

EAGLE MATERIALS INC  
Form 10-Q  
February 04, 2011  
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**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**

**December 31, 2010**

**Commission File Number 1-12984**

**Eagle Materials Inc.**

**Delaware**

**(State of Incorporation)**

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75-2520779

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

(214) 432-2000

(Registrant's telephone number)

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

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

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

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

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

As of February 2, 2011, the number of outstanding shares of common stock was:

| Class                         | Outstanding Shares |
|-------------------------------|--------------------|
| Common Stock, \$.01 Par Value | 44,208,359         |

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**Eagle Materials Inc. and Subsidiaries**

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**December 31, 2010**

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## Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

|  | For the Three Months<br>Ended December 31, |            | For the Nine Months<br>Ended December 31, |            |
|--|--|------------|---|------------|
|  | 2010                                       | 2009       | 2010                                      | 2009       |
| Revenues   | \$ 103,870                                 | \$ 104,529 | \$ 366,799                                | \$ 370,519 |
| Cost of Goods Sold                                 | 96,030                                     | 96,217     | 328,979                                   | 322,063    |
| Gross Profit                                       | 7,840                                      | 8,312      | 37,820                                    | 48,456     |
| Equity in Earnings of Unconsolidated Joint Venture | 7,196                                      | 5,910      | 17,868                                    | 18,276     |
| Other Income                                       | 192  | 110        | 1,084                                     | 113        |
| Operating Earnings                                 | 15,228                                     | 14,332     | 56,772                                    | 66,845     |
| Corporate General and Administrative               | (3,942)                                    | (3,170)    | (12,060)                                  | (12,314)   |
| Earnings Before Interest and Taxes                 | 11,286                                     | 11,162     | 44,712                                    | 54,531     |
| Interest Expense, Net                              | (4,666)                                    | (5,695)    | (13,104)                                  | (16,929)   |
| Earnings Before Income Taxes                       | 6,620                                      | 5,467      | 31,608                                    | 37,602     |
| Income Taxes                                       | (1,124)                                    | (783)      | (5,955)                                   | (10,576)   |
| Net Earnings                                       | \$ 5,496                                   | \$ 4,684   | \$ 25,653                                 | \$ 27,026  |
| <b>EARNINGS PER SHARE:</b>                         |  |            |   |            |
| Basic  | \$ 0.13                                    | \$ 0.11    | \$ 0.58                                   | \$ 0.62    |
| Diluted  | \$ 0.12                                    | \$ 0.11    | \$ 0.58                                   | \$ 0.61    |
| <b>AVERAGE SHARES OUTSTANDING:</b>                 |  |            |   |            |
| Basic  | 43,887,833                                 | 43,752,952 | 43,858,606                                | 43,655,146 |
| Diluted  | 44,199,121                                 | 44,092,803 | 44,200,558                                | 44,033,928 |
| <b>CASH DIVIDENDS PER SHARE:</b>                   | \$ 0.10                                    | \$ 0.10    | \$ 0.30                                   | \$ 0.30    |

*See notes to unaudited consolidated financial statements.*



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## Consolidated Balance Sheets

(dollars in thousands)

|   | December 31,<br>2010<br>(unaudited) | March 31,<br>2010   |
|---|-------------------------------------|---------------------|
| <b>ASSETS</b>   |                                     |                     |
| Current Assets -  |                                     |                     |
| Cash and Cash Equivalents   | \$ 4,053                            | \$ 1,416            |
| Accounts and Notes Receivable   | 42,254                              | 49,721              |
| Inventories   | 111,012                             | 105,871             |
| Prepaid and Other Assets  | 2,464                               | 4,266               |
| <b>Total Current Assets</b>   | <b>159,783</b>                      | <b>161,274</b>      |
| Property, Plant and Equipment -   | 1,110,787                           | 1,100,590           |
| Less: Accumulated Depreciation  | (503,063)                           | (468,121)           |
| Property, Plant and Equipment, net  | 607,724                             | 632,469             |
| Notes Receivable  | 13,150                              | 10,586              |
| Investment in Joint Venture   | 31,546                              | 33,928              |
| Goodwill and Intangible Assets  | 151,698                             | 152,175             |
| Other Assets  | 26,542                              | 23,344              |
|   | <b>\$ 990,443</b>                   | <b>\$ 1,013,776</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                                     |                     |
| Current Liabilities -   |                                     |                     |
| Accounts Payable  | \$ 30,464                           | \$ 27,840           |
| Accrued Liabilities   | 35,919                              | 44,044              |
| <b>Total Current Liabilities</b>  | <b>66,383</b>                       | <b>71,884</b>       |
| Long-term Debt  | 290,000                             | 303,000             |
| Other Long-term Liabilities   | 40,778                              | 67,946              |
| Deferred Income Taxes   | 124,503                             | 119,299             |
| <b>Total Liabilities</b>  | <b>521,664</b>                      | <b>562,129</b>      |
| Stockholders Equity -   |                                     |                     |
| Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares;<br>None Issued  |                                     |                     |
| Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 44,196,759 and<br>43,830,794 Shares, respectively | 442                                 | 438                 |
| Capital in Excess of Par Value  | 19,450                              | 14,723              |
| Accumulated Other Comprehensive Losses  | (3,518)                             | (3,518)             |
| Retained Earnings   | 452,405                             | 440,004             |
| <b>Total Stockholders Equity</b>  | <b>468,779</b>                      | <b>451,647</b>      |
|   | <b>\$ 990,443</b>                   | <b>\$ 1,013,776</b> |

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*See notes to the unaudited consolidated financial statements.*

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## Consolidated Statements of Cash Flows

(unaudited dollars in thousands)

|  | <b>For the Nine Months<br/>Ended December 31,</b> |                  |
|--|---|------------------|
|  | <b>2010</b>                                       | <b>2009</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                  |
| Net Earnings   | \$ 25,653   | \$ 27,026        |
| Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities - |   |                  |
| Depreciation, Depletion and Amortization   | 36,966  | 38,254           |
| Gain on Sale of Property, Plant and Equipment  | (485)   |                  |
| Deferred Income Tax Provision  | 3,899   | (3,598)          |
| Stock Compensation Expense   | 2,845   | 2,478            |
| Excess Tax Benefits from Share Based Payment Arrangements                            | (652)   | (1,766)          |
| Equity in Earnings of Unconsolidated Joint Venture                                   | (17,868)  | (18,276)         |
| Distributions from Joint Venture   | 20,250  | 24,000           |
| Changes in Operating Assets and Liabilities:   |   |                  |
| Accounts and Notes Receivable  | 4,903   | 5,276            |
| Inventories  | (5,141)   | 7,548            |
| Accounts Payable and Accrued Liabilities   | (6,344)   | (5,796)          |
| Other Assets   | (1,508)   | 3,861            |
| Income Taxes Payable   | (24,406)  | 2,692            |
| <b>Net Cash Provided by Operating Activities</b>                                     | <b>38,112</b>                                     | <b>81,699</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                  |
| Property, Plant and Equipment Additions  | (11,743)  | (12,201)         |
| Proceeds from Sale of Property, Plant and Equipment                                  | 600   |                  |
| <b>Net Cash Used in Investing Activities</b>   | <b>(11,143)</b>                                   | <b>(12,201)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |   |                  |
| Increase (Decrease) in Bank Credit Facility  | 2,000   | (55,000)         |
| Repayment of Senior Notes  | (15,000)  |                  |
| Dividends Paid to Stockholders   | (13,214)  | (13,090)         |
| Proceeds from Stock Option Exercises   | 1,230   | 1,470            |
| Excess Tax Benefits from Share Based Payment Arrangements                            | 652   | 1,766            |
| <b>Net Cash Used in Financing Activities</b>   | <b>(24,332)</b>                                   | <b>(64,854)</b>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                     | <b>2,637</b>                                      | <b>4,644</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                              | <b>1,416</b>                                      | <b>17,798</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                    | <b>\$ 4,053</b>                                   | <b>\$ 22,442</b> |

*See notes to the unaudited consolidated financial statements.*



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**Eagle Materials Inc. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**December 31, 2010**

**(A) BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements as of and for the three month period ended December 31, 2010, include the accounts of Eagle Materials Inc. and its majority owned subsidiaries (the Company, us or we) and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 27, 2010.

