UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended
September 30, 2019
Commission File Number 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)
75-2520779 (I.R.S. Employer Identification No.)
5960 Berkshire Lane, Suite 900, Dallas, Texas 75225 (Address of principal executive offices)
(214) 432-2000 (Registrant's telephone number, including area code)

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

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

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 every Interactive Data File required to be submitted 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 such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 October 26, 2019, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	41,631,496

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PART I. FINANCIAL INFORMATION (unaudited)

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	For the Six Months Ended September 30, 2018
	(dollars in thousands, except share and per share data)			
Revenue	$ 414,526	$ 381,499	$ 785,123	$ 775,255
Cost of Goods Sold	310,020	283,568	605,288	585,690
Gross Profit	104,506	97,931	179,835	189,565
Equity in Earnings of Unconsolidated Joint Venture	12,357	10,173	21,789	19,424
Corporate General and Administrative Expense	(13,458)	(9,922)	(34,712)	(17,925)
Litigation Settlements and Losses	—	—	—	(1,800)
Other Non-Operating Income	942	428	1,142	999
Interest Expense, Net	(10,137)	(6,817)	(18,983)	(13,449)
Earnings before Income Taxes	94,210	91,793	149,071	176,814
Income Taxes	(22,417)	(19,190)	(35,974)	(37,872)
Net Earnings	71,793	72,603	113,097	138,942
EARNINGS PER SHARE				
Basic	$ 1.73	$ 1.54	$ 2.65	$ 2.93
Diluted	$ 1.72	$ 1.53	$ 2.63	$ 2.90
AVERAGE SHARES OUTSTANDING				
Basic	41,572,127	47,219,532	42,714,896	47,453,655
Diluted	41,833,775	47,563,818	42,985,715	47,853,472
CASH DIVIDENDS PER SHARE	**$ 0.10**	**$ 0.10**	**$ 0.20**	**$ 0.20**

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (unaudited)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Net Earnings	$ 71,793	$ 72,603	$ 113,097	$ 138,942
Net Actuarial Change in Defined Benefit Plans:				
Amortization of net actuarial loss	43	73	88	146
Tax expense	(10)	(17)	(20)	(34)
Comprehensive Earnings	**$ 71,826**	**$ 72,659**	**$ 113,165**	**$ 139,054**

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSDIARIES CONSOLIDATED BALANCE SHEETS (unaudited)

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 53,684	$ 8,601
Accounts and Notes Receivable, net	182,689	128,722
Inventories	241,599	275,194
Income Tax Receivable	—	5,480
Prepaid and Other Assets	9,083	9,624
Total Current Assets	487,055	427,621
Property, Plant, and Equipment, net	1,456,059	1,426,939
Notes Receivable	6,436	2,898
Investment in Joint Venture	71,662	64,873
Operating Lease Right of Use Assets	63,526	—
Goodwill and Intangible Assets, net	230,770	229,115
Other Assets	10,703	17,717
	$ 2,326,211	**$ 2,169,163**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	$ 77,656	$ 80,884
Accrued Liabilities	66,373	61,949
Income Taxes Payable	2,931	—
Operating Lease Liabilities	11,315	—
Current Portion of Long-term Debt	36,500	36,500
Total Current Liabilities	194,775	179,333
Long-term Debt	930,426	655,092
Noncurrent Operating Lease Liabilities	56,586	—
Other Long-term Liabilities	35,371	34,492
Deferred Income Taxes	98,298	90,759
Total Liabilities	1,315,456	959,676
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 41,625,996 and 45,117,393 Shares, respectively	416	451
Capital in Excess of Par Value	2,990	—
Accumulated Other Comprehensive Losses	(3,248)	(3,316)
Retained Earnings	1,010,597	1,212,352
Total Stockholders' Equity	1,010,755	1,209,487
	$ 2,326,211	**$ 2,169,163**

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	For the Six Months Ended September 30, 2019	2018
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$ 113,097	$ 138,942
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of Effect of Non-Cash Activity -		
Depreciation, Depletion, and Amortization	56,333	62,176
Deferred Income Tax Provision	7,520	10,851
Stock Compensation Expense	12,137	7,559
Equity in Earnings of Unconsolidated Joint Venture	(21,789)	(19,424)
Distributions from Joint Venture	15,000	19,500
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(51,242)	(35,894)
Inventories	35,562	19,290
Accounts Payable and Accrued Liabilities	423	(24,399)
Other Assets	9,244	(3,551)
Income Taxes Payable (Receivable)	8,411	(174)
Net Cash Provided by Operating Activities	184,696	174,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant, and Equipment	(60,007)	(93,444)
Acquisition Spending	(30,872)	—
Proceeds from Sale of Property, Plant, and Equipment	—	2,281
Net Cash Used in Investing Activities	(90,879)	(91,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Credit Facility	275,000	10,000
Dividends Paid to Stockholders	(8,815)	(9,582)
Purchase and Retirement of Common Stock	(313,887)	(122,404)
Proceeds from Stock Option Exercises	1,767	1,992
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,799)	(1,785)
Net Cash Used in Financing Activities	(48,734)	(121,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,083	(38,066)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	8,601	48,068
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 53,684**	**$ 10,002**

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

(dollars in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Losses	Total
Balance at March 31, 2018	$ 483	$ 122,379	$ 1,298,840	$ (4,012)	$ 1,417,690
Net Earnings	—	—	66,339	—	66,339
Stock Option Exercises and Restricted Share Vesting	—	1,992	—	—	1,992
Purchase and Retirement of Common Stock	(5)	(52,339)	—	—	(52,344)
Dividends to Stockholders	—	—	(4,791)	—	(4,791)
Stock Compensation Expense	1	3,492	—	—	3,493
Shares Redeemed to Settle Employee Taxes	—	(956)	—	—	(956)
Unfunded Pension Liability, net of tax	—	—	—	56	56
Balance at June 30, 2018	**$ 479**	**$ 74,568**	**$ 1,360,388**	**$ (3,956)**	**$ 1,431,479**
Net Earnings	—	—	72,603	—	72,603
Stock Option Exercises and Restricted Share Vesting	—	—	—	—	—
Purchase and Retirement of Common Stock	(7)	(70,053)	—	—	(70,060)
Dividends to Stockholders	—	—	(4,712)	—	(4,712)
Stock Compensation Expense	—	4,066	—	—	4,066
Shares Redeemed to Settle Employee Taxes	—	(829)	—	—	(829)
Unfunded Pension Liability, net of tax	—	—	—	56	56
Balance at September 30, 2018	**$ 472**	**$ 7,752**	**$ 1,428,279**	**$ (3,900)**	**$ 1,432,603**

(dollars in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Losses	Total
Balance at March 31, 2019	$ 451	$ —	$ 1,212,352	$ (3,316)	$ 1,209,487
Net Earnings	—	—	41,304	—	41,304
Stock Option Exercises and Restricted Share Vesting	—	396	—	—	396
Purchase and Retirement of Common Stock	(23)	(7,748)	(190,584)	—	(198,355)
Dividends to Stockholders	—	—	(4,316)	—	(4,316)
Stock Compensation Expense	1	8,218	—	—	8,219
Shares Redeemed to Settle Employee Taxes	—	(866)	—	—	(866)
Cumulative Effect of Change in Accounting for Leases	—	—	(636)	—	(636)
Unfunded Pension Liability, net of tax	—	—	—	33	33
Balance at June 30, 2019	**$ 429**	**$ —**	**$ 1,058,120**	**$ (3,283)**	**$ 1,055,266**
Net Earnings	—	—	71,793	—	71,793
Stock Option Exercises and Restricted Share Vesting	—	1,371	—	—	1,371
Purchase and Retirement of Common Stock	(13)	(366)	(115,153)	—	(115,532)
Dividends to Stockholders	—	—	(4,163)	—	(4,163)
Stock Compensation Expense	—	3,918	—	—	3,918
Shares Redeemed to Settle Employee Taxes	—	(1,933)	—	—	(1,933)
Unfunded Pension Liability, net of tax	—	—	—	35	35
Balance at September 30, 2019	**$ 416**	**$ 2,990**	**$ 1,010,597**	**$ (3,248)**	**$ 1,010,755**

See notes to the unaudited consolidated financial statements.

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three- and six-month periods ended September 30, 2019 include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (collectively, 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 23, 2019.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

RECENTLY ADOPTED

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, “Leases,” which supersedes existing lease guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. We adopted the standard on April 1, 2019 using the modified retrospective approach. We also elected the package of practical expedients permitted under the transition guidance which, among other things, allowed us to maintain the historic lease classification for leases in effect at the date of adoption, and to not separate lease components from nonlease components for all leases in effect at the date of adoption. Upon adoption, we recorded a right of use asset of approximately $66.7 million, and operating lease liabilities of approximately $71.1 million. We do not expect the adoption of this standard to materially affect our consolidated statement of earnings or consolidated statement of cash flows. See Footnote (I) for more information.

PENDING ADOPTION

In June 2016, the FASB issued an update on the measurement of credit losses on financial instruments, which requires entities to use a forward-looking approach based on expected losses rather than the current model of incurred losses to estimate credit losses on certain types of financial instruments, including accounts and notes receivable. The application of the forward-looking model may result in earlier recognition of allowances for losses than the current method. This guidance becomes effective for us on April 1, 2020, with early adoption permitted. We are currently assessing the impact of the new standard on our consolidated financial statements and disclosures.

(B) ACQUISITION

On August 2, 2019, we acquired the assets of a readymix and aggregates business (the Acquisition). The purchase price (Purchase Price) of the Acquisition was approximately $30.9 million, subject to adjustments for working capital and other customary post-closing adjustments. The purchase price allocation has not yet been finalized due to the recent timing of the Acquisition, the status of the valuation of property, plant, and equipment, and the determination of the final working capital adjustment. The Purchase Price and expenses incurred in connection with the Acquisition were funded through operating cash flows and borrowings under our bank credit facility. Assets related to the Acquisition are included in the Concrete and Aggregates business in our segment reporting.

(C) SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	For the Six Months Ended September 30, 2019	2018
	(dollars in thousands)	
Cash Payments:		
Interest	$ 18,196	$ 13,855
Income Taxes	19,643	27,390
Operating Cash Flows used for Operating Leases	7,861	—
Non Cash Financing Activities:		
Property and Equipment Purchases Included in Accrued Liabilities	$ 2,868	$ —

(D) REVENUE

We earn Revenue primarily from the sale of products, which include cement, concrete, aggregates, gypsum wallboard, recycled paperboard, and frac sand. The vast majority of Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard are originated by purchase orders from our customers, who are primarily third-party contractors and suppliers. Revenue from our Recycled Paperboard and Oil and Gas Proppants segments is generated primarily through long-term supply agreements that mature between 2019 and 2025. We also earn Revenue from transload services and storage; we recognize Revenue from these services when the product is transferred from the rail car to the truck or silo, or from the silo to the railcar or truck. We invoice customers upon shipment, and our collection terms range from 30-65 days. Revenue from the sale of cement, concrete, aggregates, and gypsum wallboard that is not related to long-term supply agreements is recognized upon shipment of the related products to customers, which is when title and ownership are transferred and the customer is obligated to pay.

Revenue from sales under our long-term supply agreements is also recognized upon transfer of control to the customer, which generally occurs at the time the product is shipped from the production facility or transload location. Our long-term supply agreements with customers define, among other commitments, the volume of product that we must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under our agreements are generally market-based but are subject to certain contractual adjustments. Historically, the pricing and volume requirements under certain of these contracts have been renegotiated during volatile market conditions. Shortfall amounts, if applicable under these arrangements, are constrained and not recognized as Revenue until an agreement is reached with the customer and not subject to the risk of reversal. During the quarter ended September 30, 2019, we recognized $1.6 million of revenue related to shortfall provisions in our contracts.

The Company offers certain of its customers, including those with long-term supply agreements, rebates and incentives, which we treat as variable consideration. We adjust the amount of Revenue recognized for the variable consideration using the most likely amount method based on past history and projected volumes in the rebate and incentive period. Any amounts billed to customers for taxes are excluded from Revenue.

The Company has elected to treat freight and delivery charges we pay for the delivery of goods to our customers as a fulfilment activity rather than a separate performance obligation. When we arrange for a third party to deliver products to customers, fees for shipping and handling that are billed to the customer are recorded as Revenue, while costs we incur for shipping and handling are recorded as expenses and included in Cost of Goods Sold.

Other Non-Operating Income includes lease and rental income, asset sale income, non-inventoried aggregates sales income, distribution center income, and trucking income, as well as other miscellaneous revenue items and costs that have not been allocated to a business segment.

See Footnote (O) to the Unaudited Consolidated Financial Statements for disaggregation of revenue by segment.

(E) ACCOUNTS AND NOTES RECEIVABLE

Accounts and Notes Receivable have been shown net of the allowance for doubtful accounts of $12.3 million and $9.9 million at September 30, 2019 and March 31, 2019, respectively. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due, and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had Notes Receivable totaling approximately $7.5 million at September 30, 2019, of which approximately $1.1 million has been classified as current and presented with Accounts Receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes currently bear interest, on average, at 4.75%. Remaining unpaid amounts, plus accrued interest, mature in fiscal 2025. The notes are collateralized by certain assets of the borrowers, namely property and equipment, and are generally payable monthly. We monitor the credit risk of each borrower by assessing the timeliness of payments, credit history, credit metrics, and our ongoing interactions with each borrower.

(F) STOCKHOLDERS' EQUITY

During the six months ended September 30, 2019, we repurchased 3,574,109 shares at an average price of $87.82. At September 30, 2019, we have authorization to purchase an additional 7,305,649 shares.

(G) INVENTORIES

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

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Raw Materials and Materials-in-Progress	$ 101,904	$ 125,828
Finished Cement	22,062	27,826
Aggregates	7,228	7,351
Gypsum Wallboard	5,587	7,124
Paperboard	11,364	15,660
Frac Sand	2,913	2,557
Repair Parts and Supplies	80,712	80,676
Fuel and Coal	9,829	8,172
	$ 241,599	**$ 275,194**

During the six months ended September 30, 2019, we wrote down approximately $2.0 million of raw materials and materials in process and $0.1 million of frac sand. These inventories related to our Oil and Gas Proppants segment.

