UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) **July 26, 2006**

Eagle Materials Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-12984	**75-2520779**
(Commission File Number)	(IRS Employer Identification No.)

3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219

(Address of Principal Executive Offices) (Zip Code)

(214) 432-2000

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On July 26, 2006, the Compensation Committee of the Board of Directors of Eagle Materials Inc. (the "Company") recommended for Board approval the compensation structure for the Company's non-employee directors for the ensuing year. On July 27, 2006, the Board of Directors approved the overall compensation structure and the Compensation Committee approved the equity grants required by this structure. Under this structure, each non-employee director receives annual compensation having a value of $135,000, of which 50% is paid in cash in monthly installments and 50% is paid in the form of equity awards. Each non-employee director is also given the option of receiving equity awards in lieu of all of the cash portion of the annual compensation, in which case the annual cash compensation is valued at a 25% premium on the cash which is being taken in the form of equity. Fifty percent (50%) of the value of the equity awards are made in the form of stock options to purchase Common Stock and 50% of the value of the equity awards is made in the form of Restricted Stock Units (Common Stock). These equity awards were granted on July 27, 2006 and will be reflected in agreements to be entered into with each non-employee director. A copy of the form of Restricted Stock Unit Agreement and Non-Qualified Stock Option Agreement for directors is attached to this Report as Exhibits 10.1 and 10.2, respectively.

The exercise price of the stock options awarded to the non-employee directors is $37.95 (the average of the high and low price of the Common Stock on the New York Stock Exchange on July 27, 2006, the date of grant). The Company's Incentive Plan, as amended, specifies that the exercise price of a stock option shall not be less than the average of the high and low price of the Common Stock on the New York Stock Exchange on the date of grant. The number of shares covered by the stock options was determined by valuing the options on the date of grant using the Black-Scholes method. The options are fully exercisable beginning on the date of grant and have a ten (10) year term.

The number of Restricted Stock Units awarded to each non-employee director is determined by reference to the closing price for the Common Stock on the date of award (July 27, 2006). The Restricted Stock Units become payable in shares of Common Stock when the non-employee director's service on the board terminates because of the director's death or the director's retirement in accordance with the Company's Director Retirement Policy or earlier with the consent of the Compensation Committee. In addition, the shares of stock represented by the Restricted Stock Units become payable upon a change in control. If the director's service on the Board terminates by reason other than retirement or death, the Restricted Stock Units will be forfeited.

The Chairperson of the Audit Committee and the Chairperson of the Compensation Committee each will receive additional cash compensation of $15,000 while the Chairperson of the Corporate Governance and Nominating Committee will receive additional cash compensation of $10,000. In addition, the Chairman of the Board will receive an additional $50,000 in cash per year for services as the Chairman of the Board. Any chairperson electing to receive the cash portion of his or her annual retainer in the form of equity may also elect to receive the chairperson fees in the form of equity at a value equal to 125% of the amount otherwise payable in cash. Fifty percent (50%) of the value of such equity awards are made in the form of stock options to purchase Common Stock and 50% of the value is made in the form of Restricted Stock Units (Common Stock).

On July 26, 2006, the Compensation Committee also approved the form of Restricted Stock Unit Agreement and Non-Qualified Stock Option Agreement to be entered into with each senior executive with respect to Restricted Stock Units and Non-Qualified Stock Option grants made on May 9, 2006, copies of which are attached to this Report as Exhibits 10.3 and 10.4, respectively.

The table below lists the number of Non-Qualified Stock Options and Restricted Stock Units granted to each non-employee director on July 27, 2006.

Director	Stock Options	Restricted Stock Units
F. William Barnett (1)(2)	4,966	2,313
Robert L. Clarke (1)(3)	4,966	2,313
O.G. Dagnan (1)	4,420	2,058
Laurence E. Hirsch (1)(3)	6,239	2,906
Frank W. Maresh	1,964	915
Michael R. Nicolais (5)	1,964	915
David W. Quinn (1)	4,420	2,058

(1) Elected to receive 100% of director annual compensation (including any committee chair fee or chairman of the board fee) in the form of equity.