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

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

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

We evaluated all events or transactions that occurred after December 31, 2010 through the filing of these financial statements.

**Recent Accounting Pronouncements**

We have adopted the disclosure requirements outlined in Accounting Standards Update 2010-20 as of December 31, 2010, which requires enhanced disclosures for finance receivables and allowance for credit losses. The disclosure did not impact profit or loss during the quarter.

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

Cash payments made for interest were \$17.7 million and \$18.2 million for the nine months ended December 31, 2010 and 2009, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2010 and 2009, were \$19.7 and \$11.0 million, respectively.

**(C) ACCOUNTS AND NOTES RECEIVABLE**

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$3.7 million at both December 31, 2010 and March 31, 2010. 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.

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We had notes receivable totaling approximately \$15.0 million at December 31, 2010, of which approximately \$1.8 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 bear interest, on average, at the prime rate plus 1.5%. Existing notes in the aggregate are payable in quarterly installments of approximately \$0.5 million. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2011 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment. We monitor the credit risk of each borrower by focusing on the timeliness of payments, review of credit history and credit metrics and interaction with the borrowers. At December 31, 2010, approximately \$0.6 million of our allowance for doubtful accounts is related to our notes receivable.

**(D) STOCKHOLDERS EQUITY**

A summary of changes in stockholders equity follows:

|   | For the Nine Months Ended December 31, 2010<br>(dollars in thousands) |                |
|---|---|----------------|
| <b>Common Stock</b>                           |   |                |
| Balance at Beginning of Period                | \$  | 438            |
| Stock Option Exercises                        |   | 4              |
| Balance at End of Period                      |   | 442            |
| <b>Capital in Excess of Par Value</b>         |   |                |
| Balance at Beginning of Period                |   | 14,723         |
| Stock Compensation Expense                    |   | 2,845          |
| Stock Option Exercises                        |   | 1,882          |
| Balance at End of Period                      |   | 19,450         |
| <b>Retained Earnings</b>                      |   |                |
| Balance at Beginning of Period                |   | 433,719        |
| FIN 48 Adjustment See Below                   |   | 6,285          |
| Balance at Beginning of Period                |   | 440,004        |
| Dividends Declared to Stockholders            |   | (13,252)       |
| Net Earnings                                  |   | 25,653         |
| Balance at End of Period                      |   | 452,405        |
| <b>Accumulated Other Comprehensive Loss -</b> |   |                |
| Balance at Beginning of Period                |   | (3,518)        |
| Balance at End of Period                      |   | (3,518)        |
| <b>Total Stockholders Equity</b>              | <b>\$</b>   | <b>468,779</b> |

There were no share repurchases during the three and nine month periods ended December 31, 2010. As of December 31, 2010, we have authorization to purchase an additional 717,300 shares.

During the quarter ended September 30, 2010, we paid and applied cash deposits for the payment of federal tax, penalty and interest related to the dispute with the Internal Revenue Service ( IRS ) regarding the Republic Asset Acquisition for tax years 2001 through 2006 (See Footnote (N) to the Unaudited Consolidated Financial Statements for more details). The above adjustment reflects the tax benefit of the interest deduction

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allowed on amounts related to unrecognized tax benefits that was not included in the cumulative effect adjustment relating to our original adoption in fiscal 2008 of FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, primarily codified in Accounting Standards Codification 740-10. This adjustment has not affected income or expense since the date of the adoption.

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Comprehensive income for the nine month periods ended December 31, 2010 and 2009 was identical to net income for the same periods.

As of December 31, 2010, we had an accumulated other comprehensive loss of \$3.5 million in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

**(F) INVENTORIES**

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

|  | As of                  |                   |
|--|------------------------|-------------------|
|  | December 31,<br>2010   | March 31,<br>2010 |
|  | (dollars in thousands) |                   |
| Raw Materials and Material-in-Progress | \$ 32,614              | \$ 33,092         |
| Finished Cement                        | 11,785                 | 11,639            |
| Gypsum Wallboard                       | 6,238                  | 5,587             |
| Paperboard                             | 4,111                  | 1,789             |
| Aggregates                             | 11,820                 | 12,691            |
| Repair Parts and Supplies              | 41,120                 | 38,743            |
| Fuel and Coal                          | 3,324                  | 2,330             |
|  | \$ 111,012             | \$ 105,871        |

**(G) ACCRUED EXPENSES**

Accrued expenses consist of the following:

|                                    | As of                  |                   |
|------------------------------------|------------------------|-------------------|
|                                    | December 31,<br>2010   | March 31,<br>2010 |
|                                    | (dollars in thousands) |                   |
| Payroll and Incentive Compensation | \$ 5,169               | \$ 8,507          |
| Benefits                           | 9,354                  | 8,436             |
| Interest                           | 2,902                  | 7,310             |
| Insurance                          | 6,911                  | 6,384             |
| Property Taxes                     | 3,953                  | 3,976             |
| Other                              | 7,630                  | 9,431             |
|                                    | \$ 35,919              | \$ 44,044         |

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

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

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members of the Board of Directors. The Compensation Committee of our Board of Directors specifies the terms for grants of Equity Awards under the Plan.

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*Long-Term Compensation Plans -*

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

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

|                         | <b>Fiscal 2010</b> |
|-------------------------|--------------------|
| Dividend Yield          | 2.0%               |
| Expected Volatility     | 42.3%              |
| Risk Free Interest Rate | 2.75%              |
| Expected Life           | 7.0 years          |

Stock option expense for all outstanding stock option awards totaled approximately \$0.3 million and \$1.5 million for the three and nine month periods ended December 31, 2010, respectively, and \$0.3 million and \$2.1 million for the three and nine month periods ended December 31, 2009, respectively. At December 31, 2010, there was approximately \$2.6 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 3.8 years.

The following table represents stock option activity for the nine month period ended December 31, 2010:

|  | <b>Number of<br/>Shares</b> | <b>Weighted-<br/>Average<br/>Exercise Price</b> |
|--|-----------------------------|---|
| Outstanding Options at Beginning of Period                       | 3,446,452                   | \$ 33.32  |
| Granted  | 269,502                     | \$ 28.45  |
| Exercised  | (98,727)                    | \$ 28.34  |
| Cancelled  | (3,954)                     | \$ 58.93  |
| Outstanding Options at End of Period                             | 3,613,273                   | \$ 34.10  |
| Options Exercisable at End of Period                             | 2,025,398                   |   |
| Weighted-Average Fair Value of Options Granted during the Period | \$ 10.88                    |   |

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The following table summarizes information about stock options outstanding at December 31, 2010:

| Range of Exercise Prices | Outstanding Options Weighted |                                    |                                   | Exercisable Options          |                                   |
|--------------------------|------------------------------|------------------------------------|-----------------------------------|------------------------------|-----------------------------------|
|                          | Number of Shares Outstanding | Average Remaining Contractual Life | Weighted - Average Exercise Price | Number of Shares Outstanding | Weighted - Average Exercise Price |
| \$ 8.15 - \$ 13.43       | 455,440                      | 1.65                               | \$ 11.37                          | 455,440                      | \$ 11.37                          |
| \$ 21.52 - \$ 30.74      | 1,429,478                    | 4.66                               | \$ 26.72                          | 1,242,478                    | \$ 26.18                          |
| \$ 34.09 - \$ 40.78      | 315,670                      | 2.94                               | \$ 37.83                          | 262,670                      | \$ 38.12                          |
| \$ 47.53 - \$ 62.83      | 1,412,685                    | 3.53                               | \$ 48.06                          | 64,810                       | \$ 58.86                          |
|                          | 3,613,273                    | 3.69                               | \$ 34.13                          | 2,025,398                    | \$ 25.44                          |

At December 31, 2010, there was no net intrinsic value for outstanding options. The aggregate intrinsic value of exercisable options at that date was approximately \$5.7 million. The total intrinsic value of options exercised during the nine month period ended December 31, 2010 was approximately \$1.5 million.

