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

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**FORM 10-Q**

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**QUARTERLY REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the Quarterly Period Ended**

September 30, 2010

Commission File Number 1-12984

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**Eagle Materials Inc.**

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**Delaware**  
(State of Incorporation)

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

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

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

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

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

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

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

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

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

Class	Outstanding Shares
Common Stock, \$.01 Par Value	44,178,360

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**Eagle Materials Inc. and Subsidiaries  
Form 10-Q  
September 30, 2010**

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 132,135	\$ 138,185	\$ 262,929	\$ 265,990
Cost of Goods Sold	<u>118,586</u>	<u>117,772</u>	<u>232,949</u>	<u>225,846</u>
Gross Profit	13,549	20,413	29,980	40,144
Equity in Earnings of Unconsolidated Joint Venture	4,160	5,065	10,672	12,366
Other Income (Expense)	<u>175</u>	<u>(84)</u>	<u>892</u>	<u>3</u>
Operating Earnings	17,884	25,394	41,544	52,513
Corporate General and Administrative	<u>(4,415)</u>	<u>(4,851)</u>	<u>(8,118)</u>	<u>(9,144)</u>
Earnings Before Interest and Taxes	13,469	20,543	33,426	43,369
Interest Expense, Net	<u>(3,148)</u>	<u>(5,601)</u>	<u>(8,438)</u>	<u>(11,234)</u>
Earnings Before Income Taxes	10,321	14,942	24,988	32,135
Income Tax Expense	<u>(691)</u>	<u>(4,520)</u>	<u>(4,831)</u>	<u>(9,793)</u>
Net Earnings	<u>\$ 9,630</u>	<u>\$ 10,422</u>	<u>\$ 20,157</u>	<u>\$ 22,342</u>
<b>EARNINGS PER SHARE:</b>				
Basic	<u>\$ 0.22</u>	<u>\$ 0.24</u>	<u>\$ 0.46</u>	<u>\$ 0.51</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.24</u>	<u>\$ 0.46</u>	<u>\$ 0.51</u>
<b>AVERAGE SHARES OUTSTANDING:</b>				
Basic	<u>43,855,326</u>	<u>43,630,040</u>	<u>43,843,912</u>	<u>43,605,975</u>
Diluted	<u>44,169,251</u>	<u>44,012,140</u>	<u>44,200,303</u>	<u>44,004,492</u>
<b>CASH DIVIDENDS PER SHARE:</b>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>

*See notes to unaudited consolidated financial statements.*

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

	September 30, 2010 (unaudited)	March 31, 2010
<b>ASSETS</b>		
Current Assets -		
Cash and Cash Equivalents	\$ 8,001	\$ 1,416
Accounts and Notes Receivable	54,744	49,721
Inventories	102,952	105,871
Prepaid Income Taxes	2,374	—
Prepaid and Other Assets	2,758	4,266
Total Current Assets	<u>170,829</u>	<u>161,274</u>
Property, Plant and Equipment -	1,105,216	1,100,590
Less: Accumulated Depreciation	(491,788)	(468,121)
Property, Plant and Equipment, net	613,428	632,469
Notes Receivable	9,857	10,586
Investment in Joint Venture	30,350	33,928
Goodwill and Intangible Assets	151,857	152,175
Other Assets	24,214	23,344
	<u>\$ 1,000,535</u>	<u>\$ 1,013,776</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities -		
Accounts Payable	\$ 31,954	\$ 27,840
Accrued Liabilities	42,172	44,044
Current Portion of Bank Credit Facility	10,000	—
Total Current Liabilities	84,126	71,884
Long-term Debt	285,000	303,000
Other Long-term Liabilities	40,330	67,946
Deferred Income Taxes	124,761	119,299
Total Liabilities	534,217	562,129
Stockholders' Equity -		
Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued	—	—
Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 44,178,360 and 43,830,794 Shares, respectively	442	438
Capital in Excess of Par Value	18,066	14,723
Accumulated Other Comprehensive Losses	(3,518)	(3,518)
Retained Earnings	451,328	440,004
Total Stockholders' Equity	<u>466,318</u>	<u>451,647</u>
	<u>\$ 1,000,535</u>	<u>\$ 1,013,776</u>

*See notes to the unaudited consolidated financial statements.*

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

	<b>For the Six Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Earnings	\$ 20,157	\$ 22,342
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	24,839	25,453
Gain on Sale of Property, Plant and Equipment	(485)	—
Deferred Income Tax Provision	4,157	(3,317)
Stock Compensation Expense	2,061	2,085
Excess Tax Benefits from Share Based Payment Arrangements	(375)	(197)
Equity in Earnings of Unconsolidated Joint Venture	(10,672)	(12,366)
Distributions from Joint Venture	14,250	17,000
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(4,294)	(15,665)
Inventories	2,919	11,883
Accounts Payable and Accrued Liabilities	971	6,485
Other Assets	(1,864)	3,021
Income Taxes Payable	(24,701)	2,321
Net Cash Provided by Operating Activities	<u>26,963</u>	<u>59,045</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, Plant and Equipment Additions	(5,467)	(9,864)
Proceeds from Sale of Property, Plant and Equipment	600	—
Net Cash Used in Investing Activities	<u>(4,867)</u>	<u>(9,864)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Bank Credit Facility	7,000	(55,000)
Repayment of Senior Notes	(15,000)	—
Dividends Paid to Stockholders	(8,797)	(8,715)
Proceeds from Stock Option Exercises	911	950
Excess Tax Benefits from Share Based Payment Arrangements	375	197
Net Cash Used in Financing Activities	<u>(15,511)</u>	<u>(62,568)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,585</b>	<b>(13,387)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,416</b>	<b>17,798</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 8,001</u></b>	<b><u>\$ 4,411</u></b>

*See notes to the unaudited consolidated financial statements.*

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

**(A) BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements as of and for the six month period ended September 30, 2010, include the accounts of Eagle Materials Inc. and its majority owned subsidiaries (the "Company", "us" or "we") and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 27, 2010.

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

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

Certain prior period reclassifications have been made to conform to the current period presentation.

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

**Recent Accounting Pronouncements**

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

**(B) CASH FLOW INFORMATION - SUPPLEMENTAL**

Cash payments made for interest were \$9.0 million and \$9.3 million for the six months ended September 30, 2010 and 2009, respectively. Net payments made for federal and state income taxes during the six months ended September 30, 2010 and 2009, were \$33.5 million and \$10.9 million, respectively.

**(C) COMPREHENSIVE INCOME**

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

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

**(D) STOCKHOLDERS' EQUITY**

A summary of changes in stockholders' equity follows:

	<b>For the Six Months Ended September 30, 2010</b>	
	<b>(dollars in thousands)</b>	
<b>Common Stock –</b>		
Balance at Beginning of Period	\$	438
Stock Option Exercises		4
Balance at End of Period		442
<b>Capital in Excess of Par Value –</b>		
Balance at Beginning of Period		14,723
Stock Compensation Expense		2,061
Stock Option Exercises		1,282
Balance at End of Period		18,066
<b>Retained Earnings –</b>		
Balance at Beginning of Period		433,719
FIN 48 Adjustment – See Below		6,285
Balance at Beginning of Period		440,004
Dividends Declared to Stockholders		(8,833)
Net Earnings		20,157
Balance at End of Period		451,328
<b>Accumulated Other Comprehensive Loss –</b>		
Balance at Beginning of Period		(3,518)
Balance at End of Period		(3,518)
<b>Total Stockholders' Equity</b>	<b>\$</b>	<b>466,318</b>

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

During the quarter ended September 30, 2010, we paid and applied cash deposits for the payment of federal tax, penalty and interest related to the dispute with the Internal Revenue Service ("IRS") regarding the Republic Asset Acquisition for tax years 2001 through 2006 (See Footnote (L) to the Unaudited Consolidated Financial Statements for more details on the Republic transaction). The above adjustment reflects the tax benefit of the interest deduction allowed on amounts related to unrecognized tax benefits that was not included in the cumulative effect adjustment relating to our original adoption of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109", primarily codified in Accounting Standards Codification 740-10, in fiscal 2008. We are correcting the cumulative effect of our adoption of FIN 48 in fiscal year 2011 because we concluded, after evaluation, that the effect of the adjustment is not material to the current or any prior financial statements. This adjustment has not affected income or expense since the date of the adoption.

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

	As of	
	September 30, 2010	March 31, 2010
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 30,597	\$ 33,092
Gypsum Wallboard	7,015	5,587
Finished Cement	8,149	11,639
Paperboard	2,413	1,789
Aggregates	12,308	12,691
Repair Parts and Supplies	40,369	38,743
Fuel and Coal	2,101	2,330
	<u>\$ 102,952</u>	<u>\$ 105,871</u>

**(F) ACCRUED EXPENSES**

Accrued expenses consist of the following:

	As of	
	September 30, 2010	March 31, 2010
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 5,046	\$ 8,507
Benefits	9,406	8,436
Interest	7,003	7,310
Insurance	6,846	6,384
Property Taxes	6,027	3,976
Other	7,844	9,431
	<u>\$ 42,172</u>	<u>\$ 44,044</u>

**(G) COMPUTATION OF EARNINGS PER SHARE**

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
Weighted-Average Shares of Common Stock Outstanding	43,855,326	43,630,040	43,843,912	43,605,975
Common Equivalent Shares:				
Assumed Exercise of Outstanding Dilutive Options	653,322	945,982	1,155,453	958,528
Less Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(444,133)	(650,502)	(893,527)	(663,241)
Restricted Shares	104,736	86,620	94,465	103,230
Weighted-Average Common and Common Equivalent Shares Outstanding	<u>44,169,251</u>	<u>44,012,140</u>	<u>44,200,303</u>	<u>44,004,492</u>
Shares Excluded Due to Anti-dilution Effects	<u>2,942,059</u>	<u>2,527,720</u>	<u>2,392,784</u>	<u>2,531,307</u>



**(H) INCOME TAXES**

Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the six months ended September 30, 2010 was approximately 25%, excluding the impact of discrete items.

During the quarter ended September 30, 2010, we asked the IRS to apply payments made on deposit to tax, penalties and interest related to our dispute involving the Republic Asset Acquisition. Furthermore, amended state returns and payments were made during this quarter that reported the federal audit adjustment. Due to the application of the deposits to payments and the filing of amended state returns, we were able to deduct certain items paid for state and federal taxes during the quarter, totaling approximately \$1.5 million on an after-tax basis, that were treated as discrete items during the three month period ended September 30, 2010.

**(I) SHARE-BASED EMPLOYEE COMPENSATION**

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

*Long-Term Compensation Plans -*

*Options.* In May 2010, the Compensation Committee of the Board of Directors approved an incentive equity award of an aggregate of 163,000 performance-vesting stock options pursuant to the Plan to certain individuals that can be earned, in whole or in part, if certain performance conditions are satisfied (the "Fiscal 2011 Employee Stock Option Grant"). The performance and vesting criteria for the Fiscal 2011 Employee Stock Option Grant are based on the achievement of specified levels of operating earnings, as well as the achievement of certain safety and operational metrics, at each of our business segments for the fiscal year ending March 31, 2011. For those options earned based on the performance criteria, one third will vest immediately, one third will vest on March 31, 2012 and the final third will vest on March 31, 2013. The options have a term of ten years from the date of grant, and any options not earned at March 31, 2011 will be forfeited. In August 2010, we granted options to members of the Board of Directors (the "Fiscal 2011 Board of Directors Grant"). Options granted under the Fiscal 2011 Board of Directors Grant vested immediately, and can be exercised from the date of grant until their expiration at the end of seven years. The Fiscal 2011 Employee Stock Option Grant and Fiscal 2011 Board of Directors Grant were both valued at the grant date using the Black-Scholes option pricing model.

