of such event or condition is to give the applicable debtholders the right (whether acted upon or not) to accelerate the maturity of such Debt, or (b) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case before the stated maturity thereof;

(k) either the Internal Revenue Service or the Pension Benefit Guaranty Corporation shall have filed one or more notices of lien asserting a claim or claims pursuant to the Internal Revenue Code, or ERISA, as applicable, against the assets of Seller, any Originator or any ERISA Affiliate;

(l) the Seller shall, at any time, fail to (i) cause to become effective, any amendment or modification to any Transaction Document or (ii) cause to be delivered, any opinions or modifications to opinions, in either case, as required by Moody's and/or Standard & Poor's (in order to maintain the then current rating by each such Rating Agency of the Issuer's Notes), and such failure shall continue unremedied for 30 days following a request is made therefor by the Issuer or the Administrator; or

(m) the Days' Sales Outstanding shall, at any time, exceed 55 days.

SCHEDULE I

CREDIT AND COLLECTION POLICY

SCHEDULE II

LOCK-BOX BANKS AND LOCK-BOX ACCOUNTS

LOCK-BOX BANKS	LOCK-BOX ACCOUNTS

ANNEX A
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF PURCHASE NOTICE

________, [20__]

PNC Bank, National Association
One PNC Plaza, 3rd Floor
249 Fifth Avenue
Pittsburgh, PA 15222-2707

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of February 20, 2004 (as amended, supplemented or otherwise modified, the "Receivables Purchase Agreement"), among EXP Funding, LLC, as Seller, Eagle Materials Inc., as Servicer, Market Street Funding Corporation, as Issuer and PNC Bank, National Association, as Administrator. Capitalized terms used in this Purchase Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Purchase Notice pursuant to Section 1.2(a) of the Receivables Purchase Agreement. Seller desires to sell an undivided percentage interest in a pool of receivables on ___________, [20__], for a purchase price of $____________. Subsequent to this purchase, the aggregate outstanding Capital will be $___________.

Seller hereby represents and warrants as of the date hereof, and as of the date of such proposed purchase, as follows:

(i) the representations and warranties contained in Exhibit III to the Agreement are true and correct in all material respects, as though made on and as of each such date;

(ii) no event has occurred and is continuing, or would result from such purchase, that constitutes a Termination Event or an Unmatured Termination Event; and

(iii) the Capital, after giving effect to such purchase, shall not be greater than the Purchase Limit, and the Purchased Interest shall not exceed 100%.

IN WITNESS WHEREOF, the undersigned has caused this Purchase Notice to be executed by its duly authorized officer as of the date first above written.

EXP FUNDING, LLC

By: _______________________________________
Name Printed:_________________________
Title:________________________________

ANNEX B
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF PAYDOWN NOTICE

_______________, _____

PNC Bank, National Association
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Attention: John T. Smathers

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of February 20, 2004 (as amended, supplemented or otherwise modified, the "Receivables Purchase Agreement"), among EXP Funding, LLC, as Seller, Eagle Materials Inc., as Servicer, Market Street Funding Corporation, as Issuer and PNC Bank, National Association, as Administrator. Capitalized terms used in this Paydown Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Paydown Notice pursuant to Section 1.4(f)(i) of the Receivables Purchase Agreement. The Seller desires to reduce the aggregate Capital on ____________, _____(1) by the application of $___________ in cash to pay Capital and Discount to accrue (until such cash can be used to pay commercial paper notes) with respect to such Capital, together with all costs related to such reduction of Capital. Subsequent to this paydown, the aggregate outstanding Capital will be $___________.

- -----------------------

(1) Notice must be given at least two Business Days' prior to the requested paydown date.

IN WITNESS WHEREOF, the undersigned has caused this Paydown Notice to be executed by its duly authorized officer as of the date first above written.

EXP FUNDING, LLC

By:___________________________________
Name:_________________________________
Title:________________________________

ANNEX C
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF SERVICER REPORT

EXHIBIT 10.3

THIS DOCUMENT IS A COMPOSITE REFLECTING THE EAGLE MATERIALS INC. INCENTIVE PLAN AS AMENDED THROUGH JUNE 14, 2004

EAGLE MATERIALS INC.

INCENTIVE PLAN

1. *Plan.* The Eagle Materials Inc. Incentive Plan (the “Plan”) is a combined amendment and restatement of the Centex Construction Products, Inc. Amended and Restated Stock Option Plan and the Centex Construction Products, Inc. 2000 Stock Option Plan (the “Existing Plans”) which were adopted by the Corporation to reward certain key Employees of the Corporation and its Affiliates and Nonemployee Directors of the Corporation by enabling them to acquire shares of Common Stock of the Corporation.

2. *Objectives.* The purpose of this Plan is to further the interests of the Corporation and its shareholders by providing incentives in the form of Awards to key Employees and Nonemployee Directors who can contribute materially to the success and profitability of the Corporation and its Affiliates. Such Awards will recognize and reward outstanding performances and individual contributions and give Participants in the Plan an interest in the Corporation parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Corporation’s continued success and progress. This Plan will also enable the Corporation and its Affiliates to attract and retain such Employees and Nonemployee Directors.

3. *Definitions.* As used herein, the terms set forth below shall have the following respective meanings:

“Affiliate” means a Subsidiary or Joint Venture.

“Authorized Officer” means the Chief Executive Officer of the Corporation (or any other senior officer of the Corporation to whom he or she shall delegate the authority to execute any Award Agreement, where applicable).

“Award” means an Employee Award or a Director Award.

“Award Agreement” means a written agreement setting forth the terms, conditions and limitations applicable to an Award, to the extent the Committee determines such agreement is necessary.

“Board” means the Board of Directors of the Corporation.

“Cash Award” means an award denominated in cash.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the independent Compensation and Stock Option Committee of the Board or such other independent committee as is designated by the Board to administer the Plan.

“Common Stock” means the common stock, par value $.01 per share, of Eagle Materials Inc.

“Corporation” means Eagle Materials Inc., a Delaware corporation, formerly known as Centex Construction Products, Inc., or any successor thereto.

“Director” means an individual who is a member of the Board.

“Director Award” means any Nonqualified Options or Stock Award granted, whether singly, in combination or in tandem, to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

“Disability” means a disability that renders the Participant unable to engage in any occupation in accordance with the terms of the Long Term Disability Plan of Eagle Materials Inc.

“Dividend Equivalents” means, with respect to Stock Units or shares of Restricted Stock that are to be issued at the end of the Restriction Period, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the Restriction Period on a like number of shares of Common Stock.

“Employee” means an employee of the Corporation or any of its Affiliates and an individual who has agreed to become an Employee of the Corporation or any of its Affiliates and actually becomes such an Employee within the following six months.

“Employee Award” means any Option, SAR, Stock Award, Cash Award, or Performance Award granted, whether singly, in combination or in tandem, to a Participant who is an Employee pursuant to such applicable terms, conditions and limitations (including treatment as a Performance Award) as the Committee may establish in order to fulfill the objectives of the Plan.

“Employee Director” means an individual serving as a member of the Board who is an Employee of the Corporation or any of its Affiliates.

“Equity Award” means any Option, SAR, Stock Award, or Performance Award (other than a Performance Award denominated in cash) granted to a Participant under the Plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” of a share of Common Stock means, as of a particular date, (i) (A) if Common Stock is listed on a national securities exchange, the mean between the highest and lowest sales price per share of such Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing on the exchange at the time of exercise, (B) the mean between the highest and lowest sales price per share of such Common Stock reported on the consolidated transaction reporting system for The Nasdaq Stock Market, Inc. or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was reported, (C) if Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by The Nasdaq Stock Market, Inc., or, if not reported by The Nasdaq Stock Market, Inc., by the National Quotation Bureau Incorporated or (D) if Common Stock is not publicly traded, the most recent value determined by an independent appraiser appointed by the Corporation for such purpose, or (ii) if applicable, the price per share as determined in accordance with the procedures of a third party administrator retained by the Corporation to administer the Plan.

“Grant Date” means the date an Award is granted to a Participant pursuant to the Plan. The Grant Date for a substituted award is the Grant Date of the original award.

“Grant Price” means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Award.

“Incentive Stock Option” means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

“Joint Venture” means any joint venture or partnership in which the Corporation has at least 50% ownership, voting, capital or profit interests (in whatever form) and which is a subsidiary of the Corporation within the meaning of the Securities Act of 1933, as amended.

“Nonemployee Director” means an individual serving as a member of the Board who is not an Employee of the Corporation or any of its Affiliates.

“Nonqualified Stock Option” means an Option that is not an Incentive Stock Option.

“Option” means a right to purchase a specified number of shares of Common Stock at a specified Grant Price, which may be an Incentive Stock Option or a Nonqualified Stock Option.

“Participant” means an Employee or Nonemployee Director to whom an Award has been granted under this Plan.

“Performance Award” means an Award made pursuant to this Plan that is subject to the attainment in the future of one or more Performance Goals.

“Performance Goal” means a standard established by the Committee, to determine in whole or in part whether a Qualified Performance Award shall be earned.

“Qualified Performance Award” means a Performance Award made to a Participant who is an Employee that is intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, as described in Section 8(a)(v)(B) of the Plan.

“Restricted Stock” means Common Stock that is restricted or subject to forfeiture provisions.

“Restriction Period” means a period of time beginning as of the Grant Date of an Award of Restricted Stock and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

“Retirement” means termination from employment at age 62 or later with at least 10 years of service.

“Stock Appreciation Right” or “SAR” means a right to receive a payment, in cash, Common Stock or a combination of cash and Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified Grant Price, in each case, as determined by the Committee.