(H) ACCRUED EXPENSES

Accrued Expenses consist of the following:

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Payroll and Incentive Compensation	$ 21,038	$ 26,225
Benefits	14,253	12,673
Interest	3,852	3,852
Property Taxes	8,240	5,058
Power and Fuel	1,502	1,644
Litigation Settlements	—	1,900
Sales and Use Tax	2,033	2,167
Legal and Professional	6,522	—
Other	8,933	8,430
	$ 66,373	**$ 61,949**

(I) LEASES

We lease certain real estate, buildings, and equipment, including rail cars. Certain of these leases contain escalations of rent over the term of the lease, as well as options for us to extend the term of the lease at the end of the original term. These extensions range from periods of one year to twenty years. Our lease agreements do not contain material residual value guarantees or material restrictive covenants. In calculating the present value of future minimum lease payments, we use the rate implicit in the lease if it can be determined. Otherwise, we use our incremental borrowing rate in effect at the commencement of the lease to determine the present value of the future minimum lease payments. Additionally, we lease certain equipment under short-term leases with initial terms of less than twelve months, which are not recorded on the balance sheet.

Lease expense for our operating and short-term leases is as follows:

	For the Three Months Ended September 30, 2019	For the Six Months Ended September 30, 2019
	(dollars in thousands)	
Operating Lease Cost	$ 3,962	$ 7,909
Short-term Lease Cost	498	1,082
Total Lease Cost	$ 4,460	$ 8,991

The Right of Use Assets and Lease Liabilities are reflected on our Balance Sheet as follows:

	For the Six Months Ended September 30, 2019
	(dollars in thousands)
Operating Leases:	
Operating Lease Right of Use Assets	$ 63,526
Current Operating Lease Liabilities	$ 11,315
Noncurrent Operating Lease Liabilities	56,586
Total Operating Lease Liabilities	$ 67,901

Future payments for operating leases are as follows (dollars in thousands):

Fiscal Year		Amount
2020 (remaining six months)	$	7,103
2021		12,108
2022		10,618
2023		10,131
2024		8,585
Thereafter		33,579
Total Lease Payments	$	82,124
Less: Imputed Interest		(14,223)
Present Value of Lease Liabilities	$	67,901

Weighted Average Remaining Lease Term (in years)	**8.8**
Weighted Average Discount Rate	**3.75%**

As disclosed in our March 31, 2019 Form 10-K, future minimum lease payments were as follows (dollars in thousands):

Fiscal Year		Amount
2020	$	14,613
2021		11,487
2022		9,979
2023		9,784
2024		8,347
Thereafter		24,793
Total Lease Payments	$	79,003

(J) SHARE-BASED EMPLOYEE COMPENSATION

On August 7, 2013, our stockholders approved the Eagle Materials Inc. Amended and Restated Incentive Plan (the Plan), which increased the shares we are authorized to issue as awards by 3,000,000 (1,500,000 of which may be stock awards). Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (RSUs), restricted stock, and stock appreciation rights to employees of the Company and members of the Board of Directors. Awards that were already outstanding prior to the approval of the Plan on August 7, 2013 remain outstanding. 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 2019, the Compensation Committee of the Board of Directors approved the granting to certain officers and key employees an aggregate of 100,849 performance vesting stock options that will be earned only if certain performance conditions are satisfied (the Fiscal 2020 Employee Performance Stock Option Grant). The performance criteria for the Fiscal 2020 Employee Performance Stock Option Grant is based upon the achievement of certain levels of return on equity (as defined in the option agreements), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2020. All stock options will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all stock options granted will be forfeited. Following any such reduction, restrictions on the earned stock options will lapse ratably over four years, with the initial fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2021 through 2023. The stock options have a term of ten years from the date of grant. The Compensation Committee also approved the granting of 84,043 time-vesting stock options to the same officers and key employees, which vest ratably over four years (the Fiscal 2020 Employee Time-Vesting Stock Option Grant).

The weighted average assumptions used in the Black-Scholes model to value the option awards in fiscal 2020 are as follows:

	2019
Dividend Yield	1.3%
Expected Volatility	31.4%
Risk Free Interest Rate	2.32%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately $1.2 million and $2.3 million for the three and six months ended September 30, 2019, respectively, and $1.0 million and $2.0 million for the three and six months ended September 30, 2018, respectively. At September 30, 2019, there was approximately $9.6 million of unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted average period of 2.7 years.

The following table represents stock option activity for the six months ended September 30, 2019:

	Number of Shares		Weighted Average Exercise Price
Outstanding Options at Beginning of Year	1,042,925	$	76.88
Granted	184,892	$	91.58
Exercised	(37,494)	$	84.91
Cancelled	(7,883)	$	106.24
Outstanding Options at End of Year	**1,182,440**	$	79.94
Options Exercisable at End of Year	**776,586**	$	73.31
Weighted Average Fair Value of Options Granted During the Year		$	27.37

The following table summarizes information about stock options outstanding at September 30, 2019:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (in years)		Weighted Average Exercise Price	Number of Shares Outstanding		Weighted Average Exercise Price
$23.17 - $29.84	65,912	1.85	$	23.27	65,912	$	23.27
$33.43 - $37.34	57,728	2.71	$	34.03	57,728	$	34.03
$53.22 - $77.67	292,595	5.77	$	71.51	228,423	$	71.35
$79.73 - $106.24	766,205	7.25	$	91.49	424,523	$	87.47
	1,182,440	**6.36**	**$**	**79.94**	**776,586**	**$**	**73.31**

At September 30, 2019, the aggregate intrinsic value for both of the outstanding and exercisable options was approximately $15.4 million. The total intrinsic value of options exercised during the six months ended September 30, 2019 was approximately $1.4 million.

RESTRICTED STOCK

In May 2019, the Compensation Committee approved the granting to certain officers and key employees an aggregate of 51,112 shares of performance vesting restricted stock that will be earned if certain performance conditions are satisfied (the Fiscal 2020 Employee Restricted Stock Performance Award). The performance criteria for the Fiscal 2020 Employee Restricted Stock Performance Award is based upon the achievement of certain levels of return on equity (as defined in the award agreement), ranging from 10.0% to 20.0%, for the fiscal year ending March 31, 2020. All restricted shares will be earned if the return on equity is 20.0% or greater, and the percentage of shares earned will be reduced proportionately to approximately 66.7% if the return on equity is 10.0%. If the Company does not achieve a return on equity of at least 10.0%, all awards will be forfeited. Following any such reduction, restrictions on the earned shares will lapse ratably over four years, with the initial fourth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2021 through 2023. The Compensation Committee also approved the granting of 42,591 shares of time-vesting restricted stock to the same officers and key employees, which vest ratably over four years (the Fiscal 2020 Employee Restricted Stock Time-Vesting Award). The Fiscal 2020 Employee Restricted Stock Performance Award and the Fiscal 2020 Employee Restricted Stock Time-Vesting Award were valued at the closing price of the stock on the date of grant and are being expensed over a four-year period.

In August 2019, we granted 24,589 shares of restricted stock to members of the Board of Directors (the Board of Directors Fiscal 2020 Restricted Stock Award), which vest six months after the grant date. The Board of Directors Fiscal 2020 Restricted Stock Award was valued at the closing price of the stock at the date of the grant and is being expensed over a six-month period.

The fair value of restricted stock is based on the stock price at the date of grant. The following table summarizes the activity for nonvested restricted shares during the six months ended September 30, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock Beginning of Year	300,115	$ 78.94
Granted	118,292	$ 90.08
Vested	(78,307)	$ 97.88
Forfeited	(15,940)	$ 106.24
Nonvested Restricted Stock at End of Year	**324,160**	

Expense related to restricted shares was approximately $2.7 million and $9.8 million for the three and six months ended September 30, 2019, respectively, and $3.1 million and $5.5 million for the three and six months ended September 30, 2018, respectively. At September 30, 2019, there was approximately $18.4 million of unearned compensation from restricted stock, which will be recognized over a weighted average period of 2.2 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights, and restricted stock under the Plan was 3,756,577 at September 30, 2019.

(K) 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,	
	2019	2018	2019	2018
Weighted Average Shares of Common Stock Outstanding	41,572,127	47,219,532	42,714,896	47,453,655
Effect of Dilutive Shares:				
Assumed Exercise of Outstanding Dilutive Options	649,394	785,848	700,024	807,861
Less Shares Repurchased from Proceeds of Assumed Exercised Options	(509,571)	(588,900)	(550,609)	(580,350)
Restricted Stock Units	121,825	147,338	121,404	172,306
Weighted Average Common Stock and Dilutive Securities Outstanding	**41,833,775**	**47,563,818**	**42,985,715**	**47,853,472**
Shares Excluded Due to Anti-dilution Effects	448,354	181,412	388,058	163,450

(L) PENSION AND EMPLOYEE BENEFIT PLANS

We sponsor several defined benefit pension plans and defined contribution 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, 2019	2018	For the Six Months Ended September 30, 2019	2018
	(dollars in thousands)			
Service Cost - Benefits Earned During the Period	$ 85	$ 100	$ 170	$ 200
Interest Cost of Projected Benefit Obligation	338	337	675	674
Expected Return on Plan Assets	(426)	(463)	(853)	(926)
Recognized Net Actuarial Loss	43	58	88	116
Amortization of Prior-Service Cost	—	15	—	30
Net Periodic Pension Cost	**$ 40**	**$ 47**	**$ 80**	**$ 94**

(M) 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 include, when appropriate, 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, 2019 was approximately 24%, which was higher than the tax rate of 21% for the six months ended September 30, 2018. The effective tax rate is higher than the statutory tax rate due to State income taxes and limitation on the deduction of certain officer compensation.

(N) LONG-TERM DEBT

Long-term Debt consists of the following:

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Bank Credit Facility	$ 585,000	$ 310,000
4.500% Senior Unsecured Notes Due 2026	350,000	350,000
Private Placement Senior Unsecured Notes	36,500	36,500
Total Debt	971,500	696,500
Less: Current Portion of Long-term Debt	(36,500)	(36,500)
Less: Debt Origination Costs	(4,574)	(4,908)
Long-term Debt	**$ 930,426**	**$ 655,092**

Credit Facility

We have a revolving credit facility (the Credit Facility) that terminates on August 2, 2021. During May 2019, we exercised our option to expand the Credit Facility and increased the borrowing capacity from $500.0 million to $750.0 million. The Credit Facility also includes a swingline loan sublimit of $25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The debt under the Credit Facility is not rated by ratings agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to either (i) the London Interbank Offered Rate (LIBOR) plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based on the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation, and amortization, to the Company's consolidated indebtedness (the Leverage Ratio); or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus ½% per annum plus an applicable rate (ranging from 0 to 125 basis points). In the case of loans bearing interest at a rate based on the federal funds rate, interest payments are payable quarterly. In the case of loans bearing interest at a rate based on LIBOR, interest is payable at the end of the LIBOR advance periods, which can be up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The 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 Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We were in compliance with all financial ratios and tests at September 30, 2019. We had $585.0 million of borrowings outstanding at September 30, 2019. Based on our Leverage Ratio, we had $158.1 million of available borrowings, net of the outstanding letters of credit, at September 30, 2019.

The Credit Facility has a $40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At September 30, 2019, we had $6.9 million of outstanding letters of credit.

4.500% Senior Unsecured Notes Due 2026

On August 2, 2016, the Company issued $350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semiannually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a “make-whole” premium. Beginning August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

	Percentage
2021	102.25%
2022	101.50%
2023	100.75%
2024 and thereafter	100.00%

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company’s Senior Unsecured Notes are fully, unconditionally, jointly, and severally guaranteed by each of our subsidiaries that are guarantors under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (S) for more information on the guarantors of the Senior Public Notes.

Private Placement Senior Unsecured Notes

On October 2, 2007, in a private placement transaction, we entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of $200.0 million of senior unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Unsecured Notes). The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches.

At September 30, 2019, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche D	$36.5 million	October 2, 2019	6.48%

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually April 2 and October 2 of each year until all principal is paid for the respective tranche. On October 2, 2019, we repaid all outstanding notes related to the Private Placement Unsecured Notes.

Other Information

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. Upon expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

(O) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenue, 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 are a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are commodities that are essential in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors within which there are five reportable business segments. The Heavy Materials sector includes the Cement and Concrete and Aggregates segments. The Light Materials sector includes the Gypsum Wallboard and Recycled Paperboard segments. The Oil and Gas Proppants segment produces frac sand used in oil and gas extraction.

Our operations are conducted in the U.S. and include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material, which is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; and the mining and sale of aggregates (crushed stone, sand, and gravel) and sand used in hydraulic fracturing (frac sand).

We operate seven modern cement plants (one of which is operated through a joint venture located in Buda, Texas), one slag grinding facility and 19 cement distribution terminals. Our cement companies focus on the U.S. heartland and operate as an integrated network selling product primarily in California, Colorado, Illinois, Iowa, Missouri, Nebraska, Nevada, Ohio, Oklahoma, and Texas. We operate 25 readymix concrete batch plants and five aggregates processing plants in markets that are complementary to our cement network.

We operate five gypsum wallboard plants and a recycled paperboard mill. Gypsum wallboard and recycled paperboard are distributed throughout the continental U.S., with the exception of the Northeast.

Our Oil and Gas Proppants business owns two frac sand processing facilities, four frac sand drying facilities, and five frac sand trans-load locations. Frac sand is currently sold into shale deposits across the United States.

We account for intersegment sales at market prices. For segment reporting purposes only, we proportionately consolidate our 50% share of the Joint Venture's Revenue and Operating Earnings, consistent with the way management reports the segments within the Company for making operating decisions and assessing performance.

The following table sets forth certain financial information relating to our operations by segment. We do not allocate interest or taxes at the segment level; these costs are disclosed at the consolidated company level.