The average weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2011 are as follows:

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

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Stock option expense for all outstanding stock option awards totaled approximately \$0.4 million and \$1.2 million for the three and six month periods ended September 30, 2010, respectively, and \$1.4 million and \$1.8 million for the three and six month periods ended September 30, 2009, respectively. At September 30, 2010, there was approximately \$2.9 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 4.0 years.

The following table represents stock option activity for the six month period ended September 30, 2010:

	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price</u>
Outstanding Options at Beginning of Period	3,446,452	\$ 33.32
Granted	269,502	\$ 28.45
Exercised	(80,327)	\$ 12.28
Cancelled	(600)	\$ 37.13
Outstanding Options at End of Period	<u>3,635,027</u>	\$ 34.04
Options Exercisable at End of Period	<u>2,041,152</u>	
Weighted-Average Fair Value of Options Granted during the Period	\$ 10.88	

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

<u>Range of Exercise Prices</u>	<u>Outstanding Options</u>			<u>Exercisable Options</u>	
	<u>Number of Shares Outstanding</u>	<u>Average Remaining Contractual Life</u>	<u>Weighted - Average Exercise Price</u>	<u>Number of Shares Outstanding</u>	<u>Weighted - Average Exercise Price</u>
\$ 8.15 - \$ 13.43	464,440	1.88	\$ 11.34	464,440	\$ 11.34
\$ 21.52 - \$ 30.74	1,438,878	4.90	\$ 26.71	1,251,878	\$ 26.16
\$ 34.09 - \$ 40.78	315,670	3.19	\$ 37.83	253,670	\$ 38.13
\$ 47.53 - \$ 62.83	1,416,039	3.78	\$ 48.09	71,164	\$ 58.67
	<u>3,635,027</u>	3.93	\$ 34.04	<u>2,041,152</u>	\$ 25.41

At September 30, 2010, there was no aggregate intrinsic value for outstanding or exercisable options. The total intrinsic value of options exercised during the six month period ended September 30, 2010 was approximately \$1.3 million.

*Restricted Stock Units.* In May 2010, the same employees receiving stock options also received an aggregate of 207,500 RSUs. The vesting criteria for the RSUs are the same as the vesting criteria for the Fiscal 2011 Employee Stock Option Grant. The value of the RSUs, net of expected forfeitures, is being expensed ratably over three years. Expense related to RSUs was approximately \$0.2 million and \$0.3 million for the three and six month periods ended September 30, 2010, respectively, and \$0.4 and \$1.2 for the three and six month periods ended September 30, 2009, respectively. At September 30, 2010, there was approximately \$1.7 million of unearned compensation from RSUs, net of estimated forfeitures, which will be recognized over a weighted-average period of 2.9 years.

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*Restricted Stock.* In May 2010, the Compensation Committee also approved the granting of an aggregate of 274,166 shares of restricted stock to certain key employees at both the corporate and subsidiary level that will be earned if our ten year average return on equity exceeds 17.25% at March 31, 2011. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the shares will be earned, but such shares will continue to have restrictions preventing the holder from selling, pledging, transferring or otherwise disposing of the shares until the holder satisfies the criteria for “retirement”. Retirement, as related to the restricted shares, is defined as the shortest time frame of the following: a) the holder reaching the age of 65 and having more than ten years service; b) expiration of five years from the date of grant, and the holder having more than 25 years of service; or c) fifteen years from the date of grant. The value of the restricted shares, net of estimated forfeitures, is being expensed over each individual grantee’s retirement period. Expense related to restricted shares was \$0.3 million and \$0.5 million for the three and six month periods ended September 30, 2010, respectively, and \$0.1 million for both of the three and six month periods ended September 30, 2009. At September 30, 2010, there was approximately \$6.7 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 7.3 years.

The number of shares available for future stock option, restricted stock unit, stock appreciation right and restricted stock grants under the Plan was 2,512,990 at September 30, 2010.

### **(J) PENSION AND EMPLOYEE BENEFIT PLANS**

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

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

	For the Three Months Ended September 30,		For the Six Months ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
Service Cost – Benefits Earned during the Period	\$ 135	\$ 139	\$ 270	\$ 278
Interest Cost of Benefit Obligations	256	251	512	502
Expected Return on Plan Assets	(206)	(279)	(412)	(558)
Recognized Net Actuarial Loss	194	77	388	154
Amortization of Prior-Service Cost	32	36	64	72
Net Periodic Pension Cost	<u>\$ 411</u>	<u>\$ 224</u>	<u>\$ 822</u>	<u>\$ 448</u>

### **(K) LONG-TERM DEBT**

Long-term debt consists of the following:

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

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### *Bank Credit Facility -*

We entered into a \$350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the “Bank Credit Facility”) to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company’s ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. Our Bank Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Bank Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to earnings before interest, taxes, depreciation and amortization) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest and taxes to interest expense) of at least 2.5. The Bank Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year if no default exists or would result therefrom; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

The Bank Credit Facility has a \$25 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At September 30, 2010, we had \$9.2 million of letters of credit outstanding.

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

### *Senior Notes -*

We entered into a Note Purchase Agreement on November 15, 2005 (the “2005 Note Purchase Agreement”) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the “Series 2005A Senior Notes”) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased \$22 million in principal of the Series 2005A Senior Notes. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

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

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the “2007 Note Purchase Agreement”) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the “Series 2007A Senior Notes”) in a private placement transaction. The Series

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2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased \$93 million in principal of the Series 2007A Senior Notes. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche A	\$ 9.5 million	October 2, 2014	6.08%
Tranche B	\$ 11.0 million	October 2, 2016	6.27%
Tranche C	\$ 50.0 million	October 2, 2017	6.36%
Tranche D	\$ 36.5 million	October 2, 2019	6.48%

Interest for each tranche of Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the "Note Purchase Agreements") and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as "the Senior Notes") are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Bank Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Bank Credit Facility. We were in compliance with all financial ratios and covenants at September 30, 2010.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and Make-Whole Amounts (as defined in the Note Purchase Agreements) on the Senior Notes and the other payment and performance obligations of the Company contained in the Senior Notes and in the Note Purchase Agreements. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Senior Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a Make-Whole Amount. The Make-Whole Amount is computed by discounting the remaining scheduled payments of interest and principal of the Senior Notes being prepaid at a discount rate equal to the sum of 50 basis points and the yield to maturity of U.S. treasury securities having a maturity equal to the remaining average life of the Senior Notes being prepaid.

### (L) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At September 30, 2010, we had contingent liabilities under these outstanding letters of credit of approximately \$9.2 million.

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

	<u>As of and For the Three Months</u> <u>Ended September 30,</u>		<u>As of and For the Six Months</u> <u>Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(dollars in thousands)</u>		<u>(dollars in thousands)</u>	
Accrual Balances at Beginning of Period	\$ 6,448	\$ 6,046	\$ 6,384	\$ 5,794
Insurance Expense Accrued	792	692	1,546	1,669
Payments	(394)	(126)	(1,084)	(851)
Accrual Balance at End of Period	<u>\$ 6,846</u>	<u>\$ 6,612</u>	<u>\$ 6,846</u>	<u>\$ 6,612</u>

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

We are currently contingently liable for performance under \$9.0 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

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

In June 2010, we received a Notice of Deficiency (“Notice”) (commonly referred to as a “90 Day Letter”) of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75.0 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. We have filed refund claims with the IRS to recover all \$98.7 million, plus interest, and in the event those refund claims are denied, we will file a lawsuit in Federal District Court to recover the requested refunds.

In connection with the application of the \$98.7 million in deposits to payment of Federal taxes, we also paid \$5.8 million in state income taxes to various states during the quarter ended September 30, 2010.

In the event we reach a settlement with the IRS through negotiation or in the courts, we will reverse any accrued taxes, interest and penalties in excess of the negotiated settlement through the Consolidated Statement of Earnings. In the event we are unable to negotiate a settlement, we believe we have a substantial basis for our tax position, and intend to vigorously contest the proposed adjustment in court. At this time, we are unable to predict with certainty the ultimate outcome or how much of the amounts paid for tax, interest, and penalties to the IRS and state taxing authorities will be recovered, if any. We were notified in October 2010 that the IRS will begin examination of our fiscal 2007 tax return.

### **(M) SEGMENT INFORMATION**

Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by our chief operating decision maker in order to allocate resources and assess performance.

We operate in four business segments: Cement, Gypsum Wallboard, Recycled Paperboard, and Concrete and Aggregates, with Cement and Gypsum Wallboard being our principal lines of business. These operations are conducted in the United States and include the mining of limestone and the manufacture, production, distribution and sale of portland cement (a basic construction material which is the essential binding ingredient in concrete), mining of gypsum and the manufacture and sale of gypsum wallboard, the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters and the sale of readymix concrete and the mining and sale of aggregates (crushed stone, sand and gravel). These products are used primarily in commercial and residential construction, public construction and projects to build, expand and repair roads and highways.

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

We conduct one of our four cement plant operations, Texas Lehigh Cement Company LP in Buda, Texas, through a Joint Venture. For segment reporting purposes only, we proportionately consolidate our 50% share of the Joint Venture's revenues and operating earnings, which is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance.

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
<b>Revenues -</b>				
Cement	\$ 67,813	\$ 72,857	\$ 130,275	\$ 134,957
Gypsum Wallboard	50,314	56,720	108,514	113,642
Paperboard	29,204	21,491	57,928	44,027
Concrete and Aggregates	12,940	14,130	24,263	28,740
Sub-total	160,271	165,198	320,980	321,366
Less: Intersegment Revenues	(10,208)	(10,925)	(21,283)	(21,967)
Net Revenues, including Joint Venture	150,063	154,273	299,697	299,399
Less: Joint Venture	(17,928)	(16,088)	(36,768)	(33,409)
Net Revenues	<u>\$ 132,135</u>	<u>\$ 138,185</u>	<u>\$ 262,929</u>	<u>\$ 265,990</u>
	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
<b>Intersegment Revenues -</b>				
Cement	\$ 1,164	\$ 1,241	\$ 2,156	\$ 2,833
Paperboard	8,857	9,488	18,820	18,629
Concrete and Aggregates	187	196	307	505
	<u>\$ 10,208</u>	<u>\$ 10,925</u>	<u>\$ 21,283</u>	<u>\$ 21,967</u>
<b>Cement Sales Volume (M Tons) -</b>				
Wholly -owned Operations	576	614	1,074	1,079
Joint Venture	199	176	403	363
	<u>775</u>	<u>790</u>	<u>1,477</u>	<u>1,442</u>