“Stock Award” means an Award in the form of shares of Common Stock or Stock Units, including an award of Restricted Stock.

“Stock Unit” means a unit equal to one share of Common Stock (as determined by the Committee) granted to either an Employee or a Nonemployee Director.

“Subsidiary” means any corporation, partnership, limited liability company or other business venture or entity of which the Corporation directly or indirectly owns 50% or more of the ownership interest in such entity, as determined by the Committee in its sole and absolute discretion (such determination by the Committee to be conclusively established by the grant of an Award by the Committee to an officer or employee of such an entity).

4. *Eligibility.*

(a) *Employees.* Employees eligible for the grant of Employee Awards under this Plan are those Employee Directors and Employees who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Corporation and its Affiliates.

(b) *Directors.* Members of the Board eligible for the grant of Director Awards under this Plan are those who are Nonemployee Directors.

5. *Common Stock Available for Awards.* Subject to the provisions of paragraph 16 hereof, there shall be available for Awards under this Plan granted or payable wholly or partly in Common Stock (including rights or Options that may be exercised for or settled in Common Stock) an aggregate of 1,685,954 shares (which includes shares of Common Stock subject to awards outstanding under the Existing Plans), less those shares issued after the date of Board approval of the Plan and before shareholder approval of the Plan pursuant to outstanding grants. All of the shares authorized for issuance may be issued pursuant to Incentive Options, Nonqualified Stock Options or any combination thereof. All

shares are available for issuance pursuant to Stock Awards (including Stock Awards that are granted as Performance Awards).

The number of shares of Common Stock that are the subject of Awards under this Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or otherwise in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not involve Common Stock, shall not be counted against the aggregate plan maximum or any sublimit set forth above and shall again immediately become available for Awards hereunder. If the Grant Price or other purchase price of any Option or other Award granted under the Plan is satisfied by tendering shares of Common Stock to the Corporation, or if the tax withholding obligation resulting from the settlement of any such Option or other Award is satisfied by tendering or withholding shares of Common Stock, only the number of shares of Common Stock issued net of the shares of Common Stock tendered or withheld shall be deemed delivered for purposes of determining usage of shares against the maximum number of shares of Common Stock available for delivery under the Plan or any sublimit set forth above. Shares of Common Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards or obligations to grant future awards under the plans or arrangements of another entity shall not reduce the maximum number of shares of Common Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution is a result of the Corporation's or a Affiliate's acquiring another entity or an interest in another entity. The Committee may from time to time adopt and observe such rules and procedures concerning the counting of shares against the Plan maximum or any sublimit as it may deem appropriate, including rules more restrictive than those set forth above to the extent necessary to satisfy the requirements of any national stock exchange on which the Common Stock is listed or any applicable regulatory requirement. The Board and the appropriate officers of the Corporation shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

6. *Administration.*

(a) This Plan shall be administered by the Committee except as otherwise provided herein.

(b) Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Corporation and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions applicable to an Award, waive any restriction or other provision of this Plan (insofar as such provision relates to Awards) or an Award or otherwise amend or modify an Award in any manner that is either (i) not adverse to the Participant to whom such Award was granted or (ii) consented to by such Participant. Notwithstanding anything herein to the contrary, without the prior approval of the Corporation's stockholders, Options issued under the Plan will not be repriced, replaced or regranted through cancellation or by decreasing the exercise price of a previously granted Option. The Committee may make an Award to an individual who it expects to become an Employee of the Corporation or any of its Affiliates within the next six months, with such award being subject to the individual's actually becoming an Employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee, with respect to Awards, in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Corporation to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for

anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Corporation in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. *Delegation of Authority.* Following the authorization of a pool of cash or shares of Common Stock to be available for Awards, the Committee may authorize the Chief Executive Officer of the Corporation or a committee consisting solely of members of the Board to grant individual Employee Awards from such pool pursuant to such conditions or limitations as the Committee may establish. The Committee may also delegate to the Chief Executive Officer and to other executive officers of the Corporation its administrative duties under this Plan (excluding its granting authority) pursuant to such conditions or limitations as the Committee may establish. The Committee may engage or authorize the engagement of a third party administrator to carry out administrative functions under the Plan.

8. *Awards.*

(a) The Committee shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Participants who are to be the recipients of such Awards. Each Award may, in the discretion of the Committee, be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by an Authorized Officer for and on behalf of the Corporation. Awards may consist of those listed in this paragraph 8(a) and may be granted singly, in combination or in tandem. Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other plan of the Corporation or any of its Affiliates, including the plan of any acquired entity. An Award may provide for the grant or issuance of additional, replacement or alternative Awards upon the occurrence of specified events. All or part of an Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Corporation and its Affiliates, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested or unpaid Employee Awards shall be treated as set forth in the applicable Employee Award Agreement or as otherwise specified by the Committee.

(i) *Option.* An Employee Award or Director Award may be in the form of an Option; provided that Options granted as Director Awards are not Incentive Stock Options. The Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock subject to such Option on the Grant Date. Notwithstanding anything contrary contained in this Plan, in no event shall the term of the Option extend more than ten (10) years after the Grant Date. Options may not include provisions that “reload” the option upon exercise. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded to Participants pursuant to this Plan, including the Grant Price, the term of the Options, the number of shares subject to the Option and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) *Stock Appreciation Rights.* An Employee Award may be in the form of an SAR. On the Grant Date, the Grant Price of an SAR shall be not less than the Fair Market Value of the Common Stock subject to such SAR. The holder of a tandem SAR may elect to exercise either the option or the SAR, but not both. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any SARs awarded pursuant to this Plan, including the Grant Price, the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(iii) *Stock Award.* An Employee Award or Director Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted to Participants pursuant to this Plan shall be determined by the Committee; provided that any Stock Award granted as an Employee Award which is not a Performance Award shall have a minimum Restriction Period of three years from the Grant Date, provided that (i) the Committee may provide for earlier vesting upon a termination of

employment by reason of death, Disability or Retirement, (ii) such three-year minimum Restriction Period shall not apply to a Stock Award that is granted in lieu of salary or bonus, and (iii) vesting of a Stock Award may occur incrementally over the three-year minimum Restricted Period.

(iv) *Cash Award.* An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

(v) *Performance Award.* Without limiting the type or number of Employee Awards or Director Awards that may be made under the other provisions of this Plan, an Employee Award or Director Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to any Performance Awards granted to Participants pursuant to this Plan shall be determined by the Committee; provided that any Stock Award granted as an Employee Award which is a Performance Award shall have a minimum Restriction Period of one year from the Grant Date, provided that the Committee may provide for earlier vesting upon a termination of employment by reason of death, Disability or Retirement. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant.

(A) *Nonqualified Performance Awards.* Performance Awards granted to Employees or Directors that are not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code shall be based on achievement of such goals and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine.

(B) *Qualified Performance Awards.* Performance Awards granted to Employees under the Plan that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (x) 90 days after the commencement of the period of service to which the Performance Goal relates and (y) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the Employee, one or more business units or divisions of the Corporation or the applicable sector, or the Corporation as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Goal may include one or more of the following: Stock price measures (including but not limited to growth measures and total shareholder return); Earnings per share (actual or targeted growth); Earnings before interest, taxes, depreciation, and amortization ("EBITDA"); Economic value added ("EVA"); Net income measures (including but not limited to income after capital costs and income before or after taxes); Operating income; Cash flow measures; Return measures (including but not limited to return on average assets, risk-adjusted return on capital, and return on average equity); Operating measures (including sales volumes, production volumes and production efficiency); Expense measures (including but not limited to overhead cost and general and administrative expense); Margins; and corporate values measures (including ethics compliance, environmental, and safety).

Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Qualified Performance Awards, it is the intent of the Plan to conform with the standards of Section 162(m) of the Code and Treasury Regulation §1.162-27(e)(2)(i), as to grants to those Employees whose compensation is, or is likely to be, subject to Section 162(m) of the Code, and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions

and limitations applicable to any Qualified Performance Awards made pursuant to this Plan shall be determined by the Committee.

(b) Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Employee Awards made hereunder:

(i) no Participant may be granted, during any fiscal year, Employee Awards consisting of Options or SARs (including Options or SARs that are granted as Performance Awards) that are exercisable for more than 200,000 shares of Common Stock;

(ii) no Participant may be granted, during any fiscal year, Employee Awards consisting of Stock Awards (including Stock Awards that are granted as Performance Awards) covering or relating to more than 100,000 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above and (c)(i) and (ii) below, being hereinafter collectively referred to as the "Stock Based Awards Limitations"); and

(iii) no Participant may be granted Employee Awards under this Plan consisting of cash (including Awards that are granted as Performance Awards) in respect of any fiscal year having a value determined on the Grant Date in excess of $3,000,000.

(c) Notwithstanding anything to the contrary contained in this Plan the following limitations shall apply to any Director Awards made hereunder:

(i) no Participant may be granted, during any fiscal year, Director Awards consisting of Options that are exercisable for more than 25,000 shares of Common Stock and

(ii) no Participant may be granted, during any fiscal year, Director Awards consisting of Stock Awards covering or relating to more than 15,000 shares of Common Stock.

(d) Prior to the effective date of this amendment and restatement, certain awards on shares of Common Stock (the "Existing Awards") have been granted under the Existing Plans as in effect from time to time. As of the effective date of this Plan, each Existing Award shall continue to be outstanding and the shares of Common Stock that are the subject of such Existing Awards shall be subject to adjustment in accordance with Section 16 and to the other provisions of the Plan.