(2) Chairman of the Compensation Committee.

(3) Chairman of the Audit Committee.

(4) Chairman of the Board

(5) Chairman of the Corporate Governance and Nominating Committee.

Item 9.01 Financial Statements and Exhibits

Exhibit Numbers	Description
10.1	Form of Restricted Stock Unit Agreement for Non-Employee Directors
10.2	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors
10.3	Form of Restricted Stock Unit Agreement for Senior Executives
10.4	Form of Non-Qualified Stock Option Agreement for Senior Executives

SIGNATURES

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

EAGLE MATERIALS INC.

By: /s/ ARTHUR R. ZUNKER

Name: Arthur R. Zunker

Title: Senior Vice President

Date: August 1, 2006

Exhibit 10.1

EAGLE MATERIALS INC.
INCENTIVE PLAN

DIRECTOR RESTRICTED STOCK UNIT AGREEMENT

This restricted stock unit agreement (the "Restricted Stock Unit Agreement" or "Agreement") entered into between EAGLE MATERIALS INC., a Delaware corporation (the "Company"), and _____ (the "Grantee"), a director of the Company, with respect to a right (the "Award") of _____ restricted stock units ("Restricted Stock Units") representing shares of Common Stock (as defined in the Eagle Materials Inc. Incentive Plan, as amended (the "Plan")) granted to the Grantee under the Plan on July 27, 2006 (the "Award Date"), such number of units subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. *Relationship to Plan.*

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

(a) "Restricted Period" means the period commencing on the Award Date and ending on the date that the Restricted Stock Units become fully payable in accordance with Section 2.

(b) "Retirement" means termination of service on the Board at the Company's mandatory retirement age in accordance with the Company's Director Retirement Policy or earlier on such terms and conditions as approved by the Committee.

2. *Payment.*

(a) The Restricted Stock Units shall become payable as soon as administratively possible following the earlier of (i) Grantee's Retirement or (ii) Grantee's death.

(b) *Change in Control*. This Award shall become fully payable without regard to the limitations set forth in subparagraph (a) above, provided that the Grantee has served as a Director since the Award Date, upon the occurrence of a Change in Control (as defined in Exhibit A to this Agreement) unless either (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation or (ii) the Award is to be settled in cash in accordance with the last sentence of this subparagraph (b). Upon a Change in Control, pursuant to Section 16 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

3. *Forfeiture of Award.*

Except as provided in any other agreement between the Grantee and the Company, if the Grantee's service terminates other than by reason of Retirement, death or Change in Control, all Restricted Stock Units, and all Dividend Equivalent Amounts (as defined in Section 4) attributable thereto, as of the termination date shall be forfeited.

4. *Dividend Equivalent Payments.*

During the period of time between the Award Date and the earlier of the date the Restricted Stock Units paid or are settled, the Restricted Stock Units will be evidenced by book entry registration. As of each date that dividends are paid with respect to Common Stock, the Grantee shall have a number of additional Restricted Stock Units credited to his account with respect to such dividends. The additional Restricted Stock Units credited with respect to such dividends shall be equal to: (i) the amount of the dividend paid per share of Common Stock as of such dividend payment date multiplied by the number of Restricted Stock Units credited to the Grantee's account immediately prior to such dividend payment date divided by; (ii) the Fair Market Value of the Common Stock on such dividend payment date.

5. *Timing and Form of Payment.*

The Grantee may be given the opportunity to timely elect to receive the Award pursuant to an election form, and subject to such terms and conditions set forth in such form as prescribed by the Committee ("Election Form"). The Grantee may timely elect to further defer receipt of the Award in such time and manner, if any, as prescribed by the Committee in its sole and absolute discretion.

Notwithstanding anything herein to the contrary including the Grantee's election pursuant to an Election Form, the Company reserves the right to pay the value of the vested Restricted Stock Units, to the extent not yet paid, to the Grantee in the form of shares of Common Stock or an equivalent cash payment at any time following vesting of the Award.

6. *Delivery of Shares.*

The Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulations of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock to comply with any such law, rule, regulations or agreement.