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	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
<b>Operating Earnings -</b>				
Cement	\$12,127	\$19,497	\$25,760	\$ 36,578
Gypsum Wallboard	1,295	1,332	6,496	4,740
Paperboard	3,833	4,369	7,627	9,402
Concrete and Aggregates	454	280	769	1,790
Other, net	175	(84)	892	3
Sub-total	17,884	25,394	41,544	52,513
Corporate General and Administrative	(4,415)	(4,851)	(8,118)	(9,144)
<b>Earnings Before Interest and Income Taxes</b>	<b>13,469</b>	<b>20,543</b>	<b>33,426</b>	<b>43,369</b>
Interest Expense, net	(3,148)	(5,601)	(8,438)	(11,234)
<b>Earnings Before Income Taxes</b>	<b>\$10,321</b>	<b>\$14,942</b>	<b>\$24,988</b>	<b>\$ 32,135</b>
<b>Cement Operating Earnings -</b>				
Wholly –owned Operations	\$ 7,967	\$14,432	\$15,088	\$ 24,212
Joint Venture	4,160	5,065	10,672	12,366
	<u>\$12,127</u>	<u>\$19,497</u>	<u>\$25,760</u>	<u>\$ 36,578</u>
<b>Capital Expenditures <sup>(1)</sup> -</b>				
Cement	\$ 1,160	\$ 6,914	\$ 3,279	\$ 9,389
Gypsum Wallboard	435	46	555	62
Paperboard	—	170	57	170
Concrete and Aggregates	577	186	1,497	243
Other	55	—	79	—
	<u>\$ 2,227</u>	<u>\$ 7,316</u>	<u>\$ 5,467</u>	<u>\$ 9,864</u>
<b>Depreciation, Depletion and Amortization <sup>(1)</sup> -</b>				
Cement	\$ 3,606	\$ 3,560	\$ 7,340	\$ 7,239
Gypsum Wallboard	5,456	5,598	10,922	11,234
Paperboard	2,260	2,278	4,519	4,559
Concrete and Aggregates	939	991	1,780	2,009
Other, net	128	207	278	412
	<u>\$12,389</u>	<u>\$12,634</u>	<u>\$24,839</u>	<u>\$ 25,453</u>
<b>As of</b>				
	<u>September 30,</u>	<u>September 30,</u>	<u>March 31,</u>	<u>March 31,</u>
	2010	2010	2010	2010
	(dollars in thousands)			
<b>Identifiable Assets <sup>(1)</sup> -</b>				
Cement	\$ 308,709		\$ 308,606	
Gypsum Wallboard	448,047		466,426	
Paperboard	146,863		149,602	
Concrete and Aggregates	54,603		51,787	
Corporate and Other	42,313		37,355	
	<u>\$ 1,000,535</u>		<u>\$1,013,776</u>	

<sup>(1)</sup> Basis conforms with equity method accounting.



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

	As of	
	September 30, 2010	March 31, 2010
	(dollars in thousands)	
Cement	\$ 8,359	\$ 8,359
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
	<u>\$ 132,515</u>	<u>\$ 132,515</u>

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. Due to the decline in operating earnings of the gypsum wallboard segment during the last year, and continuing into this year, we performed an impairment test at the end of the second quarter for the gypsum wallboard assets and goodwill, noting that there was no impairment at that time. We will continue to test for any potential impairment on a quarterly basis throughout fiscal year 2010, or until conditions in the wallboard industry improve enough for us to determine that an impairment loss is not likely to occur.

Summarized financial information for the Joint Venture that is not consolidated is set out below (this summarized financial information includes the total amount for the Joint Venture and not our 50% interest in those amounts):

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
Revenues	\$31,468	\$29,085	\$64,701	\$61,307
Gross Margin	\$ 9,242	\$11,257	\$23,361	\$26,975
Earnings Before Income Taxes	\$ 8,321	\$10,130	\$21,344	\$24,732

	As of	
	September 30, 2010	March 31, 2010
	(dollars in thousands)	
Current Assets	\$39,902	\$39,034
Non-Current Assets	\$34,425	\$37,993
Current Liabilities	\$15,206	\$11,247

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The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at September 30, 2010 is as follows:

	<u>Fair Value</u> <u>(dollars in thousands)</u>
Series 2005A Tranche A	\$ 39,835
Series 2005A Tranche B	82,179
Series 2005A Tranche C	64,657
Series 2007A Tranche A	10,260
Series 2007A Tranche B	12,023
Series 2007A Tranche C	54,325
Series 2007A Tranche D	38,644

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

**(O) INTEREST EXPENSE**

The following components are included in interest expense, net:

	<u>For the Three Months</u> <u>Ended September 30,</u>		<u>For the Six Months</u> <u>Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(dollars in thousands)</u>		<u>(dollars in thousands)</u>	
Interest (Income)	\$ (2)	\$ (6)	\$ (4)	\$ (23)
Interest Expense	4,444	4,589	8,898	9,323
Interest Expense (Income) - IRS	(1,326)	900	(546)	1,699
Other Expenses	32	118	90	235
Interest Expense, net	<u>\$ 3,148</u>	<u>\$ 5,601</u>	<u>\$ 8,438</u>	<u>\$ 11,234</u>

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

Interest expense (income) – IRS relates to interest accrued on our unrecognized tax benefits, primarily related to the Republic Asset Acquisition. During the quarter ended September 30, 2010, we paid or applied cash deposits as payments to the IRS and filed amended state tax returns and made payments for the tax years 2001 through 2006, which resulted in an adjustment of previously accrued interest expense of approximately \$1.5 million.

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

**EXECUTIVE SUMMARY**

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three and six month periods ended September 30, 2010 and 2009, respectively, reflects the Company’s four business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

We operate in cyclical commodity businesses that are directly related to the overall construction environment. Our operations, depending on each business segment, range from local in nature to national businesses. We have operations in a variety of geographic markets, which subject us to the economic conditions in each such geographic market as well as the national market. General economic downturns or localized downturns in the regions where we have operations generally have a material adverse effect on our business, financial condition and results of operations. Our Cement companies are located in geographic areas west of the Mississippi river and the Chicago, Illinois metropolitan area. Due to the low value-to-weight ratio of cement, cement is usually shipped within a 150 mile radius of the plants by truck and up to 400 miles by rail; though the price of diesel fuel may impact the truck shipping radius. Concrete and Aggregates are even more regional as those operations serve the areas immediately surrounding Austin, Texas and north of Sacramento, California. Cement, concrete and aggregates demand may fluctuate more widely because local and regional markets and economies may be more sensitive to changes than the national markets. Our Wallboard and Paperboard operations are more national in scope and shipments are made throughout the continental U.S.

We conduct one of our cement operations through a joint venture, Texas Lehigh Cement Company LP, which is located in Buda, Texas (the “Joint Venture”). We own a 50% interest in the joint venture and account for our interest under the equity method of accounting. We proportionately consolidate our 50% share of the Joint Venture’s revenues and operating earnings in the presentation of our cement segment, which is the way management organizes the segments within the Company for making operating decisions and assessing performance.

**RESULTS OF OPERATIONS**

**Consolidated Results**

	For the Three Months Ended September 30,		Change	For the Six Months Ended September 30,		Change
	2010	2009		2010	2009	
	(In thousands except per share)			(In thousands except per share)		
Revenues <sup>(1)</sup>	\$ 160,271	\$ 165,198	(3%)	\$ 320,980	\$ 321,366	—
Operating Costs <sup>(1)</sup>	(142,562)	(139,720)	2%	(280,328)	(268,940)	4%
Other Income (Expense), net	175	(84)	—	892	87	—
Operating Earnings	17,884	25,394	(30%)	41,544	52,513	(21%)
Corporate General and Administrative	(4,415)	(4,851)	(9%)	(8,118)	(9,144)	(11%)
Interest Expense, net	(3,148)	(5,601)	(44%)	(8,438)	(11,234)	(25%)
Earnings Before Income Taxes	10,321	14,942	(31%)	24,988	32,135	(22%)
Income Tax Expense	(691)	(4,520)	(85%)	(4,831)	(9,793)	(50%)
Net Earnings	\$ 9,630	\$ 10,422	(8%)	\$ 20,157	\$ 22,342	(10%)
Diluted Earnings per Share	\$ 0.22	\$ 0.24	(8%)	\$ 0.46	\$ 0.51	(10%)

<sup>(1)</sup> Total of wholly-owned subsidiaries and proportionately consolidated 50% interest in the Joint Venture’s results.

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**Net Revenues.** Net revenues decreased by 3% for the three month period ended September 30, 2010, as compared to the similar period in 2009. The decrease, during the three month period ended September 30, 2010, was due primarily to decreases in sales volume for all of our businesses except recycled paperboard, coupled with declines in average sales prices for all businesses except gypsum wallboard and recycled paperboard. Net revenues for the six months ended September 30, 2010 were relatively flat as compared to the revenues in the six month period ended September 30, 2009. Despite revenues being relatively flat, both sales volumes and average sales prices increased for our recycled paperboard business, while both sales volumes and average sales prices declined in our cement business. Additionally, average sales prices declined in our gypsum wallboard business, offsetting the increases in the recycled paperboard segment. The decreased sales volumes in our gypsum wallboard and cement segments are related to the continued downturn in the residential and commercial construction sectors, which have been disproportionately impacted by the decline in overall economic activity in the U.S. over the last two years.

**Operating Costs.** Operating costs increased 2% for the three month period ended September 30, 2010, as compared to 2009. The primary reason for the increase is the increased cost of fiber in our recycled paperboard business, offset slightly by lower natural gas costs. Operating costs increased 4% during the six month period ended September 30, 2010 as compared to the same period in 2009. This increase was primarily due to increased fiber costs in our paperboard segment and increased maintenance costs in our cement segment, partially offset by lower costs of natural gas and freight in our wallboard segment.

**Other Income.** Other income consists of a variety of items that are non-segment operating in nature and includes non-inventoried aggregates income, gypsum wallboard distribution center income, asset sales and other miscellaneous income and cost items.

**Operating Earnings.** Operating earnings decreased by 30% and 21% during the three and six month periods ended September 30, 2010, respectively, as compared to 2009, primarily due to lower revenues in all of our segments except the recycled paperboard segment. While revenues increased in our recycled paperboard segment, costs of materials, primarily fiber, increased as well, offsetting the benefit of the increased sales prices.

**Corporate General and Administrative.** Corporate general and administrative expenses declined 9% and 11% for the three and six month periods ended September 30, 2010, respectively, as compared to the similar periods in 2009. The decline in corporate general and administrative expenses is due primarily to lower incentive compensation and benefits costs due to lower operating earnings and improved overhead efficiency.

**Interest Expense, Net.** Net interest expense decreased 44% and 25% during the three and six month periods ended September 30, 2010, respectively, as compared to similar periods in 2009. The decrease in interest expense during fiscal 2011, as compared to fiscal 2010, is due to our having lower outstanding debt balances as a result of early payments, and our paying the IRS approximately \$53 million over the last year related to the Republic Asset Acquisition (See Footnote (L) to the Unaudited Consolidated Financial Statements for more details).

**Income Taxes.** The effective tax rate for the six month period ended September 30, 2010 was approximately 19% as compared to approximately 30% for the six month period ended September 30, 2009. The effective tax rate during fiscal 2011 was positively impacted by the deduction of interest and state taxes related to the payment of taxes to the IRS and state authorities for fiscal years 2001 through 2006. As of September 30, 2010 the estimated tax rate for fiscal 2011, excluding these discrete items was 25%, as compared to 31% for fiscal 2010. The expected tax rate for the full fiscal year is expected to be 25%, as compared to 26% for fiscal 2010.