9. *Change in Control Under Existing Plans.* Unless otherwise expressly provided in the applicable award agreement, the change in control provisions under the Existing Plans shall govern the awards previously granted thereunder.

10. *Non-United States Participants.* The Committee may grant awards to persons outside the United States under such terms and conditions as may, in the judgment of the Committee, be necessary or advisable to comply with the laws of the applicable foreign jurisdictions and, to that end, may establish sub-plans, modified option exercise procedures and other terms and procedures. Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, any governing statute, or any other applicable law.

11. *Payment of Awards.*

(a) *General.* Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If such payment is made in the form of Restricted Stock, the Committee shall specify whether the underlying shares are to be issued at the beginning or end of the Restriction Period. In the event that shares of Restricted Stock are to be issued at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. In the event that shares of Restricted Stock are to be issued at the end of the Restricted Period, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) *Deferral.* With the approval of the Committee, amounts payable in respect of Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards or any other compensation otherwise payable by the Corporation in accordance with procedures established by the Committee and may provide that such deferred compensation may be payable in shares of Common Stock. Any deferred payment pursuant to an Award, whether elected by the Participant or specified by the Award Agreement or the terms of the Award or by the Committee, maybe forfeited if and to the extent that the Award Agreement or the terms of the Award so provide.

(c) *Dividends, Earnings and Interest.* Rights to dividends or Dividend Equivalents may be extended to and made part of any Stock Award, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments and Dividend Equivalents for Stock Awards.

(d) *Substitution of Awards.* Subject to paragraphs 14 and 16, at the discretion of the Committee, a Participant who is an Employee may be offered an election to substitute an Employee Award for another Employee Award or Employee Awards of the same or different type.

12. *Option Exercise.* The Grant Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants to tender Common Stock or other Awards provided that any Common Stock that is or was the subject of an Award may be so tendered only if it has been held by the Participant for six months. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this paragraph.

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

13. *Taxes.* The Corporation or its designated third party administrator shall have the right to deduct applicable taxes from any Employee Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Corporation to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Corporation of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, to the extent not otherwise prohibited by law, on either a

short term or demand basis, from the Corporation to a Participant who is an Employee to permit the payment of taxes required by law.

14. *Amendment, Modification, Suspension or Termination of the Plan.* The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Corporation to the extent such approval is required by applicable legal requirements or the requirements of the securities exchange on which the Corporation's stock is listed.

15. *Assignability.* Unless otherwise determined by the Committee and provided in the Award Agreement or the terms of the Award, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will, by beneficiary designation or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. In the event that a beneficiary designation conflicts with an assignment by will, the beneficiary designation will prevail. The Committee may prescribe and include in applicable Award Agreements or the terms of the Award other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 15 shall be null and void.

16. *Adjustments.*

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Corporation or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Corporation or its business or any merger or consolidation of the Corporation, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Corporation, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under this Plan and available for issuance pursuant to specific types of Awards as described in paragraph 5, (ii) the number of shares of Common Stock covered by outstanding Awards, (iii) the Grant Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Stock Based Awards Limitations shall each be proportionately adjusted by the Board as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Corporation, any consolidation or merger of the Corporation with another corporation or entity, the adoption by the Corporation of any plan of exchange affecting Common Stock or any distribution to holders of Common Stock of securities or property (including cash dividends that the Committee determines are not in the ordinary course of business but excluding normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (x) the number of shares of Common Stock reserved under this Plan and (y)(i) the number of shares of Common Stock covered by Awards, (ii) the Grant Price or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock Based Awards Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized (x) to assume under the Plan previously issued compensatory awards, or to substitute new Awards for previously issued compensatory awards, including Awards, as part of such adjustment; (y) to cancel Awards that are Options or SARs and give the Participants who are the holders of such Awards

notice and opportunity to exercise for 30 days prior to such cancellation; or (z) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value of Common Stock on such date over the exercise or strike price of such Award.

17. *Restrictions.* No Common Stock or other form of payment shall be issued with respect to any Award unless the Corporation shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

18. *Unfunded Plan.* This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants under this Plan, any such accounts shall be used merely as a bookkeeping convenience, including bookkeeping accounts established by a third party administrator retained by the Corporation to administer the Plan. The Corporation shall not be required to segregate any assets for purposes of this Plan or Awards hereunder, nor shall the Corporation, the Board or the Committee be deemed to be a trustee of any benefit to be granted under this Plan. Any liability or obligation of the Corporation to any Participant with respect to an Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement or the terms of the Award, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

19. *Right to Employment.* Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Corporation to terminate any Participant’s employment or other service relationship at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Corporation.

20. *Successors.* All obligations of the Corporation under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Corporation, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Corporation.

21. *Governing Law.* This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

22. *Effectiveness and Term.* The Existing Plans shall be amended and restated in their entirety as set forth herein effective as of the date of approval of the Plan by the stockholders of the Corporation. No Award shall be made ten years after the date of such stockholder approval.

EXHIBIT 10.5

TRADEMARK LICENSE AND DOMAIN NAME AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into as of January 30, 2004 (the "Effective Date") by and between Centex Corporation, a corporation organized under the laws of the State of Nevada ("Centex"); Eagle Materials Inc. (formerly known as Centex Construction Products, Inc., or "CXP"), a corporation organized under the laws of the State of Delaware ("Eagle"); and Centex Materials, LLC, a limited liability company organized under the laws of the state of Delaware ("CM"). Centex, Eagle and CM are sometimes hereinafter referred to collectively as the "Parties."

WHEREAS, CXP was a wholly-owned subsidiary of Centex prior to completing an initial public offering of 51% of its common stock on April 19, 1994; and

WHEREAS, in connection with the initial public offering, Centex and CXP entered into a Trademark License Agreement dated April 19, 1994 (the "Predecessor Agreement") pursuant to which Centex licensed the use of the CENTEX trademark and certain other trademarks owned by Centex to CXP, and which remains in full force and effect; and

WHEREAS, CXP and Centex entered into an Agreement and Plan of Merger with ARG Merger Corporation dated as of July 21, 2003 (the "Merger Agreement"), pursuant to which a portion of the shares of CXP's common stock owned by Centex will be exchanged for an equal number of shares of CXP Class B Common Stock, the purpose of which is to facilitate the tax-free distribution by Centex to its stockholders of its approximately 65% equity ownership interest in CXP; and

WHEREAS, CXP and Centex also entered into a Distribution Agreement dated as of July 21, 2003 (the "Distribution Agreement") pursuant to which (i) CXP will pay a cash dividend to all of the holders of CXP's common stock immediately prior to the reclassification and distribution; (ii) Centex will distribute all of its holdings of CXP Class B Common Stock and all of its holdings of CXP's common stock to Centex's stockholders on a pro rata basis; and (iii) CXP changed its corporate name to Eagle Materials, Inc.; and

WHEREAS, Eagle and Centex mutually desire to terminate the Predecessor Agreement; and

WHEREAS, as a related company of Centex, CXP used certain trademarks in connection with its business, and the Parties desire to enter into this Agreement to govern the continued use of those trademarks after the termination of the Predecessor Agreement and the transactions described above.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

1.1 "Centex Materials Marks" means the combined term "Centex Materials" and the marks set forth in Exhibit 1.1 hereto.

1.2 "CXP Domain Name" means www.centex-cxp.com.

1.3 "Domain Names" means the domain names set forth in Exhibit 1.2 hereto and any other domain names that incorporate the Licensed Marks and are owned by Centex.

1.4 "Eagle Business" means each and every business conducted at any time prior to, on or after the Effective Date by Eagle, CXP or any current or future Subsidiary of Eagle, whether or not such Subsidiary is a subsidiary of Eagle as of the Effective Date.

1.5 "Eagle Group" means Eagle, CXP and each entity that is a current or future Subsidiary of Eagle, whether or not such Subsidiary is a subsidiary of Eagle as of the Effective Date.

1.6 "Eagle Marks" means the marks set forth in Exhibit 1.5 hereto.

1.7 "Licensed Marks" means the marks set forth in Exhibit 1.6 hereto.

1.8 "Subsidiary" means, with respect to any entity, (i) any corporation of which at least fifty percent (50%) of the securities, or fifty percent (50%) of other ownership interests, or at least fifty percent (50%) of the ordinary voting power are directly or indirectly owned or controlled by such entity or its Subsidiaries; (ii) any partnership of which such entity or one of its Subsidiaries is a general partner or as to which such entity or its Subsidiaries are entitled to receive at least fifty percent (50%) of the assets upon the liquidation thereof; or (iii) any limited liability company of which such entity or one of its Subsidiaries is a manager or is entitled to exercise management rights over the conduct of the business of such limited liability company, or as to which such entity or its Subsidiaries are entitled to receive at least fifty percent (50%) of the assets upon the liquidation thereof.

2. THE PREDECESSOR AGREEMENT

2.1 The Predecessor Agreement shall terminate automatically upon the Effective Date, and Eagle hereby waives the right to receive the notice required by Paragraph 1.b. of the Predecessor Agreement.

2.2 Notwithstanding Paragraphs 9 and 10 of the Predecessor Agreement, Eagle shall have the right to continue use of the trademarks that were the subject of the Predecessor Agreement for a period of six (6) months after the Effective Date. However, Eagle agrees (i) not to order after the Effective Date any additional supplies and documents which have imprinted thereon the trademarks that were the subject of the Predecessor Agreement; and (ii) as soon as practicable during said six-month period, to

remove all signs and identifiers used in the Eagle Business that refer to Centex, except as provided in Section 3 below.