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Revenue -				
Cement	$ 227,013	$ 193,161	$ 422,326	$ 379,949
Concrete and Aggregates	55,971	39,744	95,749	80,584
Gypsum Wallboard	128,660	129,609	255,384	272,024
Paperboard	41,847	41,277	84,547	86,410
Oil and Gas Proppants	13,957	23,466	29,189	51,166
	467,448	427,257	887,195	870,133
Less: Intersegment Revenue	(23,034)	(20,279)	(44,679)	(42,135)
Less: Joint Venture Revenue	(29,888)	(25,479)	(57,393)	(52,743)
	$ 414,526	**$ 381,499**	**$ 785,123**	**$ 775,255**

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Intersegment Revenue -				
Cement	$ 6,703	$ 4,073	$ 10,956	$ 8,251
Concrete and Aggregates	407	501	784	832
Paperboard	15,924	15,705	32,939	33,052
	$ 23,034	**$ 20,279**	**$ 44,679**	**$ 42,135**
Cement Sales Volume (M tons) -				
Wholly Owned	1,529	1,339	2,847	2,614
Joint Venture	249	218	481	454
	1,778	**1,557**	**3,328**	**3,068**

	For the Three Months Ended September 30, 2019	2018	For the Six Months Ended September 30, 2019	2018
		(dollars in thousands)		
Operating Earnings -				
Cement	$ 66,526	$ 57,547	$ 102,647	$ 94,881
Concrete and Aggregates	7,255	4,100	11,689	9,584
Gypsum Wallboard	38,456	45,671	76,388	96,151
Paperboard	10,095	8,609	20,039	18,603
Oil and Gas Proppants	(5,469)	(7,823)	(9,139)	(10,230)
Sub-Total	116,863	108,104	201,624	208,989
Corporate General and Administrative Expense	(13,458)	(9,922)	(34,712)	(17,925)
Litigation Settlements and Losses	—	—	—	(1,800)
Other Non-Operating Income	942	428	1,142	999
Earnings Before Interest and Income Taxes	104,347	98,610	168,054	190,263
Interest Expense, net	(10,137)	(6,817)	(18,983)	(13,449)
Earnings Before Income Taxes	**$ 94,210**	**$ 91,793**	**$ 149,071**	**$ 176,814**
Cement Operating Earnings -				
Wholly Owned	$ 54,169	$ 47,374	$ 80,858	$ 75,457
Joint Ventures	12,357	10,173	21,789	19,424
	$ 66,526	**$ 57,547**	**$ 102,647**	**$ 94,881**
Capital Expenditures -				
Cement	$ 8,209	$ 14,220	$ 18,746	$ 33,833
Concrete and Aggregates	5,496	459	6,091	2,523
Gypsum Wallboard	6,443	4,124	8,374	6,479
Paperboard	17,239	5,345	29,599	6,410
Oil and Gas Proppants	—	14,917	65	42,866
Corporate and Other	—	1,306	—	1,333
	$ 37,387	**$ 40,371**	**$ 62,875**	**$ 93,444**
Depreciation, Depletion, and Amortization -				
Cement	$ 13,868	$ 12,746	$ 28,086	$ 25,667
Concrete and Aggregates	2,754	2,052	4,945	4,105
Gypsum Wallboard	5,147	5,201	10,099	10,031
Paperboard	2,203	2,128	4,366	4,237
Oil and Gas Proppants	3,803	9,851	7,642	17,446
Corporate and Other	598	348	1,195	690
	$ 28,373	**$ 32,326**	**$ 56,333**	**$ 62,176**

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Identifiable Assets		
Cement	$ 1,312,488	$ 1,289,468
Concrete and Aggregates	149,351	95,084
Gypsum Wallboard	368,088	372,206
Paperboard	159,457	138,614
Oil and Gas Proppants	258,739	236,357
Other, net	78,088	37,434
	$ 2,326,211	**$ 2,169,163**

The capital expenditures for the six months ended September 30, 2019 disclosed above differs from the capital expenditures on the Unaudited Consolidated Statement of Cash Flows. It includes $2.9 million of capital expenditures that were accrued at September 30, 2019 and therefore is not included in the Statement of Cash Flows. See Footnote (C) for more information.

Segment operating earnings, including the proportionately consolidated 50% interest in the revenue and expenses of the Joint Venture, represent Revenue, less direct operating expenses, segment Depreciation, and segment Selling, General and Administrative expenses. We account for intersegment sales at market prices. Corporate assets consist primarily of cash and cash equivalents, general office assets, and miscellaneous other assets.

The basis used to disclose Identifiable Assets; Capital Expenditures; and Depreciation, Depletion, and Amortization conforms with the equity method, and is similar to how we disclose these accounts in our Unaudited Consolidated Balance Sheets and Unaudited Consolidated Statements of Earnings

The segment breakdown of Goodwill is as follows:

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Cement	$ 74,214	$ 74,214
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
Concrete and Aggregates	1,639	—
	$ 200,009	**$ 198,370**

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,	
	2019	2018	2019	2018
	(dollars in thousands)			
Revenue	$ 59,775	$ 51,859	$ 115,617	$ 107,510
Gross Margin	$ 26,191	$ 21,877	$ 46,056	$ 42,018
Earnings Before Income Taxes	$ 24,713	$ 20,345	$ 43,577	$ 38,849

	September 30, 2019	March 31, 2019
	(dollars in thousands)	
Current Assets	$ 80,794	$ 71,688
Non-Current Assets	$ 86,523	$ 81,007
Current Liabilities	$ 18,863	$ 19,309

(P) INTEREST EXPENSE

The following components are included in Interest Expense, net:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	For the Six Months Ended September 30, 2018
	(dollars in thousands)			
Interest Income	$ (7)	$ (110)	$ (11)	$ (112)
Interest Expense	9,861	6,660	18,432	13,002
Other Expenses	283	267	562	559
Interest Expense, net	**$ 10,137**	**$ 6,817**	**$ 18,983**	**$ 13,449**

Interest Income includes interest on investments of excess cash. Components of Interest Expense include interest associated with the Credit Facility, Senior Unsecured Notes, Private Placement Senior Unsecured Notes, and commitment fees based on the unused portion of the Credit Facility. Other Expenses include amortization of debt issuance costs and credit facility costs.

(Q) 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, 2019, we had contingent liabilities under these outstanding letters of credit of approximately $6.9 million.

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as the sale of a business. These indemnifications may 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, management believes these indemnifications will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under $28.9 million in performance bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. 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.

(R) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Unsecured Notes and Private Placement Senior Unsecured Notes at September 30, 2019 is as follows:

	Fair Value (dollars in thousands)
Series 2007A Tranche D	$ 36,508
4.500% Senior Unsecured Notes Due 2026	$ 365,032

The estimated fair values were based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of Cash and Cash Equivalents, Restricted Cash, Accounts and Notes Receivable, Accounts Payable, and Accrued Liabilities approximate their fair values at September 30, 2019 due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at September 30, 2019.

(S) FINANCIAL STATEMENTS FOR GUARANTORS OF THE 4.500% SENIOR UNSECURED NOTES

On August 2, 2016, the Company completed a public offering of its Senior Unsecured Notes. The Senior Unsecured Notes are senior unsecured obligations of the Company and were offered under the Company's existing shelf registration statement filed with the Securities and Exchange Commission.

The Senior Unsecured Notes are guaranteed by all of the Company's wholly owned subsidiaries, and all guarantees are full and unconditional, and joint and several. The following unaudited condensed consolidating financial statements present separately the Earnings and Comprehensive Earnings, financial position and Cash Flows of the parent issuer (Eagle Materials Inc.) and the guarantors (all wholly owned subsidiaries of Eagle Materials Inc.) on a combined basis with eliminating entries (dollars in thousands).

Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Three Months Ended September 30, 2019	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 414,526	$ —	$ 414,526
Cost of Goods Sold	—	310,020	—	310,020
Gross Profit	—	104,506	—	104,506
Equity in Earnings of Unconsolidated Joint Venture	12,357	12,357	(12,357)	12,357
Equity in Earnings of Subsidiaries	79,981	—	(79,981)	—
Corporate General and Administrative Expenses	(12,958)	(500)	—	(13,458)
Other Non-Operating Income	(19)	961	—	942
Interest Expense, net	(10,124)	(13)	—	(10,137)
Earnings before Income Taxes	69,237	117,311	(92,338)	94,210
Income Taxes	2,556	(24,973)	—	(22,417)
Net Earnings	**$ 71,793**	**$ 92,338**	**$ (92,338)**	**$ 71,793**
Net Earnings	$ 71,793	$ 92,338	$ (92,338)	$ 71,793
Net Actuarial Change in Benefit Plans, net of tax	33	33	(33)	33
Comprehensive Earnings	**$ 71,826**	**$ 92,371**	**$ (92,371)**	**$ 71,826**

Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Three Months Ended September 30, 2018	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 381,499	$ —	$ 381,499
Cost of Goods Sold	—	283,568	—	283,568
Gross Profit	—	97,931	—	97,931
Equity in Earnings of Unconsolidated Joint Venture	10,173	10,173	(10,173)	10,173
Equity in Earnings of Subsidiaries	75,030	—	(75,030)	—
Corporate General and Administrative Expenses	(9,090)	(832)	—	(9,922)
Other Non-Operating Income	(126)	554	—	428
Interest Expense, net	(6,806)	(11)	—	(6,817)
Earnings before Income Taxes	69,181	107,815	(85,203)	91,793
Income Taxes	3,421	(22,611)	—	(19,190)
Net Earnings	**$ 72,602**	**$ 85,204**	**$ (85,203)**	**$ 72,603**
Net Earnings	$ 72,603	$ 85,204	$ (85,203)	72,603
Net Actuarial Change in Benefit Plans, net of tax	56	56	(56)	56
Comprehensive Earnings	**$ 72,659**	**$ 85,260**	**$ (85,259)**	**$ 72,659**

Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Six Months Ended September 30, 2019	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 785,123	$ —	$ 785,123
Cost of Goods Sold	—	605,288	—	605,288
Gross Profit	—	179,835	—	179,835
Equity in Earnings of Unconsolidated Joint Venture	21,789	21,789	(21,789)	21,789
Equity in Earnings of Subsidiaries	135,723	—	(135,723)	—
Corporate General and Administrative Expenses	(33,926)	(786)	—	(34,712)
Other Non-Operating Income	407	735	—	1,142
Interest Expense, net	(18,958)	(25)	—	(18,983)
Earnings before Income Taxes	105,035	201,548	(157,512)	149,071
Income Taxes	8,062	(44,036)	—	(35,974)
Net Earnings	**$ 113,097**	**$ 157,512**	**$ (157,512)**	**$ 113,097**
Net Earnings	$ 113,097	$ 157,512	$ (157,512)	$ 113,097
Net Actuarial Change in Benefit Plans, net of tax	68	68	(68)	68
Comprehensive Earnings	**$ 113,165**	**$ 157,580**	**$ (157,580)**	**$ 113,165**

Condensed Consolidating Statement of Earnings and Comprehensive Earnings For the Six Months Ended September 30, 2018	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 775,255	$ —	$ 775,255
Cost of Goods Sold	—	585,690	—	585,690
Gross Profit	—	189,565	—	189,565
Equity in Earnings of Unconsolidated Joint Venture	19,424	19,424	(19,424)	19,424
Equity in Earnings of Subsidiaries	142,288	—	(142,288)	—
Corporate General and Administrative Expenses	(15,819)	(2,106)	—	(17,925)
Legal Settlements	—	(1,800)	—	(1,800)
Other Non-Operating Income	(219)	1,218	—	999
Interest Expense, net	(13,424)	(25)	—	(13,449)
Earnings before Income Taxes	132,250	206,276	(161,712)	176,814
Income Taxes	6,692	(44,564)	—	(37,872)
Net Earnings	**$ 138,942**	**$ 161,712**	**$ (161,712)**	**$ 138,942**
Net Earnings	$ 138,942	$ 161,712	$ (161,712)	138,942
Net Actuarial Change in Benefit Plans, net of tax	112	112	(112)	112
Comprehensive Earnings	**$ 139,054**	**$ 161,824**	**$ (161,824)**	**$ 139,054**

Condensed Consolidating Balance Sheet At September 30, 2019	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets -				
Cash and Cash Equivalents	$ 51,629	$ 2,055	$ —	$ 53,684
Accounts and Notes Receivable	406	182,283	—	182,689
Inventories	—	241,599	—	241,599
Prepaid and Other Current Assets	1,230	7,853	—	9,083
Total Current Assets	53,265	433,790	—	487,055
Property, Plant, and Equipment, net	7,175	1,448,884	—	1,456,059
Notes Receivable	—	6,436	—	6,436
Investment in Joint Venture	70	71,592	—	71,662
Investments in Subsidiaries and Receivables from Affiliates	2,104,394	147,051	(2,251,445)	—
Operating Lease Right of Use Assets	10,233	53,293	—	63,526
Goodwill and Intangible Assets, net	—	230,770	—	230,770
Other Assets	4,423	6,280	—	10,703
	$ 2,179,560	**$ 2,398,096**	**$ (2,251,445)**	**$ 2,326,211**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities-				
Accounts Payable	$ 6,707	$ 70,949	$ —	$ 77,656
Accrued Liabilities	24,194	42,179	—	66,373
Income Taxes Payable	2,931	—	—	2,931
Operating Lease Liabilities	1,145	10,170	—	11,315
Current Portion of Long-term Debt	36,500	—	—	36,500
Total Current Liabilities	71,477	123,298	—	194,775
Long-term Debt	930,426	—	—	930,426
Noncurrent Lease Liabilities	12,824	43,762	—	56,586
Other Long-term Liabilities	—	35,371	—	35,371
Payables to Affiliates	147,051	6,009,179	(6,156,230)	—
Deferred Income Taxes	7,027	91,271	—	98,298
Total Liabilities	1,168,805	6,302,881	(6,156,230)	1,315,456
Total Stockholders' Equity	1,010,755	(3,904,785)	3,904,785	1,010,755
	$ 2,179,560	**$ 2,398,096**	**$ (2,251,445)**	**$ 2,326,211**

Condensed Consolidating Balance Sheet At March 31, 2019	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Current Assets -				
Cash and Cash Equivalents	$ 5,779	$ 2,822	$ —	$ 8,601
Accounts and Notes Receivable	437	128,285	—	128,722
Inventories	—	275,194	—	275,194
Income Tax Receivables	5,480	—	—	5,480
Prepaid and Other Current Assets	1,472	8,152	—	9,624
Total Current Assets	13,168	414,453	—	427,621
Property, Plant, and Equipment, net	7,756	1,419,183	—	1,426,939
Notes Receivable	—	2,898	—	2,898
Investment in Joint Venture	70	64,803	—	64,873
Investments in Subsidiaries and Receivables from Affiliates	2,322,334	406,726	(2,729,060)	—
Goodwill and Intangible Assets, net	—	229,115	—	229,115
Other Assets	4,571	13,146	—	17,717
	$ 2,347,899	**$ 2,550,324**	**$ (2,729,060)**	**$ 2,169,163**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities-				
Accounts Payable	$ 5,520	$ 75,364	$ —	$ 80,884
Accrued Liabilities	22,470	39,479	—	61,949
Current Portion of Long-term Debt	36,500	—	—	36,500
Total Current Liabilities	64,490	114,843	—	179,333
Long-term Debt	655,092	—	—	655,092
Other Long-term Liabilities	3,303	31,189	—	34,492
Payables to Affiliates	406,726	5,730,093	(6,136,819)	—
Deferred Income Taxes	8,801	81,958	—	90,759
Total Liabilities	1,138,412	5,958,083	(6,136,819)	959,676
Total Stockholders' Equity	1,209,487	(3,407,759)	3,407,759	1,209,487
	$ 2,347,899	**$ 2,550,324**	**$ (2,729,060)**	**$ 2,169,163**

Condensed Consolidating Statement of Cash Flows For the Six Months Ended September 30, 2019	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Cash Provided by (Used in) Operating Activities	$ (21,193)	$ 205,889	$ —	$ 184,696
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Property, Plant, and Equipment	—	(60,007)	—	(60,007)
Acquisition Spending	—	(30,872)	—	(30,872)
Net Cash Used in Investing Activities	—	(90,879)	—	(90,879)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Credit Facility	275,000	—	—	275,000
Dividends Paid to Stockholders	(8,815)	—	—	(8,815)
Purchase and Retirement of Common Stock	(313,887)	—	—	(313,887)
Proceeds from Stock Option Exercises	1,767	—	—	1,767
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,799)	—	—	(2,799)
Intra-entity Activity, net	115,777	(115,777)	—	—
Net Cash Provided by (Used in) Financing Activities	67,043	(115,777)	—	(48,734)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	45,850	(767)	—	45,083
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	5,779	2,822	—	8,601
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**$ 51,629**	**$ 2,055**	**$ —**	**$ 53,684**

Condensed Consolidating Statement of Cash Flows For the Six Months Ended September 30, 2018	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Cash Provided by (Used in) Operating Activities	$ (69,161)	$ 244,037	$ —	$ 174,876
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, Plant, and Equipment Additions	(1,133)	(92,311)	—	(93,444)
Proceeds from Sale of Property, Plant, and Equipment	—	2,281		2,281
Net Cash Used in Investing Activities	(1,133)	(90,030)	—	(91,163)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Credit Facility	10,000	—	—	10,000
Dividends Paid to Stockholders	(9,582)	—	—	(9,582)
Purchase and Retirement of Common Stock	(122,404)	—	—	(122,404)
Proceeds from Stock Option Exercises	1,992	—	—	1,992
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,785)	—	—	(1,785)
Intra-entity Activity, net	155,120	(155,120)	—	—
Net Cash Provided by (Used in) Financing Activities	33,341	(155,120)	—	(121,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(36,953)	(1,113)	—	(38,066)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	44,537	3,531	—	48,068
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**$ 7,584**	**$ 2,418**	**$ —**	**$ 10,002**

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

Eagle Materials Inc. is a leading supplier of heavy construction materials, light building materials, and materials used for oil and natural gas extraction in the United States. Our products are used in commercial and residential construction; public construction projects; projects to build, expand, and repair roads and highways; and in oil and natural gas extraction.