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**Net Earnings and Diluted Earnings per Share.** Pre-tax earnings for the quarter of \$10.3 million decreased 31% from last year's pre-tax earnings of \$14.9 million; while pre-tax earnings for the six month period ended September 30, 2010 decreased 22% from last year's pre-tax earnings of \$32.1 million. Net earnings of \$9.6 million and diluted earnings per share of \$0.22 for the second quarter of fiscal 2011 both declined 8%, as compared to the second quarter of fiscal 2010. Net earnings of \$20.2 million for the six month period ended September 30, 2010 decreased 10%, as compared to the six month period ended September 30, 2009, while diluted earnings per share also decreased 10% for the current six month period as compared to the same six month period of the prior fiscal year.

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

	For the Three Months Ended September 30,		Percentage Change	For the Six Months Ended September 30,		Percentage Change
	2010	2009		2010	2009	
	(In thousands except per unit)			(In thousands except per unit)		
<b>Revenues <sup>(1)</sup></b>						
Cement <sup>(2)</sup>	\$ 67,813	\$ 72,857	(7%)	\$ 130,275	\$ 134,957	(3%)
Gypsum Wallboard	50,314	56,720	(11%)	108,514	113,642	(5%)
Recycled Paperboard	29,204	21,491	36%	57,928	44,027	32%
Concrete and Aggregates	12,940	14,130	(8%)	24,263	28,740	(16%)
Gross Revenues	<u>\$ 160,271</u>	<u>\$ 165,198</u>	(3%)	<u>\$ 320,980</u>	<u>\$ 321,366</u>	—
<b>Sales Volume</b>						
Cement (M Tons) <sup>(2)</sup>	775	790	(2%)	1,477	1,442	2%
Gypsum Wallboard (MMSF)	397	469	(15%)	851	914	(7%)
Recycled Paperboard (M Tons)	62	52	19%	121	108	12%
Concrete (M Yards)	123	128	(4%)	240	285	(16%)
Aggregates (M Tons)	794	883	(10%)	1,421	1,460	(3%)
<b>Average Net Sales Prices <sup>(3)</sup></b>						
Cement <sup>(2)</sup>	\$ 80.03	\$ 85.99	(7%)	\$ 80.67	\$ 87.29	(8%)
Gypsum Wallboard	96.08	92.71	4%	97.18	96.26	1%
Recycled Paperboard	474.29	415.84	14%	477.82	407.60	17%
Concrete	67.01	67.82	(1%)	65.54	68.16	(4%)
Aggregates	5.90	6.18	(5%)	5.97	6.39	(7%)
<b>Operating Earnings</b>						
Cement <sup>(2)</sup>	\$ 12,127	\$ 19,497	(38%)	\$ 25,760	\$ 36,578	(30%)
Gypsum Wallboard	1,295	1,332	(3%)	6,496	4,740	37%
Recycled Paperboard	3,833	4,369	(12%)	7,627	9,402	(19%)
Concrete and Aggregates	454	280	62%	769	1,790	(57%)
Other, net	175	(84)	—	892	3	—
Net Operating Earnings	<u>\$ 17,884</u>	<u>\$ 25,394</u>	(30%)	<u>\$ 41,544</u>	<u>\$ 52,513</u>	(21%)

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

**Cement Operations.** Revenues decreased during the three and six month periods ended September 30, 2010, as compared to the similar periods in 2009, primarily due to lower average sales prices. Sales volumes decreased slightly during the three month period ended September 30, 2010 as compared to the similar period in 2009, primarily due to reduced volumes in the Illinois and Nevada markets, offset slightly by increased volume in the Mountain market. Purchased cement sales increased to approximately 39,000 tons and 84,000 tons during the three and six month periods ended September 30, 2010, respectively, as compared to approximately 15,000 tons and 42,000 tons during the three and six month periods ended September 30, 2009, respectively. Average sales prices during the three and six month periods declined in all of our markets, but were greater in the Illinois and Mountain markets. Operating earnings declined during the second quarter and year to date in fiscal 2011, as compared to the similar periods in fiscal 2010. These declines are due primarily to decreases in the average sales prices, coupled with increased parts, supply and services costs related to major maintenance projects.

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**Gypsum Wallboard Operations.** The decrease in revenues during the three and six month periods ended September 30, 2010, as compared to the similar periods in 2009, is due primarily to the 15% and 7% decrease in sales volume, respectively, offset slightly by increased average sales prices for both periods. Sales volume continues to be adversely impacted by low demand for residential and commercial construction. Residential and commercial demand normally comprises approximately 70% of the demand for gypsum wallboard, and sharp declines in demand have reduced the consumption of gypsum wallboard by approximately 50% since its peak in calendar 2005. Average net sales prices increased slightly for both the three and six month periods ended September 30, 2010, respectively, as compared to the similar periods in 2009, primarily due to price increases implemented in early calendar 2010. Operating earnings for gypsum wallboard decreased slightly during the three month period ended September 30, 2010, as compared to the similar period in 2009, primarily due to a reduction in sales volumes, offset slightly by increased average sales prices. Operating earnings for the six month period ended September 30, 2010 increased over the similar period in 2009, primarily due to reduced operating expenses, primarily natural gas costs, offset slightly by reduced sales volumes.

**Recycled Paperboard Operations.** Net revenues increased 36% and 32% during the three and six month periods ended September 30, 2010 as compared to the similar periods in 2009, primarily due to the 19% and 12% increase in sales volume and the 14% and 17% increase in average sales price for the three and six month periods, respectively. The increase in sales volume is primarily due to increased sales of non-gypsum paper. The increase in the average selling price per ton during the three and six month periods ended September 30, 2010, as compared to the similar periods in 2009, is primarily due to the price escalators in our long-term sales agreement. Despite the increase in net revenues, operating earnings decreased 12% and 19% for the three and six month periods ended September 30, 2010 as compared to fiscal 2009, primarily due to decreases in the volume of higher margin gypsum paper sales and increases in the cost of recycled fiber, our primary raw material. Sales of gypsum paper represented 54% and 52% of our sales volume for the three and six month periods ended September 30, 2009, as compared to 40% and 42% for the similar periods of the current fiscal year. Old cardboard containers (OCC) represent the majority of our fiber purchases and the average purchase price of OCC increased 91% for the six month period ended September 30, 2010 as compared to the similar period in 2009.

**Concrete and Aggregates Operations.** The decline in both average net sales prices and sales volumes during the three and six month periods of fiscal 2011, as compared to similar periods in fiscal 2010, was the primary reason for the decline in revenue for both concrete and aggregates. Operating earnings increased during the quarter ended September 30, 2010, as compared to 2009, primarily due to reduced costs in our readymix operations. The decrease in revenues and average net sales prices were the primary reason for the decline in operating earnings during the six month period ended September 30, 2010 as compared to the similar period in 2009.

## GENERAL OUTLOOK

Calendar 2010 continues to be a very difficult year economically in the United States, and particularly in the building materials and construction products businesses. Despite the passage of the American Recovery and Reinvestment Act of 2009 (the "Act"), increases in infrastructure spending have been less than anticipated, and commercial and residential construction activity remains at cyclic low levels. Although we anticipate the administration will continue to address the current financial crisis, there can be no assurance as to the actual impact that these legislative initiatives, or any other similar governmental programs, will have on our business, financial condition or results of operations.

The U.S. wallboard industry continues to be adversely impacted by the current downturn in the residential and commercial construction markets, which has resulted in the industry continuing to operate at a utilization rate of approximately 50%. The reduction in capacity utilization continues to negatively impact gypsum wallboard pricing. We do not anticipate wallboard consumption to improve significantly during the remainder of fiscal 2011.

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

Cement demand in all U.S. regions continues to be impacted by reduced residential housing construction, the continued softening of the commercial construction market and the expanding state government budget deficits, which are expected to hinder cement consumption during the remainder of calendar 2010. Cement consumption in the U.S. declined approximately 3% during the first eight months of calendar 2010, as compared to the first eight months of calendar 2009. Imported cement comprised approximately 8% of the total cement consumption through August 2010, which is consistent with the same period in 2009. We anticipate cement consumption for the rest of calendar 2010 to be consistent with cement consumption during calendar 2009.

We anticipate concrete and aggregate sales volumes and sales prices to be depressed throughout the remainder of calendar 2010 in our markets as both residential and infrastructure spending remain soft.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

### **Recent Accounting Pronouncements**

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

**LIQUIDITY AND CAPITAL RESOURCES****Cash Flow.**

The following table provides a summary of our cash flows:

	For the Six Months Ended September 30,	
	2010	2009
	(dollars in thousands)	
Net Cash Provided by Operating Activities	\$ 26,963	\$ 59,045
Investing Activities:		
Capital Expenditures	(5,467)	(9,864)
Proceeds from Sale of Property, Plant and Equipment	600	—
Net Cash Used in Investing Activities	<u>(4,867)</u>	<u>(9,864)</u>
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	375	197
Increase (Decrease) in Notes Payable	(8,000)	(55,000)
Dividends Paid	(8,797)	(8,715)
Proceeds from Stock Option Exercises	911	950
Net Cash Provided by (Used in) Financing Activities	<u>(15,511)</u>	<u>(62,568)</u>
Net Increase (Decrease) in Cash	<u>\$ 6,585</u>	<u>\$ (13,387)</u>

Cash flow from operating activities decreased by approximately \$32.1 million during the six month period ended September 30, 2010, as compared to the similar period in 2009, primarily due to the \$29.5 million payment for Federal and state taxes as explained in Footnote (L) of the Unaudited Consolidated Financial Statements. Use of cash from changes in operating assets and liabilities, excluding income taxes payable, was \$2.3 million during the six months ended September 30, 2010, as compared to cash provided of \$5.7 million during the similar period in 2009. This decrease was caused primarily by timing of accounts payable and greater inventory reductions in fiscal 2010 as compared to fiscal 2011.

Net cash used in investing activities during the six month period ended September 30, 2010 was approximately \$5.0 million less than cash used for that purpose in the similar period in 2009. Although capital expenditures decreased during the first six months of fiscal 2011, as compared to fiscal 2010, we still expect capital expenditures for the full year of fiscal 2011 to be consistent with capital expenditures during fiscal 2010.

In June 2010, we received a Notice of Deficiency (“Notice”) (commonly referred to as a “90 Day Letter”) of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. We have filed refund claims with the IRS to recover all \$98.7 million and, in the event those refund claims are denied, we will file a lawsuit in Federal District Court to recover the requested refunds. See Footnote (L) of the Unaudited Consolidated Financial Statements for additional information.

Net cash used in financing activities was \$15.5 million during the six month period ended September 30, 2010, as compared to net cash used in financing activities of \$62.5 million during the six month period ended September 30, 2009. The decrease in cash used in financing activities is primarily due to the reduction in debt repayments during the six months ended September 30, 2010, as compared to the similar period in 2009. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio declined to 38.7% and 38.1%, respectively, at September 30, 2010, as compared to 40.2% and 40.0%, respectively, at March 31, 2010.



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Working capital decreased to \$86.8 million at September 30, 2010, compared to \$89.4 million at March 31, 2010, primarily due to our classification of \$10.0 million owed under our Bank Credit Facility as current during the quarter ended September 30, 2010. The decrease in working capital due to the reclassification of the Bank Credit Facility was slightly offset by increased cash and accounts and notes receivable. We did not have any material contractual obligations related to long-term capital projects at September 30, 2010. We were in compliance at September 30, 2010 with all the terms and covenants of our credit agreements.