*Restricted Stock Units.* In May 2010, the same employees receiving stock options also received an aggregate of 207,500 Restricted Stock Units ( RSUs ). The vesting criteria for the RSUs are the same as the vesting criteria for the Fiscal 2011 Employee Stock Option Grant. The value of the RSUs, net of expected forfeitures, is being expensed ratably over three years. Expense related to RSUs was approximately \$0.1 million and \$0.4 million for the three and nine month periods ended December 31, 2010, respectively, and none and \$1.2 million for the three and nine month periods ended December 31, 2009, respectively. At December 31, 2010, there was approximately \$1.5 million of unearned compensation from RSUs, net of estimated forfeitures, which will be recognized over a weighted-average period of 2.6 years.

*Restricted Stock.* In May 2010, the Compensation Committee also approved the granting of an aggregate of 274,166 shares of restricted stock to certain key employees at both the corporate and subsidiary level that will be earned if our ten year average return on equity exceeds 17.25% at March 31, 2011. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the shares will be earned, but such shares will continue to have restrictions preventing the holder from selling, pledging, transferring or otherwise disposing of the shares until the holder satisfies the criteria for retirement. Retirement, as related to the restricted shares, is defined as the shortest time frame of the following: a) the holder reaches the age of 65 and has more than ten years service; b) expiration of five years from the date of grant, and the holder has more than 25 years of service; or c) fifteen years from the date of grant. The value of the restricted shares, net of estimated forfeitures, is being expensed over each individual grantee's retirement period. Expense related to restricted shares was \$0.3 million and \$0.8 million for the three and nine month periods ended December 31, 2010, respectively, and \$0.1 million and \$0.2 million for the three and nine month periods ended December 31, 2009, respectively. At December 31, 2010, there was approximately \$6.4 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 7.0 years.

The number of shares available for future stock option, restricted stock unit, stock appreciation right and restricted stock grants under the Plan was 2,515,437 at December 31, 2010.

**(I) PENSION AND EMPLOYEE BENEFIT PLANS**

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

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

|                                      | For the Three Months Ended<br>December 31, |                                | For the Nine Months Ended<br>December 31, |                                |
|--------------------------------------|--|--------------------------------|---|--------------------------------|
|                                      | 2010<br>(dollars in thousands)             | 2009<br>(dollars in thousands) | 2010<br>(dollars in thousands)            | 2009<br>(dollars in thousands) |
| Service Cost                         | \$ 148                                     | \$ 126                         | \$ 418                                    | \$ 404                         |
| Benefits Earned During the Period    |  |                                |   |                                |
| Interest Cost of Benefit Obligations | 283  | 266                            | 795                                       | 768                            |
| Expected Return on Plan Assets       | (461)                                      | (62)                           | (873)                                     | (620)                          |
| Recognized Net Actuarial Loss        | 122  | 509                            | 266                                       | 581                            |
| Amortization of Prior-Service Cost   | 4  | (57)                           | 60  | 97                             |
| Net Periodic Pension Cost            | \$ 96                                      | \$ 782                         | \$ 666                                    | \$ 1,230                       |

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

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

|   | For the Three Months<br>Ended December 31, |             | For the Nine Months<br>Ended December 31, |            |
|---|--|-------------|---|------------|
|   | 2010                                       | 2009        | 2010                                      | 2009       |
| Weighted-Average Shares of Common Stock Outstanding                           | 43,887,833                                 | 43,752,952  | 43,858,606                                | 43,655,146 |
| Common Equivalent Shares:   |  |             |   |            |
| Assumed Exercise of Outstanding Dilutive Options                              | 884,679                                    | 1,476,522   | 1,065,195                                 | 1,131,192  |
| Less Shares Repurchased from Assumed Proceeds of<br>Assumed Exercised Options | (666,876)                                  | (1,180,270) | (817,976)                                 | (835,584)  |
| Restricted Shares   | 93,485                                     | 43,599      | 94,733                                    | 83,174     |
| Weighted-Average Common and Common Equivalent Shares<br>Outstanding           | 44,199,121                                 | 44,092,803  | 44,200,558                                | 44,033,928 |
| Shares Excluded Due to Anti-dilution Effects                                  | 2,741,721                                  | 2,015,545   | 2,555,217                                 | 2,359,386  |

**(K) 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 Notes at December 31, 2010 is as follows:

|                        | Fair Value<br>(dollars in thousands) |
|------------------------|--------------------------------------|
| Series 2005A Tranche A | \$ 39,372                            |
| Series 2005A Tranche B | 80,095                               |
| Series 2005A Tranche C | 62,480                               |
| Series 2007A Tranche A | 10,129                               |
| Series 2007A Tranche B | 11,674                               |
| Series 2007A Tranche C | 52,500                               |
| Series 2007A Tranche D | 37,540                               |

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All assets and liabilities which are not considered financial instruments have been valued using historical cost accounting. The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. The fair value of our New Credit Facility also approximates its carrying value at December 31, 2010.

**Table of Contents****(L) LONG TERM DEBT**

Long-term debt consists of the following:

|                      | As of                  |                   |
|----------------------|------------------------|-------------------|
|                      | December 31,<br>2010   | March 31,<br>2010 |
|                      | (dollars in thousands) |                   |
| Bank Credit Facility | \$ 5,000               | \$ 3,000          |
| Senior Notes         | 285,000                | 300,000           |
| <b>Total Debt</b>    | <b>\$ 290,000</b>      | <b>\$ 303,000</b> |

*Bank Credit Facility*

On December 16, 2010, we amended our existing credit facility, modifying certain financial and other covenants and extending the maturity date to 2015. The principal balance of the existing facility was repaid, and replaced with a new \$300.0 million credit agreement (the New Credit Facility). The New Credit Facility expires on December 16, 2015. Borrowings under the New Credit Facility are guaranteed by all major operating subsidiaries of the Company. At the option of the Company, outstanding principal amounts on the New Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness, or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus  $\frac{1}{2}\%$ , per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. The New 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 New Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions to interest expense) of at least 2.5. The New Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

The New Credit Facility has a \$50.0 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 December 31, 2010, we had \$9.2 million of letters of credit outstanding.

We have \$5.0 million of borrowings outstanding under the New Credit Facility at December 31, 2010, and currently have \$285.8 million of borrowings available under the New Credit Facility at December 31, 2010.

*Senior Notes*

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

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



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

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

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

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the Note Purchase Agreements) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as the Senior Notes) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the New Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the New Credit Facility. We were in compliance with all financial ratios and covenants at December 31, 2010.

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

**(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, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the nine months ended December 31, 2010 was approximately 24%, excluding the impact of discrete items.

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

**(N) 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 December 31, 2010, we had contingent liabilities under these outstanding letters of credit of approximately \$9.2 million.

