

EAGLE MATERIALS INC  
Form 10-Q  
July 24, 2009  
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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**

**June 30, 2009**

**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 July 22, 2009, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, \$.01 Par Value	43,601,281

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**Eagle Materials Inc. and Subsidiaries**

**Form 10-Q**

**June 30, 2009**

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**Table of Contents****Eagle Materials Inc. and Subsidiaries**

Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>REVENUES</b>		
Gypsum Wallboard	\$ 56,922	\$ 81,398
Cement	43,187	56,764
Paperboard	13,395	19,530
Concrete and Aggregates	14,301	18,711
Other, net	87	400
	127,892	176,803
<b>COSTS AND EXPENSES</b>		
Gypsum Wallboard	53,514	86,786
Cement	33,407	42,010
Paperboard	8,362	16,317
Concrete and Aggregates	12,791	16,598
Corporate General and Administrative	4,293	4,055
Interest Expense, net	5,633	7,991
	118,000	173,757
<b>EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE</b>	7,301	7,886
<b>EARNINGS BEFORE INCOME TAXES</b>	17,193	10,932
Income Taxes	5,273	3,102
<b>NET EARNINGS</b>	\$ 11,920	\$ 7,830
<b>EARNINGS PER SHARE:</b>		
Basic	\$ 0.27	\$ 0.18
Diluted	\$ 0.27	\$ 0.18

**AVERAGE SHARES OUTSTANDING:**

Basic	43,581,646	43,421,927
Diluted	43,996,589	43,885,288

<b>CASH DIVIDENDS PER SHARE:</b>	\$ 0.10	\$ 0.20
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*See notes to unaudited consolidated financial statements.*

**Table of Contents****Eagle Materials Inc. and Subsidiaries**

## Consolidated Balance Sheets

(dollars in thousands)

	June 30, 2009 (unaudited)	March 31, 2009
<b>ASSETS</b>		
Current Assets -		
Cash and Cash Equivalents	\$ 1,039	\$ 17,798
Accounts and Notes Receivable	56,892	44,261
Inventories	104,383	107,063
Prepaid and Other Assets	5,105	6,161
<b>Total Current Assets</b>	<b>167,419</b>	<b>175,283</b>
Property, Plant and Equipment -	1,092,181	1,089,610
Less: Accumulated Depreciation	(432,194)	(419,669)
Property, Plant and Equipment, net	659,987	669,941
Notes Receivable	6,000	6,301
Investment in Joint Venture	38,072	39,521
Goodwill and Intangible Assets	152,653	152,812
Other Assets	23,446	22,810
	<b>\$ 1,047,577</b>	<b>\$ 1,066,668</b>

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current Liabilities -		
Accounts Payable	\$ 23,967	\$ 19,645
Federal Income Taxes Payable	7,033	
Accrued Liabilities	37,386	44,604
<b>Total Current Liabilities</b>	<b>68,386</b>	<b>64,249</b>
Long-term Debt	325,000	355,000
Other Long-term Liabilities	97,903	97,104
Deferred Income Taxes	119,473	122,488
<b>Total Liabilities</b>	<b>610,762</b>	<b>638,841</b>
Stockholders Equity -		

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Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares;

None Issued

Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 43,601,281 and 43,589,775 Shares, respectively

	436	436
Capital in Excess of Par Value	12,595	11,166
Accumulated Other Comprehensive Losses	(6,040)	(6,040)
Retained Earnings	429,824	422,265
<b>Total Stockholders' Equity</b>	<b>436,815</b>	<b>427,827</b>

\$ 1,047,577      \$ 1,066,668

*See notes to the unaudited consolidated financial statements.*

**Table of Contents****Eagle Materials Inc. and Subsidiaries**

## Consolidated Statements of Cash Flows

(unaudited dollars in thousands)

	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Earnings	\$ 11,920	\$ 7,830
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	12,819	12,722
Deferred Income Tax Provision	(3,015)	(3,102)
Stock Compensation Expense	1,050	868
Equity in Earnings of Unconsolidated Joint Venture	(7,301)	(7,886)
Excess Tax Benefits from Share Based Payment Arrangements	(129)	(266)
Distributions from Joint Venture	8,750	9,000
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(12,330)	(9,215)
Inventories	2,680	(5,255)
Accounts Payable and Accrued Liabilities	(1,158)	(7,467)
Other Assets	262	(941)
Income Taxes Payable	6,216	4,945
Net Cash Provided by Operating Activities	19,764	1,233
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, Plant and Equipment Additions	(2,548)	(7,638)
Net Cash Used in Investing Activities	(2,548)	(7,638)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Notes Payable	(30,000)	10,000
Dividends Paid to Stockholders	(4,354)	(8,681)
Proceeds from Stock Option Exercises	250	379
Excess Tax Benefits from Share Based Payment Arrangements	129	266
Net Cash Provided by (Used in) Financing Activities	(33,975)	1,964



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NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,759)	(4,441)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>17,798</b>	<b>18,960</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,039</b>	<b>\$ 14,519</b>

*See notes to the unaudited consolidated financial statements.*

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**Eagle Materials Inc. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**June 30, 2008**

**(A) BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements as of and for the three month period ended June 30, 2009, 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, 2009.