7. *Notices.*

Notice or other communication to the Company with respect to this Award must be made in the following manner, using such forms as the Company may from time to time provide:

(a) by electronic means as designated by the Committee;

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

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

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

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

8. *Assignment of Award.*

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

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

9. *Stock Certificates.*

Certificates representing the Common Stock issued pursuant to the Award will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Award. The Company may place a "stop transfer" order against shares of the Common Stock issued pursuant to this Award until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 9 have been complied with.

10. *Shareholder Rights.*

The Grantee shall have no rights of a shareholder with respect to shares of Common Stock subject to the Award unless and until such time as the Award has been paid pursuant to Section 5 and shares of Common Stock have been transferred to the Grantee.

11. *Successors and Assigns.*

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

12. *No Service Guaranteed.*

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

13. *Governing Law.*

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

14. *Amendment*.

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

EAGLE MATERIALS INC.

Date: _____

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

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

GRANTEE:

Date: _____

_____

Grantee's Address:

_____

_____

EXHIBIT A

Change in Control

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

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

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

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

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

For purposes of the foregoing,

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

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

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

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

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

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

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

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

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

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

Exhibit 10.2

EAGLE MATERIALS INC.
INCENTIVE PLAN

NON-QUALIFIED DIRECTOR STOCK OPTION AGREEMENT

This option agreement (the "Option Agreement" or "Agreement") entered into between Eagle Materials Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee"), a director of the Company, with respect to a right (the "Option") awarded to the Optionee under the Eagle Materials Inc. Incentive Plan, as amended (the "Plan"), on July 27, 2006 (the "Award Date") to purchase from the Company up to but not exceeding in the aggregate _____ shares of Common Stock (as defined in the Plan) at a price of $37.95 per share (the "Exercise Price"), such number of shares and such price per share being subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. *Relationship to Plan.*

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

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

2. *Exercise Schedule.*

(a) *Exercisability*. This Option may be exercised to purchase the shares of Common Stock covered thereby (the "Option Shares") immediately on the Award Date.

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

(b) *Change in Control*. Upon the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), (i) this Option may be replaced within a reasonable time after the Change in Control with an option of equivalent value to purchase shares of the surviving parent corporation if the Committee determines that the terms giving rise to the Change in Control provide for such replacement, or (ii) the Option may be settled in cash in accordance with the last sentence of this subparagraph (b). Upon a Change in Control, pursuant to Section 16 of the Plan, the Company may, in its discretion, settle the Option by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the settlement date and the Exercise Price for the Option, multiplied by the number of shares then subject to the Option.

3. *Termination of Option.*

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

(a) the tenth anniversary of the Award Date;

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

(c) if Optionee's service as a Director is terminated due to the Retirement then the Option shall terminate on the first business day following the expiration of the three (3) year period which began on the date of Optionee's Retirement;

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

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

4. *Exercise of Option.*

Subject to the limitations set forth herein and in the Plan, this Option may be exercised by notice provided to the Company as set forth in Section 5. The payment of the Exercise Price for the Option Shares being purchased pursuant to the Option shall be made (a) in cash, by check or cash equivalent, (b) by tender to the Company, or attestation to the ownership, of Common Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such Common Stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the Exercise Price, (c) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), (d) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (e) by any combination thereof. For the purpose of determining the amount, if any, of the purchase price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise.

If the Optionee desires to pay the purchase price for the Option Shares by tendering Common Stock using the method of attestation, the Optionee may, subject to any such

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

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

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

5. *Notices.*

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

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

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

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

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

Any other notices provided for in this Agreement or in the Plan shall be given in writing or by such electronic means, as permitted by the Committee, and shall be deemed

effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Optionee, five days after deposit in the United States mail, postage prepaid, addressed to the Optionee at the address specified at the end of this Agreement or at such other address as the Optionee hereafter designates by written notice to the Company.

6. *Assignment of Option.*

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

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

7. *Stock Certificates.*

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

8. *Shareholder Rights.*

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

9. *Successors and Assigns.*

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

10. *No Service Guaranteed.*

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

11. *Governing Law.*

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

12. *Amendment.*

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

EAGLE MATERIALS INC.