Our business is organized into three sectors: Heavy Materials, which includes the Cement and Concrete and Aggregates segments; Light Materials, which includes the Gypsum Wallboard and Recycled Paperboard segments; and Oil and Gas Proppants, which are used in oil and natural gas extraction. Financial results and other information for the three and six months ended September 30, 2019 and 2018, are presented on a consolidated basis and by these business segments – Cement, Concrete and Aggregates, Gypsum Wallboard, Recycled Paperboard, and Oil and Gas Proppants.

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 Revenue 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.

Our business activities are all conducted in the U.S. These activities include the mining of limestone for the manufacture, production, distribution, and sale of portland cement (a basic construction material that is the essential binding ingredient in concrete); the grinding and sale of slag; the mining of gypsum for the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete; the mining and sale of aggregates (crushed stone, sand, and gravel); and the mining and sale of sand used in hydraulic fracturing (frac sand).

Demand for our products is generally cyclical and seasonal, depending on economic and geographic conditions. We distribute our products throughout most of the United States, except the Northeast, which provides us with regional economic diversification. However, general economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition, and results of operations.

On August 2, 2019, we acquired the assets of a readymix and aggregates business (the Acquisition). The purchase price (Purchase Price) of the Acquisition was approximately $30.9 million, subject to adjustments for working capital and other customary post-closing adjustments. The purchase price allocation has not yet been finalized due to the recent timing of the Acquisition, the status of the valuation of property, plant, and equipment and the determination of the final working capital adjustment. The Purchase Price and expenses incurred in connection with the Acquisition were funded through operating cash flows and borrowings under our bank credit facility. Assets related to the Acquisition are included in the Concrete and Aggregates business in our segment reporting.

As previously announced on May 30, 2019, the Company plans to separate its Heavy Materials and Light Materials businesses into two independent, publicly traded corporations by means of a tax-free spin-off to Eagle shareholders. The separation is expected to be completed in the first half of calendar 2020. The Company also previously announced it is actively pursuing alternatives for its Oil and Gas Proppants business.

MARKET CONDITIONS AND OUTLOOK

The outlook for the remainder of our fiscal year continues to be positive. Demand for our products is supported by several favorable market dynamics including ongoing growth in jobs, high consumer confidence and low interest rates. We believe these factors should positively affect both our Heavy Materials sector, which comprises the Cement, Concrete and Aggregates segments, and our Light Materials sector, comprising the Gypsum Wallboard and Recycled Paperboard segments.

Our integrated cement sales network stretches across the heartland of America. The Portland Cement Association is estimating cement consumption will increase in calendar 2019 over 2018 by approximately 2%. Although we experienced favorable weather during the summer and early fall, adverse weather during the fall and winter could negatively impact demand for cement and concrete and aggregates. In addition to weather, cement and concrete and aggregates markets are affected by infrastructure spending, residential home building, and industrial construction activity.

Our primary Gypsum Wallboard sales network stretches across the southern half of the United States, consistent with our facility network. Wallboard demand is heavily influenced by new residential housing construction, as well as repair and remodeling activity. We expect demand for the remainder of fiscal year 2020 to be similar to demand in the same prior year period. Our Recycled Paperboard business primarily sells paper into the gypsum wallboard market and demand for paper will generally follow the demand for gypsum wallboard. The primary raw material used to produce paperboard business is OCC. We expect OCC prices in fiscal 2020 to be lower than they were in fiscal 2019. We anticipate that demand for recycled paper products will remain strong in for the remainder of fiscal 2020 based on projected housing starts and wallboard demand.

Sales volume and sales prices for our frac sand products continue to be negatively affected by industry wide weakness in completion activity, which was greater than anticipated. In addition, pricing pressure resulting from a combination of low demand and increased use of local sand during calendar 2018 has continued into calendar 2019. We are actively pursuing alternatives for our Oil and Gas Proppants segment. If this review results in an alternative use or disposition of operating facilities in this segment, further recoverability assessments will be required, which may result in future impairment charges.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

	For the Three Months Ended September 30, 2019 (in thousands, except per share)	2018	Change
Revenue	$ 414,526	$ 381,499	9%
Cost of Goods Sold	(310,020)	(283,568)	9%
Gross Profit	104,506	97,931	7%
Equity in Earnings of Unconsolidated Joint Venture	12,357	10,173	21%
Corporate General and Administrative	(13,458)	(9,922)	36%
Other Non-Operating Income	942	428	120%
Interest Expense, net	(10,137)	(6,817)	49%
Earnings Before Income Taxes	94,210	91,793	3%
Income Tax Expense	(22,417)	(19,190)	17%
Net Earnings	**$ 71,793**	**$ 72,603**	**(1)%**
Diluted Earnings per Share	**$ 1.72**	**$ 1.53**	**12%**

REVENUE

Revenue increased by $33.0 million, or 9%, to $414.5 million for the three months ended September 30, 2019. Approximately $8.5 million of the increase was due to the Acquisition. The remaining increase in Revenue was due to higher sales volumes, which added $41.7 million to Revenue, partially offset by decreased gross sales prices, which adversely affected Revenue by approximately $17.2 million.

COST OF GOODS SOLD

Cost of Goods Sold increased by $26.4 million, or 9%, to $310.0 million for the three months ended September 30, 2019. Approximately $7.2 million of the increase was due to the Acquisition. The remaining increase was primarily related to higher Sales Volume, which added $28.8 million to Cost of Goods Sold, partially offset by lower operating costs of approximately $9.6 million. The reduction in operating costs was primarily related to our Recycled Paperboard and Oil and Gas Proppants segments, which are discussed further in our analysis of operating results by segment.

GROSS PROFIT

Gross Profit increased 7% to $104.5 million during the three months ended September 30, 2019. The increase in Gross Profit was primarily due to higher Sales Volume and lower operating costs, partially offset by lower gross sales prices. The gross margin declined to 25% from 26%, primarily because of lower gross sales prices.

EQUITY IN EARNINGS OF JOINT VENTURE

Equity in Earnings of our Unconsolidated Joint Venture increased $2.2 million, or 21%, for the three months ended September 30, 2019. The increase was primarily due to higher Sales Volume and lower operating costs, which increased earnings by approximately $1.8 million and $0.5 million respectively. This was partially offset by lower gross sales prices, which reduced operating earnings by approximately $0.1 million. The reduction in operating costs was primarily due to a $0.2 million decrease in both raw materials and energy costs.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses increased by approximately $3.6 million for the three months ended September 30, 2019. The increase was due primarily to professional costs incurred in connection with our strategic portfolio review and legal expense, which contributed approximately $2.7 million and $0.4 million, respectively, to the increase.

OTHER NON-OPERATING INCOME

Other Non-Operating Income consists of a variety of items that are unrelated to segment operations and include non-inventoried aggregates income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net increased by approximately $3.3 million, or 49% during the three months ended September 30, 2019. The increase in Interest Expense, net was due primarily to higher interest on borrowings under our Credit Facility. The increase in our Credit Facility was due to the repurchase of approximately 1.3 million shares of our common stock during the quarter. Interest expense related to our other long-term debt remained consistent compared with the second quarter of fiscal 2019.

EARNINGS BEFORE INCOME TAXES

Earnings Before Income Taxes increased to $94.2 million during the three months ended September 30, 2019, primarily as a result of higher Gross Profit and Equity in Earnings of Joint Venture. This was partially offset by increased Corporate General and Administrative and Interest expense.

INCOME TAX EXPENSE

Income Tax Expense for the three months ended September 30, 2019 increased to $22.4 million from $19.2 million for the three months ended September 30, 2018, and the effective tax rate increased to 24% from 21% in the prior-year period. The increase in the effective tax rate was primarily due to discrete income tax expense relating to the limitation on the deduction for certain officer compensation.

NET EARNINGS AND DILUTED EARNINGS PER SHARE

Net Earnings declined 1% to $71.8 million for the three months ended September 30, 2019. Diluted Earnings per Share increased 12% to $1.72 per share.

SIX MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

	For the Six Months Ended September 30, 2019 (in thousands, except per share)	2018	Change
Revenue	$ 785,123	$ 775,255	1%
Cost of Goods Sold	(605,288)	(585,690)	3%
Gross Profit	179,835	189,565	(5)%
Equity in Earnings of Unconsolidated Joint Venture	21,789	19,424	12%
Corporate General and Administrative	(34,712)	(17,925)	94%
Litigation Settlements and Losses	—	(1,800)	—
Other Non-Operating Income	1,142	999	14%
Interest Expense, net	(18,983)	(13,449)	41%
Earnings Before Income Taxes	149,071	176,814	(16)%
Income Tax Expense	(35,974)	(37,872)	(5)%
Net Earnings	**$ 113,097**	**$ 138,942**	**(19)%**
Diluted Earnings per Share	**$ 2.63**	**$ 2.90**	**(9)%**

REVENUE

Revenue increased by $9.8 million, or 1%, to $785.1 million for the six months ended September 30, 2019. Excluding the $8.5 million of Revenue from the Acquisition, Revenue increased $1.3 million. The higher Revenue was due to increased Sale Volume of $36.4 million, partially offset by lower gross sales prices of approximately $35.1 million.

COST OF GOODS SOLD

Cost of Goods Sold increased by $19.6 million, or 3%, to $605.3 million for the six months ended September 30, 2019. Approximately $7.2 million of the increase was due to the Acquisition. The remaining increase was primarily related to higher Sales Volume, which increased Cost of Goods Sold by approximately $28.3 million, partially offset by lower operating costs, which reduced Cost of Goods Sold by approximately $15.9 million. The reduction in operating costs was primarily related to our Recycled Paperboard and Oil and Gas Proppants segments, which are discussed further in our analysis of operating results by segment.

GROSS PROFIT

Gross Profit decreased 5% to $179.8 million during the six months ended September 30, 2019. The decline in Gross Profit was primarily due to lower gross sales prices, partially offset by higher Sales Volume and lower operating costs. The gross margin declined to 23% from 24%, primarily because of lower gross sales prices, partially offset by lower operating expenses.

EQUITY IN EARNINGS OF JOINT VENTURE

Equity in Earnings of our Unconsolidated Joint Venture increased $2.4 million, or 12%, for the six months ended September 30, 2019. The increase was primarily due to higher Sales Volume, higher gross sales prices, and lower operating costs, which increased earnings by approximately $1.8 million, $0.2 and $0.4 million respectively. The reduction in operating costs was primarily due to lower raw materials, energy, and purchased cement costs, which declined by approximately $0.3 million, $0.4 million, and $0.3 million, respectively. These reductions were partially offset by increased freight costs of approximately $0.4 million.

CORPORATE GENERAL AND ADMINISTRATIVE

Corporate General and Administrative expenses increased by approximately $16.8 million for the six months ended September 30, 2019. The increase was due primarily to professional costs incurred in connection with our strategic portfolio review, legal expense, and the acceleration of stock compensation costs upon the retirement of our Chief Executive Officer during the first quarter of fiscal 2020, which contributed approximately $8.6 million,

$1.1 million, and $5.3 million, respectively, to the increase. The accelerated vesting of all earned but unvested shares of restricted stock held by our Chief Executive Officer was consistent with the terms of the Company's incentive plan documents and was approved by the Board of Directors.

LITIGATION SETTLEMENTS AND LOSSES

Litigation Settlements and Losses relate to third-party property damage that occurred several years ago in our Recycled Paperboard business. This amount was paid during the three months ended June 30, 2019.

OTHER NON-OPERATING INCOME

Other Non-Operating Income consists of a variety of items that are unrelated to segment operations and include non-inventoried aggregates income, asset sales, and other miscellaneous income and cost items.

INTEREST EXPENSE, NET

Interest Expense, net increased by approximately $5.6 million, or 41% during the six months ended September 30, 2019. The increase in Interest Expense, net was due primarily to higher interest on borrowings under our Credit Facility. The increase in our Credit Facility was due to the repurchase of approximately 3.6 million shares of our common stock during the six months ended September 30, 2019. Interest expense related to our other long-term debt remained consistent with the first quarter of fiscal 2019.

EARNINGS BEFORE INCOME TAXES

Earnings Before Income Taxes declined to $149.1 million during the six months ended September 30, 2019, primarily as a result of lower Gross Profit and increased Corporate General and Administrative expense. This was partially offset by lower Litigation Settlements and Losses and higher Equity in Earnings of Unconsolidated Joint Venture.

INCOME TAX EXPENSE

Income Tax Expense for the six months ended September 30, 2019 decreased to $36.0 million from $37.9 million for the six months ended September 30, 2018, and the effective tax rate increased to 24% from 21% in the prior-year period. The increase in effective tax rate was primarily due to discrete income tax expense relating to the limitation on the deduction for certain officer compensation and changes in valuation allowances.