2.3 Eagle acknowledges and agrees that six months after the Effective Date, it can no longer use or display the name "Centex" or any variations thereof, or other trademarks, tradenames, logos or identifiers using the name "Centex" or otherwise owned by or licensed to Centex which have not been assigned or licensed to Eagle without the prior written consent of Centex. However, nothing contained in this Agreement shall prevent Eagle from using the "Centex" name in public filings with governmental authorities, materials intended for distribution to Eagle stockholders, or any other communication in any medium which describes the current or former relationship between Centex, CXP and/or Eagle.

3. THE CENTEX MATERIALS MARKS

3.1 License Grant. Centex hereby grants to CM, and CM hereby accepts, a non-sublicensable, exclusive, perpetual, and royalty-free license to use the Centex Materials Marks in connection with its ready-mix concrete and aggregates operations within the State of Texas, subject to the limitations set forth in this Agreement. The grant of the license hereunder to the Centex Materials Marks is non-transferable and non-assignable, except that CM may transfer and/or assign the license to a Subsidiary that is the surviving company of a merger, reorganization or consolidation with CM or another Subsidiary of the Eagle Group. Except as expressly set forth herein, no rights or licenses are granted to CM by Centex with respect to any other trademark, service mark, and/or trade name other than the Centex Materials Marks.

3.2 Ownership. CM acknowledges that Centex owns the Centex Materials Marks and all rights therein and that nothing in this Agreement shall give CM any right, title or interest in or to the Centex Materials Marks other than pursuant to the license granted hereby.

3.3 No Challenge. CM agrees that it will do nothing inconsistent with Centex's ownership of the Centex Materials Marks and shall not claim adversely to Centex, or assist any third party in attempting to claim adversely to Centex, with regards to such ownership. CM agrees that it will not challenge the title of Centex to the Centex Materials Marks, oppose any registration thereof, or challenge the validity of this Agreement or the licenses granted herein.

3.4 Maintenance. All costs associated with maintaining or renewing the Centex Materials Marks shall be borne by CM. CM, in its discretion, shall have the sole authority to decide whether to maintain and renew registrations for the Centex Materials Marks. At CM's request and cost, Centex shall cooperate with CM and shall in general take such actions as are necessary to facilitate the maintenance and renewal of the Centex Materials Marks, including timely executing all documents necessary to do so, including without limitation powers of attorney, declarations, and affidavits. CM shall provide Centex any reasonably required information requested by Centex to facilitate its timely execution of such documents.

3.5 Quality Control.

(a) CM and Centex acknowledge and agree that Centex is intimately familiar with CM's abilities and expertise in the manufacture of readymix concrete and aggregates (including without limitation sand, gravel and other like material).

(b) CM agrees that all goods sold under the Centex Materials Marks will be of high quality, standard and skill. CM and Centex acknowledge and agree that due to the longstanding close working relationship between them, the fact that officer(s) of Centex are on Eagle's Board of Directors, and given the high degree of Centex's familiarity with CM's abilities and expertise in the conduct of its business, Centex is entitled to rely upon CM's own efforts to control the quality of the goods and services offered under the Centex Materials Marks.

(c) Notwithstanding the foregoing, Centex shall have the right to impose on CM, as necessary, other specifications or requirements not provided for in this Agreement to ensure the requisite quality standards with respect to products manufactured or sold by CM that display the Centex Materials Marks. Further, CM shall, on reasonable request and notice from Centex, make available to CM samples of goods or materials displaying the Centex Materials Marks.

3.6 Protection; enforcement.

(a) CM shall promptly notify Centex of any and all infringements, imitations, simulations or other illegal use or misuse of the Centex Materials Marks that come to CM's attention. As the sole owner of the Centex Materials Marks, Centex shall determine whether to take any action to prevent the infringement, imitation, simulation or other illegal use or misuse of the Centex Materials Marks.

(b) CM shall render Centex all reasonable assistance in connection with any matter pertaining to the protection, enforcement or infringement of the Centex Materials Marks, whether in the courts, administrative or quasi-judicial agencies, or otherwise.

3.7 Termination. Centex shall have the right to terminate this license upon the occurrence of one or more of the following: (a) any material breach by CM of its obligations under this Agreement which remains uncured for thirty (30) days or more following written notice of such breach from Centex, or (b) CM abandons the use of the Centex Materials Marks, or provides notice to Centex of its desire to terminate the license. Upon termination of the license, CM agrees it shall immediately cease any and all use of the Centex Materials Marks.

4. THE LICENSED MARKS

4.1 License Grant. Centex hereby grants to Eagle, and Eagle hereby accepts, an exclusive, perpetual, worldwide, royalty-free license to use the Licensed Marks in connection with the Eagle Business, subject to the limitations set forth in this Agreement. Eagle conducts the Eagle Business through the Eagle Group. The grant of the license hereunder to the Licensed Marks (i) includes the Eagle Group's right to use the Licensed

Marks in connection with the Eagle Business, and (ii) is transferable and assignable except to the extent that any such transfer or assignment is prohibited by the provisions of Section 4.5(b) of that certain Distribution Agreement between Centex and Eagle dated November 4, 2003. Notwithstanding the licenses granted herein and any of the provisions hereof, no rights or licenses are granted to Eagle by Centex with respect to any other trademark, service mark, and/or trade name other than the Licensed Marks.

4.2 Ownership. Eagle acknowledges that Centex owns the Licensed Marks and all rights therein and that nothing in this Agreement shall give Eagle or the Eagle Group any right, title or interest in or to the Licensed Marks other than pursuant to the license granted hereby.

4.3 No Challenge. Eagle agrees that it will do nothing inconsistent with Centex's ownership of the Licensed Marks and shall not claim adversely to Centex, or assist any third party in attempting to claim adversely to Centex, with regards to such ownership. Eagle agrees that it will not challenge the title of Centex to the Licensed Marks, oppose any registration thereof, or challenge the validity of this Agreement or the licenses granted herein.

4.4 Maintenance. All costs associated with maintaining or renewing the Licensed Marks shall be borne by Eagle. Eagle, in its discretion, shall have the sole authority to decide whether to maintain and renew registrations for the Licensed Marks. At Eagle's request and cost, Centex shall cooperate with Eagle and shall in general take such actions as are necessary to facilitate the maintenance and renewal of the Licensed Marks, including timely executing all documents necessary to do so, including without limitation all powers of attorney, declarations and affidavits. Eagle shall provide Centex any reasonably required information requested by Centex to facilitate its timely execution of such documents.

4.5 No Liens. Centex represents and warrants that the Licensed Marks are not currently encumbered by any liens, security interests, or any rights of others; and further, Centex will not permit or allow the Licensed Marks to be sold, transferred, assigned or encumbered in any way without the prior written consent of Eagle.

4.6 Option to Purchase. After two (2) years from the Effective Date, Eagle shall have the right to purchase any or all of the right, title and interest in and to the Licensed Marks for a price to be mutually agreed to between Eagle and Centex, such price to take into account the fact that Eagle will already have the perpetual and exclusive right to use, maintain and enforce the Licensed Marks pursuant to this Agreement.

4.7 Quality Control.

(a) Centex and Eagle acknowledge and agree that Centex is intimately familiar with Eagle's abilities and expertise in the Eagle Business and the manufacture of construction products, including without limitation cement, clinker, readymix concrete, aggregates (i.e., sand, gravel and other like material), paperboard and gypsum wallboard.

(b) Eagle agrees that all goods sold under the Licensed Marks will be of high quality, standard and skill. Centex and Eagle acknowledge and agree that due to the longstanding close working relationship between them, the fact that officer(s) of Centex are on Eagle's Board of Directors, and given the high degree of Centex's familiarity with Eagle's abilities and expertise in the Eagle Business, Centex is entitled to rely upon Eagle's own efforts to control the quality of the goods and services offered under the Licensed Marks.

(c) Notwithstanding the foregoing, Centex shall have the right to impose on Eagle, as necessary, other specifications or requirements not provided for in this Agreement to ensure the requisite quality standards with respect to products manufactured or sold by Eagle that display the Licensed Marks. Further, Eagle shall, on reasonable request and notice from Centex, make available to Centex samples of goods or materials displaying the Licensed Marks.

4.8 Protection; Enforcement.

(a) In the event of any unauthorized application, registration, use or infringement of or for the Licensed Marks by third parties, Eagle may institute legal proceedings against such third parties, in its sole discretion and at its own cost, and may retain any recovery obtained. Eagle may also, at any time, without obtaining the consent or approval of Centex, request that any third party cease and desist from any unauthorized use or infringement of any of the Licensed Marks.

(b) Centex shall render all reasonable assistance to Eagle in connection with any matter pertaining to the protection, enforcement or infringement of the Licensed Marks, whether in the courts, administrative or quasi-judicial agencies, or otherwise.

5. THE EAGLE MARKS

5.1 Ownership. Centex acknowledges and agrees that Eagle (or an Eagle Group Subsidiary) owns all right, title and interest in and to the Eagle Marks, and will do nothing inconsistent with the ownership of the Eagle Marks.

5.2 Unregistered marks; common law rights. Centex acknowledges and agrees that Eagle (or an Eagle Group Subsidiary) may have developed common law rights in certain unregistered marks in the conduct of the Eagle Business. Centex hereby disclaims any and all right, title and interest that it may have in and to such marks, if any.

6. DOMAIN NAMES

6.1 Right to Use. Centex hereby grants to Eagle, and Eagle hereby accepts, an exclusive, perpetual, worldwide, royalty-free right to use the Domain Names in connection with the Eagle Business, subject to the limitations set forth in this Agreement. Eagle conducts the Eagle Business through the Eagle Group. The rights hereunder to use the Domain Names include the Eagle Group's right to use the Domain Names in connection with the Eagle Business.