Date:_____

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

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

OPTIONEE:

Date:_____

_____

Optionee's Address:

_____

_____

EXHIBIT A

Change in Control

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

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

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

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

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

For purposes of the foregoing,

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

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

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

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

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

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

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

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

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

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

Exhibit 10.3

EAGLE MATERIALS INC.
INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

This restricted stock unit agreement (the "Restricted Stock Unit Agreement" or "Agreement") entered into between Eagle Materials Inc., a Delaware corporation (the "Company"), and _____ (the "Grantee"), an employee of the Company or its Affiliates, with respect to a right (the "Award") of _____ restricted stock units ("Restricted Stock Units") representing shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), granted to the Grantee under the Eagle Materials Inc. Incentive Plan as amended (the "Plan") on May 9, 2006 (the "Award Date"), such number of units subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. *Relationship to Plan.*

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

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

(b) "Vesting Date" means for March 31, 2007.

(c) "Vesting Period" means the period commencing on the Award Date April 1, 2006 and ending on March 31, 2007.

2. *Vesting and Payment.*

(a) *Operational Excellence Vesting Schedule*. _____ Restricted Stock Units of the Award (the "Operational Excellence RSUs") shall vest on the Vesting Date based on the number of points achieved at the end of Fiscal Year 2007 based on the Fiscal Year 2007 Operational Excellence Goals (as described in Exhibit A to this Agreement) in accordance with the following schedule:

Points Achieved	Percentage of Operational Excellence RSUs Vested
100	100%
94	90%
88	80%
82	70%
76	60%
70	50%
64	40%
58	30%
52	20%
46	10%
40	0%

The determination of the number of points achieved shall be made and approved by the Committee. The Committee shall have the sole authority to determine the number of points achieved for purposes of this schedule, and its determination shall be final, conclusive and binding on all parties. The exact vesting percentage attained from the schedule shall be calculated based on straight-line interpolation between the percentages shown in the schedule with fractional percentages rounded to the nearest tenth of one percent. At the end of the Vesting Period, if any Operational Excellence RSUs remain unvested, such Operational Excellence RSUs shall be forfeited.

The Grantee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the Vesting Date in order for the Operational Excellence RSUs to vest as provided in this Section 2(b).

(b) *Strategic Execution Vesting Schedule*. _____ Restricted Stock Units of the Award (the "Strategic Execution RSUs") shall vest on the Vesting Date based on the number of points achieved at the end of Fiscal Year 2007 based on the Fiscal Year 2007 Strategic Execution Goals (as described in Exhibit B to this Agreement) in accordance with the following schedule:

Points Achieved	Percentage of Operational Excellence RSUs Vested
100	100%
94	90%
88	80%
82	70%
76	60%
70	50%
64	40%
58	30%
52	20%
46	10%
40	0%

The determination of the number of points achieved shall be made and approved by the Committee. The Committee shall have the sole authority to determine the number of points achieved for purposes of this schedule, and its determination shall be final, conclusive and binding on all parties. The exact vesting percentage attained from the schedule shall be calculated based on straight-line interpolation between the percentages shown in the schedule with fractional percentages rounded to the nearest tenth of one percent. At the end of the Vesting Period, if any Strategic Execution RSUs remain unvested, such Strategic Execution RSUs shall be forfeited.

The Grantee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the Vesting Date in order for the Strategic Execution RSUs to vest as provided in this Section 2(a).

(c) *Payment*. One-third of the Restricted Stock Units that vest in accordance with the provisions of Section 2(a) or 2(b) shall become payable as soon as administratively practicable following the applicable Vesting Date. The remaining two-thirds shall become payable one-third on the first anniversary of such Vesting Date and one-third on the second anniversary of such Vesting Date.

The Grantee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the date the portion of the Award would otherwise become payable absent any deferral election in order for the portion of the Award to become payable with respect to additional Restricted Stock Units, otherwise such portion of the Award shall be forfeited. Notwithstanding the foregoing, if the Grantee's employment and service as a Director terminates by reason of death or Disability, the Restricted Stock Units (including Dividend Equivalent Payments under Section 4 hereof) shall be payable as though he had continued in employment and service as Director, as applicable, through the date the amounts would otherwise be paid under this Section 2(c) absent any deferral election.