NET EARNINGS AND DILUTED EARNINGS PER SHARE

Net Earnings declined 19% to $113.1 million for the six months ended September 30, 2019. Diluted Earnings per Share declined 9% to $2.63 per share.

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018 BY SEGMENT

The following presents results within our three business sectors for the three and six months ended September 30, 2019 and 2018. Revenue and operating results are organized by sector and discussed by individual business segment within each respective business sector.

Heavy Materials

CEMENT (1)

	For the Three Months Ended September 30, 2019 (in thousands, except per ton information)	2018	Percentage Change	For the Six Months Ended September 30, 2019 (in thousands, except per ton information)	2018	Percentage Change
Gross Revenue, including Intersegment and Joint Venture	$ 227,013	$ 193,161	18%	$ 422,326	$ 379,949	11%
Less Intersegment Revenue	(6,703)	(4,073)	65%	(10,956)	(8,251)	33%
Less Joint Venture Revenue	(29,888)	(25,479)	17%	(57,393)	(52,743)	9%
Gross Revenue, as reported	$ 190,422	$ 163,609	16%	$ 353,977	$ 318,955	11%
Freight and Delivery Costs billed to Customers	(15,475)	(13,508)	15%	(28,371)	(26,135)	9%
Net Revenue	$ 174,947	$ 150,101	17%	$ 325,606	$ 292,820	11%
Sales Volume (M Tons)	1,778	1,557	14%	3,328	3,068	8%
Average Net Sales Price, per ton (2)	$ 109.35	$ 107.56	2%	$ 109.51	$ 108.12	1%
Operating Margin, per ton	$ 37.42	$ 36.96	1%	$ 30.84	$ 30.93	—
Operating Earnings	$ 66,526	$ 57,547	16%	$ 102,647	$ 94,881	8%

(1) Total of wholly owned subsidiaries and proportionately consolidated 50% interest of the Joint Venture's results.
(2) Net of freight per ton, including Joint Venture.

Three months ended September 30, 2019

Cement Revenue for the three months ended September 30, 2019 was $227.0 million, an 18% increase over the prior period. The increase was primarily due to higher Sales Volume and gross sales prices, which improved Cement Revenue by approximately $29.4 million and $4.4 million, respectively.

Cement Operating Earnings increased by 16% to $66.5 million for the three months ended September 30, 2019. The increase was due primarily to increased Sales Volume and gross sales prices, which positively affected Operating Earnings by approximately $8.2 million and $4.4 million, respectively. This was partially offset by increased operating costs of approximately $3.6 million. The increase in operating costs was due primarily to increased fixed costs and freight of approximately $1.9 million and $1.3 million, respectively. The operating margin fell to 29% from 30%, primarily because of increased operating costs, partially offset by the increase in gross sales prices.

Six months ended September 30, 2019

Cement Revenue was for the six months ended September 30, 2019 was $422.3 million, an 11% increase over the prior period. The increase was primarily due to higher Sales Volume and gross sales prices, which improved Cement Revenue by approximately $34.3 million and $8.1 million, respectively.

Cement Operating Earnings increased by 8% to $102.6 million for the six months ended September 30, 2019. The increase was due primarily to higher Sales Volume and gross sales prices, which increased Operating Earnings by approximately $7.9 million and $8.1 million, respectively. This was partially offset by increased operating costs of approximately $8.2 million. The increase in operating costs was due primarily to increased fixed costs and freight of approximately $5.1 million and $2.8 million, respectively. The operating margin fell to 24% from 25%, primarily because of increased operating costs, partially offset by the increase in gross sales prices.

CONCRETE AND AGGREGATES

	For the Three Months Ended September 30, 2019	2018	Percentage Change	For the Six Months Ended September 30, 2019	2018	Percentage Change
	(in thousands, except net sales prices)			(in thousands, except net sales prices)		
Gross Revenue, including intersegment	$ 55,971	$ 39,744	41%	$ 95,749	$ 80,584	19%
Less intersegment Revenue	(407)	(501)	(19)%	(784)	(832)	(6)%
Gross Revenue, as reported	$ 55,564	$ 39,243	42%	$ 94,965	$ 79,752	19%
Sales Volume -						
M Cubic Yards of Concrete	428	290	48%	738	609	21%
M Tons of Aggregate	1,060	1,013	5%	1,859	1,869	(1)%
Average Net Sales Price -						
Concrete - Per Cubic Yard	$ 107.69	$ 103.72	4%	$ 105.94	$ 102.64	3%
Aggregates - Per Ton	$ 9.25	$ 9.38	(1)%	$ 9.42	$ 9.55	(1)%
Operating Earnings	$ 7,255	$ 4,100	77%	$ 11,689	$ 9,584	22%

Three months ended September 30, 2019

Concrete and Aggregates Revenue increased 41% to $56.0 million for the three months ended September 30, 2019. Revenue from the Acquisition contributed $8.5 million to the increase. The remaining increase in Revenue was due to the increase in Sales Volume and gross sale prices, primarily for Concrete, which increased Revenue by approximately $7.6 million and $0.2 million, respectively.

Operating Earnings increased 77% to approximately $7.3 million. Excluding Operating Earnings from the Acquisition, Operating Earnings increased approximately $1.9 million, or 44%. The increase was a result of increased Sales Volume and increased gross sales prices in our Concrete business, which increased Operating Earnings by approximately $0.8 million and $0.3 million, respectively. Additionally, lower operating costs positively affected Operating Earnings by $0.8 million. The decline in operating costs was primarily due to lower delivery cost of approximately $0.6 million.

Six months ended September 30, 2019

Concrete and Aggregates Revenue for the six months ended September 30, 2019 increased 19% to $95.7 million. Revenue from the Acquisition contributed $8.5 million to the increase. The remaining increase in Revenue was due to the increase in Sales Volume and gross sale prices, for Concrete, which increased Revenue by approximately $6.1 million and $1.0 million, respectively. This was offset by a decline in Sales Volume and gross sales prices for Aggregates of approximately $0.3 million and $0.2 million, respectively.

Operating Earnings increased 22% to approximately $11.7 million. Excluding Operating Earnings from the Acquisition, Operating Earnings increased approximately $0.8 million, or 8%. The increase was a result of increased Sales Volume and increased gross sales prices in our Concrete business, which increased Operating Earnings by approximately $0.6 million and $0.7 million, respectively. This increase was partially offset by increased operating costs of approximately $0.5 million. The increase in operating costs was primarily due to higher cost of materials of approximately $2.6 million, partially offset by lower rent and administrative costs of $0.8 million and $0.9 million, respectively.

Light Materials

GYPSUM WALLBOARD

	For the Three Months Ended September 30, 2019	2018	Percentage Change	For the Six Months Ended September 30, 2019	2018	Percentage Change
	(in thousands, except per MMSF information)			(in thousands, except per MMSF information)		
Gross Revenue, as reported	$ 128,660	$ 129,609	(1)%	$ 255,384	$ 272,024	(6)%
Freight and Delivery Costs billed to Customers	(27,811)	(25,859)	8%	(54,911)	(54,244)	1%
Net Revenue	$ 100,849	$ 103,750	(3)%	$ 200,473	$ 217,780	(8)%
Sales Volume (MMSF)	681	629	8%	1,341	1,339	—
Average Net Sales Price, per MMSF (1)	$ 148.16	$ 165.01	(10)%	$ 149.53	$ 162.73	(8)%
Freight, per MMSF	$ 40.84	$ 41.11	(1)%	$ 40.95	$ 40.51	1%
Operating Margin, per MMSF	$ 56.47	$ 72.61	(22)%	$ 56.96	$ 71.81	(21)%
Operating Earnings	$ 38,456	$ 45,671	(16)%	$ 76,388	$ 96,151	(21)%

(1) Net of freight per MMSF.

Three months ended September 30, 2019

Gypsum Wallboard Revenue decreased 1% to $128.7 million for the three months ended September 30, 2019, primarily because of a decrease in gross sales prices. The decrease in gross sales prices negatively affected Revenue by approximately $11.6 million. This was partially offset by increased Sales Volume, which increased Revenue by approximately $10.7 million. Our market share was essentially unchanged over the last year.

Operating Earnings decreased 16% to $38.5 million, primarily due to the decline in gross sales prices, which negatively affected Operating Earnings by approximately $11.6 million. This was partially offset by increased Sales Volume and lower operating costs, which increased Operating Earnings by approximately $3.7 million and $0.7 million, respectively. The lower operating costs were primarily related to paper, which reduced operating costs by approximately $1.0 million. The Operating Margin declined to 30% for the three months ended September 30, 2019, primarily related to the lower gross sales prices, partially offset by lower operating costs. Fixed costs are not a significant portion of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

Six months ended September 30, 2019

Gypsum Wallboard Revenue decreased 6% to $255.4 million for the six months ended September 30, 2019, primarily because of a decrease in gross sales prices. The decrease in gross sales prices negatively affected Revenue by approximately $17.0 million. This was partially offset by increased Sales Volume, which increased Revenue by approximately $0.4 million. Our market share was essentially unchanged over the last year.

Operating Earnings declined 21% to approximately $76.4 million. The decrease in gross sales prices and increase in operating expense negatively affected Operating Earnings by approximately $17.0 million and $2.9 million, respectively. This was partially offset by increased Sales Volume, which increased Operating Earnings by approximately $0.1 million. The increased operating costs were primarily related to freight, maintenance, and other raw materials, which increased operating costs by approximately $0.6 million, $2.6 million, and $0.6 million. These increases were partially offset by lower paper costs of approximately $1.4 million. The Operating Margin for the six months ended September 30, 2019 declined to 30% primarily due to the lower gross sales prices and higher operating costs. Fixed costs are not a significant portion of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

RECYCLED PAPERBOARD

	For the Three Months Ended September 30, 2019	2018	Percentage Change	For the Six Months Ended September 30, 2019	2018	Percentage Change
	(in thousands, except per ton information)			(in thousands, except per ton information)		
Gross Revenue, including intersegment	$ 41,847	$ 41,277	1%	$ 84,547	$ 86,410	(2)%
Less intersegment Revenue	(15,924)	(15,705)	1%	(32,939)	(33,052)	—
Gross Revenue, as reported	$ 25,923	$ 25,572	1%	$ 51,608	$ 53,358	(3)%
Freight and Delivery Costs billed to Customers	(1,129)	(1,307)	(14)%	(2,334)	(2,625)	(11)%
Net Revenue	$ 24,794	$ 24,265	2%	$ 49,274	$ 50,733	(3)%
Sales Volume (M Tons)	86	79	9%	167	161	4%
Average Net Sales Price, per ton (1)	$ 475.98	$ 508.17	(6)%	$ 492.71	$ 520.36	(5)%
Freight, per ton	$ 13.13	$ 16.54	(21)%	$ 13.98	$ 16.30	(14)%
Operating Margin, per ton	$ 117.38	$ 108.97	8%	$ 119.99	$ 115.55	4%
Operating Earnings	$ 10,095	$ 8,609	17%	$ 20,039	$ 18,603	8%

(1) Net of freight per ton.

Three months ended September 30, 2019

Recycled Paperboard Revenue increased 1% to $41.8 million during the three months ended September 30, 2019. The increase in Revenue was due to higher Sales Volume, which positively affected Revenue by $3.6 million. This was offset by lower average gross sales prices, which decreased Revenue by $3.0 million. The decrease in gross sales prices was due to the pricing provisions in our long-term sales agreements.

Operating Earnings increased 17% to $10.1 million, primarily due to higher Sales Volume and lower operating costs, which increased Operating Earnings by $0.7 million and $3.8 million, respectively. This was partially offset by the decline in gross sales prices, which adversely affected Operating Earnings by approximately $3.0 million. The decrease in operating costs was primarily related to lower input costs, which positively affected Operating Earnings by approximately $4.3 million, but was partially offset by higher maintenance costs of approximately $0.5 million. Operating Margin increased to 24% from 21%, primarily because of lower operating costs, partially offset by lower gross sales prices.

Six months ended September 30, 2019

Recycled Paperboard Revenue decreased 2% to $84.5 million for the six months ended September 30, 2019. The decrease in Revenue was due to lower gross sales prices, which adversely affected Revenue by $5.0 million. This was offset by higher Sales Volume, which increased Revenue by $3.1 million. The decrease in gross sales prices was due to the pricing provisions in our long-term sales agreements.

Operating Earnings increased 8% to $20.0 million, primarily due to higher Sales Volume and lower operating costs, which increased Operating Earnings by $0.7 million and $5.7 million, respectively. This was partially offset by the decline in gross sales prices, which adversely affected Operating Earnings by approximately $5.0 million. The decrease in operating costs was primarily related to lower input costs, which positively affected Operating Earnings by approximately $6.0 million. Operating Margin increased to 24% from 22%, primarily because of lower operating costs, partially offset by lower gross sales prices.

OIL AND GAS PROPPANTS

	For the Three Months Ended September 30, 2019	2018	Percentage Change	For the Six Months Ended September 30, 2019	2018	Percentage Change
	(in thousands, except net sales prices)			(in thousands, except net sales prices)		
Gross Revenue, as reported	$ 13,957	$ 23,466	(41)%	$ 29,189	$ 51,166	(43)%
Sales Volume (M Tons)	356	398	(11)%	763	764	—
Average Net Sales Price, per ton (1)	$ 28.48	$ 47.62	(40)%	$ 28.06	$ 56.65	(50)%
Operating Loss	$ (5,469)	$ (7,823)	(30)%	$ (9,139)	$ (10,230)	(11)%

(1) Net of freight per ton.

Three months ended September 30, 2019

Revenue from our Oil and Gas Proppants segment declined 41% to approximately $14.0 million during the three months ended September 30, 2019. The decline in Revenue was due to lower gross sales prices and Sale Volume, which adversely affected Revenue by approximately $8.6 million and $2.5 million, respectively.

Operating Loss for the quarter decreased 30% to approximately $5.5 million. The decrease in Operating Loss was primarily due to lower operating costs, which reduced Operating Loss $9.3 million. This was partially offset by lower gross sales prices, which increased Operating Loss by $7.0 million. The lower operating costs were primarily related to decreases in contract mining and depreciation and depletion costs of approximately $3.7 million and $5.4 million, respectively, partially offset by higher fixed costs of $1.4 million.

Six months ended September 30, 2019

Revenue from our Oil and Gas Proppants segment declined 43% to approximately $29.2 million during the six months ended September 30, 2019. The decline in Revenue was due to lower gross sales prices, which adversely affected Revenue by approximately $22.0 million.