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

|   | As of and For the Three Months<br>Ended December 31,<br>2010      2009<br>(dollars in thousands) |          | As of and For the Nine Months<br>Ended December 31,<br>2010      2009<br>(dollars in thousands) |          |
|---|--|----------|---|----------|
| Accrual Balances at Beginning of Period | \$ 6,846   | \$ 6,612 | \$ 6,384  | \$ 5,794 |
| Insurance Expense Accrued               | 610  | 492      | 2,156   | 2,161    |
| Payments                                | (545)  | (423)    | (1,629)   | (1,274)  |
| Accrual Balance at End of Period        | \$ 6,911   | \$ 6,681 | \$ 6,911  | \$ 6,681 |

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

We are currently contingently liable for performance under \$9.9 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.

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

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



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

### **(O) SEGMENT INFORMATION**

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

We operate in four business segments: Cement, Concrete and Aggregates, Gypsum Wallboard, and Recycled Paperboard. Cement and gypsum wallboard are our primary business, with concrete and aggregates supporting cement and recycled paperboard supporting gypsum wallboard. All of our operations are conducted in the United States.

Our cement operations include mining of limestone and the manufacture, production, distribution and sale of portland cement (a basic construction material which is the essential binding ingredient in concrete). We operate four cement plants and eleven cement distribution terminals. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the Rocky Mountains, northern Nevada, and northern California. These products are used primarily in commercial and residential construction, public construction and projects to build, expand and repair roads and highways. We have nine readymix concrete batch plant locations and two aggregates processing plant locations where we mine aggregates (crushed stone, sand and gravel). Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area and northern California.

We mine gypsum and manufacture wallboard at five gypsum wallboard plants, including the plant temporarily idled in Bernalillo, N.M., and operate a gypsum wallboard distribution center. Gypsum wallboard is a durable sub straight used to finish walls and ceilings in both residential homes and commercial buildings. We have one mill where we manufacture recycled paperboard which is sold to the gypsum paperboard industry and other paperboard converters. Gypsum wallboard and recycled paperboard are distributed throughout the continental United States.

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

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

|                             | For the Three Months<br>Ended December 31,<br>2010 |                   | For the Nine Months<br>Ended December 31,<br>2010 |                   |
|-----------------------------|--|-------------------|---|-------------------|
|                             | 2009   |                   | 2009  |                   |
|                             | (dollars in thousands)                             |                   | (dollars in thousands)                            |                   |
| <b>Revenues -</b>           |  |                   |   |                   |
| Cement                      | \$ 54,876  | \$ 53,413         | \$ 185,151  | \$ 188,370        |
| Gypsum Wallboard            | 45,389   | 45,374            | 153,903   | 159,016           |
| Paperboard                  | 22,381   | 21,024            | 80,309  | 65,051            |
| Concrete and Aggregates     | 10,443   | 9,251             | 34,706  | 37,991            |
| Sub-total                   | 133,089  | 129,062           | 454,069   | 450,428           |
| Less: Intersegment Revenues | (10,038)   | (9,206)           | (31,321)  | (31,173)          |
| Less: Joint Venture         | (19,181)   | (15,327)          | (55,949)  | (48,736)          |
| <b>Net Revenues</b>         | <b>\$ 103,870</b>                                  | <b>\$ 104,529</b> | <b>\$ 366,799</b>                                 | <b>\$ 370,519</b> |

\$103,870      \$103,870      \$103,870      \$103,870

|                                | For the Three Months<br>Ended December 31,<br>2010 |          | For the Nine Months<br>Ended December 31,<br>2010 |           |
|--------------------------------|--|----------|---|-----------|
|                                | 2009   |          | 2009  |           |
|                                | (dollars in thousands)                             |          | (dollars in thousands)                            |           |
| <b>Intersegment Revenues -</b> |  |          |   |           |
| Cement                         | \$ 1,394   | \$ 915   | \$ 3,550  | \$ 3,748  |
| Paperboard                     | 8,491  | 8,124    | 27,311  | 26,753    |
| Concrete and Aggregates        | 153  | 167      | 460   | 672       |
|                                | \$ 10,038  | \$ 9,206 | \$ 31,321   | \$ 31,173 |

| <b>Cement Sales Volume (M Tons) -</b> |     |     |       |       |
|---------------------------------------|-----|-----|-------|-------|
| Wholly-owned Operations               | 408 | 418 | 1,482 | 1,497 |
| Joint Venture                         | 211 | 166 | 614   | 529   |
|                                       | 619 | 584 | 2,096 | 2,026 |

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|   | \$103,870   | \$103,870 | \$103,870  | \$103,870 |
|---|---|-----------|--|-----------|
|   | For the Three Months<br>Ended December 31,<br>2010 2009<br>(dollars in thousands) |           | For the Nine Months<br>Ended December 31,<br>2010 2009<br>(dollars in thousands) |           |
| Operating Earnings -                                      |   |           |  |           |
| Cement  | \$ 15,257   | \$ 13,391 | \$ 41,017  | \$ 49,969 |
| Gypsum Wallboard  | (2,535)   | (2,287)   | 3,961  | 2,453     |
| Paperboard  | 2,160   | 3,216     | 9,787  | 12,618    |
| Concrete and Aggregates                                   | 154   | (98)      | 923  | 1,692     |
| Other, net  | 192   | 110       | 1,084  | 113       |
| Sub-total   | 15,228  | 14,332    | 56,772   | 66,845    |
| Corporate General and Administrative                      | (3,942)   | (3,170)   | (12,060)   | (12,314)  |
| Earnings Before Interest and Income Taxes                 | 11,286  | 11,162    | 44,712   | 54,531    |
| Interest Expense, net                                     | (4,666)   | (5,695)   | (13,104)   | (16,929)  |
| Earnings Before Income Taxes                              | \$ 6,620  | \$ 5,467  | \$ 31,608  | \$ 37,602 |
| Cement Operating Earnings -                               |   |           |  |           |
| Wholly-owned Operations                                   | \$ 8,061  | \$ 7,481  | \$ 23,149  | \$ 31,693 |
| Joint Venture   | 7,196   | 5,910     | 17,868   | 18,276    |
|   | \$ 15,257   | \$ 13,391 | \$ 41,017  | \$ 49,969 |
| Capital Expenditures <sup>(1)</sup> -                     |   |           |  |           |
| Cement  | \$ 3,484  | \$ 1,864  | \$ 6,763   | \$ 11,253 |
| Gypsum Wallboard  | 658   | 69        | 1,213  | 131       |
| Paperboard  | 803   | 52        | 860  | 222       |
| Concrete and Aggregates                                   | 1,331   | 260       | 2,828  | 503       |
| Other   |   | 92        | 79   | 92        |
|   | \$ 6,276  | \$ 2,337  | \$ 11,743  | \$ 12,201 |
| Depreciation, Depletion and Amortization <sup>(1)</sup> - |   |           |  |           |
| Cement  | \$ 3,474  | \$ 3,780  | \$ 10,814  | \$ 11,019 |
| Gypsum Wallboard  | 5,321   | 5,588     | 16,243   | 16,822    |
| Paperboard  | 2,198   | 2,271     | 6,717  | 6,830     |
| Concrete and Aggregates                                   | 987   | 991       | 2,767  | 3,000     |
| Other, net  | 147   | 171       | 425  | 583       |
|   | \$ 12,127   | \$ 12,801 | \$ 36,966  | \$ 38,254 |

|                                      | As of                  |                   |
|--------------------------------------|------------------------|-------------------|
|                                      | December 31,<br>2010   | March 31,<br>2010 |
|                                      | (dollars in thousands) |                   |
| Identifiable Assets <sup>(1)</sup> - |                        |                   |
| Cement                               | \$ 309,677             | \$ 308,606        |
| Gypsum Wallboard                     | 441,187                | 466,426           |
| Paperboard                           | 146,711                | 149,602           |

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|                         |            |              |
|-------------------------|------------|--------------|
| Concrete and Aggregates | 52,042     | 51,787       |
| Corporate and Other     | 40,826     | 37,355       |
|                         | \$ 990,443 | \$ 1,013,776 |

(1) Basis conforms with equity method accounting.