6.2 CXP Domain Name. Centex shall maintain the registration for the CXP Domain Name for a period of two (2) years following the Effective Date. Not later than thirty (30) days following the Effective Date, Centex will take such steps to ensure that the CXP Domain Name resolves to the new Eagle website. Eagle agrees to provide Centex with the information necessary to do so. At the end of the two-year period, Centex will no longer be obligated to maintain the CXP Domain Name.

6.3 The Parties agree that the registration information for the CXP Domain Name and the Domain Names shall list Centex as the Registrant of record; however, Centex shall cause Eagle's designated person's contact information to be listed as the Technical Contact and the Administrative Contact.

6.4 All costs associated with maintaining or renewing the CXP Domain Name and Domain Names shall be borne by Eagle. Eagle, in its discretion, shall have the sole authority to decide whether to maintain and renew registrations for the Domain Names. At Eagle's request and cost, Centex shall cooperate with Eagle and shall in general take such actions as are necessary to facilitate the maintenance and renewal of the Domain Names. Eagle agrees to provide Centex with any reasonably required information requested by Centex to maintain the Domain Names.

6.5 Option to Purchase. After two (2) years from the Effective Date, Eagle shall have the right to purchase all right, title and interest in and to the Domain Names for a price to be mutually agreed to between Eagle and Centex, such price to take into account the fact that Eagle will already have the perpetual and exclusive right to use and maintain the Domain Names pursuant to this Agreement.

7. GENERAL

7.1 Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise), or by overnight courier service to the Parties at the following addresses (or at such other addresses for a Party as shall be specified by like notice) and will be deemed given on the date on which such notice is received:

If to Centex:

Centex Corporation
2728 North Harwood
Dallas, Texas 75201-9000
Facsimile: 214-981-6855
Attn: Chief Legal Officer

If to Eagle:

Eagle Materials Inc.
2728 North Harwood
Dallas, Texas 75201-9000
Facsimile: 214-432-2100
Attn: President

If to CM: Centex Materials, LLC
2728 North Harwood
Dallas, Texas 75201-9000
Facsimile: 214-432-2100
Attn: President

7.2 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof, and to the extent that this agreement is inconsistent with any prior agreement(s) between the Parties, the terms of this agreement will control.

7.3 Amendment. This Agreement shall not be amended or otherwise modified except by a written agreement dated subsequent to the date of this Agreement and signed on behalf of Centex, CM and Eagle by their respective duly authorized representatives.

7.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

7.5 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and the Parties' respective successors and assigns.

7.6 No Waiver. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.

7.7 Savings Clause. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

7.8 Further Assurances. The Parties agree to take such further action and execute, deliver and/or file such documents or instruments as are necessary to carry out the terms and purposes of this Agreement.

7.9 Section Headings. The section headings used in this Agreement are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CENTEX CORPORATION

By: /S/ RAYMOND G. SMERGE

Name: Raymond G. Smerge
Title: Executive Vice President

EAGLE MATERIALS INC.

By: /S/ JAMES H. GRAASS

Name: James H. Graass
Title: Executive Vice President & General Counsel

CENTEX MATERIALS, LLC

By: /S/ RODNEY E. CUMMICKEL

Name: Rodney E. Cummickel
Title: Vice President

EXHIBIT 1.1

CENTEX MATERIALS MARKS

UNITED STATES

MARK	REGISTRATION NO.	REGISTRATION DATE
CENTEX MATERIALS, LP	1,968,670	April 16, 1996
[CENTEX MATERIALS LOGO]	1,932,900	November 7, 1995

UNITED KINGDOM

MARK	REGISTRATION NO.	REGISTRATION DATE
[CENTEX MATERIALS LOGO]	2,044,516	October 11, 1996

DOMAIN NAMES

americangypsum.biz
americangypsum.info
centexmaterials.com
centexmaterials.biz
centexmaterials.info
illinoiscement.com
illinoiscement.biz
illinoiscement.info
mathewsreadymix.com
mathewsreadymix.biz
mathewsreadymix.info
mountaincement.com
mountaincement.biz
mountaincement.info
mountaincementcompany.biz
mountaincementcompany.info
nevadacement.com
nevadacement.biz
nevadacement.info
nevadacement.net
nevadacementco.com
nevadacementco.net
smoothroc.biz
westernaggregates.com
westernaggregates.biz
westernaggregates.info
wisconsincement.biz
wisconsincement.info
wisconsincementco.biz
wisconsincementco.info
riograndedrywallsupply.biz
republicgypsum.biz
republicgypsum.info
republicgypsumcompany.biz
republicpaperboard.biz
republicpaperboard.info
republicpaperboardcompany.biz
republicpaperboardcompany.info
republicfiber.biz
republicfiber.info
republicfibercompany.biz
republicfibercompany.info

EXHIBIT 1.5

EAGLE MARKS

UNITED STATES

MARK
REGISTRATION
NO.
REGISTRATION
DATE ---- -

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FIRE-ROC
(owner:
Centex
Construction
U.S. Reg.
No. April
2, 2002
Products,
Inc.
2,555,028 N
Design
(owner:
Nevada
Cement Co.)
Nevada
State [N
DESIGN
LOGO]
Registration
September
18, 1996 R
REPUBLIC &
Design
(owner:
Centex
Construction
Products,
Inc.) [R
REPUBLIC
LOGO]
1,023,975
October 28,
1975
REPUBLIC
FIBER
COMPANY
(owner:
Centex
Construction
Products,
Inc.)
2,606,288
August 13,
2002
REPUBLIC 54
(owner:
Centex
Construction
Products,
Inc.)
1,869,593
December
27, 1994
REPUBLIC
GYPSUM
(owner:
Centex
Construction
Products,
Inc.)
971,145
October 23,
1973

REPUBLIC GYPSUM COMPANY (owner: Centex Construction Products, Inc.) 2,627,276 October 1, 2002
REPUBLIC PAPERBOARD COMPANY (owner: Centex Construction Products, Inc.) 2,651,115 November 19, 2002
REPUBLIC PAPERBOARD COMPANY & Design (owner: Centex Construction Products, Inc.) [REPUBLIC PAPERBOARD COMPANY LOGO] 2,616,542 September 10, 2002
Star Design (owner: Centex Construction Products, Inc.) [STAR DESIGN LOGO] 1,543,501 June 13, 1989 TEXAS-LEHIGH (owner: Texas-Lehigh Cement Company, LP) 2,057,265 April 29, 1997
WATERSHIELD (owner: Centex Construction Products, Inc.) 1,287,951 July 31, 1984

EXHIBIT 1.6

LICENSED MARKS

UNITED STATES

MARK
REGISTRATION
NO.
REGISTRATION
DATE ---- -

---- ------

AMERICAN
GYPSUM
2,171,076
July 7,
1998
AQUABLOC
971,158
October 23,
1973
EAGLEROC
2,222,618
February 9,
1999
FIREBLOC
735,175
July 31,
1962
ILLINOIS
CEMENT CO
2,023,201
December
17, 1996
ILLINOIS
CEMENT CO.
& DESIGN
2,023,266
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17, 1996
[ILLINOIS
CEMENT CO.
LOGO] M &
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1,973,081
May 7, 1996
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MATHEWS
READYMIX,
INC
2,023,202
December
17, 1996
MISC.
DESIGN
[EAGLE
LOGO]
2,213,119
December
22, 1998
MOUNTAIN
CEMENT
COMPANY
1,971,499
April 30,
1996 N &
DESIGN
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Cement
Logo) [N &
DESIGN
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2,005,807
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2,023,203
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SMOOTHROC
2,648,202
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12, 2002 TL
& Design
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LOGO]
2,004,137
October 1,
1996 WA &
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1,973,080
May 7, 1996
WESTERN
AGGREGATES
1,967,105
April 9,
1996
WISCONSIN
CEMENT CO
2,023,200
December
17, 1996
WISCONSIN
CEMENT CO.
& Design
[WISCONSIN
CEMENT CO.
LOGO]
2,021,819
December
10, 1996

CANADA

MARK	REGISTRATION NO.	REGISTRATION DATE
AMERICAN GYPSUM	542,536	March 16, 2001
AQUABLOC	542,533	March 16, 2001
EAGLEROC	TMA544134	April 25, 2001
FIREBLOC	563,215	June 10, 2002
FIRE-BLOC	266,900	February 26, 1982
MISC. DESIGN [EAGLE LOGO]	TMA544122	April 25, 2001

EUROPEAN COMMUNITY

MARK	REGISTRATION NO.	REGISTRATION DATE
AQUABLOC	TMA645515	March 18, 2002

MEXICO

MARK	REGISTRATION NO.	REGISTRATION DATE
AMERICAN GYPSUM	692,140	March 30, 2001
AQUABLOC	567,033	December 15, 1997
EAGLEROC	579,960	

June 29, 1998
FIREBLOC
567,034
December 15, 1997
MISC. DESIGN [EAGLE LOGO]
592,961
November 24, 1998

NEW MEXICO

MARK	REGISTRATION NO.	REGISTRATION DATE
RIO GRANDE DRYWALL SUPPLY CO.	TK99052001	May 20, 1999

EXHIBIT 10.7

ADMINISTRATIVE SERVICES AGREEMENT

This Administrative Services Agreement ("Agreement") is made and entered into as of January 30, 2004 by and between EAGLE MATERIALS INC., formerly known as Centex Construction Products, Inc., a Delaware corporation ("Eagle"), and CENTEX SERVICE COMPANY, a Nevada corporation ("Service Company").