Operating Loss declined 11% to approximately $9.1 million. The decline was a result of lower operating costs, which reduced Operating Loss by approximately $23.0 million. This decrease was partially offset by lower gross sales prices of approximately $22.0 million. The lower operating costs were primarily related to decreases in contract mining, depreciation and depletion, and delivery expense of approximately $7.6 million, $9.2 million, and $3.4 million, respectively.

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” can be found in our Annual Report. The four critical accounting policies that we believe require either 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, income taxes, and business combinations. 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 Footnote (A) in the Notes to Unaudited 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, 2019	2018
	(dollars in thousands)	
Net Cash Provided by Operating Activities	**$ 184,696**	**$ 174,876**
Investing Activities:		
Additions to Property, Plant, and Equipment	(60,007)	(93,444)
Acquisition Spending	(30,872)	—
Proceeds from Sale of Property, Plant, and Equipment	—	2,281
Net Cash Used in Investing Activities	**(90,879)**	**(91,163)**
Financing Activities:		
Increase in Credit Facility	275,000	10,000
Dividends Paid to Stockholders	(8,815)	(9,582)
Purchase and Retirement of Common Stock	(313,887)	(122,404)
Proceeds from Stock Option Exercises	1,767	1,992
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,799)	(1,785)
Net Cash Provided by (Used in) Financing Activities	(48,734)	(121,779)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	**$ 45,083**	**$ (38,066)**

Cash flows from operating activities increased by $9.8 million to $184.7 million during the six months ended September 30, 2019. This increase was primarily attributable to increased cash flow from changes in working capital of $47.1 million, partially offset by lower Net Earnings and dividends from our Joint Venture, which reduced cash flows by approximately $32.8 million and $4.5 million, respectively.

Working capital increased by $44.0 million to $292.3 million at September 30, 2019, primarily due to the increased Cash and Accounts Receivable of approximately $45.1 million and $54.0 million respectively, and decreased Accounts Payable of approximately $3.2 million. This was partially offset by increased Accrued Liabilities and Operating Lease Liabilities of approximately $4.5 million and $11.3 million, respectively, and decreased Inventory and Income Tax Receivables of approximately $33.6 million and $8.4 million, respectively. The increase in Accounts and Notes Receivable was due primarily to higher Revenue during the quarter. The reduction in Inventory is due to increased shipments and the seasonal nature of our business. The increase in Operating Lease Liabilities was due to the adoption of the new accounting standards requiring the recognition of right of use assets and liabilities related to leases on the balance sheet. The changes in Accounts Payable and Accrued Liabilities and decrease in Income Tax Receivables were both due primarily to timing.

The increase in Accounts and Notes Receivable at September 30, 2019, was primarily related to higher Revenue during the three months ended September 30, 2019 as compared with the three months ended March 31, 2019. As a percentage of quarterly sales generated for the respective quarter, Accounts Receivable was approximately 44% at September 30, 2019 and 45% at March 31, 2019. Management measures the change in Accounts Receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the Accounts Receivable. No significant deterioration in the collectability of our Accounts Receivable was identified at September 30, 2019. Notes Receivable are monitored on an individual basis, and no significant deterioration in the collectability of our Notes Receivable was identified at September 30, 2019.

Our Inventory balance at September 30, 2019 declined by approximately $33.6 million from our balance at March 31, 2019. Within Inventory, raw materials and materials-in-progress, finished cement, and recycled paperboard decreased approximately $23.9 million, $5.7 million, and $4.3 million, respectively. The decline in raw materials and materials-in-progress and finished cement is consistent with our business cycle: we generally build up clinker inventory during the winter to meet the demand in the spring and summer. The largest individual balance in our Inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a high level of repair parts inventory. We believe all of these repair parts are necessary, and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventories have a low risk of obsolescence due to our products being basic construction materials.

Net Cash Used in Investing Activities during the six months ended September 30, 2019 was approximately $90.9 million, compared with $91.2 million in fiscal 2019, a decrease of approximately $0.3 million. The decrease was primarily related to reduced capital spending of approximately $33.4 million. The decrease was partially offset by the Acquisition, which increased Net Cash Used in Investing Activities by $30.9 million, and by lower proceeds from sales of fixed assets of $2.2 million. The decrease in capital spending was primarily due to lower capital spending in our Cement and Oil and Gas Proppants businesses of $15.1 million and $42.8 million, respectively. This was partially offset by higher spending in our Recycled Paperboard business of $23.2 million. The decrease in capital spending in our Oil and Gas Proppants segment was due to the completion of build-out of our Utica, Illinois facility, which was completed in June 2018. The increase in capital spending in our Recycled Paperboard segment was related to upgrading our paper machine, which is expected to improve efficiency. We anticipate spending approximately $25 million more on this project before its expected completion in the spring of 2020.

Net Cash Used in Financing Activities was approximately $48.7 million during the six months ended September 30, 2019, compared with $121.8 million in fiscal 2019. The $73.1 million decrease in Net Cash Used in Financing Activities was primarily due to the $265.0 million increase in net borrowings, partially offset by a $191.5 million increase in the repurchase and retirement of common stock.

Our debt-to-capitalization ratio and net-debt-to-capitalization ratio were 48.9% and 47.5%, respectively, at September 30, 2019, compared with 36.4% and 36.1%, respectively, at March 31, 2019.

Debt Financing Activities

BANK CREDIT FACILITY

We have a revolving credit facility (the Credit Facility) that terminates on August 2, 2021. During May 2019, we exercised our option to expand the Credit Facility and increased the borrowing capacity from $500.0 million to $750.0 million. The Credit Facility also includes a swingline loan sublimit of $25.0 million, which terminates on August 2, 2021. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. The debt under the Credit Facility is not rated by ratings agencies.

At our option, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to either (i) The London Interbank Offered Rate (LIBOR) for the selected period, plus an applicable rate (ranging from 100 to 225 basis points), which is to be established quarterly based on the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation, and amortization, to the Company's consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate, which is the higher of (a) the prime rate or (b) the federal funds rate plus 0.5% per annum plus an applicable rate (ranging from 0 to 125 basis points). In the case of loans bearing interest at a rate based on the federal funds rate, interest payments are due quarterly. In the case of loans bearing interest at a rate based on LIBOR, interest payments are due at the end of the applicable interest period. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The 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 Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions) of 3.5:1.0 or less, and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions, and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We were in compliance with all financial ratios and tests at September 30, 2019. We had $585.0 million of borrowings outstanding at September 30, 2019. Based on our Leverage Ratio, we had $158.1 million of available borrowings, net of the outstanding letters of credit, at September 30, 2019.

The Credit Facility has a $40.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At September 30, 2019, we had $6.9 million of outstanding letters of credit.

4.500% SENIOR UNSECURED NOTES DUE 2026

On August 2, 2016, the Company issued $350.0 million aggregate principal amount of 4.500% senior notes (Senior Unsecured Notes) due August 2026. Interest on the Senior Unsecured Notes is payable semi-annually on February 1 and August 1 of each year until all of the outstanding notes are paid. The Senior Unsecured Notes rank equal to existing and future senior indebtedness, including the Credit Facility and the Private Placement Senior Unsecured Notes. Prior to August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at a price equal to 100% of the principal amount, plus a make-whole premium. Beginning on August 1, 2021, we may redeem some or all of the Senior Unsecured Notes at the redemption prices set forth below (expressed as a percentage of the principal amount being redeemed):

	Percentage
2021	102.25%
2022	101.50%
2023	100.75%
2024 and thereafter	100.00%

The Senior Unsecured Notes contain covenants that limit our ability and/or our guarantor subsidiaries' ability to create or permit to exist certain liens; enter into sale and leaseback transactions; and consolidate, merge, or transfer all or substantially all of our assets. The Company's Senior Unsecured Notes are fully and unconditionally, and jointly and severally guaranteed by each of our subsidiaries that is a guarantor under the Credit Facility and Private Placement Senior Unsecured Notes. See Footnote (S) to the Unaudited Consolidated Financial Statements for more information on the guarantors of the Senior Public Notes.

PRIVATE PLACEMENT UNSECURED NOTES

On October 2, 2007, in a private placement transaction, we entered into a Note Purchase Agreement (the 2007 Note Purchase Agreement) in connection with our sale of $200.0 million of senior unsecured notes, designated as Series 2007A Senior Unsecured Notes. The Series 2007A Senior Unsecured Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches.

At September 30, 2019, the amount outstanding for the remaining tranche is as follows:

	Principal	Maturity Date	Interest Rate
Tranche D	$36.5 million	October 2, 2019	6.48%

Interest for the Series 2007A Senior Unsecured Notes is payable semi-annually on April 2 and October 2 of each year until all principal is paid for the respective tranche. On October 2, 2019, we repaid all outstanding notes related to the Private Placement Unsecured Notes.

OTHER INFORMATION

We lease one of our cement plants from the city of Sugar Creek, Missouri. The city of Sugar Creek issued industrial revenue bonds to partly finance improvements to the cement plant. The lease payments due to the city of Sugar Creek under the cement plant lease, which was entered into upon the sale of the industrial revenue bonds, are equal in amount to the payments required to be made by the city of Sugar Creek to the holders of the industrial revenue bonds. Because we hold all outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the cement plant. At the expiration of the lease in fiscal 2021, we have the option to purchase the cement plant for a nominal amount.

We have approximately $67.9 million of lease liabilities at September 30, 2019 that have an average remaining life of approximately 8.8 years. We do not have any off-balance sheet debt, or any outstanding debt guarantees. We have available under the Credit Facility a $40.0 million Letter of Credit Facility. At September 30, 2019, we had $6.9 million of letters of credit outstanding that renew annually. We are contingently liable for performance under $28.9 million in performance bonds relating primarily to our mining operations.

Other than the Credit Facility, we have no other source of committed external financing in place. Should the Credit Facility be 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 Credit Facility at the time of termination, and an alternative source of financing could not be secured, it would have a material adverse impact on our business. Our Credit Facility is not rated by the rating agencies.

We believe that our cash flow from operations and available borrowings under our 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 12 months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Credit Facility, the level of competition, and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

As market conditions warrant, the Company may from time to time seek to purchase or repay its outstanding debt securities or loans, including, 4.500% Senior Unsecured Notes and borrowings under the Credit Facility, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new debt. The amounts involved in any such purchase transactions, individually or in aggregate, may be material. Any such purchases of the notes offered hereby may be with respect to a substantial amount of such notes, with an attendant reduction in the trading liquidity of such notes.

Dividends

Dividends paid were $8.8 million and $9.6 million, respectively, for the six months ended September 30, 2019 and 2018. 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.

Share Repurchases

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
April 1 through April 30, 2019	364,200	$ 87.47	364,200	
May 1 through May 31, 2019	965,880	89.28	965,880	
June 1 through June 30, 2019	909,793	88.22	909,793	
Quarter 1 Totals	**2,239,873**	**$ 88.56**	**2,239,873**	
July 1 through July 31, 2019	1,022,000	$ 87.46	1,022,000	
August 1 through August 31, 2019	312,236	83.75	312,236	
September 1 through September 30, 2019	—	—	—	
Quarter 2 Totals	**1,334,236**	**$ 86.59**	**1,334,236**	
Year-to-Date Totals	**3,574,109**	**$ 87.82**	**3,574,109**	**7,305,649**

On April 18, 2019, the Board of Directors authorized us to repurchase an additional 10.0 million shares. Including this authorization, our Board of Directors has approved the repurchase in the open market of a cumulative total of 48.4 million shares of our Common Stock since we became publicly held in April 1994. We have repurchased approximately 41.1 million shares from April 1994 through September 30, 2019. We currently have authorization to repurchase an additional 7,305,649 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. In some cases, repurchases may be made pursuant to plans, programs, or directions established from time to time by the Company’s management, including plans intended to comply with the safe-harbor provided by Rule 10b5-1.

During the six months ended September 30, 2019, the Company withheld from employees 57,134 shares of stock upon the vesting of Restricted Shares that were granted under the Plan. We withheld these shares to satisfy the employees’ statutory tax withholding requirements, which is required once the Restricted Shares or Restricted Shares Units are vested.

Capital Expenditures

The following table compares capital expenditures:

	For the Six Months Ended September 30, 2019 (dollars in thousands)	2018
Land and Quarries	$ 5,000	$ 792
Plants	50,858	61,638
Buildings, Machinery, and Equipment	7,017	31,014
Total Capital Expenditures	**$ 62,875**	**$ 93,444**

Capital expenditures for fiscal 2020 are expected to range from $140.0 million to $155.0 million and to be allocated across the Heavy and Light Materials sectors. Identified projects include a $70.0 million investment to expand and enhance our papermill, which has been sold out for several years. This project will enable the facility to increase line speeds which in turn increases output, and to replace the high-cost raw materials with a low-cost, more sustainable alternative. We expect the project to be completed by late spring 2020 and to increase our paper capacity by approximately 70,000 tons.

The capital expenditures for the six months ended September 30, 2019 disclosed above differs from the capital expenditures on the Unaudited Consolidated Statement of Cash Flows. It includes $2.9 million of capital expenditures that were accrued at September 30, 2019 and therefore are not included in the Statement of Cash Flows. See Footnote (C) of the Unaudited Consolidated Financial Statements for more information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our 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. As of September 30, 2019, we have a $750.0 million Credit Facility, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the $585.0 million of borrowings outstanding at September 30, 2019 would increase interest expense by approximately $5.9 million on an annual basis. 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 our 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

Our operations and properties are subject to extensive and changing federal, state, and local laws; regulations and ordinances governing the protection of the environment; as well as laws relating to worker health and workplace safety. We carefully consider the requirements mandated by such laws and regulations and have procedures in place at all of our operating units to monitor compliance. Any matters which are identified as potential exposures under these laws and regulations are carefully reviewed by management to determine our potential liability.

Item 1A. Risk Factors

We are affected by the level of demand in the construction industry.

Demand for our construction products and building materials is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially affected our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve; however, the rate and sustainability of such improvement remains uncertain. Infrastructure spending continues to be adversely affected by several factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential or 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 revenue and profits occurring primarily in the months of April through November when the weather in our markets is more suitable for construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly in the future. Such variations could have a negative impact on the price of our common stock.

We are subject to the risk of unfavorable weather conditions, particularly during peak construction periods, as well as other unexpected operational difficulties.

Unfavorable weather conditions, such as snow, cold weather, hurricanes, tropical storms, and heavy or sustained rainfall, can reduce construction activity and adversely affect demand for construction products. Such weather conditions can also increase our costs, reduce our production, or impede our ability to transport our products in an efficient and cost-effective manner. Similarly, operational difficulties, such as business interruption due to required maintenance, capital improvement projects, or loss of power, can increase our costs and reduce our production. In particular, the occurrence of unfavorable weather conditions and other unexpected operational difficulties during peak construction periods could adversely affect operating earnings and cash flow and could have a disproportionate impact on our results of operations for the full year.