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

|                  | As of                  |                   |
|------------------|------------------------|-------------------|
|                  | December 31,<br>2010   | March 31,<br>2010 |
|                  | (dollars in thousands) |                   |
| Cement           | \$ 8,359               | \$ 8,359          |
| Gypsum Wallboard | 116,618                | 116,618           |
| Paperboard       | 7,538                  | 7,538             |
|                  | \$ 132,515             | \$ 132,515        |

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. Due to the decline in operating earnings of the gypsum wallboard segment during the last year, and continuing into this year, we have performed an impairment test at the end of the third quarter for the gypsum wallboard assets and goodwill, noting that there was no impairment at that time. We will continue to test for any potential impairment on a quarterly basis throughout fiscal year 2011, or until conditions in the wallboard industry improve enough for us to determine that an impairment loss is not likely to occur.

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

|                              | For the Three Months<br>Ended December 31,<br>2010 |           | For the Nine Months<br>Ended December 31,<br>2010 |           |
|------------------------------|--|-----------|---|-----------|
|                              | 2009   |           | 2009  |           |
|                              | (dollars in thousands)                             |           | (dollars in thousands)                            |           |
| Revenues                     | \$ 33,950  | \$ 27,526 | \$ 100,253  | \$ 90,370 |
| Gross Margin                 | \$ 15,459  | \$ 12,520 | \$ 38,820   | \$ 39,496 |
| Earnings Before Income Taxes | \$ 14,391  | \$ 11,821 | \$ 35,736   | \$ 36,553 |

|                     | As of                  |                   |
|---------------------|------------------------|-------------------|
|                     | December 31,<br>2010   | March 31,<br>2010 |
|                     | (dollars in thousands) |                   |
| Current Assets      | \$ 41,651              | \$ 39,034         |
| Non-Current Assets  | \$ 34,003              | \$ 37,993         |
| Current Liabilities | \$ 14,265              | \$ 11,247         |

**(P) INTEREST EXPENSE**

The following components are included in interest expense, net:

|  | For the Three<br>Months<br>Ended December 31,<br>2010 |  | For the Nine Months<br>Ended December 31,<br>2010 |  |
|--|---|--|---|--|
|  | 2009  |  | 2009  |  |

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|                                 | (dollars in thousands) |          | (dollars in thousands) |           |
|---------------------------------|------------------------|----------|------------------------|-----------|
| Interest (Income)               | \$ (2)                 | \$ (4)   | \$ (6)                 | \$ (27)   |
| Interest Expense                | 4,402                  | 4,546    | 13,300                 | 13,869    |
| Interest Expense (Income) - IRS | 213                    | 1,075    | (333)                  | 2,774     |
| Other Expenses                  | 53                     | 78       | 143                    | 313       |
| Interest Expense, net           | \$ 4,666               | \$ 5,695 | \$ 13,104              | \$ 16,929 |

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

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

## **Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition EXECUTIVE SUMMARY**

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three month periods ended December 31, 2010 and 2009, respectively, reflects the Company's four business segments, consisting of Cement, Concrete and Aggregates, Gypsum Wallboard and Recycled Paperboard. Cement and gypsum wallboard are our primary business, with concrete and aggregates supporting cement and recycled paperboard supporting gypsum wallboard. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

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

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

**Table of Contents****RESULTS OF OPERATIONS****Consolidated Results**

|                                      | For the Three Months<br>Ended December 31, |            |        | For the Nine Months<br>Ended December 31, |            |        |
|--------------------------------------|--|------------|--------|---|------------|--------|
|                                      | 2010                                       | 2009       | Change | 2010                                      | 2009       | Change |
|                                      | (In thousands except per share)            |            |        | (In thousands except per share)           |            |        |
| Revenues <sup>(1)</sup>              | \$ 133,089                                 | \$ 129,062 | 3%     | \$ 454,069                                | \$ 450,428 | 1%     |
| Operating Costs <sup>(1)</sup>       | (118,053)                                  | (114,840)  | 3%     | (398,381)                                 | (383,696)  | 4%     |
| Other Income (Expense), net          | 192  | 110        | 75%    | 1,084                                     | 113        | 859%   |
| Operating Earnings                   | 15,228                                     | 14,332     | 6%     | 56,772                                    | 66,845     | (15%)  |
| Corporate General and Administrative | (3,942)                                    | (3,170)    | 24%    | (12,060)                                  | (12,314)   | (2%)   |
| Interest Expense, net                | (4,666)                                    | (5,695)    | (18%)  | (13,104)                                  | (16,929)   | (23%)  |
| Earnings Before Income Taxes         | 6,620                                      | 5,467      | 21%    | 31,608                                    | 37,602     | (16%)  |
| Income Tax Expense                   | (1,124)                                    | (783)      | 44%    | (5,955)                                   | (10,576)   | (44%)  |
| Net Earnings                         | \$ 5,496                                   | \$ 4,684   | 17%    | \$ 25,653                                 | \$ 27,026  | (5%)   |
| Diluted Earnings per Share           | \$ 0.12                                    | \$ 0.11    | 9%     | \$ 0.58                                   | \$ 0.61    | (5%)   |

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

**Net Revenues.** Net revenues increased by 3% and 1% for the three and nine month periods ended December 31, 2010, respectively, as compared to the similar periods in 2009. The increase during the three month period ended December 31, 2010 was due primarily to increased sales volumes for nearly all of our businesses, except paperboard and gypsum wallboard, as compared to the similar quarter in 2009, offset slightly by decreased average net sales prices for all businesses except paperboard. The increase in net revenues for the nine months ended December 31, 2010 was due primarily to the increased sales revenues for our paperboard business, which increased due to both increased sales volume and average net sales price, as compared to the nine month period ended December 31, 2009.

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

**Operating Costs.** Operating costs increased 3% and 4% for the three and nine month periods ended December 31, 2010, respectively, as compared to 2009. The primary reason for the increase in both the fiscal quarter and year to date costs is the increase in production volumes for all of our segments, coupled with increases in the cost of certain critical operating supplies, such as fiber and freight, offset slightly by the decrease in natural gas. The declines in natural gas positively impacted the earnings of our gypsum wallboard and paperboard segments, while the increase in fiber costs negatively impacted the paperboard segment.

**Operating Earnings.** Operating earnings increased 6% to \$15.2 million for the quarter ended December 31, 2010, as compared to the same period in 2009, primarily due to increased net revenues and sales volume as described above. Operating earnings declined 15% to \$56.8 million for the nine month period as compared to the similar period in 2009. The decline was primarily due to increased operating expenses during the nine month period ended December 31, 2010, as compared to the similar period in 2009, due primarily to increased costs for fiber and freight.

**Corporate General and Administrative.** Corporate general and administrative expenses increased 24% during the quarter ended December 31, 2010 as compared to the similar quarter in 2009, primarily due to increased incentive compensation and benefit costs. Corporate general and administrative expenses declined 2% during the nine month period ended December 31, 2010 as compared to the similar period due to lower incentive compensation costs based on lower earnings, coupled with decreased overhead costs due to increased efficiency.



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**Interest Expense, Net.** Net interest expense decreased 18% and 23% during the three and nine month periods ended December 31, 2010, respectively. The decrease in expense is related primarily to our repurchase of \$100 million in private placement debt during February 2010, resulting in lower average borrowings during fiscal 2011, as compared to fiscal 2010. Additionally, interest rates for our revolving line of credit and unrecognized tax benefits were lower during the three and nine month periods ended December 31, 2010 as compared to the rates during the similar periods in 2009.