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 year balances, primarily prepaid expenses and deferred taxes, have been reclassified to be consistent with the current year presentation.

**Recent Accounting Pronouncements**

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, and Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting*. This FSP requires publicly-traded entities to disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS 107. This FSP is effective for interim and annual reporting periods ending after June 15, 2009. We adopted FSP FAS 107-1 and APB 28-1 for the period ending March 31, 2009.

In May 2009, the FASB issued SFAS 165, *Subsequent Events*. SFAS 165 should not result in significant changes in the subsequent events that an entity reports. Rather, SFAS 165 introduces the concept of financial statements being available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with generally accepted accounting principles (GAAP) and all approvals necessary for issuance have been obtained. The adoption of SFAS 165 did not impact our financial position or results of operations. We evaluated all events or transactions that occurred after June 30, 2009 up through July 24, 2009, the date we issued these financial statements. During this period we did not have any material recognizable subsequent events.

**Table of Contents****(B) CASH FLOW INFORMATION - SUPPLEMENTAL**

Cash payments made for interest were \$9.0 million and \$12.1 million for the three months ended June 30, 2009 and 2008, respectively. Net payments made for federal and state income taxes during the three months ended June 30, 2009 and 2008, were \$2.2 and \$2.3 million, respectively.

**(C) COMPREHENSIVE INCOME**

Comprehensive income for the three month periods ended June 30, 2009 and 2008 was identical to net income for the same periods.

As of June 30, 2009, we had an accumulated other comprehensive loss of \$6.0 million, in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

**(D) STOCKHOLDERS EQUITY**

A summary of changes in stockholders equity follows:

	<b>For the Three Months Ended June 30, 2009 (dollars in thousands)</b>
<b>Common Stock</b>	
Balance at Beginning of Period	\$ 436
Stock Option Exercises	
Balance at End of Period	436
<b>Capital in Excess of Par Value</b>	
Balance at Beginning of Period	11,166
Share-Based Activity	1,050
Stock Option Exercises	379
Balance at End of Period	12,595
<b>Retained Earnings</b>	
Balance at Beginning of Period	422,265
Dividends Declared to Stockholders	(4,361)
Net Earnings	11,920
Balance at End of Period	429,824
<b>Accumulated Other Comprehensive Losses</b>	
Balance at Beginning of Period	(6,040)
Balance at End of Period	(6,040)
<b>Total Stockholders Equity</b>	<b>\$ 436,815</b>

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There were no share repurchases during the three month period ended June 30, 2009. As of June 30, 2009, we have authorization to purchase an additional 717,300 shares.

### **(E) 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 three months ended June 30, 2009 was approximately 31%.

**Table of Contents****(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	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 28,632	\$ 32,580
Gypsum Wallboard	9,108	9,622
Finished Cement	11,780	11,303
Paperboard	3,519	4,142
Aggregates	12,222	11,684
Repair Parts and Supplies	36,919	36,429
Fuel and Coal	2,203	1,303
	\$ 104,383	\$ 107,063

**(G) ACCRUED EXPENSES**

Accrued expenses consist of the following:

	As of	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 6,536	\$ 10,813
Benefits	9,736	9,152
Interest	3,004	7,310
Insurance	6,046	5,665
Other	12,064	11,664
	\$ 37,386	\$ 44,604

**(H) SHARE-BASED EMPLOYEE COMPENSATION****Long-Term Compensation Plans**

Our current Incentive Stock Plan ( ISP ) was initially adopted during fiscal 2004 and amended during fiscal 2006. Under the terms of the ISP, we can issue stock options, restricted stock units ( RSUs ) and restricted stock (collectively, the Equity Awards ) to employees of the Company and members of the Board of Directors. The Compensation Committee of our Board of Directors specifies the terms for grants of Equity Awards under the ISP. The exercise price of options must be equal to or greater than the fair market value of a share of our common stock on the date of grant and the term of these options may not exceed ten years. Vesting of options granted to employees is generally based on performance criteria, while options granted to members of the Board of Directors become immediately and fully exercisable. RSUs issued to employees generally are paid in shares based on the achievement of certain performance criteria. Dividend equivalent units are accrued on all RSUs that have been earned, but not yet paid out in shares. RSUs granted to members of the Board of Directors are generally paid in shares when the director retires. Restrictions on restricted shares issued to employees generally lapse ratably over a seven-year period. Equity Awards issued under the ISP generally provide that, in the event of a change in control, all awards become immediately and fully exercisable.



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*Options.* Stock option expense for all outstanding stock option awards totaled approximately \$0.4 million and \$0.7 million for the three month periods ended June 30, 2009 and 2008, respectively. At June 30, 2009, there was approximately \$4.1 million of unrecognized compensation cost related to outstanding stock options which is expected to be recognized over a weighted-average period of 4.8 years.