(d) *Calculations*. Calculations of points achieved under the Operational Excellence Goals and the Strategic Execution Goals shall be made and approved by the Committee. The Committee shall have the sole authority to approve the calculations for purposes of the vesting schedules, and its approval of such calculations shall be final, conclusive, and binding on all parties.

(e) *Change in Control*. This Award shall become fully vested and payable without regard to the limitations set forth in subparagraph (a), (b) or (c) above, provided that the Grantee has been in continuous employment with the Company or any of its Affiliates or served as a Director since the Award Date, upon the occurrence of a Change in Control (as defined in Exhibit C to this Agreement), and fully payable (without regard to the limitations set forth in subparagraph (c) above or any elections made pursuant to Section 5 below) upon a Change in Control with respect to any Restricted Stock Units which have not been theretofore forfeited, unless either (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation or (ii) the Award is to be settled in cash in accordance with the last sentence of this subparagraph (f). Upon a Change in Control, pursuant to Section 16 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

3. *Forfeiture of Award.*

Except as provided in any other agreement between the Grantee and the Company, if the Grantee's employment and service as Director terminates for reasons other than death or Disability, all unvested and vested (but not yet payable) Restricted Stock Units, and all Dividend Equivalent Amounts (as defined in Section 4) attributable thereto, as of the termination date shall be forfeited. In the event Grantee's employment and service as Director terminates by reason of death or Disability, vested Restricted Stock Units and the Dividend Equivalent Amounts attributable thereto shall not be forfeited, but shall be payable in accordance with Section 2(c) of this Agreement.

4. *Dividend Equivalent Payments.*

During the period of time between the Award Date and the earlier of the date the Restricted Stock Units are paid or settled, the Restricted Stock Units will be evidenced by book entry registration. As of each date that dividends are paid with respect to Common Stock after the end of the applicable Vesting Period, the Grantee shall have a number of additional Restricted Stock Units credited to his or her account with respect to such dividends. The additional Restricted Stock Units credited with respect to such dividends shall be equal to: (i) the amount of the dividend paid per share of Common Stock as of such dividend payment date multiplied by the number of vested Restricted Stock Units credited to the Grantee's account immediately prior to such dividend payment date; divided by (ii) the Fair Market Value of the Common Stock on such dividend payment date.

5. *Timing and Form of Payment.*

The Grantee may elect on or before September 30, 2006 to receive the payment of Common Stock under the Restricted Stock Units at a time permitted in and pursuant to an election form, subject to such terms and conditions set forth in such form, as prescribed by the Committee ("Election Form"). The Grantee may timely elect to further defer receipt of the Award in such time and manner, if any, as prescribed by the Committee in its sole and absolute discretion.

Notwithstanding anything herein to the contrary including the Grantee's election pursuant to the Election Form, the Company reserves the right to pay the value of the vested Restricted Stock Units, to the extent not yet paid, to the Grantee in the form of shares of Common Stock or an equivalent cash payment at any time following vesting of the Award.

6. *Delivery of Shares.*

The Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulations of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock to comply with any such law, rule, regulations or agreement.

7. *Notices.*

Notice or other communication to the Company with respect to this Award must be made in the following manner, using such forms as the Company may from time to time provide:

(a) by electronic means as designated by the Committee;

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

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

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

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

8. *Assignment of Award.*

Except as otherwise permitted by the Committee, the Grantee's rights under the Plan and this Restricted Stock Unit Agreement are personal; no assignment or transfer of the Grantee's rights under and interest in this Award may be made by the Grantee other than by will, by beneficiary designation, by

the laws of descent and distribution or by a qualified domestic relations order; and this Award is payable only to the Grantee during his lifetime except as otherwise expressly provided in this Agreement.

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

9. *Stock Certificates.*

Certificates representing the Common Stock issued pursuant to the Award will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Award. The Company may place a "stop transfer" order against shares of the Common Stock issued pursuant to this Award until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 9 have been complied with.