**Income Taxes.** As of December 31, 2010 the estimated tax rate for fiscal 2011 was 19%, as compared to 29% for fiscal 2010. The expected tax rate for the full fiscal year is expected to be 19%, as compared to 26% for fiscal 2010. The reduced rate is due primarily to the impact of depletion on our current earnings.

**Net Earnings and Diluted Earnings per Share.** Pre-tax earnings for the quarter of \$6.6 million increased 21% from last year's pre-tax earnings of \$5.5 million; while pre-tax earnings for the nine month period ended December 31, 2010 decreased 16% from last year's pre-tax earnings of \$37.6 million. Net earnings of \$5.5 million and diluted earnings per share of \$0.12 for the third quarter of fiscal 2011 increased 17% and 9%, respectively, as compared to the third quarter of fiscal 2010. Net earnings of \$25.6 million and diluted earnings per share of \$0.58 both decreased 5% during the nine month period ended December 31, 2010, as compared to the nine month period ended December 31, 2009.

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

|  | For the Three Months<br>Ended December 31, |                   |            | For the Nine Months<br>Ended December 31, |                   |              |
|--|--|-------------------|------------|---|-------------------|--------------|
|  | 2010                                       | 2009              | Percentage | 2010                                      | 2009              | Percentage   |
|  | (In thousands except per unit)             |                   |            | (In thousands except per unit)            |                   |              |
|  |  |                   | Change     |   |                   | Change       |
| <b>Revenues <sup>(1)</sup></b>                 |  |                   |            |   |                   |              |
| Cement <sup>(2)</sup>                          | \$ 54,876                                  | \$ 53,413         | 3%         | \$ 185,151                                | \$ 188,370        | (2%)         |
| Gypsum Wallboard                               | 45,389                                     | 45,374            |            | 153,903                                   | 159,016           | (3%)         |
| Recycled Paperboard                            | 22,381                                     | 21,024            | 6%         | 80,309                                    | 65,051            | 23%          |
| Concrete and Aggregates                        | 10,443                                     | 9,251             | 13%        | 34,706                                    | 37,991            | (9%)         |
| <b>Gross Revenues</b>                          | <b>\$ 133,089</b>                          | <b>\$ 129,062</b> | <b>3%</b>  | <b>\$ 454,069</b>                         | <b>\$ 450,428</b> | <b>1%</b>    |
| <b>Sales Volume</b>                            |  |                   |            |   |                   |              |
| Cement (M Tons) <sup>(2)</sup>                 | 619  | 584               | 6%         | 2,096                                     | 2,026             | 3%           |
| Gypsum Wallboard (MMSF)                        | 386  | 388               |            | 1,237                                     | 1,302             | (5%)         |
| Recycled Paperboard (M Tons)                   | 47   | 50                | (6%)       | 168                                       | 158               | 6%           |
| Concrete (M Yards)                             | 113  | 95                | 19%        | 353                                       | 380               | (7%)         |
| Aggregates (M Tons)                            | 677  | 468               | 45%        | 2,098                                     | 1,928             | 9%           |
| <b>Average Net Sales Prices <sup>(3)</sup></b> |  |                   |            |   |                   |              |
| Cement <sup>(2)</sup>                          | \$ 80.11                                   | \$ 84.01          | (5%)       | \$ 80.51                                  | \$ 86.34          | (7%)         |
| Gypsum Wallboard                               | 86.65                                      | 89.00             | (3%)       | 93.90                                     | 94.10             |              |
| Recycled Paperboard                            | 477.75                                     | 415.62            | 15%        | 477.80                                    | 410.16            | 16%          |
| Concrete                                       | 62.72                                      | 66.52             | (6%)       | 64.64                                     | 67.75             | (5%)         |
| Aggregates                                     | 5.02                                       | 6.25              | (20%)      | 5.66                                      | 6.36              | (11%)        |
| <b>Operating Earnings</b>                      |  |                   |            |   |                   |              |
| Cement <sup>(2)</sup>                          | \$ 15,257                                  | \$ 13,391         | 14%        | \$ 41,017                                 | \$ 49,969         | (18%)        |
| Gypsum Wallboard                               | (2,535)                                    | (2,287)           | (11%)      | 3,961                                     | 2,453             | 61%          |
| Recycled Paperboard                            | 2,160                                      | 3,216             | (33%)      | 9,787                                     | 12,618            | (22%)        |
| Concrete and Aggregates                        | 154  | (98)              |            | 923                                       | 1,692             | (45%)        |
| Other, net                                     | 192  | 110               | 75%        | 1,084                                     | 113               | 859%         |
| <b>Net Operating Earnings</b>                  | <b>\$ 15,228</b>                           | <b>\$ 14,332</b>  | <b>6%</b>  | <b>\$ 56,772</b>                          | <b>\$ 66,845</b>  | <b>(15%)</b> |

<sup>(1)</sup> Gross revenue, before freight and delivery costs.

- (2) Includes proportionate share of our Joint Venture.
- (3) Net of freight and delivery costs.

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**Cement Operations.** Revenues increased slightly during the three month period ended December 31, 2010, as compared to the similar period in 2009, primarily due to increased sales volumes, offset slightly by lower average sales prices. The increase in sales volumes was more pronounced in the Mountain and Texas markets, due primarily increased demand from mild weather conditions. Revenues decreased slightly during the nine months ended December 31, 2010 as compared to the similar period in 2009, primarily due to decreased average net sales prices, offset slightly by increased sales volume. The decline in average sales prices during the three and nine month periods was consistent across all markets and primarily due to continued weakness in demand in our markets. Operating earnings increased during the third quarter, as compared to the similar period in fiscal 2010. This increase was due to increased sales volume and reduced operating expenses, namely parts, supplies and services and power. Operating earnings decreased during the nine month period ended December 31, 2010 as compared to the similar period in 2009, primarily due to lower average net sales prices and increased fuel costs.

**Gypsum Wallboard Operations.** Revenues were relatively flat during the three month period ended December 31, 2010 as compared to the similar period in 2009, while revenues declined 3% for the nine month period ended December 31, 2010 as compared to the nine month period ended 2009. The decrease in revenues during the nine month period ended December 31, 2010, as compared to the similar periods in 2009, is due primarily to the 5% decrease in sales volume during the period. Sales volume continues to be adversely impacted by low demand for residential and commercial construction. Residential and commercial demand normally comprises approximately 70% of the demand for gypsum wallboard, and sharp declines in demand have reduced the consumption of gypsum wallboard by approximately 50% since its peak in calendar 2005. The decline in operating earnings during the three month period ended December 31, 2010, as compared to the similar period in 2009, was primarily due to increased freight costs. Operating earnings for the nine month period ended December 31, 2010 increased over the similar period in 2009, due to reduced operating expenses, primarily natural gas costs, offset slightly by increased freight expense.

**Recycled Paperboard Operations.** Net revenues increased 6% and 23% during the three and nine month periods ended December 31, 2010 as compared to the similar periods in 2009, primarily due to the 15% and 16% increase in average sales price for the three and nine month periods, respectively. The increase in the average selling price per ton during 2010 as compared to the similar periods in 2009 is primarily due to the price escalators in our long-term sales agreement. Despite the increase in net revenues, operating earnings decreased 33% and 22% for the three and nine month periods ended December 31, 2010 as compared to fiscal 2009, primarily due to decreases in the volume of higher margin gypsum paper sales and increases in the cost of recycled fiber, our primary raw material. Sales of gypsum paper represented 45% and 49% of our sales volume for the three and nine periods ended December 31, 2009, as compared to 52% and 44% for the similar periods of the current fiscal year. Old cardboard containers (OCC) represent the majority of our recycled fiber purchases and the unit cost of OCC has increased 70% and 81% for the three and nine month periods ended December 31, 2010, respectively, as compared to the similar periods in 2009.