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

### ***Debt Financing Activities.***

#### *Bank Credit Facility -*

We entered into a \$350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the "Bank Credit Facility") to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. Our Bank Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Bank Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to earnings before interest, taxes, depreciation and amortization) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest and taxes to interest expense) of at least 2.5. The Bank Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year if no default exists or would result therefrom; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

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

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### *Senior Notes -*

We entered into a Note Purchase Agreement on November 15, 2005 (the “2005 Note Purchase Agreement”) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the “Series 2005A Senior Notes”) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased \$22 million in principal of the Series 2005A Senior Notes. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

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

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the “2007 Note Purchase Agreement”) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the “Series 2007A Senior Notes”) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased \$93 million in principal of the Series 2007A Senior Notes. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	<u>Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Tranche A	\$ 9.5 million	October 2, 2014	6.08%
Tranche B	\$11.0 million	October 2, 2016	6.27%
Tranche C	\$50.0 million	October 2, 2017	6.36%
Tranche D	\$36.5 million	October 2, 2019	6.48%

Interest for each tranche of Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche.

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the “Note Purchase Agreements”) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as “the Senior Notes”) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Bank Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Bank Credit Facility.

Other than the Bank Credit Facility, we have no other source of committed external financing in place. In the event the Bank Credit Facility were terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if any balance were outstanding on the Bank Credit Facility at the time of termination, and an alternative source of financing could not be secured, it could have a material adverse impact on us. None of our debt is rated by the rating agencies.

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

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We do not have any off balance sheet debt, except for approximately \$12 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the Bank Credit Facility a \$25 million Letter of Credit Facility. At September 30, 2010, we had \$9.2 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$9.0 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Bank Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for at least the next twelve months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to renew our Bank Credit Facility and maintain compliance with the covenants thereunder, the level of competition and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

### ***Cash Used for Share Repurchases.***

We did not repurchase any of our shares during the six month period ended September 30, 2010. As of September 30, 2010, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by management, based on its evaluation of market and economic conditions and other factors.

During the quarter ended September 30, 2010, 3,401 shares of stock were withheld from employees upon the vesting of Restricted Shares that were granted under the Plan. These shares were withheld by us to satisfy the employees' minimum statutory tax withholding, which is required once the Restricted Shares are vested.

### ***Dividends.***

Dividends paid were \$8.8 million and \$8.7 million for the six month periods ended September 30, 2010 and 2009, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

### ***Capital Expenditures.***

The following table compares capital expenditures:

	<b>For the Six Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(dollars in thousands)</b>	
Land and Quarries	\$ —	\$ 4,223
Plants	4,465	4,179
Buildings, Machinery and Equipment	<u>1,002</u>	<u>1,462</u>
Total Capital Expenditures	<u>\$ 5,467</u>	<u>\$ 9,864</u>

For fiscal 2011, we expect capital expenditures of approximately \$15.0 to \$20.0 million. Historically, we have financed such expenditures with cash from operations and borrowings under our revolving credit facility.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks related to fluctuations in interest rates on our Bank Credit Facility. From time-to-time we have utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. Outstanding borrowings under the Bank Credit Facility were \$10 million at September 30, 2010. At present, we do not utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing use of alternative fuels.

**Item 4. Controls and Procedures**

We have established a system of disclosure controls and procedures that are designed to ensure that information relating to the Company, which is required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (“Exchange Act”), is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a timely fashion. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this quarterly report. This evaluation was performed under the supervision and with the participation of management, including our CEO and CFO. Based upon that evaluation, our CEO and CFO have concluded that these disclosure controls and procedures were effective.

**Part II. Other Information**

**ITEM 1. LEGAL PROCEEDINGS**

On October 5, 2010, Region IX of the U.S. Environmental Protection Agency (“EPA”) issued a Notice of Violation and Finding of Violation (“NOV”) alleging violations by our subsidiary, Nevada Cement Company (“NCC”), of the Clean Air Act (“CAA”). NCC had previously responded to an EPA request for information pursuant to Section 114 of the CAA. The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits as required by the Prevention of Significant Deterioration requirements and Title V permit requirements of the CAA. The EPA also alleges that NCC has failed to submit to EPA since 2002 certain reports as required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. The NOV states that the EPA may seek penalties although it does not propose or assess any specific level of penalties or specify what relief the EPA will seek for the alleged violations. NCC believes it has substantial meritorious defenses to the allegations in the NOV. NCC has requested a conference with the EPA to present its defenses and to potentially negotiate resolution of the NOV with the EPA. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. If litigation regarding this matter occurs, it could take many years to resolve the underlying issues alleged in the NOV. We are currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon our financial position or results of operations. Another of our subsidiaries, Mountain Cement Company, is in the process of responding to a separate Section 114 information request letter from EPA under the CAA seeking information similar to the request previously received by NCC.

**ITEM 1A. RISK FACTORS**

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

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

*Our business is seasonal in nature, and this causes our quarterly results to vary significantly.*

A majority of our business is seasonal with peak revenues and profits occurring primarily in the months of April through November when the weather in our markets is more favorable to construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly from quarter to quarter in the future. Such variations could have a negative impact on the price of our common stock.

***Our customers participate in cyclical industries, which are subject to industry downturns.***

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

***Our operations and our customers are subject to extensive governmental regulation, which can be costly and burdensome.***

Our operations and those of our customers are subject to and affected by federal, state and local laws and regulations with respect to such matters as land usage, street and highway usage, noise level and health and safety and environmental matters. In many instances, various certificates, permits or licenses are required in order for us or our customers to conduct business or for construction and related operations. Although we believe that we are in compliance in all material respects with regulatory requirements, there can be no assurance that we will not incur material costs or liabilities in connection with regulatory requirements or that demand for our products will not be adversely affected by regulatory issues affecting our customers. In addition, future developments, such as the discovery of new facts or conditions, new or stricter laws or regulations (including without limitation, climate change legislation described below), or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us or prevent us from opening or expanding plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

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

In addition, the EPA is taking steps that would result in the regulation of GHGs as pollutants under the Clean Air Act. On September 22, 2009, the EPA issued a "Mandatory Reporting of Greenhouse Gases" final rule, which took effect December 29, 2009. This rule establishes a new comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. In addition, on December 15, 2009, the EPA published a final rule finding that emissions of GHGs from automobiles endanger public health and welfare and proposed a rule to limit GHG emissions from automobiles. This rule, according to EPA, will trigger construction and operating permit requirements for large stationary sources, including cement plants. In a final rule issued on May 13, 2010, known as EPA's "Tailoring Rule," any modification or expansion of our existing plants (or construction of a new plant) after January 1, 2011 that triggers New Source Review ("NSR") requirements for non-GHG emissions will also trigger NSR for GHG if our proposed GHG emissions exceed 75,000 tons per year. This would require the permitting of, and evaluation of potential controls for, GHG emissions. Effective July 1, 2011, any modification or expansion of our existing plants that results in an increase of our GHG emissions in excess of 75,000 tons per year, or construction of a new plant with the potential to emit 100,000 tons per year, will require NSR permitting and the

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implementation “best available control technology” for GHG emissions. These limitations on emissions of GHGs from our equipment or operations could require us to incur costs to reduce such emissions and could ultimately affect our operations and our ability to obtain air permits for new or modified facilities.

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

On, September 9, 2010, the EPA finalized the National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for Portland cement plants (“PC MACT”). The PC MACT will require a significant reduction in emissions of certain hazardous air pollutants from Portland cement kilns. The PC MACT sets limits on mercury emissions from existing Portland cement kilns and increases the stringency of emission limits for new kilns. The PC MACT also sets emission limits for total hydrocarbons, particulate matter and sulfur dioxide from cement kilns of all sizes and would reduce hydrochloric acid emissions from kilns that are large emitters. The PC MACT takes full effect in 2013, although there is an opportunity for a one-year delay under certain circumstances. This rule will materially increase capital costs and costs of production for the Company and the industry as a whole.

The EPA recently released proposed regulations to address the storage and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum (“synthetic gypsum”). We use synthetic gypsum in wallboard manufactured at our Georgetown, SC plant. In its release, the EPA is proposing two alternative regulations. Under one proposal, the EPA would characterize coal combustion products destined for disposal as a special waste under Subtitle C of the Resource Conservation and Recovery Act (“RCRA”), which is the Subtitle that regulates hazardous wastes. However, under this proposal, beneficial use of coal combustion products, including synthetic gypsum, would continue to be exempt under the Bevill Amendment and not warrant regulation. Under the other proposal, the EPA would continue to regulate coal combustion products under Subtitle D of RCRA, which regulates solid wastes that are not hazardous wastes. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion products under either of its two proposals. Because the EPA’s proposed regulations must go through a public comment period before becoming final, it is not possible to accurately predict the regulations that will be ultimately adopted. However, it is possible that EPA’s rulemaking could affect our business, financial condition and results of operations, depending on how any such regulation affects our costs or the demand for our products utilizing synthetic gypsum.

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

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

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

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

***Increases in interest rates could adversely affect demand for our products, which would have an adverse effect on our results of operations.***

Our business is significantly affected by the movement of interest rates. Interest rates have a direct impact on the level of residential, commercial and infrastructure construction activity. Higher interest rates could result in decreased demand for our products, which would have a material adverse effect on our business and results of operations. In addition, increases in interest rates could result in higher interest expense related to borrowings under our credit facilities.

***Our results of operations are subject to significant changes in the cost and availability of fuel, energy and other raw materials.***

Major cost components in each of our businesses are the cost of fuel, energy and raw materials. Significant increases in the cost of fuel, energy or raw materials or substantial decreases in their availability could materially and adversely affect our sales and operating profits. Prices for fuel, energy or raw materials used in connection with our businesses could change significantly in a short period of time for reasons outside our control. Prices for fuel and electrical power, which are significant components of the costs associated with our gypsum wallboard and cement businesses, have fluctuated significantly in recent years and are expected to increase in the future. In the event of large or rapid increases in prices, we may not be able to pass the increases through to our customers in full, which would reduce our operating margin.

***We may become subject to significant clean-up, remediation and other liabilities under applicable environmental laws.***

Our operations are subject to state, federal and local environmental laws and regulations, which impose liability for cleanup or remediation of environmental pollution and hazardous waste arising from past acts. These laws and regulations also require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of our operations. Certain of our operations may from time-to-time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Additionally, any future laws or regulations addressing greenhouse gas emissions would likely have a negative impact on our business or results of operations, either through the imposition of raw material or production limitations, fuel-use or carbon taxes or emission limitations or reductions. We are unable to estimate accurately the impact on our business or results of operations of any such law or regulation at this time. Risk of environmental liability (including the incurrence of fines, penalties or other sanctions or litigation liability) is inherent in the operation of our businesses. As a result, it is possible that environmental liabilities and compliance with environmental regulations could have a material adverse effect on our operations in the future. See "Item 1. Business – Environmental Matters" in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 27, 2010, for more information on our regulatory and environmental matters.

***Significant changes in the cost and availability of transportation could adversely affect our business, financial condition and results of operations.***

Some of the raw materials used in our manufacturing processes, such as coal or coke, are transported to our facilities by truck or rail. In addition, the transportation costs associated with the delivery of our wallboard products are a significant portion of the variable cost of our gypsum wallboard segment. Significant increases in the cost of fuel or energy can result in material increases in the cost of transportation which could materially and adversely affect our operating profits. In addition, reductions in the availability of certain modes of transportation such as rail or trucking could limit our ability to deliver product and therefore materially and adversely affect our operating profits.