10. *Withholding.*

No certificates representing shares of Common Stock awarded hereunder shall be delivered to or in respect of a Grantee unless the amount of all federal, state and other governmental withholding tax requirements imposed upon the Company with respect to the issuance of such shares of Common Stock has been remitted to the Company or unless provisions to pay such withholding requirements have been made to the satisfaction of the Committee. The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this Award. The Grantee may pay all or any portion of the taxes required to be withheld by the Company or paid by the Grantee in connection with this Award by delivering cash, or, with the Committee's approval, by electing to have the Company withhold shares of Common Stock, or by delivering previously owned shares of Common Stock, having a Fair Market Value equal to the amount required to be withheld or paid. The Grantee must make the foregoing election on or before the date that the amount of tax to be withheld is determined.

11. *Shareholder Rights.*

The Grantee shall have no rights of a shareholder with respect to shares of Common Stock subject to the Award unless and until such time as the Award has been paid pursuant to Section 5 and shares of Common Stock have been transferred to the Grantee.

12. *Successors and Assigns.*

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

13. *No Employment Guaranteed.*

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

14. *Governing Law.*

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

15. *Amendment*.

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

EAGLE MATERIALS INC.

Date: _____

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

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

GRANTEE:

Date: _____

_____

Grantee's Address:
Eagle Materials Inc.
3811 Turtle Creek Blvd. #1100
Dallas, TX 75219

EXHIBIT A

EAGLE MATERIALS INC.
FY 2007 OPERATIONAL EXCELLENCE GOALS

Gypsum Companies

1. Goal relating to gypsum wallboard production.
2. Goal relating to wallboard product development.
3. Goal relating to customer relationships.

Cement Companies

1. Goals relating to annual production and sales.

Paperboard Company

1. Goal relating to plant operations.

Concrete and Aggregates Companies

1. Goal relating to aggregates companies operating and financial performance.
2. Goal relating to concrete companies operating and financial performance.

Safety – All Companies

1. Goal relating to reportable cases.

EXHIBIT B

EAGLE MATERIALS INC.
FY 2007 STRATEGIC EXECUTION GOALS

Wallboard Companies

1. Goal regarding scheduling and budget of strategic project.
2. Goal regarding logistic plan.
3. Goal regarding future expansion opportunities.

Cement Companies

1. Goal regarding scheduling and budget of strategic projects.
2. Goal regarding completion of analysis for certain projects.
3. Goal regarding future expansion opportunities.

Paperboard Company

1. Goal regarding product differentiation.

Concrete and Aggregate Companies

1. Goal regarding scheduling and budget of strategic project.
2. Goal regarding expansion project analysis.

General

1. Goal relating to strategic expansion opportunities.

EXHIBIT C

Change in Control

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

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

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

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

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

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

For purposes of the foregoing,

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

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

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

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

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

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

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

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

(ix) the term “Acquiring Entity” means the entity that acquires the largest portion of the assets sold or otherwise disposed of in a Major Asset Disposition (or the

entity, if any, that owns a majority of the outstanding voting stock of such acquiring entity entitled to vote generally in the election of directors or members of a comparable governing body); and

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

EAGLE MATERIALS INC.
INCENTIVE PLAN

NON-QUALIFIED STOCK OPTION AGREEMENT

This option agreement (the "Option Agreement" or "Agreement") entered into between Eagle Materials Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee"), an employee of the Company or its Affiliates, with respect to a right (the "Option") awarded to the Optionee under the Eagle Materials Inc. Incentive Plan, as amended (the "Plan"), on May 9, 2006 (the "Award Date") to purchase from the Company up to but not exceeding in the aggregate _____ shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), at a price of $62.83 per share (the "Exercise Price"), such number of shares and such price per share being subject to adjustment as provided in the Plan, and further subject to the following terms and conditions:

1. *Relationship to Plan.*

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

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

(b) "EBIT" for any fiscal year means the Company's earnings before interest and taxes as reported by the Company in its annual report to stockholders for such fiscal year, as adjusted by the Committee in its reasonable discretion to take into account events and circumstances not contemplated at the time of this Award.