**Concrete and Aggregates Operations.** Concrete and aggregates operating earnings improved to \$0.2 million during the quarter ended December 31, 2010, as compared to a loss of \$0.10 million during the similar period in 2009. The increase in operating earnings was due primarily to the increase in revenues, resulting from increased sales volume, offset slightly by the decline in average net sales price. The decline in average net sales price is due primarily to the change in sales mix, resulting from an increase in sales of lower priced road base during the quarter. The decline in revenues and operating earnings during the nine month period ended December 31, 2010 as compared to the similar period in 2009 is due primarily to lower average net sales prices, offset slightly by increased sales volumes.

**GENERAL OUTLOOK**

Calendar 2010 was a very difficult year economically in the United States, particularly in the building materials and construction products businesses. Commercial and residential construction activity remains at cyclic low levels and infrastructure spending has been less than anticipated. Although we anticipate the administration will continue to address the current economic crises during calendar 2011, there can be no assurance as to the actual impact that these actions will have on our business, financial condition or results of operations.

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

In response to the continued uncertainty of gypsum wallboard paper demand, our recycled paperboard segment continues to exercise sales opportunities in several other markets to enable our paper operation to maximize its operating earnings. Fiber prices remain elevated, significantly impacting the cost of manufacturing and product margins. Natural gas costs are expected to remain relatively constant during the remainder of fiscal year 2011. Electricity costs are expected to increase in fiscal 2011.

Cement demand in all U.S. regions continues to be impacted by reduced residential housing construction, the continued weakness of the commercial construction market and expanded state government budget deficits, which are expected to hinder cement consumption during the remainder of fiscal 2011. Cement consumption in the U.S. was relatively flat during calendar year 2010, as compared to calendar year 2009. Imported cement comprised approximately 8% of the total cement consumption during calendar year 2010, which is consistent with calendar year 2009. We anticipate cement consumption for the rest of the fiscal year to be consistent with cement consumption during the prior fiscal year.

We anticipate concrete and aggregate sales prices and sales volumes will remain at historically low levels as demand for residential and infrastructure projects in both of our markets is expected to remain soft.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

## **Recent Accounting Pronouncements**

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

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flow.**

The following table provides a summary of our cash flows:

|   | <b>For the Nine Months<br/>Ended December 31,<br/>2010                      2009<br/>(dollars in thousands)</b> |                 |
|---|---|-----------------|
| Net Cash Provided by Operating Activities                 | \$ 38,112   | \$ 81,699       |
| Investing Activities:                                     |   |                 |
| Capital Expenditures                                      | (11,743)  | (12,201)        |
| Proceeds from Sale of Property, Plant and Equipment       | 600   |                 |
| <b>Net Cash Used in Investing Activities</b>              | <b>(11,143)</b>   | <b>(12,201)</b> |
| Financing Activities:                                     |   |                 |
| Excess Tax Benefits from Share Based Payment Arrangements | 652   | 1,766           |
| Decrease in Notes Payable                                 | (13,000)  | (55,000)        |
| Dividends Paid  | (13,214)  | (13,090)        |
| Proceeds from Stock Option Exercises                      | 1,230   | 1,470           |
| <b>Net Cash Used in Financing Activities</b>              | <b>(24,332)</b>   | <b>(64,854)</b> |
| <br>Net Increase in Cash                                  | <br>\$ 2,637  | <br>\$ 4,644    |

Cash flow from operating activities decreased by approximately \$43.6 million during the nine month period ended December 31, 2010, as compared to the similar period in 2009, primarily due to the \$29.5 million payment for Federal and state taxes, which were \$23.7 million and \$5.8 million, respectively, as explained in Footnote (N) of the Unaudited Consolidated Financial Statements and changes in operating assets and liabilities. Use of cash from changes in operating assets and liabilities, excluding the impact of the change in income taxes payable, was \$8.1 million during the nine months ended December 31, 2010, as compared to cash provided of \$7.2 million during the similar period in 2009. This decrease was caused primarily by timing of accounts payable and greater inventory reductions in fiscal 2010 as compared to fiscal 2011.

Net cash used in investing activities during the nine month period ended December 31, 2010 was relatively consistent with cash used for that purpose in the similar period in 2009. We expect capital expenditures for the full year of fiscal 2011 to be consistent with capital expenditures during fiscal 2010.

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

Net cash used in financing activities was \$24.3 million during the nine month period ended December 31, 2010, as compared to net cash used in financing activities of \$64.9 million during the nine month period ended December 31, 2009. The decrease in cash used in financing activities is primarily due to the reduction in debt repayments during the nine months ended December 31, 2010, as compared to the similar period in 2009. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio declined to 38.2% and 37.9%, respectively, at December 31, 2010, as compared to 40.2% and 40.0%, respectively, at March 31, 2010.



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Working capital increased to \$93.4 million at December 31, 2010, compared to \$89.4 million at March 31, 2010, primarily due to the reduction in accrued expenses, which was offset slightly by increased accounts payable. We did not have any material contractual obligations related to long-term capital projects at December 31, 2010. We were in compliance at December 31, 2010 with all the terms and covenants of our credit agreements.

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

**Debt Financing Activities.***Bank Credit Facility -*

On December 16, 2010, we amended our existing credit facility, modifying certain financial and other covenants and extending the maturity date to 2015. The principal balance of the existing facility was repaid, and replaced with a new \$300.0 million credit agreement (the New Credit Facility). The New Credit Facility expires on December 16, 2015. Borrowings under the New Credit Facility are guaranteed by all major operating subsidiaries of the Company. At the option of the Company, outstanding principal amounts on the New Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness, or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus 1/2%, per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. The New 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 New Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions to interest expense) of at least 2.5. The New Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

We have \$5.0 million of borrowings outstanding under the New Credit Facility at December 31, 2010, and currently have \$285.8 million of borrowings available under the New Credit Facility at December 31, 2010.

*Senior Notes*

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

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

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

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

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

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

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

Other than the New Credit Facility, we have no other source of committed external financing in place. In the event the New Credit Facility is terminated, no assurance can be given as to our ability to secure a new source of financing. None of our debt is rated by the rating agencies.

Our New Credit Facility, under which we currently owe \$5.0 million, matures in December 2015. We believe our cash flows from operations provide us with sufficient liquidity to support our ongoing operations.

We do not have any off balance sheet debt, except for approximately \$12 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the New Credit Facility a \$50 million Letter of Credit Facility. At December 31, 2010, we had \$9.2 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$9.0 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our New Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for at least the next twelve months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our New 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.

**Table of Contents*****Capital Expenditures.***

The following table compares capital expenditures:

|                                    | <b>For the Nine Months<br/>Ended December 31,<br/>2010                      2009<br/>(dollars in thousands)</b> |               |
|------------------------------------|---|---------------|
| Land and Quarries                  | \$ 157  | \$ 5,749      |
| Plants                             | 2,472   | 4,974         |
| Buildings, Machinery and Equipment | 9,114   | 1,478         |
| <br>Total Capital Expenditures     | <br>\$ 11,743   | <br>\$ 12,201 |

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

***Cash used for Share Repurchases.***

We did not repurchase any of our shares during the nine month period ended December 31, 2010. As of December 31, 2010, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by management, based on its evaluation of market and economic conditions and other factors.

***Dividends.***

Dividends paid were \$13.2 million for both of the nine month periods ended December 31, 2010 and 2009. 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.

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

We are exposed to market risks related to fluctuations in interest rates on our Bank Credit Facility. From time-to-time we have utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. There were no outstanding borrowings under the Bank Credit Facility at December 31, 2010. At present, we do not utilize derivative financial instruments.