RECITALS

Eagle desires to engage Service Company to perform certain services for Eagle as hereinafter set forth, and Service Company desires to accept such engagement, upon the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Eagle and Service Company do hereby agree as follows.

1. Term of Agreement. The initial term of this Agreement shall extend from the date hereof to the close of business on December 31, 2005, provided that this Agreement may be sooner terminated in accordance with the provisions of Section 8 hereof.

2. Services. Service Company shall provide to Eagle such services as are described in Exhibit A hereto. Following the conclusion of the first six months of the two year term of this Agreement, the parties will implement a mutual plan to discontinue all of the Services provided hereunder by Service Company to Eagle incrementally over the next eighteen months so that by the end of the two year term all of such services will be provided internally by Eagle, or to Eagle by third parties not affiliated with Service Company.

3. Insurance Coverage. At the commencement of this Agreement, Service Company will provide consultation to Eagle, on reasonable terms, as to all of Eagle's insurance and bonding programs, including general liability, primary and excess umbrella, automobile, and workers' compensation, for the benefit of Eagle.

4. Liability of Service Company. Service Company shall not be liable, responsible or accountable in damages or otherwise to Eagle for any act performed by Service Company on behalf of Eagle in a manner reasonably believed by Service Company to be within the scope of the authority granted to it by this Agreement and in the interest of Eagle, provided that Service Company was not guilty of gross negligence or willful or wanton misconduct.

5. Indemnification. Eagle shall indemnify, save harmless and defend Service Company and each of Service Company's shareholders, directors, officers, employees, agents, attorneys and insurers (individually, an "Indemnitee") against any and all losses, damages, liabilities, judgments, fines, penalties, amounts paid in settlement and expenses, including reasonable attorneys' fees, incurred as the result of the negligence of any Indemnitee, or otherwise, arising out of or in connection with anything done or omitted by such Indemnitee in

connection with the performance by Service Company of its duties and obligations under this Agreement, provided that such Indemnitee's conduct did not constitute gross negligence or willful or wanton misconduct. Notwithstanding anything in this Agreement to the contrary, the obligation of Eagle to indemnify, save harmless and defend each Indemnitee will survive the expiration or termination of this Agreement, no matter what the reason thereof, and such obligation to indemnify, defend and hold harmless will remain binding upon Eagle thereafter.

6. Compensation. Service Company shall receive a fee for its services under this Agreement of $16,750 per month, which shall be paid by Eagle to the Service Company within five (5) days after the end of each month, which amount is intended to represent the cost to Service Company of providing such services, and the parties hereto hereby agree that such amount represents such cost. If Eagle fails to make such monthly payment within ten (10) days following the first of any month, the amount so owing by Eagle shall bear interest from and after the first day of such month until such amount has been paid in full at a rate equal to the lesser of the prime rate announced or published by Bank of America or the maximum rate of interest allowed by law.

In addition to the monthly compensation described above, Eagle will reimburse Service Company for all out-of-pocket expenses incurred by Service Company in connection with the performance of services described above in Section 2. Out-of-pocket expenses will not include general and administrative services.

7. Assignment and Delegation. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that this Agreement may not be assigned by either party without the prior written consent of the other party hereto. Any consent granted by either party to an assignment by the other party shall not be deemed a consent to any subsequent assignment. Notwithstanding the foregoing, Service Company may, without the consent of Eagle, assign and delegate the performance of and the responsibility for any duties and obligations of Service Company hereunder to any corporation, firm joint venture or partnership fifty percent (50%) or more of whose voting stock (or its equivalent) is owned directly or indirectly by, or which is otherwise controlled by, Centex Corporation. Upon execution of any such assignment and delegation, notice thereof in the form of an executed copy of the document or instrument effecting such assignment and delegation shall be delivered promptly by Service Company to Eagle and Service Company shall be released from any further obligation or responsibility under this Agreement for the performance of the duties and obligations so assigned and delegated.

8. Termination. This Agreement may be terminated by any of the following methods:

(a) This Agreement may be terminated at any time by written agreement of the parties hereto.

(b) If either party fails to make any payment due hereunder or breaches any of the other terms of this Agreement in any material respect, the other party hereto shall give the breaching party written notice of such breach. If the breaching party fails to remedy the breach within thirty (30) days after receiving such notice, the other party may terminate this Agreement; provided, however, that if at the expiration of such thirty (30) day period the breaching party is diligently using its best efforts to remedy the breach, the other party

may not terminate this Agreement on account of such breach during the additional period, not to exceed sixty (60) days, in which the breaching party continues without interruption to use its best efforts to remedy the breach.

(c) If either party hereto shall be dissolved and its business terminated, this Agreement shall automatically terminate upon the effectiveness of such dissolution.

(d) This Agreement may be terminated by notice of Eagle to Service Company delivered no less than thirty (30) days prior to the effective date of termination, and such notice may be delivered for any reason.

No termination of this Agreement shall have the effect of terminating Service Company's right to collect any amounts owed to it under this Agreement.

Within thirty (30) days following the termination of this Agreement, Service Company shall deliver to Eagle all instruments, documents, reports, books, accounts and records, and copies thereof, that Service Company has received from Eagle, or is holding on the behalf of Eagle, in connection with the rendering of services hereunder.

9. Confidentiality. Service Company agrees that any information regarding Eagle that Service Company obtains or is furnished in connection with the performance of its duties and obligations under this Agreement, including, but not limited to, information regarding Eagle's business and operations, is confidential and proprietary, and Service Company agrees to maintain the confidentiality of such information and not to disclose such information to any other party without prior written consent of Eagle, except to the extent that such disclosure is necessary to enable Service Company to perform its duties and obligations under this Agreement or to comply with its legal obligations. Information that is generally known in the industry or to the public or was known by Service Company prior to disclosure by Eagle pursuant to this Agreement shall not be deemed confidential or proprietary information for purposes of this Section 9. The terms of this Section 9 shall survive, and remain in effect following, the termination of this Agreement.

10. Notices. Any notice, statement or demand required or permitted to be given under this Agreement shall be in writing and shall be personally delivered, sent by mail, sent by nationally known overnight courier service or sent by facsimile transmission, confirmed by letter, addressed to the party in the manner and at the address shown below, or at such other address as the party shall have designated in writing to the other party:

To Eagle:
3811 Turtle Creek Blvd.
Dallas, TX 75219
Attention: President
Fax:

To Service Company:
2728 North Harwood
Dallas, Texas 75201
Attention: Secretary
Fax: (214) 981-6855

11. Nature of Relationship. The parties hereto intend that Service Company's relationship to Eagle shall be that of an independent contractor. Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between Service Company and Eagle or their successors or assigns, and neither Service Company nor any officer or employee of Service Company shall be considered at any time to be an employee of Eagle.

12. Amendments. This Agreement cannot be amended, changed or modified except by another agreement in writing, duly signed by both parties hereto.

13. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

14. Headings. The section headings contained herein are for convenience of reference only and are not intended to define, limit, or describe the scope or intent of any provision of this agreement.

15. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas.

16. Severability. Any provision of this Agreement that is prohibited or unenforceable under the laws of any jurisdiction shall be ineffective in such jurisdiction to the extent necessary to render such provision valid and enforceable, and if such provision cannot be rendered valid and enforceable in such jurisdiction by limitation it shall be ineffective therein. The invalidity or unenforceability of any provision of this Agreement shall not render invalid or unenforceable any other provision of this Agreement, unless the Agreement without the invalid or unenforceable provisions would be manifestly unfair to either party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

EAGLE MATERIALS INC.

By: /s/ JAMES H. GRAASS

Name: James H. Graass
Title: EVP & General Counsel

CENTEX SERVICES COMPANY

By: /s/ RAYMOND G. SMERGE

Name: Raymond G. Smerge
Title: Executive Vice President

EXHIBIT A

SERVICES TO BE PROVIDED BY CENTEX SERVICE COMPANY

1. LEGAL AND CORPORATE SECRETARY.

   a. Management of intellectual property rights in protected names and marks used by Eagle

   b. Paralegal management of litigation and claims with consultation by Centex Law Department attorneys as requested

   c. Assistance with public company reporting issues and required filings with and reports to stock exchanges and the Securities and Exchange Commission, and assistance with corporate governance matters

   d. Maintenance of minute books, foreign qualifications and other corporate secretarial matters

   e. Assistance and advice as required in carrying out Eagle's corporate compliance program.

   f. Administration of stock plans

2. PUBLIC AND INVESTOR RELATIONS.

   a. Review and distribution of press releases

   b. Advice on an as-needed basis

3. ACCOUNTING. Advice and assistance with technical questions on an as-needed basis

4. BENEFITS ADMINISTRATION. Management of Eagle's health and welfare and retirement benefit plans together with a 401-K plan and an ESOP owned by Skywalker, for which plans Eagle will assume administrative responsibility

5. INTERNAL AUDIT.

   a. Consult in the development of Eagle internal audit program to comply with stock exchange and Securities and Exchange Commission requirements

   b. Assistance and advice as required in carrying out Eagle's FY '04 internal audit

6. IT

   a. Cash management

   b. Tax reporting

   c. Stock plans

   d. Payroll

   e. Telephone lines

   f. Secretariat

   g. Equity Edge

   h. CLD

7. FINANCE, TREASURY AND CASH MANAGEMENT

   a. Monitor cash sweeps and related work

   b. Advice and assistance as needed

8. TAX

   a. Filings of form 5500 in calendar year 2004

   b. Advice and assistance as needed

9. ADMINISTRATIVE SERVICES

   a. Switchboard, mail, other central services

   b. Advice and assistance as needed

EXHIBIT 10.9

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into as of the ___ day of ________, 20__ by and between Centex Construction Products, Inc., a Delaware corporation (the "Company"), and ____________________ (the "Director").