(c) "Option Shares" means EBIT Option Shares (as defined below) and Strategic Execution Option Shares (as defined below).

(d) "Vesting Date" means for the EBIT Option Shares (as defined below) March 31 of any given fiscal year in which the EBIT Option Shares (as defined below) vest, if any, in accordance with Section 2(a) hereof and for the Strategic Execution Option Shares, March 31, 2007.

(e) "Vesting Period" means the period commencing on April 1, 2006 and ending on March 31, 2009 for the EBIT Option Shares (as defined below) and March 31, 2007 for the Strategic Execution Option Shares (as defined below).

2. *Vesting and Exercise Schedules.*

(a) *EBIT Vesting Schedule.* _____ of the shares of Common Stock covered by this Option (the "EBIT Option Shares") shall vest based on the trailing three year

average EBIT for the three consecutive fiscal years ending with the applicable fiscal year in accordance with the following schedule:

	3 Year Average EBIT Targets at FYE (in Millions)		
Vesting Percentage	*March 31, 2007*	*March 31, 2008*	*March 31, 2009*
0%	less than $228.0	less than $266.0	less than $316.0
50%	$228.0	$266.0	$316.0
60%	$232.0	$270.0	$320.0
70%	$236.0	$274.0	$324.0
75%	$240.0	$278.0	$328.0
80%	$244.0	$282.0	$332.0
90%	$248.0	$286.0	$336.0
100%	$252.0	$290.0	$340.0

The exact vesting percentage attained from the vesting schedule above shall be calculated based on straight-line interpolation between the percentages shown in the vesting schedule above with fractional percentages rounded to the nearest tenth of one percent; provided, however, in no event shall the EBIT Option Shares vest below fifty percent.

If the three year average EBIT for any fiscal year subsequent to the initial fiscal year within the Vesting Period results in a vesting percentage, the applicable percentage of EBIT Option Shares which shall vest on the applicable Vesting Date shall equal (i) the vesting percentage derived from the vesting schedule above for the given fiscal year end less (ii) the vesting percentage previously attained in prior fiscal year(s), if any. At the end of the Vesting Period, if any EBIT Option Shares remain unvested, such EBIT Option Shares shall be forfeited.

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

(b) *Strategic Execution Vesting Schedule.* _____ shares of Common Stock covered by this Option (the "Strategic Execution Option Shares") shall vest on March 31, 2007 based on the number of points achieved at the end of the Fiscal Year 2007 based on the Fiscal Year 2007 Strategic Execution Goals (as described in Exhibit A to this Agreement) in accordance with the following schedule:

Points Achieved	**Percentage of Strategic Execution Option Shares Vested**
100	100%
94	90%
88	80%
82	70%
76	60%
70	50%

Points Achieved	Percentage of Strategic Execution Option Shares Vested
64	40%
58	30%
52	20%
46	10%
40	0%

The determination of the number of points achieved shall be made and approved by the Committee. The Committee shall have the sole authority to determine the number of points achieved for purposes of this schedule, and its determination shall be final, conclusive and binding on all parties. The exact vesting percentage attained from the schedule shall be calculated based on straight-line interpolation between the percentages shown in the schedule with fractional percentages rounded to the nearest tenth of one percent. At the end of the Vesting Period, if any Strategic Execution Option Shares remain unvested, such Strategic Execution Option Shares shall be forfeited.

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

(c) *Exercisability.* One-third of the Option Shares that vest in accordance with the provisions of Section 2(a) or 2(b) shall become exercisable as soon as administratively practicable following the applicable Vesting Date. The remaining two-thirds shall become exercisable with one-third on the first anniversary of such Vesting Date and one-third on the second anniversary of such Vesting Date.

The Optionee must be in continuous employment with the Company or any of its Affiliates or serve as a Director from the Award Date through the date the portion of the Option Shares would otherwise become exercisable in order for the Option to become exercisable with respect to additional Option Shares, unless Optionee's employment and service as a Director terminates by reason of death or Disability, otherwise such Option Shares shall be forfeited. In the event Optionee's employment and service as a Director terminates by reason of death or Disability: (A), the then vested Option Shares shall continue to be exercisable (and any vested but unexercisable Option Shares shall continue to become exercisable) as if the Optionee had remained employed or continued to serve as a Director for the longer of (a) a period of two years following the Optionee's death or Disability, or (b) with respect to any portion of the vested Option Shares which become exercisable after termination, 90 days from the date such Option Shares become first exercisable.