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

**Item 4. Controls and Procedures**

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



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**Part II. Other Information**

**ITEM 1. LEGAL PROCEEDINGS**

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

**ITEM 1A. RISK FACTORS**

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

Demand for our products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. In particular, the downturn in residential construction and commercial construction has impacted, and will likely continue to adversely impact, our wallboard business. The residential construction industry is currently in the midst of a significant downturn. A similar downturn has occurred in commercial construction as well. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects, which is very limited in light of the budget constraints being experienced by the states. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including a continued decrease in residential construction or continued weakening of commercial construction) could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Legislative and regulatory measures to address emissions of Green House Gasses ( GHG s) are in various phases of discussions or implementation at the international, national, regional and state levels. In addition, the EPA is taking steps that would result in the regulation of GHGs as pollutants under the Clean Air Act. On September 22, 2009, the EPA issued a Mandatory Reporting of Greenhouse Gases final rule, which took effect December 29, 2009. This rule establishes a new comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. In addition, on December 15, 2009, the EPA published a final rule finding that emissions of GHGs from automobiles endanger public health and welfare and proposed a rule to limit GHG emissions from automobiles. This rule, according to EPA, will trigger construction and operating permit requirements for large stationary sources, including cement plants. In a final rule issued on May 13, 2010, known as EPA's Tailoring Rule, any modification or expansion of our existing plants (or construction of a new plant) after January 1, 2011 that triggers New Source Review ( NSR ) requirements for non-GHG emissions will also trigger NSR for GHG if our proposed GHG emissions exceed 75,000 tons per year. This would require the permitting of, and evaluation of potential controls for, GHG emissions. Effective July 1, 2011, any modification or expansion of our existing plants that results in an increase of our GHG emissions in excess of 75,000 tons per year, or construction of a new plant with the potential to emit 100,000 tons per year, will require NSR permitting and the implementation of best available control technology for GHG emissions. These limitations on emissions of GHGs from our equipment or operations could require us to incur costs to reduce such emissions and could ultimately affect our operations and our ability to obtain air permits for new or modified facilities.

The potential consequences of GHG emission reduction measures for our operations are potentially significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel, (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide, and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas. At this

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time, it is not possible to accurately estimate how laws or regulations addressing GHG emissions would impact our business. Any imposition of raw materials or production limitations, fuel-use or carbon taxes, or emission limitations or reductions could have a significant impact on the cement manufacturing industry and the gypsum wallboard manufacturing industry and a material adverse effect on us and our results of operations.

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

In 2010 the EPA released proposed regulations to address the storage and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum ( synthetic gypsum ). We use synthetic gypsum in wallboard manufactured at our Georgetown, SC plant. In its release, the EPA is proposing two alternative regulations. Under one proposal, the EPA would characterize coal combustion products destined for disposal as a special waste under Subtitle C of the Resource Conservation and Recovery Act ( RCRA ), which is the Subtitle that regulates hazardous wastes. However, under this proposal, beneficial use of coal combustion products, including synthetic gypsum, would continue to be exempt under the Bevill Amendment and not warrant regulation. Under the other proposal, the EPA would continue to regulate coal combustion products under Subtitle D of RCRA, which regulates solid wastes that are not hazardous wastes. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion products under either of its two proposals. It is not possible to accurately predict the regulations that will be ultimately adopted. However, it is possible that EPA s rulemaking could affect our business, financial condition and results of operations, depending on how any such regulation affects our costs or the demand for our products utilizing synthetic gypsum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Incur additional indebtedness;

Sell assets or make other fundamental changes;

Engage in mergers and acquisitions;

Pay dividends and make other restricted payments;

Make investments, loans, advances or guarantees;

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Encumber the assets of the Company and its restricted subsidiaries;

Enter into transactions with our affiliates.

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

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

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

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

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

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

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

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*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, 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 Item 1. of this Quarterly Report on Form 10-Q under the heading Cash Used for Share Repurchase and is incorporated herein by reference.

### **Item 5. Other Information**

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

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The following table provides the required information for the three month period ended December 31, 2010 for our locations with reportable information. Our other covered locations did not have any reportable information.

| Quarry Site<br>(MSHA ID)                              | Total # of<br>S&S<br>violations<br>under<br>Mine<br>Act<br>104 | Total #<br>of<br>orders<br>under<br>Mine<br>Act<br>104(b) | Total #<br>of<br>unwarrantable<br>failure<br>citations<br>and<br>orders<br>under<br>Mine<br>Act<br>104(d) | Total # of<br>violations<br>under<br>Mine<br>Act<br>110(b)(2) | Total #<br>of<br>orders<br>under<br>Mine<br>Act<br>107(a) | Total dollar<br>value of<br>proposed<br>assessments<br>from MSHA<br>(\$ in thousands) | Total<br>#<br>of<br>mining<br>related<br>fatalities | Received<br>written<br>notice<br>under<br>Mine<br>Act<br>104(e)<br>(yes/no)? | Total #<br>of<br>pending<br>legal<br>actions<br>before<br>the<br>Federal<br>Mine<br>Safety<br>and<br>Health<br>Review<br>Commission |
|---|--|---|---|---|---|---|---|--|---|
| American Gypsum<br>Company, LLC Duke, OK<br>(3400256) | 1  | 0   | 0   | 0   | 0   | \$ 1  | 0   | No   | 0   |
| Mountain Cement Company<br>Laramie, WY (4800007)      | 6  | 0   | 0   | 0   | 0   | \$ 43   | 0   | No   | 7   |
| Mountain Cement Company<br>Laramie, WY (4800529)      | 1  | 0   | 0   | 0   | 0   | \$ 1  | 0   | No   | 1   |
| Nevada Cement Company<br>Fernley, NV (2600015)        | 3  | 0   | 1   | 0   | 0   | \$ 52   | 0   | No   | 4   |
| Centex Materials Buda, TX<br>(4102241)                | 2  | 0   | 0   | 0   | 0   | \$ 0  | 0   | No   | 0   |
| Western Aggregates Yuba,<br>CA (0404950)              | 0  | 0   | 0   | 0   | 0   | \$ 0  | 0   | No   | 2   |
| Texas Lehigh Cement<br>Company Buda, TX<br>(4102781)  | 0  | 0   | 0   | 0   | 0   | \$ 1  | 0   | No   | 0   |

**Item 6. Exhibits**

- 10.1 Second Amended and Restated Credit Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2010, and incorporated herein by reference).
- 12.1\* Computation of Ratio of Earnings to Fixed Charges.
- 31.1\* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.

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- 31.2\* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 32.1\* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2011, filed with the SEC on August 6, 2010, formatted in Extensible Business Reporting Language ( XBRL ): (i) the consolidated income statements for the three month periods ended December 31, 2010 and December 31, 2009, (ii) the consolidated balance sheets at December 31, 2010 and March 31, 2010, (iii) the consolidated statements of cash flows for the three months ended December 31, 2010 and December 31, 2009, and (iv) the notes to the consolidated financial statements (tagged as blocks of text).<sup>(1)</sup>

\* Filed herewith.

<sup>(1)</sup> Pursuant to Rule 406T of Regulation S-T, these interactive files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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**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

February 4, 2011

/s/ STEVEN R. ROWLEY  
Steven R. Rowley  
President and Chief Executive Officer  
(principal executive officer)

February 4, 2011

/s/ D. CRAIG KESLER  
D. Craig Kesler  
Executive Vice President Finance and  
Administration and Chief Financial Officer  
(principal financial officer)

February 4, 2011

/s/ WILLIAM R. DEVLIN  
William R. Devlin  
Senior Vice President Controller and  
Chief Accounting Officer  
(principal accounting officer)