RECITALS

A. The Board of Directors of the Company has determined that it is in the best interests of the Company to retain the Director's services and to assure the Director that there will be adequate protection from certain liabilities.

B. This Agreement is separate from and in addition to the Certificate of Incorporation (as amended) of the Company (the "Charter") and the Bylaws (as amended) of the Company (the "Bylaws") and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefore, nor to diminish or abrogate any rights of the Director thereunder.

C. Each of Section 145 of the General Corporation Law of the State of Delaware (the "DGCL"), the Charter and the Bylaws is nonexclusive, and therefore contemplates that contracts may be entered into with respect to indemnification of directors, officers and employees.

D. This Agreement replaces and supersedes any prior agreement between the Company and the Director relating to the indemnification of the Director.

E. In recognition of the Director's need for protection against personal liability, and in part to provide the Director with specific contractual assurance that indemnification will be available to the Director (regardless of, among other things, any amendment to or revocation of the Charter, the Bylaws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of, and the advancing of expenses to, the Director as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the Company and the Director agree as follows:

1. Definitions. As used in this Agreement:

(a) "Affiliate" means, with respect to any person or entity, any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person.

(b) "Centex Corporation" means Centex Corporation, a Nevada corporation.

(c) "Change of Control" means the occurrence after the date of this Agreement any of the following events: (a) an event required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item or any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; (b) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than Centex Corporation or any Affiliate of Centex Corporation, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the then outstanding voting securities of the Company without prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person's attaining such percentage interest; (c) the Company is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (d) a change in the composition of the Company's Board of Directors occurring within a two-year period, as a result of which fewer than a majority of the directors in office are Incumbent Directors; provided, however, that, notwithstanding clauses (a) and (b) above, the acquisition by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company directly from Centex Corporation shall not be deemed to constitute or result in a "Change of Control."

(d) "Corporate Status" describes the status of a person who is or was or has agreed to serve as a director, officer, employee, fiduciary, trustee or agent of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in which such person is or was serving in such capacity at the request of the Company.

(e) "Expenses" includes any reasonable costs incurred by a Director, including attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating or being or preparing to be a witness in a Proceeding.

(f) "Incumbent Director" shall include directors who either (i) are directors of the Company as of the date hereof, or (ii) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or

nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

(g) "Independent Counsel" means a law firm, or a member of a law firm, that is acting pursuant to Section 145 of the DGCL, is experienced in matters of Delaware corporate law, and neither presently is, nor in the five years prior to his or her selection or appointment has been, retained to represent: (a) the Company or the Director in any matter material to either such party, (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder or (c) the beneficial owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the then outstanding voting securities of the Company. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Director in an action to determine the Director's rights under this Agreement.

(h) "Proceeding" includes any pending or threatened action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, including any appeals therefrom.

2. Services by the Director. The Director has agreed to serve as a director of the Company, provided that the Director may resign at any time and for any reason from such position by giving written notice of his resignation to the President or the Secretary of the Company in accordance with the Bylaws. This Agreement shall not be deemed an employment contract between the Company (or any of its Affiliates) and the Director. This Agreement shall continue in force after the Director has ceased to serve as a director or officer of the Company.

3. Basic Indemnification Arrangement.

(a) Indemnity. If the Director was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any Proceeding (defined above) by reason of his Corporate Status (defined above), the Company shall indemnify the Director (i) as provided in this Agreement and (ii) to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter permit, as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses (defined above), judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges actually incurred and paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Proceeding.

(b) Advancement of Expenses. To the fullest extent permitted by Section 145(e) of the DGCL, the Director shall be entitled to payment of, and the Company shall pay, Expenses in advance of the final disposition of any Proceeding (an "Expense Advance") within ten days after receipt by the Company of a written notice requesting the advancement of such

Expenses, which notice shall contain an undertaking by or on behalf of the Director to repay such amount if it shall ultimately be determined that the Director is not entitled to be indemnified by the Company as authorized by Section 145 of the DGCL. No security shall be required for such an undertaking and such an undertaking shall be accepted without reference to the Director's financial ability to make repayment. Any Expense Advance shall be made interest-free.

(c) Conditions. Notwithstanding the foregoing, (i) the obligations of the Company under Section 3(a) shall be subject to the condition that it shall not have been determined (in a written opinion in any case in which Independent Counsel is involved) that the Director would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to subsection (b) hereof shall be subject to the condition that, if, when and to the extent that it is determined that the Director would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by the Director (who hereby agrees to reimburse the Company) for all such amounts theretofore paid. Further, and subject to the provisions of Section 4(e), the Director shall not be entitled to indemnification or advancement of Expenses under this Agreement (i) with respect to any Proceeding brought or made by such Director against the Company; or (ii) on account of any suit in which judgment is rendered against the Director for an accounting of profits made from the purchase and sale or sale and purchase by the Director of securities of the Company pursuant to the provisions of Section 16(b) of the Exchange Act or similar provisions of any federal, state or local statutory law.

4. Procedures for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, the Director shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to the Director and is reasonably necessary to determine whether and to what extent the Director is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors of the Company in writing that the Director has requested indemnification. The Director shall cooperate with the party reviewing the Director's entitlement to indemnification, including providing to said party upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to the Director and reasonably necessary to such determination. The Company shall pay any costs or expenses (including attorneys' fees and disbursements) incurred by the Director in so cooperating (irrespective of the determination as to the Director's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Director harmless therefrom.

(b) Determining Entitlement to Indemnification Prior to a Change of Control. If a Change of Control has not occurred prior to or at the time a request for indemnification hereunder is submitted to the Company, a Director's entitlement to indemnification shall be determined in accordance with ss. 145(d) of the DGCL; provided, however, that the provision of said statute allowing the stockholders of the Company to make such a determination shall

not apply. If entitlement to indemnification is to be determined by Independent Counsel, the Company shall furnish notice to the Director within ten days after receipt of the request for indemnification, specifying the identity and address of Independent Counsel. The Director may, within 14 days after receipt of such written notice of selection, deliver to the Company a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of Independent Counsel and the objection shall set forth with particularity the factual basis of such assertion. If there is an objection to the selection of Independent Counsel, either the Company or the Director may petition the Court of Chancery of the State of Delaware or any other court of competent jurisdiction for a determination that the objection is without a reasonable basis or for the appointment of Independent Counsel selected by the court.

(c) Determining Entitlement to Indemnification After a Change of Control. If a Change of Control has occurred prior to or at the time a request for indemnification hereunder is submitted to the Company, a Director's entitlement to indemnification shall be determined in a written opinion of Independent Counsel selected by the Director. The Director shall give the Company written notice advising of the identity and address of the Independent Counsel so selected. The Company may, within fourteen days after receipt of such written notice of selection, deliver to the Director a written objection to such selection. The Director may, within fourteen days after the receipt of such objection from the Company, submit the name of another Independent Counsel and the Company may, within fourteen days after receipt of such written notice of selection, deliver to the Director a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of Independent Counsel and the objection shall set forth with particularity the factual basis of such assertion. The Director may petition the Court of Chancery of the State of Delaware or any other court of competent jurisdiction for a determination that the Company's objection to any selection of Independent Counsel is without a reasonable basis or for the appointment as Independent Counsel of a person selected by the court.

(d) Expenses of Independent Counsel. The Company shall pay any and all reasonable fees and expenses of Independent Counsel acting pursuant to this Section 4 and in any proceeding to which it is a party or witness in respect of its investigation and written report and shall pay all reasonable fees and expenses incident to the procedures in which such Independent Counsel was selected or appointed. No Independent Counsel may serve if a timely objection has been made to his or her selection until a court has determined that such objection is without a reasonable basis.

(e) Trial De Novo. In the event that (a) a determination is made pursuant to Section 4(b) or 4(c) that a Director is not entitled to indemnification under this Agreement, (b) advancement of Expenses is not timely made pursuant to Section 3(b), (c) Independent Counsel has not made and delivered a written opinion determining a request for indemnification (i) within 90 days after being appointed by a court, (ii) within 90 days after objections to his or her selection have been overruled by a court or (iii) within 90 days after the time for the Company or the Director to object to his or her selection or (d) payment of

indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 4(b) or 4(c), the Director shall be entitled to an adjudication in any court of competent jurisdiction of his or her entitlement to such indemnification or advancement of Expenses. In the event that a determination shall have been made that the Director is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 4(e) shall be conducted in all respects as a de novo trial on the merits, and the Director shall not be prejudiced by reason of that adverse determination. If a Change of Control shall have occurred, in any judicial proceeding commenced pursuant to this Section 4(e), the Company shall have the burden of proving that the Director is not entitled to indemnification or advancement of Expenses, as the case may be. If a determination shall have been made or deemed to have been made that the Director is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 4(e), or otherwise, unless the Director knowingly misrepresented or omitted a material fact (other than privileged information) in connection with the request for indemnification.

The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 4(e) that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all provisions of this Agreement.

5. Notification and Defense of Proceeding.

(a) Notification. After receipt by the Director of notice of the commencement of any Proceeding, the Director will, if a claim for indemnification in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; but the omission to notify the Company will not relieve it from any liability which it may have to the Director otherwise than under this Agreement.