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

(d) *Calculations*. Calculations of EBIT and the points achieved under the Strategic Execution Goals shall be made and approved by the Committee. The Committee shall have the sole authority to approve the calculations for purposes of the vesting schedules, and its approval of such calculations shall be final, conclusive, and binding on all parties.

(e) *Change in Control.* This Option shall become fully vested and exercisable, without regard to the limitations set forth in subparagraph (a), (b) or (c) above, provided that the Optionee has been in continuous employment with the Company or any of its

Affiliates or served as a Director since the Award Date, upon the occurrence of a Change in Control (as defined in Exhibit B to this Agreement), and fully exercisable (without regard to the limitations set forth in subparagraph (d) above) upon a Change in Control with respect to any Option Shares which have not been theretofore forfeited, unless either (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Option is to be replaced within a reasonable time after the Change in Control with an option of equivalent value to purchase shares of the surviving parent corporation or (ii) the Option is to be settled in cash in accordance with the last sentence of this subparagraph (f). Upon a Change in Control, pursuant to Section 16 of the Plan, the Company may, in its discretion, settle the Option by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the settlement date and the Exercise Price for the Option, multiplied by the number of shares then subject to the Option.

3. *Termination of Option.*

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

(a) the tenth anniversary of the Award Date;

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

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

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

In the event the Option remains exercisable for a period of time following the date of termination of Optionee's employment and service as a Director, the portion of the Option not exercisable upon termination, unless such termination is due to death or Disability and is exercisable (or will become exercisable) as provided in Sections 2(c) or 3(d), shall terminate and be of no force and effect upon the date of the Optionee's termination of employment and service as a Director.

4. *Exercise of Option.*

Subject to the limitations set forth herein and in the Plan, this Option may be exercised by notice provided to the Company as set forth in Section 5. The payment of the Exercise Price for the Common Stock being purchased pursuant to the Option shall be made (a) in cash, by check or cash equivalent, (b) by tender to the Company, or attestation to the ownership, of Common Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such Common Stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the Exercise Price, (c) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), (d) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (e) by any combination thereof. Such notice shall be accompanied by cash or Common Stock in the full amount of all federal and state withholding or other employment taxes applicable to the taxable income of such Participant resulting from such exercise (or instructions to satisfy such withholding obligation by withholding Option Shares in accordance with Section 8). For the purpose of determining the amount, if any, of the purchase price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise.

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

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

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

5. *Notices.*

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

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

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

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

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

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

6. *Assignment of Option.*

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

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

7. *Stock Certificates.*

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

8. *Withholding.*

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

9. *Shareholder Rights.*

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

10. *Successors and Assigns.*

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

11. *No Employment Guaranteed.*

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

12. *Governing Law.*

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

13. *Amendment.*

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

EAGLE MATERIALS INC.

Date:

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

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

OPTIONEE:

Date:

Optionee's Address:
Eagle Materials Inc.
3811 Turtle Creek Blvd #1100
Dallas, TX 75219

EXHIBIT A

EAGLE MATERIALS INC.
FY 2007 STRATEGIC EXECUTION GOALS

Wallboard Companies

1. Goal regarding scheduling and budget of strategic project.
2. Goal regarding logistic plan.
3. Goal regarding future expansion opportunities.

Cement Companies

1. Goal regarding scheduling and budget of strategic projects.
2. Goal regarding completion of analysis for certain projects.
3. Goal regarding future expansion opportunities.

Paperboard Company

1. Goal regarding product differentiation.

Concrete and Aggregate Companies

1. Goal regarding scheduling and budget of strategic project.
2. Goal regarding expansion project analysis.

General

1. Goal relating to strategic expansion opportunities.

EXHIBIT B

Change in Control

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

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

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

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

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

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

For purposes of the foregoing,

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

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

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

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

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

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

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

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

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

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