***Our debt agreements contain restrictive covenants and require us to meet certain financial ratios and tests, which limit our flexibility and could give rise to a default if we are unable to remain in compliance.***

Our amended and restated credit agreement and the note purchase agreements governing our senior notes contain, among other things, covenants that limit our ability to finance future operations or capital needs or to engage in other business activities, including our ability to:

- Incur additional indebtedness;
- Sell assets or make other fundamental changes;
- Engage in mergers and acquisitions;
- Pay dividends and make other restricted payments;
- Make investments, loans, advances or guarantees;
- Encumber the assets of the Company and its restricted subsidiaries;
- Enter into transactions with our affiliates.

In addition, these agreements require us to meet and maintain certain financial ratios and tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including the severity and duration of the current industry downturn and changes in general business and economic conditions, may impair our ability to comply with these covenants or meet those financial ratios and tests. A breach of any of these covenants or failure to maintain the required ratios and meet the required tests may result in an event of default under those agreements. This may allow the lenders under those agreements to declare all amounts outstanding thereunder to be immediately due and payable, terminate any commitments to extend further credit to us and pursue other remedies available to them under the applicable agreements. If this occurs, our indebtedness may be accelerated and we may not be able to refinance the accelerated indebtedness on favorable terms, or at all, or repay the accelerated indebtedness.

***Our production facilities may experience unexpected equipment failures, catastrophic events and scheduled maintenance.***

Interruptions in our production capabilities may cause our productivity and results of operations to decline significantly during the affected period. Our manufacturing processes are dependent upon critical pieces of equipment. Such equipment may, on occasion, be out of service as a result of unanticipated events such as fires, explosions, violent weather conditions or unexpected operational difficulties. We also have periodic scheduled shut-downs to perform maintenance on our facilities. Any significant interruption in production capability may require us to make significant capital expenditures to remedy problems or damage as well as cause us to lose revenue due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

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

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

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***Inflation and increases in interest rates could adversely affect our business and demand for our products, which would have an adverse effect on our results of operations.***

Our business is significantly affected by the movement of interest rates. Interest rates have a direct impact on the level of residential, commercial and infrastructure construction activity by impacting the cost of borrowed funds to builders. Higher interest rates could result in decreased demand for our products, which would have a material adverse effect on our business and results of operations. In addition, increases in interest rates could result in higher interest expense related to borrowings under our credit facilities. Inflation can result in higher interest rates. With inflation, the costs of capital increase, and the purchasing power of our cash resources can decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and its direct and indirect adverse impact on our business and results of operations.

***Volatility and disruption of financial markets could affect access to credit.***

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

***This report includes various forward-looking statements, which are not facts or guarantees of future performance and which are subject to significant risks and uncertainties.***

This report and other materials we have filed or will file with the SEC, as well as information included in oral statements or other written statements made or to be made by us, contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “may,” “can,” “could,” “might,” “will” and similar expressions identify forward-looking statements, including statements related to expected operating and performing results, planned transactions, plans and objectives of management, future developments or conditions in the industries in which we participate, including future prices for our products, audits and legal proceedings to which we are a party and other trends, developments and uncertainties that may affect our business in the future.

Forward-looking statements are not historical facts or guarantees of future performance but instead represent only our beliefs at the time the statements were made regarding future events, which are subject to significant risks, uncertainties, and other factors, many of which are outside of our control. Any or all of the forward-looking statements made by us may turn out to be materially inaccurate. This can occur as a result of incorrect assumptions, changes in facts and circumstances or the effects of known risks and uncertainties. Many of the risks and uncertainties mentioned in this report or other reports filed by us with the SEC, including those discussed in the risk factor section of this report, will be important in determining whether these forward-looking statements prove to be accurate. Consequently, neither our stockholders nor any other person should place undue reliance on our forward-looking statements and should recognize that actual results may differ materially from those that may be anticipated by us.

All forward-looking statements made in this report are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed in this report will increase with the passage of time. We undertake no obligation, and disclaim any duty, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in our expectations or otherwise.

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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The disclosure required under this Item is included in Part 1. of this Quarterly Report on Form 10-Q under the heading “Cash Used for Share Repurchase” and is incorporated herein by reference.

**Item 5. Other Information**

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted on July 21, 2010, requires that mine operators provide certain safety information in their periodic reports filed with the SEC, such as the number of certain types of violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the Mine Safety and Health Administration (“MSHA”).

The following table provides the required information for the three-month period ended September 30, 2010 for our locations with reportable information. Our other covered locations did not have any reportable information.

<u>Quarry Site (MSHA ID)</u>	<u>Total # of S&amp;S violations under Mine Act §104</u>	<u>Total # of orders under Mine Act §104(b)</u>	<u>Total # of unwarrantable failure citations and orders under Mine Act §104(d)</u>	<u>Total # of violations under Mine Act §110(b) (2)</u>	<u>Total # of orders under Mine Act §107(a)</u>	<u>Total dollar value of proposed assessments from MSHA (\$ in thousands)</u>	<u>Total # of mining related fatalities</u>	<u>Received written notice under Mine Act §104(e) (yes/no)?</u>	<u>Total # of pending legal actions before the Federal Mine Safety and Health Review Commission</u>
American Gypsum Company, LLC Duke, OK (3400256)	1	0	0	0	0	\$ 1	0	No	0
Mountain Cement Company Laramie, WY (4800007)	11	0	0	1	0	\$108	0	No	2
Illinois Cement Company LaSalle, IL (1100003)	4	0	0	0	0	\$ 3	0	No	2
Nevada Cement Company Fernley, NV (2600015)	9	0	3	0	0	\$ 2	0	No	3
Centex Materials Buda, TX (4102241)	0	0	0	0	0	\$ 1	0	No	0
Western Aggregates Marysville, CA (0404950)	0	0	0	0	0	\$ 1	0	No	2

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<b>Item 6.</b>	<b>Exhibits</b>
10.1*	Eagle Materials Inc. Director Compensation Summary. <sup>(1)</sup>
10.2*	Form of Director Non-Qualified Stock Option Agreement. <sup>(1)</sup>
10.3*	Eagle Materials Inc. Amended and Restated Incentive Plan. <sup>(1)</sup>
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the Securities and Exchange Commission on November 5, 2010, formatted in eXtensible Business Reporting Language (“XBRL”): (i) the consolidated income statements for the three month periods ended September30, 2010 and September30, 2009, (ii) the consolidated balance sheets at September30, 2010 and March 31, 2010, (iii) the consolidated statements of cash flows for the three months ended September30, 2010 and September30, 2009, and (iv) the notes to the consolidated financial statements (tagged as blocks of text). <sup>(2)</sup>

\* Filed herewith.

<sup>(1)</sup> Management contract or compensatory plan or arrangement.

<sup>(2)</sup> Pursuant to Rule 406T of Regulation S-T, the interactive files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**SIGNATURES**

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

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EAGLE MATERIALS INC.

Registrant

November 5, 2010

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/s/ STEVEN R. ROWLEY

Steven R. Rowley  
President and Chief Executive Officer  
(principal executive officer)

November 5, 2010

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/s/ D. CRAIG KESLER

D. Craig Kesler  
Executive Vice President – Finance and  
Administration and Chief Financial Officer  
(principal financial officer)

November 5, 2010

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/s/ WILLIAM R. DEVLIN

William R. Devlin  
Senior Vice President – Controller and  
Chief Accounting Officer  
(principal accounting officer)

**EAGLE MATERIALS INC.**  
**Non-Employee Directors — Compensation Summary**  
**Effective August 2010 to July 2011**

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

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

The equity grant under either alternative is comprised of options to purchase common stock of the Company, par value \$0.01 (“Common Stock”). In accordance with the terms of the Eagle Materials Inc. Incentive Plan (as in effect on the date of grant), the exercise price of the stock options is set at 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 option shares granted is determined as of the date of the grant by using the Black-Scholes method. All options are fully exercisable when granted and have a seven-year term.

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

If directors hold restricted stock units (“RSUs”) granted as part of director compensation in prior fiscal years (which includes all directors other than Richard Stewart), these directors will receive dividend equivalent units as and when the Company issues a cash dividend on the Common Stock in accordance with the terms of the RSUs.

All directors are reimbursed for reasonable expenses of attending meetings.

EAGLE MATERIALS INC.  
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 August 4, 2010 (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 \$24.955 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 seventh anniversary of the Award Date;

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

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

(d) if Optionee's service as a Director is terminated due to death at any time after the Award Date and while in the service of the Company or within 90 days after 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.

If the Optionee desires to pay the purchase price for the Option Shares by tendering Common Stock using the method of attestation, the Optionee may, subject to any such conditions and in compliance with any such procedures as the Committee may adopt, do so by



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

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

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

#### *5. Notices.*

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

(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, except as otherwise provided in this Agreement.

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

*7. Stock Certificates.*

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

*8. Shareholder Rights.*

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

*9. Successors and Assigns.*

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

*10. No Service Guaranteed.*

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

11. *Governing Law.*

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

12. *Amendment.*

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

**EAGLE MATERIALS INC.**

Date: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Steven R. Rowley  
Title: President and CEO

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

**OPTIONEE:**

Date: \_\_\_\_\_  
[name]  
[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.

**EAGLE MATERIALS INC.  
INCENTIVE PLAN**

**(As Amended and Restated as of August 5, 2010)**

1. **Plan.** This Eagle Materials Inc. Incentive Plan (the "Plan") constitutes an amendment and restatement in its entirety of the Centex Construction Products, Inc. Incentive Plan originally effective January 8, 2004, as thereafter amended ("Existing Plan").

2. **Objectives.** The purpose of this Plan is to further the interests of the Corporation and its shareholders by providing incentives in the form of Awards to key Employees and Nonemployee Directors who can contribute materially to the success and profitability of the Corporation and its Affiliates. Such Awards will recognize and reward outstanding performances and individual contributions and give Participants in the Plan an interest in the Corporation parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Corporation's continued success and progress. This Plan will also enable the Corporation and its Affiliates to attract and retain such Employees and Nonemployee Directors.

3. **Definitions.** As used herein, the terms set forth below shall have the following respective meanings:

"*Affiliate*" means a Subsidiary or Joint Venture.

"*Authorized Officer*" means the Chief Executive Officer of the Corporation (or any other senior officer of the Corporation to whom he or she shall delegate the authority to execute any Award Agreement, where applicable).

"*Award*" means an Employee Award or a Director Award.

"*Award Agreement*" means a written agreement setting forth the terms, conditions and limitations applicable to an Award, to the extent the Committee determines such agreement is necessary.

"*Board*" means the Board of Directors of the Corporation.

"*Cash Award*" means an award denominated in cash.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Committee*" means the independent Compensation Committee of the Board as is designated by the Board to administer the Plan.

"*Common Stock*" means the Common Stock, par value \$.01 per share, of Eagle Materials Inc.

"*Corporation*" means Eagle Materials Inc., a Delaware corporation, or any successor thereto.

"*Director*" means an individual who is a member of the Board.