We and our customers participate in cyclical industries and regional markets, which are subject to industry downturns.

A majority of our revenue is from customers who are in industries and businesses that are cyclical in nature and subject to changes in general economic conditions. For example, many of our customers operate in the construction industry, which is affected by a variety of factors, such as general economic conditions, changes in interest rates, demographic and population shifts, levels of infrastructure spending, and other factors beyond our control. In addition, since our operations are in a variety of geographic markets, our businesses are subject to differing economic conditions in each such geographic market. Economic downturns in the industries to which we sell our products or localized downturns in the regions where we have operations generally have an adverse effect on demand for our products and negatively affect the collectability of our receivables. In general, any downturns in these industries or regions could have a material adverse effect on our business, financial condition, and results of operations.

Many of our products are commodities, which are subject to significant changes in supply and demand and price fluctuations.

Many of 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 production capacity of industry participants for products such as gypsum wallboard, frac sand, or cement or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. Currently, there continues to be significant excess nameplate capacity in the gypsum wallboard industry in the United States. 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.

The proposed separation of our Heavy Materials and Light Materials businesses into two independent, publicly traded corporations is subject to various risks and uncertainties, and may not be completed on the terms or timeline currently contemplated, if at all.

On May 30, 2019, we announced our plan to separate our Heavy Materials and Light Materials businesses into two independent, publicly traded corporations by means of a tax-free spin-off to our shareholders. The separation, which is expected to be completed in the first half of calendar 2020, is subject to final approval of our Board of Directors. In addition, unanticipated developments, including possible delays in obtaining the necessary tax opinion, regulatory approvals or clearances and uncertainty of the financial markets, could delay or prevent the completion of the proposed separation or cause the proposed separation to occur on terms or conditions that are different from those currently expected. As a result, we cannot assure that we will be able to complete the proposed separation on the terms or the timeline that we announced, if at all.

The proposed separation of our Heavy Materials and Light Materials businesses may not achieve some or all of the anticipated benefits.

Executing the proposed separation will require us to incur costs, as well as time and attention from our senior management and key employees, which could distract them from operating our business, disrupt operations, and result in the loss of business opportunities, which could adversely affect our business, financial condition, and results of operations. We may also experience increased difficulties in attracting, retaining and motivating key employees during the pendency of the separation and following its completion, which could harm our businesses.
Even if the proposed separation is completed, we may not realize some or all of the anticipated benefits from the separation and the separation may in fact adversely affect our business. As independent, publicly traded companies, both companies will be smaller, less diversified companies with a narrower business focus and may be more vulnerable to changing market conditions and competitive pressures, which could materially and adversely affect their respective businesses, financial condition and results of operations. There can be no assurance that the combined value of the common stock of the two publicly traded companies following the completion of the proposed separation will be equal to or greater than what the value of our common stock would have been had the proposed separation not occurred.

Our Cement business is capital intensive, resulting in significant fixed and semi-fixed costs. Therefore, our earnings are sensitive to changes in volume.

Due to the high levels of fixed capital required to produce cement, our profitability is susceptible to significant changes in volume. We believe that our current cash balance, along with our projected internal cash flows and our available financing resources will provide sufficient cash to support our currently anticipated operating and capital needs. However, if we are unable to generate sufficient cash to purchase and maintain the property and machinery necessary to operate our cement business, we may be required to reduce or delay planned capital expenditures or incur additional debt. In addition, given the level of fixed and semi-fixed costs within our Cement business and at our cement production facilities, decreases in volume could have an adverse effect on our financial condition, results of operations, and liquidity.

Our Oil and Gas Proppants business and financial performance depends on the level of activity in the oil and natural gas industries.

Our operations that produce frac sand are materially dependent on the levels of activity in oil and natural gas exploration, development, and production. More specifically, the demand for the frac sand we produce is closely related to the number of oil and natural gas wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in oil and natural gas prices. In recent years, oil and natural gas prices and, therefore, the level of exploration, development, and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East, and initiatives by the Organization of the Petroleum Exporting Countries, have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely affect the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely affect the demand for frac sand. A prolonged reduction in oil and natural gas prices would generally depress the level of oil and natural gas exploration, development, production and well completion activity, and would result in a corresponding decline in the demand for the frac sand we produce. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could have material adverse effect on our Oil and Gas Proppants business, even in a stronger oil and natural gas price environment.

We may be adversely affected by decreases or shifts in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing.

Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells through hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than ceramic proppant, which is also used in hydraulic fracturing to stimulate and maintain oil and natural gas production. A significant shift in demand from frac sand to other proppants, such as ceramic proppants, or a shift in demand from higher-margin frac sand to lower-margin frac sand, could have a material adverse effect on our Oil and Gas Proppants business. The development and use of new technology for effective alternative proppants, or new technologies allowing for improved placement of proppants at reduced volumes, or the development of new processes to replace hydraulic fracturing altogether could also cause a decline in demand for the frac sand we produce and could have a material adverse effect on our Oil and Gas Proppants business. Similarly, the continued presence of lower cost in-basin frac sand in the Permian and Eagle Ford basins, could continue to adversely affect our Oil and Gas Proppants business.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our business and results of operations.

Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our revenue and cash flows, in particular with respect to our Oil and Gas Proppants business. Our contracts with our customers provide for different potential remedies to us in the event a customer fails to purchase the minimum contracted amount of product in a given period. If we were to pursue legal remedies in the event that a customer failed to purchase the minimum contracted amount of product under a fixed-volume contract or failed to satisfy the take-or-pay commitment under a take-or-pay contract, we may receive significantly less in a judgment or settlement of any claimed breach than we would have received had the customer fully performed under the contract. In the event of any customer's breach, we may also choose to renegotiate any disputed contract on less favorable terms (including with respect to price and volume) for us to preserve the relationship with that customer.

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

Difficult economic conditions can cause a contraction in the availability, and increase the cost, of credit in the marketplace. A number of our customers or suppliers have been and may continue to be adversely affected by unsettled conditions in capital and credit markets, which in some cases have made it more difficult or costly for them to finance their business operations. These unsettled conditions have the potential to reduce the sources of liquidity for the Company and our customers.

Our and our customers' operations are subject to extensive governmental regulation, including environmental laws, 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 carry out construction and related operations. For example, certain of our waste-burning cement kilns are subject to the Standards of Performance for New Sources and Emissions Guidelines for Existing Sources for Commercial/Industrial Solid Waste Incinerators (the CISWI Rule). Although we believe that we are in compliance in all material respects with applicable 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, the enactment or adoption of new or stricter laws or regulations, or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us, or prevent us from opening, expanding, or modifying plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations. For example, we are subject to the National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for Portland cement plants (PC NESHAP). In the future, the EPA may propose to further strengthen the emission limitations applicable under the PC NESHAP to reflect future technological developments, as a result of its periodic reviews of the limitations mandated by the Clean Air Act. Further, out of the 16 states where we have operations, 10 states contain at least one “area” that was designated as being in nonattainment for the 2015 ozone National Ambient Air Quality Standards (NAAQS) (California, Colorado, Illinois, Missouri, Nevada, New Mexico, Ohio, Texas, Utah, and Wisconsin). We may be required to meet new control requirements in these states requiring significant capital expenditures for compliance.

Climate change and climate change legislation or regulations may adversely affect our business.

A number of governmental bodies have finalized, proposed, or are contemplating legislative and regulatory changes in response to the potential effects of climate change. Such legislation or regulation has and potentially could include provisions for a “cap and trade” system of allowances and credits or a carbon tax, among other provisions. Any future laws or regulations addressing GHG emissions would likely have a negative impact on our business or results of operations, whether through the imposition of raw material or production limitations, fuel-use, or carbon taxes emission limitations or reductions, or otherwise.

Other potential effects of climate change include physical effects such as disruption in production and product distribution as a result of major storm events and shifts in regional weather patterns and intensities. Production and shipment levels for our businesses correlate with general construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather patterns, seasonal changes, and other unusual or unexpected weather-related conditions, which can significantly affect our businesses. There is also a potential for climate change legislation and regulation to adversely affect the cost of purchased energy and electricity.

The effects of climate change on our operations are highly uncertain and difficult to estimate. However, because a chemical reaction inherent to the manufacture of portland cement releases carbon dioxide, a GHG, cement kiln operations may be disproportionately affected by future regulation of GHGs. Climate change and legislation and regulation concerning GHGs could have a material adverse effect on our financial condition, results of operations, and liquidity.

Silica-related legislation, health issues and litigation could have a material adverse effect on our business, reputation or results of operations.

The inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the frac sand industry and related transloading operations. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use or handling of frac sand, may have the effect of discouraging our customers’ use of our frac sand. The actual or perceived health risks of mining, processing, and handling frac sand could materially and adversely affect frac sand producers and those who transload frac sand, including us, through reduced use of frac sand, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers. We are currently subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory authorities, including MSHA and OSHA, may continue to propose and implement changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment. We may not be able to comply with any new laws and regulations that are adopted and required modifications or cessation of operations at our affected operations could have a material adverse effect on those businesses.

We may incur significant costs in connection with pending and future litigation.

We are, or may become, party to various lawsuits, claims, investigations, and proceedings, including but not limited to personal injury, environmental, antitrust, tax, asbestos, property entitlements and land use, intellectual property, commercial, contract, product liability, health and safety, and employment matters. The outcome of pending or future lawsuits, claims, investigations, or proceedings is often difficult to predict and could be adverse and material in amount. Development in these proceedings can lead to changes in management's estimates of liabilities associated with these proceedings including the judge's rulings or judgments, settlements, or changes in applicable law. A future adverse ruling, settlement, or unfavorable development could result in charges that could have a material adverse effect on our results of operations and cash flows in a particular period. In addition, the defense of these lawsuits, claims, investigations, and proceedings may divert our management's attention, and we may incur significant costs in defending these matters. See Part II Item 1. Legal Proceedings of this report.

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 costs of fuel, energy, and raw materials. Significant increases in the costs 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 may 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.

Changes in the cost or availability of raw materials supplied by third parties may adversely affect our operating and financial performance.

We generally maintain our own reserves of limestone, gypsum, aggregates, and other materials that we use to manufacture our products. However, we obtain certain raw materials used to manufacture our products, such as synthetic gypsum and slag granules, from third parties who produce such materials as by-products of industrial processes. While we try to secure our needed supply of such materials through long-term contracts, those contracts may not be sufficient to meet our needs, or we may be unable to renew or replace existing contracts when they expire or are terminated in the future. Should our existing suppliers cease operations or reduce or eliminate production of these by-products, our costs to procure these materials may increase significantly, or we may be obliged to procure alternatives to replace these materials, which may not be available on commercially reasonable terms or at all. Any such development may adversely affect our operations and financial condition.

We may become subject to significant cleanup, 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 or expand or modify our facilities. 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. 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, 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.

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, transportation logistics play an important part in allowing us to supply products to our customers, whether by truck, rail, or barge. For example, we deliver gypsum wallboard to many areas of the United States, and the transportation costs associated with the delivery of our wallboard products represent 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 Credit Facility and Senior Unsecured Notes, among other things, covenants that limit our ability to finance future operations or capital needs or to engage in other business activities, including but not limited to 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 our assets or those of our 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 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 these agreements. This may allow the lenders under these agreements to declare all amounts outstanding 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. In general, the occurrence of any event of default under these agreements could have a material adverse effect on our financial condition or results of operations.

We have incurred substantial indebtedness, which could adversely affect our business, limit our ability to plan for or respond to changes in our business, and reduce our profitability.

Our future ability to satisfy our debt obligations is subject, to some extent, to financial, market, competitive, legislative, regulatory, and other factors that are beyond our control. Our substantial debt obligations could have negative consequences to our business, and, in particular, could impede, restrict, or delay the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. For example:

- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, capital expenditures, or strategic acquisitions;
- we may not be able to generate sufficient cash flow to meet our substantial debt service obligations or to fund our other liquidity needs. If this occurs, we may have to take actions such as selling assets, selling equity, or

reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, or restructuring our debt;

- as a result of the amount of our outstanding indebtedness and the restrictive covenants to which we are subject, if we determine that we require additional financing to fund future working capital, capital investments, or other business activities, we may not be able to obtain such financing on commercially reasonable terms, or at all; and
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited, thereby placing us at a competitive disadvantage compared with our competitors that have less 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 periodically 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 and profits due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

Increases in interest rates and inflation could adversely affect our business and demand for our products, which would have a negative 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 Facility. 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, which could have a direct and indirect adverse impact on our business and results of operations.

Any new business opportunities we may elect to pursue will be subject to the risks typically associated with the early stages of business development or product line expansion.

We are continuing to pursue opportunities which are natural extensions of our existing core businesses and which allow us to leverage our core competencies, existing infrastructure, and customer relationships. Our likelihood of success in pursuing and realizing these opportunities must be considered in light of the expenses, difficulties, and delays frequently encountered in connection with the early phases of business development or product line expansion, including the difficulties involved in obtaining permits; planning and constructing new facilities; transporting and storing products; establishing, maintaining, or expanding customer relationships; as well as navigating the regulatory environment in which we operate. There can be no assurance that we will be successful in the pursuit and realization of these opportunities.

Our operations are dependent on our rights and ability to mine our properties and on our having renewed or received the required permits and approvals from governmental authorities and other third parties.

We hold numerous governmental, environmental, mining, and other permits, water rights, and approvals authorizing operations at many of our facilities. A decision by a governmental agency or other third parties to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility. Expansion of our existing operations is also predicated on securing the necessary environmental or other permits, water rights, or approvals, which we may not receive in a timely manner or at all.

Title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have title to one or more of our properties or lack appropriate water rights could cause us to lose any rights to explore, develop, and extract any minerals on that property, without compensation for our prior expenditures relating to such property. Our business may suffer a material adverse effect in the event one or more of our properties are determined to have title deficiencies.

In some instances, we have received access rights or easements from third parties, which allow for a more efficient operation than would exist without the access or easement. A third party could take action to suspend the access or easement, and any such action could be materially adverse to our results of operations or financial conditions.

A cyber-attack or data security breach affecting our information technology systems may negatively affect our businesses, financial condition, and operating results.

We use information technology systems to collect, store, and transmit the data needed to operate our businesses, including our confidential and proprietary information. Although we have implemented industry-standard security safeguards and policies to prevent unauthorized access or disclosure of such information, we cannot prevent all cyber-attacks or data security breaches. If such an attack or breach occurs, our businesses could be negatively affected, and we could incur additional costs in remediating the attack or breach and suffer reputational harm due to the theft or disclosure of our confidential information.