(b) Defense. With respect to any Proceeding as to which the Director notifies the Company of the commencement thereof, the Company will be entitled to participate therein at its own expense. Except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to the Director. After notice from the Company to the Director of its election to assume the defense thereof, the Company will not be liable to the Director under this Agreement for any legal or other expenses subsequently incurred by the Director in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The Director shall have the right to employ counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Director unless (i) the employment of counsel by the Director has been authorized by the Company, (ii) the Director shall have reasonably concluded that there may be a conflict of interest between the Company and the Director in the conduct of the defense of such Proceeding or (iii) the Company shall not in fact have employed counsel to assume the

defense of such Proceeding, in each of which cases the fees and expenses of counsel shall be borne by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Director shall have reasonably made the conclusion provided for in (ii) above.

(c) Settlements. The Company shall not be liable to indemnify the Director under this Agreement for any amounts paid in settlement of any Proceeding made without its written consent. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on the Director without the Director's written consent. Neither the Company nor the Director will unreasonably withhold their consent to any proposed settlement.

6. Presumptions; Reliance and Effect of Certain Proceedings.

(a) If a Change of Control has occurred prior to or at the time the request for indemnification hereunder is submitted to the Company, a Director shall be presumed (except as otherwise expressly provided in this Agreement) to be entitled to indemnification upon submission of a request for indemnification in accordance with Section 4(a), and thereafter the Company shall have the burden of proof to overcome the presumption in reaching a determination contrary to the presumption. The presumption shall be used as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence, or the investigation, review and analysis of the determination of entitlement to indemnification reveals by clear and convincing evidence that the presumption should not apply. Neither the failure to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because the Director has met the applicable standard of conduct, nor an actual determination that the Director has not met such applicable standard of conduct, shall be a defense or admissible as evidence in any action for any purpose or create a presumption that the Director has not acted in good faith or met any other applicable standard of conduct.

(b) Except where the determination of entitlement to indemnification is to be made by Independent Counsel, if the person or persons empowered under Section 4(b) or 4(c) to determine entitlement to indemnification shall not have made and furnished to the Director in writing a determination within 90 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Director shall be entitled to such indemnification unless the Director knowingly misrepresented a material fact in connection with the request for indemnification. The termination of any Proceeding, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) in and of itself adversely affect the right of the Director to indemnification or create a presumption that (a) the Director did not act in good faith and in a manner that he or she reasonably believed, in the case of conduct in his or her official capacity as a director of the Company, to be in the best interests of the Company or, in all other cases, that at least his or her conduct was not opposed to the Company's best

interests, or (b) with respect to any criminal Proceeding, the Director had reasonable cause to believe that his or her conduct was unlawful.

(c) The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company (or any affiliate thereof) shall not be imputed to the Director for purposes of determining the right to indemnification under this Agreement.

7. Indemnification for Additional Expenses. In the event that a Director, pursuant to Sections 4(b), 4(c) or 4(e), seeks a judicial adjudication to enforce his or her rights under, or to recover damages for breach of, this Agreement, the Director shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually incurred by him or her in such judicial adjudication, but only if he or she prevails therein.

8. Partial Indemnity, Etc. If the Director is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Director for the portion thereof to which the Director is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that the Director has been successful on the merits or otherwise in defense of any issue or matter therein, including, without limitation, dismissal without prejudice, the Director shall be indemnified against all Expenses incurred in connection therewith. In connection with any determination as to whether the Director is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that the Director is not so entitled.

9. No Presumption. For purposes of this Agreement, the termination of any Proceeding, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Director did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

10. Non-exclusivity; Amendment of Charter Documents. The rights of the Director hereunder shall be in addition to any other rights the Director may have under the Charter, the Bylaws, pursuant to resolutions or determinations of the Company's Board of Directors or stockholders, under the DGCL or otherwise. The Company shall not adopt any amendment to the Charter or the Bylaws (collectively, the "Charter Documents"), the effect of which would be to deny, diminish or encumber the Director's rights to indemnity under the Charter Documents, the DGCL or any other applicable law. To the extent that a change in the DGCL (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Charter Documents and this Agreement, it is the intent of the parties hereto that the Director shall enjoy by this Agreement the greater benefits so afforded by such change.

11. Insurance and Subrogation. To the extent the Company maintains an insurance policy or policies providing liability insurance for directors or officers of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, the Director shall be covered by such policy or policies

in accordance with its or their terms to the maximum extent of coverage available for any such director or officer under such policy or policies. The Company agrees to provide the Director immediate notice of any lapse or cancellation of any such insurance coverage, and shall provide the Director copies of all correspondence and notices from the Company's insurance agent, broker or carrier relating to any actual or potential lapse, non-renewal or cancellation.

In the event of any payment hereunder, the Company shall be subrogated to the extent of such payment to all the rights of recovery of the Director, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if, and to the extent that, the Director has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

13. Indulgences, Etc. Neither the failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

14. Notices. Any notice or other communication required or permitted to be sent to the Company pursuant to this Agreement shall be addressed to the Secretary of the Company and any such notice or other communication to a Director shall be given in writing by depositing the same in the United States mail, with postage thereon prepaid, addressed to the person to whom such notice is directed at the address of such person on the records of the Company, and such notice shall be deemed given at the time when the same shall be so deposited in the United States mail.

15. Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

16. Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained, which shall be deemed terminated effective immediately. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

17. Headings; Index. The headings of paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

18. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws in effect in the State of Delaware without giving effect to principles of conflict of laws.

19. Survival. The covenants and agreements of the parties set forth in this Agreement are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, regardless of the reason therefor.

20. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by written agreement in form and substance satisfactory to the Director, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The indemnity provisions of this Agreement shall continue in effect regardless of whether the Director continues to serve as an employee of the Company.

21. No Strict Construction. The parties hereto confirm that they have each participated in the negotiation and preparation of this Agreement and that this Agreement represents the joint agreement and understanding of the parties. The parties hereto have mutually chosen the language used in this Agreement, and no rule of strict construction construing ambiguities against any party hereto shall be applied.

* * * * * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officer thereunto duly authorized, and Director has signed this Agreement, all as of the day and year first above written.

CENTEX CONSTRUCTION PRODUCTS, INC.

By: --

Name: ------------------------------------

Title: -----------------------------------

-------------------------, Director

Exhibit 21

The following is a list of subsidiaries of Eagle Materials Inc., wholly-owned unless otherwise stated. This list of subsidiaries includes all of the significant subsidiaries of Eagle Materials Inc. as of May 31, 2004.

Entity Name		Jurisdiction of Organization
AG DALLAS LLC		Delaware
AMERICAN GYPSUM COMPANY		Delaware
AMERICAN GYPSUM MARKETING COMPANY		Delaware
d/b/a American Gypsum Marketing Company, Inc.		
CCP CEMENT COMPANY		Nevada
CCP CONCRETE/AGGREGATES LLC		Delaware
CCP GYPSUM COMPANY		Nevada
CCP LAND COMPANY		Nevada
CENTEX CEMENT CORPORATION		Nevada
CENTEX MATERIALS LLC		Delaware
EXP FUNDING, LLC		Delaware
HOLLIS & EASTERN RAILROAD COMPANY LLC		Delaware
ILLINOIS CEMENT COMPANY	50%	Illinois
ILLINOIS CEMENT COMPANY, JOINT VENTURE		
d/b/a Wisconsin Cement Company	50%	Texas
M & W DRYWALL SUPPLY COMPANY		Nevada
MATHEWS READYMIX LLC		California
MOUNTAIN CEMENT COMPANY		Nevada
NEVADA CEMENT COMPANY		Nevada
REPUBLIC PAPERBOARD COMPANY 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 LLC		Nevada
WESTERN CEMENT COMPANY OF CALIFORNIA		California
WISCONSIN CEMENT COMPANY	50%	Wisconsin

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We 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 Eagle Materials Inc. of our report dated May 6, 2004, with respect to the consolidated financial statements of Eagle Materials Inc. included in the Annual Report (Form 10-K) for the year ended March 31, 2004.

/s/ ERNST & YOUNG LLP

Dallas, Texas
June 10, 2004

EXHIBIT 23.2

INFORMATION REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the “Securities Act”), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement.

In June of 2002, Arthur Andersen LLP (“Andersen”) was convicted of obstructing justice, which is a felony offense. The SEC prohibits firms convicted of a felony from auditing public companies. Andersen is thus unable to consent to the use of its audit report in the Company’s previously filed Registration Statements (Form S-8 Nos. 33-82820, 33-82928, 33-84394 and 333-54102) with respect to the Texas Lehigh Cement Company LP financial statements as of December 31, 2001 and for each of the two years in the period then ended. Under these circumstances, Rule 437a under the Securities Act permits Eagle Materials Inc. to file this Annual Report on Form 10-K, which is incorporated by reference into the Registration Statements, without a written consent from Andersen. As a result, with respect to transactions in Eagle Materials Inc. securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act.

Exhibit 31.1

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

I, Steven R. Rowley, certify that:

1. I have reviewed this annual report on Form 10-K of Eagle Materials Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared,

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: June 10, 2004

By: /s/ Steven R. Rowley

Steven R. Rowley
President and Chief Executive Officer

Exhibit 31.2

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

I, Arthur R. Zunker, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Eagle Materials Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared,

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: June 10, 2004

By: /s/ Arthur R. Zunker, Jr.

Arthur R. Zunker, Jr.
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Eagle Materials Inc. (the “Company”) on Form 10-K for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven R. Rowley, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 10, 2004

By: /s/ Steven R. Rowley

Steven R. Rowley
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Eagle Materials Inc. (the “Company”) on Form 10-K for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Arthur R. Zunker, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 10, 2004

By: /s/ Arthur R. Zunker

Arthur R. Zunker, Jr.
Chief Financial Officer