"*Director Award*" means any Nonqualified Options or Stock Award granted, whether singly, in combination or in tandem, to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

“*Disability*” means a disability that renders the Participant unable to engage in any occupation in accordance with the terms of the Long Term Disability Plan of Eagle Materials Inc.

“*Dividend Equivalents*” means, with respect to Stock Units or shares of Restricted Stock that are to be issued at the end of the Restriction Period, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the Restriction Period on a like number of shares of Common Stock.

“*Employee*” means an employee of the Corporation or any of its Affiliates and an individual who has agreed to become an Employee of the Corporation or any of its Affiliates and actually becomes such an Employee within the following six months.

“*Employee Award*” means any Option, SAR, Stock Award, Cash Award, or Performance Award granted, whether singly, in combination or in tandem, to a Participant who is an Employee pursuant to such applicable terms, conditions and limitations (including treatment as a Performance Award) as the Committee may establish in order to fulfill the objectives of the Plan.

“*Employee Director*” means an individual serving as a member of the Board who is an Employee of the Corporation or any of its Affiliates.

“*Equity Award*” means any Option, SAR, Stock Award, or Performance Award (other than a Performance Award denominated in cash) granted to a Participant under the Plan.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Fair Market Value*” of a share of Common Stock means, as of a particular date, (i) if Common Stock is listed or admitted to trading on the New York Stock Exchange, the closing sales price per share of Common Stock as reported on New York Stock Exchange Composite Trading Listings or a similar report selected by the Committee on that date, or if there shall have been no such sale reported on that date, on the last preceding date on which such a sale was so reported, (ii) if the shares of Common Stock are not listed on the New York Stock Exchange but are listed on a securities exchange other than the New York Stock Exchange, the closing sales price per share of Common Stock as reported on the date in question on the principal securities exchange on which the shares of Common Stock are then listed or admitted to trading, or (iii) if shares of Common Stock are not listed on a securities exchange, (A) the most recent value determined by an independent appraiser appointed by the Corporation for such purpose or (B) if applicable, the price per share of Common Stock as determined in accordance with the procedures of a third party administrator retained by the Corporation to administer the Plan.

“*Grant Date*” means the date an Award is granted to a Participant pursuant to the Plan. The Grant Date for a substituted award is the Grant Date of the original award.

“*Grant Price*” means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Award. With respect to an Award of an Option or SAR, the Grant Price shall not be less than the Fair Market Value of a share of Common Stock on the date on which the Award is granted.

“*Incentive Stock Option*” means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

“*Joint Venture*” means any joint venture or partnership in which the Corporation has at least 50% ownership, voting, capital or profit interests (in whatever form) and which is a subsidiary of the Corporation within the meaning of the Securities Act of 1933, as amended.

“*Non-Employee Director*” means an individual serving as a member of the Board who is not an Employee of the Corporation or any of its Affiliates.



“*Non-Qualified Stock Option*” means an Option that is not an Incentive Stock Option.

“*Option*” means a right to purchase a specified number of shares of Common Stock at a specified Grant Price, which may be an Incentive Stock Option or a Nonqualified Stock Option.

“*Participant*” means an Employee or Nonemployee Director to whom an Award has been granted under this Plan.

“*Performance Award*” means an Award made pursuant to this Plan that is subject to the attainment in the future of one or more Performance Goals.

“*Performance Goal*” means a standard established by the Committee, to determine in whole or in part whether a Qualified Performance Award shall be earned.

“*Qualified Performance Award*” means a Performance Award made to a Participant who is an Employee that is intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, as described in Section 8(a)(v)(B) of the Plan.

“*Restricted Stock*” means Common Stock that is restricted or subject to forfeiture provisions.

“*Restriction Period*” means a period of time beginning as of the Grant Date of an Award of Restricted Stock and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

“*Section 409A*” shall mean Section 409A of the Code and related U.S. Department of Treasury regulations and pronouncements.

“*Shareholder Effective Date*” shall mean the date of the first shareholder’s meeting that occurs in the Corporation’s fiscal year beginning on April 1, 2009.

“*Stock Appreciation Right*” or “*SAR*” means a right to receive a payment, in cash, Common Stock or a combination of cash and Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over a specified Grant Price, in each case, as determined by the Committee.

“*Stock Award*” means an Award, other than Options or SARs, in the form of shares of Common Stock or Stock Units, including an award of Restricted Stock.

“*Stock Unit*” means a unit evidencing the right to receive in specified circumstances one share of Common Stock (as determined by the Committee) granted to either an Employee or a Nonemployee Director.

“*Subsidiary*” means any corporation, partnership, limited liability company or other business venture or entity of which the Corporation directly or indirectly owns 50% or more of the ownership interest in such entity, as determined by the Committee in its sole and absolute discretion (such determination by the Committee to be conclusively established by the grant of an Award by the Committee to an officer or employee of such an entity).

#### 4. Eligibility.

- (a) Employees. Employees eligible for the grant of Employee Awards under this Plan are those Employee Directors and Employees who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Corporation and its Affiliates.

(b) Directors. Members of the Board eligible for the grant of Director Awards under this Plan are those who are Nonemployee Directors.

5. Common Stock Available for Awards. Subject to the provisions of paragraph 16 hereof, there shall be available for Awards under this Plan granted or payable wholly or partly in Common Stock (including rights or Options that may be exercised for or settled in Common Stock) an aggregate of 3,000,000 shares of Common Stock plus (i) the number of shares of Common Stock that are the subject of Awards outstanding on the Shareholder Effective Date and (ii) the number of shares of Common Stock that remain available for Award under the Existing Plan on the Shareholder Effective Date. All of the shares authorized for issuance may be issued pursuant to Incentive Options, Nonqualified Stock Options or any combination thereof. No more than 1,000,000 shares of Common Stock are available for issuance pursuant to Stock Awards (including Stock Awards that are granted as Performance Awards).

The number of shares of Common Stock that are the subject of Awards under this Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or otherwise in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not involve Common Stock, shall not be counted against the aggregate plan maximum or any sublimit set forth above and shall again immediately become available for Awards hereunder. Notwithstanding the foregoing, in connection with the granting of Options and SARs, the number of shares of Common Stock available for issuance under this Plan shall be reduced by the number of shares of Common Stock in respect of which the Option or SAR is granted or denominated. For example, upon the grant of stock-settled SARs, the number of shares of Common Stock available for issuance under this Plan shall be reduced by the full number of SARs granted, and the number of shares of Common Stock available for issuance under this Plan shall not thereafter be increased upon the exercise of the SARs and settlement in shares of Common Stock, even if the actual number of shares of Common Stock delivered in settlement of the SARs is less than the full number of SARs exercised. Any shares of Common Stock that are tendered by a Participant or withheld as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award under this Plan shall not be added back to the number of shares of Common Stock available for issuance under this Plan. Shares of Common Stock delivered under the Plan as an Award or in settlement of an Award issued or made (a) upon the assumption, substitution, conversion or replacement of outstanding awards under a plan or arrangement of an entity acquired in a merger or other acquisition or (b) as a post-transaction grant under such a plan or arrangement of an acquired entity shall not reduce or be counted against the maximum number of shares of Common Stock available for delivery under the Plan, to the extent that the exemption for transactions in connection with mergers acquisitions from the shareholder approval requirements of the New York Stock Exchange for equity compensation plans applies. The Board and the appropriate officers of the Corporation are authorized to take from time to time whatever actions are necessary, and to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

#### 6. Administration.

- (a) This Plan shall be administered by the Committee except as otherwise provided herein.
- (b) Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Corporation and in keeping with the objectives of this Plan. To the extent not inconsistent with the other provisions of the Plan, the Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions

applicable to an Award, waive any restriction or other provision of this Plan (insofar as such provision relates to Awards) or an Award or otherwise amend or modify an Award in any manner that is either (i) not adverse to the Participant to whom such Award was granted or (ii) consented to by such Participant. Except in connection with a corporate transaction involving the Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel, exchange, substitute, buyout or surrender outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without stockholder approval. The Committee may make an Award to an individual who it expects to become an Employee of the Corporation or any of its Affiliates within the next six months, with such award being subject to the individual's actually becoming an Employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee, with respect to Awards, in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

- (c) No member of the Committee or officer of the Corporation to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Corporation in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. Delegation of Authority. Except with respect to matters under Section 162(m) that are required to be determined or established by the Committee to qualify Awards to Executive Officers as qualified "performance-based compensation," the Committee may delegate to the Chief Executive Officer and to other senior officers of the Corporation or to any other committee of the Board its duties and its authority to grant Awards under this Plan pursuant to such conditions or limitations as the Committee may establish. The Committee may engage or authorize the engagement of a third party administrator to carry out administrative functions under the Plan.

8. Awards.

- (a) The Committee shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Participants who are to be the recipients of such Awards. Each Award may, in the discretion of the Committee, be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by an Authorized Officer for and on behalf of the Corporation. Awards may consist of those listed in this paragraph 8(a) and may be granted singly, in combination or in tandem. Awards may also be granted in combination or in tandem with, in replacement of (subject to paragraph 14), or as alternatives to, grants or rights under this Plan or any other plan of the Corporation or any of its Affiliates, including the plan of any acquired entity. An Award may provide for the grant or issuance of additional, replacement or alternative Awards upon the occurrence of specified events. All or part of an Award may be subject to conditions established by the

Committee, which may include, but are not limited to, continuous service with the Corporation and its Affiliates, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates, as referenced in clause (v) below, and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested or unpaid Employee Awards shall be treated as set forth in the applicable Award Agreement or as otherwise specified by the Committee.

- (i) Option. An Employee Award or Director Award may be in the form of an Option; provided that Options granted as Director Awards are not Incentive Stock Options. The Grant Price of an Option shall be not less than the Fair Market Value of Common Stock subject to such Option on the Grant Date. Notwithstanding anything contrary contained in this Plan, in no event shall the term of the Option extend more than ten (10) years after the Grant Date. Options may not include provisions that “reload” the option upon exercise. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded to Participants pursuant to this Plan, including the Grant Price, the term of the Options, the number of shares subject to the Option and the date or dates upon which they become exercisable, shall be determined by the Committee.
- (ii) Stock Appreciation Rights. An Employee Award may be in the form of an SAR. On the Grant Date, the Grant Price of an SAR shall be not less than the Fair Market Value of Common Stock subject to such SAR. The holder of a tandem SAR may elect to exercise either the option or the SAR, but not both. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any SARs awarded pursuant to this Plan, including the Grant Price, the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.
- (iii) Stock Award. An Employee Award or Director Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted to Participants pursuant to this Plan shall be determined by the Committee; provided that any Stock Award granted as an Employee Award which is not a Performance Award shall have a minimum Restriction Period of three years from the Grant Date, provided that (i) the Committee may provide for earlier vesting following a change in control or other specified events involving the Corporation or upon a Participant’s termination of employment by reason of death, disability or retirement, (ii) such three-year minimum Restriction Period shall not apply to a Stock Award that is granted in lieu of salary or bonus, and (iii) vesting of a Stock Award may occur incrementally over the three-year minimum Restricted Period; provided, that up to 150,000 shares of Common Stock shall be available for issuance as Stock Awards having a time-based Restriction Period of less than three years but not less than one year.
- (iv) Cash Award. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

- (v) *Performance Award.* Without limiting the type or number of Employee Awards or Director Awards that may be made under the other provisions of this Plan, an Employee Award or Director Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to any Performance Awards granted to Participants pursuant to this Plan shall be determined by the Committee; provided that any Stock Award granted as an Employee Award which is a Performance Award shall have a minimum Restriction Period of one year from the Grant Date, provided that the Committee may provide for earlier vesting following a change in control or other specified events involving the Corporation or upon a Participant's termination of employment by reason of death, disability or retirement. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion of an Award that may be exercised.
- (A) Nonqualified Performance Awards. Performance Awards granted to Employees or Directors that are not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code shall be based on achievement of such goals and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine.
- (B) Qualified Performance Awards. Performance Awards granted to Employees under the Plan that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (x) 90 days after the commencement of the period of service to which the Performance Goal relates and (y) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the Employee, one or more business units, divisions, or sectors of the Corporation, or the Corporation as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Goal may include one or more of the following: Stock price measures (including but not limited to growth measures and total shareholder return); Earnings per share (actual or targeted growth); Earnings before interest, taxes, depreciation, and amortization ("EBITDA"); Economic value added ("EVA"); Net income measures (including but not limited to income after capital costs and income before or after taxes); Operating income; Cash flow measures; Return measures (including but not limited to return on average assets, risk-adjusted return on capital, and return on average equity); Operating measures (including but not limited to sales volumes, production volumes and production efficiency); Expense measures (including but not limited to overhead cost

and general and administrative expense); Margins; and corporate values measures (including but not limited to ethics compliance, environmental, and safety).

Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Qualified Performance Awards, it is the intent of the Plan to conform with the standards of Section 162(m) of the Code and Treasury Regulation §1.162-27(e)(2)(i), as to grants to those Employees whose compensation is, or is likely to be, subject to Section 162(m) of the Code, and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Qualified Performance Awards made pursuant to this Plan shall be determined by the Committee.

- (b) Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Employee Awards made hereunder:
- (i) no Participant may be granted, during any fiscal year, Employee Awards consisting of Options or SARs (including Options or SARs that are granted as Performance Awards) that are exercisable for more than 600,000 shares of Common Stock;
  - (ii) no Participant may be granted, during any fiscal year, Employee Awards consisting of Stock Awards (including Stock Awards that are granted as Performance Awards) covering or relating to more than 300,000 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above and (c)(i) and (ii) below, being hereinafter collectively referred to as the “Stock Based Awards Limitations”); and
  - (iii) no Participant may be granted Employee Awards under this Plan consisting of cash (including Awards that are granted as Performance Awards) in respect of any fiscal year having a value determined on the Grant Date in excess of \$3,000,000.
- (c) Notwithstanding anything to the contrary contained in this Plan the following limitations shall apply to any Director Awards made hereunder:
- (i) no Participant may be granted, during any fiscal year, Director Awards consisting of Options that are exercisable for more than 75,000 shares of Common Stock and
  - (ii) no Participant may be granted, during any fiscal year, Director Awards consisting of Stock Awards covering or relating to more than 45,000 shares of Common Stock.

- (d) Prior to the effective date of this amendment and restatement, certain awards on shares of Common Stock (the “Prior Awards”) had been granted under the Prior Plans as in effect from time to time. As of the effective date of the Existing Plan, each Prior Award continued to be outstanding and the shares of Common Stock that are the subject of such Prior Awards shall be subject to adjustment in accordance with Section 16 and to the other provisions of the Plan.

9. Change in Control under Prior Plans. Unless otherwise expressly provided in the applicable award agreement, the change in control provisions under the Prior Plans shall govern the awards previously granted thereunder.

10. Non-United States Participants. The Committee may grant awards to persons outside the United States under such terms and conditions as may, in the judgment of the Committee, be necessary or advisable to comply with the laws of the applicable foreign jurisdictions and, to that end, may establish sub-plans, modified option exercise procedures and other terms and procedures. Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, any governing statute, or any other applicable law.

11. Payment of Awards.

- (a) *General.* Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If such payment is made in the form of Restricted Stock, the Committee shall specify whether the underlying shares are to be issued at the beginning or end of the Restriction Period. In the event that shares of Restricted Stock are to be issued at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. In the event that shares of Restricted Stock are to be issued at the end of the Restricted Period, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine.
- (b) *Deferral.* With the approval of the Committee, amounts payable in respect of Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards or any other compensation otherwise payable by the Corporation in accordance with procedures established by the Committee and may provide that such deferred compensation may be payable in shares of Common Stock. Any deferred payment pursuant to an Award, whether elected by the Participant or specified by the Award Agreement or the terms of the Award or by the Committee, may be forfeited if and to the extent that the Award Agreement or the terms of the Award so provide.
- (c) *Dividends, Earnings and Interest.* Rights to dividends or Dividend Equivalents may be extended to and made part of any Stock Award, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments and Dividend Equivalents for Stock Awards.
- (d) *Substitution of Awards.* Subject to paragraphs 6(b), 14 and 16, at the discretion of the Committee, a Participant who is an Employee may be offered an election to substitute an Employee Award for another Employee Award or Employee Awards of the same or different type.

12. Option Exercise. The Grant Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award, including Restricted Stock or any combination thereof. The Committee shall determine acceptable methods for Participants to tender Common Stock or other Awards provided that any Common Stock that is or was the subject of an Award may be so tendered only if it has been held by the Participant for six months. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this paragraph.

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

13. Taxes. The Corporation or its designated third party administrator shall have the right to deduct applicable taxes from any Employee Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Corporation to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Corporation of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. The Committee may provide for loans, to the extent not otherwise prohibited by law, on either a short term or demand basis, from the Corporation to a Participant who is an Employee to permit the payment of taxes required by law.

14. Amendment, Modification, Suspension or Termination of the Plan. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Corporation to the extent such approval is required by applicable legal requirements or the requirements of the securities exchange on which the Corporation's Common Stock is listed.

15. Assignability. Unless otherwise determined by the Committee and provided in the Award Agreement or the terms of the Award, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will, by beneficiary designation or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. In the event that a beneficiary designation conflicts with an assignment by will, the beneficiary designation will prevail. The Committee may prescribe and include in applicable Award Agreements or the terms of the Award other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 15 shall be null and void.



16. Adjustments.

- (a) The existence of outstanding Awards shall not affect in any manner the right or power of the Corporation or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Corporation or its business or any merger or consolidation of the Corporation, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Corporation, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.
- (b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under this Plan and available for issuance pursuant to specific types of Awards as described in paragraph 5, (ii) the number of shares of Common Stock covered by outstanding Awards, (iii) the Grant Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Stock Based Awards Limitations shall each be proportionately adjusted by the Board as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Corporation, any consolidation or merger of the Corporation with another corporation or entity, the adoption by the Corporation of any plan of exchange affecting Common Stock or any distribution to holders of Common Stock of securities or property (including special cash dividends but not normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (x) the number of shares of Common Stock reserved under this Plan and (y)(i) the number of shares of Common Stock covered by Awards, (ii) the Grant Price or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock Based Awards Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized (x) to assume under the Plan previously issued compensatory awards, or to substitute new Awards for previously issued compensatory awards, including Awards, as part of such adjustment; (y) to cancel Awards that are Options or SARs and give the Participants who are the holders of such Awards notice and opportunity to exercise for 30 days prior to such cancellation; or (z) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value of Common Stock on such date over the exercise or strike price of such Award.

17. Restrictions. No Common Stock or other form of payment shall be issued with respect to any Award unless the Corporation shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to

such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

18. Unfunded Plan. This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants under this Plan, any such accounts shall be used merely as a bookkeeping convenience, including bookkeeping accounts established by a third party administrator retained by the Corporation to administer the Plan. The Corporation shall not be required to segregate any assets for purposes of this Plan or Awards hereunder, nor shall the Corporation, the Board or the Committee be deemed to be a trustee of any benefit to be granted under this Plan. Any liability or obligation of the Corporation to any Participant with respect to an Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement or the terms of the Award, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

19. Right to Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Corporation to terminate any Participant's employment or other service relationship at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Corporation.

20. Successors. All obligations of the Corporation under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Corporation, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Corporation.

21. Section 409A. This Plan is intended to comply with Section 409A and ambiguous provisions, if any, shall be construed to provide that the Awards are compliant with or exempt from the application of Section 409A, as appropriate. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under this Plan would result in the imposition of an additional tax under Section 409A, that Plan provision or Award will be reformed to avoid imposition of the additional tax, including that any Award subject to 409A held by a "specified employee" within the meaning of Section 409A that is settled upon termination of employment (for reasons other than death) shall be delayed in payment until the expiration of six months (or, if earlier, the date of Participant's death), and no action taken to comply with Section 409A shall be deemed to adversely affect the Participant's rights to an Award. This Plan shall not be amended in a manner that would cause the Plan or any amounts payable under the Plan to fail to comply with the requirements of Section 409A, to the extent applicable, and, further, the provisions of any purported amendment that may reasonably be expected to result in such non-compliance shall be of no force or effect with respect to the Plan. The Corporation shall neither cause nor permit any payment, benefit or consideration to be substituted for a benefit that is payable under this Plan if such action would result in the failure of any amount that is subject to Section 409A to comply with the applicable requirements of Section 409A. For purposes of Section 409A, each payment under this Plan shall be deemed to be a separate payment.

22. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

23. Effectiveness and Term. This amendment and restatement of the Plan was adopted by the Board as of August 5, 2010. Unless terminated earlier by the Board pursuant to Section 14, no awards may be made under the Plan after January 7, 2014.

	Six Months Ended September 30, 2010	Fiscal Year Ended March 31,				
		2010	2009	2008	2007	2006
<b>Earnings <sup>(1)</sup>:</b>						
Earnings before income taxes	24,988	39,297	62,183	144,384	304,288	241,066
Add: Fixed charges	9,140	18,480	24,714	20,866	12,050	8,675
Add: Amortization of capitalized interest and FIN 48 Interest	(278)	3,857	5,358	6,597	30	—
Add: Cash distributions from equity method investments	14,250	29,750	33,000	37,750	29,000	27,250
Subtract: Income from equity method investments	(10,672)	(24,157)	(32,426)	(33,982)	(32,765)	(26,917)
<b>Total Earnings</b>	<b>37,428</b>	<b>67,227</b>	<b>92,829</b>	<b>175,615</b>	<b>312,603</b>	<b>250,074</b>
<b>Fixed Charges <sup>(2)</sup>:</b>						
Interest expense	8,988	18,180	24,433	20,530	11,709	8,290
Interest component of rent expense	152	300	281	336	341	385
<b>Total Fixed Charges</b>	<b>9,140</b>	<b>18,480</b>	<b>24,714</b>	<b>20,866</b>	<b>12,050</b>	<b>8,675</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>4.1x</b>	<b>3.6x</b>	<b>3.8x</b>	<b>8.4x</b>	<b>25.9x</b>	<b>28.8x</b>

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

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

I, Steven R. Rowley, certify that:

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

Dated: November 5, 2010

By: /s/ STEVEN R. ROWLEY

Steven R. Rowley  
President and Chief Executive Officer

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

I, D. Craig Kesler, certify that:

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

Dated: November 5, 2010

By: /s/ D. CRAIG KESLER

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

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Rowley, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: November 5, 2010

By: /s/ STEVEN R. ROWLEY

Steven R. Rowley  
President and Chief Executive Officer

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Craig Kesler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: November 5, 2010

By: /s/ D. CRAIG KESLER

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