We may pursue acquisitions, joint ventures and other transactions that are intended to complement or expand our businesses. We may not be able to complete proposed transactions, and even if completed, the transactions may involve a number of risks that may result in a material adverse effect on our business, financial condition, operating results, and cash flows.

As business conditions warrant and our financial resources permit, we may pursue opportunities to acquire businesses or technologies and to form joint ventures that we believe could complement, enhance, or expand our current businesses or product lines or that might otherwise offer us growth opportunities. We may have difficulty identifying appropriate opportunities, or if we do identify opportunities, we may not be successful in completing transactions for a number of reasons. Any transactions that we are able to identify and complete may involve one or more of a number of risks, including:

- the diversion of management’s attention from our existing businesses to integrate the operations and personnel of the acquired business or joint venture;
- possible adverse effects on our operating results during the integration process;
- failure of the acquired business or joint venture to achieve expected operational, profitability, and investment return objectives;
- the incurrence of significant charges, such as impairment of goodwill or intangible assets, asset devaluation, or restructuring charges;
- the assumption of unanticipated liabilities and costs for which indemnification is unavailable or inadequate;
- unforeseen difficulties encountered in operating in new geographic areas; and
- the inability to achieve other intended objectives of the transaction.

In addition, we may not be able to successfully or profitably integrate, operate, maintain, and manage our newly acquired operations or their employees. We may not be able to maintain uniform standards, controls, procedures, and policies, which may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional indebtedness.

Our bylaws include a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any internal corporate claims within the meaning of the Delaware General Corporation Law (DGCL), (ii) any derivative action or proceeding brought on our behalf, (iii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or to our stockholders, or (iv) any action asserting a claim arising pursuant to any provision of the DGCL, will be a state or federal court located within the State of Delaware in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. This forum selection provision in our bylaws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that, notwithstanding the forum selection clause included in our bylaws, a court could rule that such a provision is inapplicable or unenforceable.

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

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

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

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

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

The disclosure required under this Item is included in "Management's Discussion and Analysis of Results of Operations and Financial Condition" of this Quarterly Report on Form 10-Q under the heading "Share Repurchases" and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

Item 6. Exhibits

10.1*	Eagle Materials Inc. Director Compensation Summary. (1)
10.2*	Form of Director Restricted Stock Agreement. (1)
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.
95*	Mine Safety Disclosure
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File – (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
(1) Management contract or compensatory plan or arrangement.

SIGNATURES

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

	EAGLE MATERIALS INC. Registrant
October 31, 2019	/s/ MICHAEL R. HAACK Michael R. Haack President and Chief Executive Officer (principal executive officer)
October 31, 2019	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President – Finance and Administration and Chief Financial Officer (principal financial officer)
October 31, 2019	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President – Controller and Chief Accounting Officer (principal accounting officer)

Exhibit 10.1

EAGLE MATERIALS INC.
Non-Employee Directors -- Compensation Summary
Effective August 2019 to July 2020

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 $230,000, of which $105,000 is paid in cash and the remainder is provided in the form of an equity grant valued at $125,000; or

(2) an equity grant valued at $261,500.

The grant date value of the equity grant under either alternative is allocated between restricted stock and options to purchase common stock of the Company, par value $0.01 ("Common Stock") (based upon the recommendation of the Compensation Committee) with respect to each non-employee director.

In accordance with the terms of the Eagle Materials Inc. Amended and Restated Incentive Plan, the exercise price of the stock options is set at the closing price of the Common Stock on the New York Stock Exchange ("NYSE") 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. No stock options were granted as part of this year's package.

The number of shares of restricted stock is determined as of the date of grant using the closing price of the Common Stock on the NYSE on the date of grant. The restricted stock granted to directors in August 2019 was earned on the date of grant; however, the shares will not become fully vested (unrestricted) until the earliest to occur of (i) February 6, 2020; (ii) the recipient's retirement from the Board in accordance with the Company's director retirement policy, or under such circumstances as are approved by the Compensation Committee; or (iii) the recipient's death. During the restriction period the director will have the right to vote the shares. In addition, the director will also be entitled to cash dividends as and when the Company issues a cash dividend on the Common Stock.

Non-employee directors who chair committees of the Board of Directors receive additional annual compensation. The Governance Committee Chair receives a fee of $15,000 per year. The chairs of the Audit Committee and the Compensation Committee each receive a fee of $20,000 per year. The Chairman of the Board of Directors receives a fee of $170,000 per year. Chairpersons who choose compensation package alternative one (part equity and part cash) receive this additional compensation in the form of cash. Chairpersons who choose compensation package alternative two (all equity) receive this additional compensation in the form of equity, in which case a 30% premium is added to such fees when valuing the equity to be received by such chairperson.

Any non-employee director holding unvested restricted stock units (“RSUs”) granted as part of director compensation in prior fiscal years (which currently includes Mr. Nicolais) 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.

EXHIBIT 10.2

EAGLE MATERIALS INC.

AMENDED AND RESTATED INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Eagle Materials Inc., a Delaware corporation (the "Company"), and ____________ (the "Grantee") hereby enter into this Restricted Stock Award Agreement (the "Agreement") in order to set forth the terms and conditions of the Company's award (the "Award") to the Grantee of certain shares of Common Stock of the Company granted to the Grantee on August 6, 2019 (the "Award Date").

1. Award. The Company hereby awards to the Grantee __________ shares of Common Stock of the Company (the "Shares").

2. Relationship to the Plan. The Award shall be subject to the terms and conditions of the Eagle Materials Inc. Amended and Restated Incentive Plan (the "Plan"), this Agreement and such administrative interpretations of the Plan, if any, as may be in effect on the date of this Agreement. Except as defined herein, capitalized terms shall have the meanings ascribed to them under the Plan. For purposes of this Agreement:

(a) "Restriction Period" shall mean the period beginning on the Award Date and ending on the date immediately preceding the Vesting Date.

(b) "Retirement" shall mean 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.

3. Vesting.

(a) Vesting Criteria. The Grantee's interest in the Shares shall vest in full as of the earliest of (i) February 6, 2020; (ii) Grantee's Retirement; or (iii) Grantee's death (as applicable, the "Vesting Date"). Prior to the Vesting Date, all Shares shall be unvested Shares.

(b) Restrictions. During the Restriction Period, the Grantee may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of any unvested Shares or any right or interest related to such unvested Shares, other than as required by the Grantee's will or beneficiary designation, in accordance with the laws of descent and distribution or by a qualified domestic relations order.

(c) Cancellation Right. The Grantee must be in continuous service as a Director from the Award Date through the Vesting Date for an unvested Share to become vested. Subject to Section 4, Grantee's discontinuation of service as a Director prior to the Vesting Date shall cause the unvested Shares to be automatically forfeited as of such discontinuation of service date.

4. Change in Control. The restrictions set forth above in Section 3 shall lapse with respect to the unvested Shares not previously forfeited and such Shares shall become fully vested without regard to the limitations set forth in Section 3 above, provided that the Grantee has been in continuous service as a

Director from the Award Date through the occurrence of a Change in Control (as defined in Exhibit A to this Agreement), unless either: (i) the Committee determines that the terms of the transaction giving rise to the Change in Control provide that the Award is to be replaced within a reasonable time after the Change in Control with an award of equivalent value of shares of the surviving parent corporation, or (ii) the Award is to be settled in cash in accordance with the last sentence of this Section 4. Upon a Change in Control, pursuant to Section 15 of the Plan, the Company may, in its discretion, settle the Award by a cash payment that the Committee shall determine in its sole discretion is equal to the fair market value of the Award on the date of such event.

5. Stockholder Rights. The Grantee shall have the right to vote the Shares. The Grantee shall also have the right to receive any cash dividends paid on the unvested Shares at the same time such amounts are paid with respect to all other shares of Common Stock; provided, the record date for such dividend payment is on or after the Award Date.

6. Capital Adjustments and Corporate Events. If, from time to time during the term of the Restriction Period, there is any capital adjustment affecting the outstanding Common Stock as a class without the Company's receipt of consideration, including as a result of a spin-off or business disposition, the Shares and other applicable terms of this Award shall be adjusted in accordance with the provisions of Section 15 of the Plan, which adjustment shall include (as may be applicable) without limitation, equitable adjustments to the type of property or securities to which the Award relates, in each case as determined by the Committee in its discretion. Any and all new, substituted or additional securities to which the Grantee may be entitled by reason of the Grantee's ownership of the Shares hereunder because of a capital adjustment shall be immediately subject to the restrictions set forth herein (as may be modified pursuant to this Agreement) and included thereafter as Shares for purposes of this Agreement.

7. Refusal to Transfer. The Company shall not be required:

(a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan; or

(b) to treat such purchaser or other transferee as owner of such Shares, accord such purchaser or other transferee the right to vote; or pay or deliver dividends or other distributions to such purchaser or other transferee with respect to such Shares.

8. Legends. If the Shares are certificated, the certificate or certificates evidencing the Shares, if any, issued hereunder shall be endorsed with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AND, ACCORDINGLY, MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR IN ANY MANNER DISPOSED OF EXCEPT IN CONFORMITY WITH THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE ISSUER'S PRINCIPAL CORPORATE OFFICES.

9. Tax Consequences. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations

of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Grantee understands that Section 83 of the Code taxes as ordinary income the difference between the purchase price, if any, for the Shares and the Fair Market Value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the restrictions imposed during the Restriction Period. The Grantee understands that the Grantee may elect to be taxed at the time the Shares are awarded rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the Award Date. THE GRANTEE ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY (AND NOT THE COMPANY'S) TO FILE TIMELY THE ELECTION UNDER SECTION 83(B), EVEN IF THE GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE GRANTEE'S BEHALF.

10. Entire Agreement; Governing Law. The Plan and this Agreement constitute the entire agreement of the Company and the Grantee (collectively, the "Parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Parties with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Parties. Nothing in the Plan and this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any person other than the Parties. The Plan and this Agreement are to be construed in accordance with and governed by the internal laws of the State of Texas, without giving effect to any choice-of-law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Texas to the rights and duties of the Parties. Should any provision of the Plan or this Agreement relating to the Shares be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

11. Interpretive Matters. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term "include" or "including" does not denote or imply any limitation. The term "business day" means any Monday through Friday other than such a day on which banks are authorized to be closed in the State of Texas. The captions and headings used in this Agreement are inserted for convenience and shall not be deemed a part of the Award or this Agreement for construction or interpretation.

12. Notice. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective, and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, addressed to the other Party at its address as shown beneath its signature in this Agreement, or to such other address as such Party may designate in writing from time to time by notice to the other Party.

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

[Signature page follows]

EAGLE MATERIALS INC.

Dated: August ___, 2019	By:	____
	Name:	Michael R. Haack
	Its:	President and CEO
	Address:	5960 Berkshire Ln., Suite 900 Dallas, Texas 75225

The Grantee acknowledges receipt of a copy of the Plan, represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of this Agreement and the Plan. The Grantee further agrees to notify the Company upon any change in the address for notice indicated in this Agreement.

GRANTEE

Dated: _____________, 2019	Signed:	_____________________________________
	Name:	
	Address:	

EXHIBIT A

CHANGE IN CONTROL

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

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

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

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

(d)Approval by the Board and the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) a Major Asset Disposition (or, if there is no such approval by shareholders, consummation of such Major Asset Disposition) unless, immediately following such Major Asset Disposition, (A) Persons that were beneficial owners of the outstanding shares of Company Common Stock immediately prior to such Major Asset Disposition beneficially own, directly or indirectly, more than 50% of the total number of then outstanding shares of common stock and the combined voting power of the then outstanding shares of voting stock of the Company (if it continues to exist) and of the

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

For purposes of the foregoing,

(i) the term "*Person*" means an individual, entity or group;

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

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

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

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

(vi) the term "*Exchange Act*" means the Securities Exchange Act of 1934, as amended;

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

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

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

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

Exhibit 31.1

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

I, Michael R. Haack, 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: October 31, 2019

By: /s/ Michael R. Haack
Michael R. Haack
President and Chief Executive Officer

Exhibit 31.2

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

I, D. Craig Kesler, certify that:

1. I have reviewed this report on Form 10-Q of Eagle Materials Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2019

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

Exhibit 32.1

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Haack, 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: October 31, 2019

By: /s/ Michael R. Haack
Michael R. Haack
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Eagle Materials Inc. and subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2019 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: October 31, 2019

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

MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act contains reporting requirements regarding mine safety. The operation of our quarries is subject to regulation by the federal Mine Safety and Health Administration, or MSHA, under th Mine Act. Set forth below is the required information regarding certain mining safety and health matters for the three-month period ended September 30, 2019 for our facilities. In evaluating this information, consideration should be given to factors such as: (i) the nu size of the quarry, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) (2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actio Last Da
American Gypsum Company LLC Albuquerque, NM (2900181)	0	0	0	0	0	$0	0	no	no	
American Gypsum Company LLC Duke, OK (3400256)	0	0	0	0	0	$0	0	no	no	
American Gypsum Company LLC Eagle, CO (0503997)	0	0	0	0	0	$121	0	no	no	
Centex Materials LLC Buda, TX (4102241)	0	0	0	0	0	$121	0	no	no	
Central Plains Cement Company Sugar Creek, MO (2302171)	7	0	4	0	0	$242	0	no	no	
Central Plains Cement Company Tulsa, OK (3400026)	1	0	0	0	0	$1,000	0	no	no	
Fairborn Cement Company LLC Greene County, OH (3300161)	0	0	0	0	0	$ 0	0	no	no	
Great Northern Sand LLC Barron Co., WI (4703646)	1	0	0	0	0	$1,668	0	no	no	
Great Northern Sand LLC Barron Co., WI (4703740)	2	0	0	0	0	$725	0	no	no	
Illinois Cement Company LaSalle, IL (1100003)	0	0	0	0	0	$0	0	no	no	
Mountain Cement Company LLC Laramie, WY (4800007)	1	0	0	0	0	$ 3,259	0	no	no	
Mountain Cement Company LLC Laramie, WY (4800529)	0	0	0	0	0	$0	0	no	no	
Nevada Cement Company LLC Fernley, NV (2600015)	0	0	0	0	0	$484	0	no	no	
Northern White Sand LLC Utica, IL (1103253)	0	0	0	0	0	$263	0	no	no	
Northern White Sand LLC Corpus Christi, TX (4105013)	0	0	0	0	0	$0	0	no	no	
Talon Concrete and Aggregates LLC Sugar Creek, MO (2302211)	0	0	0	0	0	$0	0	no	no	
Western Aggregates LLC Yuba, CA (0404950)	0	0	0	0	0	$461	0	no	no	

(1) All legal actions were penalty contests.