The following table represents stock option activity for the quarter ended June 30, 2009:

	Number of Shares	Weighted- Average Exercise Price
Outstanding Options at Beginning of Period	3,568,431	\$ 33.32
Granted		
Exercised	(24,929)	\$ 10.02
Cancelled	(100,000)	\$ 34.30
Outstanding Options at End of Period	3,443,502	\$ 33.45
Options Exercisable at End of Period	1,969,702	

**Weighted-Average Fair Value of Options Granted during the Period**

The following table summarizes information about stock options outstanding at June 30, 2009:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Shares Outstanding	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
\$ 6.80 - \$ 8.15	225,782	1.48	\$ 7.55	225,782	\$ 7.55
\$ 9.57 - \$ 13.43	381,041	3.44	\$ 12.10	380,041	\$ 12.11
\$ 21.52 - \$ 29.08	1,103,970	5.51	\$ 26.08	1,100,970	\$ 26.09
\$ 34.09 - \$ 40.78	316,670	3.91	\$ 37.83	209,870	\$ 38.41
\$ 47.53 - \$ 62.83	1,416,039	5.07	\$ 48.10	53,039	\$ 62.10
	3,443,502	4.69	\$ 33.45	1,969,702	\$ 23.55

At June 30, 2009, there was no intrinsic value for outstanding options. The aggregate intrinsic value of exercisable options at that date was approximately \$3.3 million. The total intrinsic value of options exercised during the three month period ended June 30, 2009 was approximately \$0.4 million.

*Restricted Stock Units.* We have previously granted RSUs to employees and directors. The value of the RSUs granted to employees is being amortized over a three year period, with the exception of the RSUs granted on August 21, 2008, which are being expensed over a one year period. The value of the RSUs granted to directors is being amortized over a period not to exceed ten years. Expense related to RSUs was approximately \$0.8 million and \$0.1 million for the three-month periods ended June 30, 2009 and 2008, respectively. At June 30, 2009, there was approximately \$0.8 million of unearned compensation from RSUs that will be recognized over a weighted-average period of 2.8 years.

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Shares available for future stock option and restricted stock unit grants under existing plans were 409,916 at June 30, 2009.



**Table of Contents****(I) COMPUTATION OF EARNINGS PER SHARE**

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

	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
Weighted-Average Shares of Common Stock Outstanding	43,581,646	43,421,927
Common Equivalent Shares:		
Assumed Exercise of Outstanding Dilutive Options	971,073	1,085,502
Less Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(675,980)	(681,642)
Restricted Shares	119,850	59,501
Weighted-Average Common and Common Equivalent Shares Outstanding	43,996,589	43,885,288

At June 30, 2009 and 2008, 2,534,894 and 1,843,007 stock options, respectively, were excluded from the diluted earnings per share calculation, as their effect was anti-dilutive.

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

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

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

	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(dollars in thousands)</b>	
Service Cost - Benefits Earned during the Period	\$ 139	\$ 133
Interest Cost of Benefit Obligations	251	225
Expected Return on Plan Assets	(279)	(280)
Recognized Net Actuarial Loss	77	33
Amortization of Prior-Service Cost	36	37
Net Periodic Pension Cost	\$ 224	\$ 148

**(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 March 31, 2009 is as follows:

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	<b>Fair Value</b> <b>(dollars in thousands)</b>
Series 2005A Tranche A	\$ 37,508
Series 2005A Tranche B	67,950
Series 2005A Tranche C	64,200
Series 2007A Tranche A	9,040
Series 2007A Tranche B	9,975
Series 2007A Tranche C	44,950
Series 2007A Tranche D	31,324

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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 Bank Credit Facility also approximates its carrying value at June 30, 2009.

**(L) CREDIT FACILITIES**

Long-term debt consists of the following:

	As of	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Bank Credit Facility	\$ 25,000	\$ 55,000
Senior Notes	300,000	300,000
	\$ 325,000	\$ 355,000

*Bank Credit Facility -*

We entered into a \$350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the "Bank Credit Facility") to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at our option of the Company.

The Bank Credit Facility has a \$25 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At June 30, 2009, we had \$7.0 million of letters of credit outstanding.

At June 30, 2009, the Company had \$318.0 million of borrowings available under the Bank Credit Facility. Under the Bank Credit Facility, we are required to adhere to certain financial and other covenants, including covenants relating to the Company's interest coverage ratio and consolidated funded indebtedness ratio.

*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. On February 5, 2009, we repurchased \$7.0 million in principal of the Series 2005A Senior Notes for \$6.7 million, leaving \$193.0 million outstanding. Following the repurchase, 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	\$ 77.2 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. On February 5, 2009, we repurchased \$93.0 million in principal of the Series 2007A Senior Notes for \$88.3 million, leaving \$107.0 million outstanding. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

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

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the Note Purchase Agreements) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as the Senior Notes) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Bank Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Bank Credit Facility. We were in compliance with all financial ratios and covenants at June 30, 2009.

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) 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 June 30, 2009, we had contingent liabilities under these outstanding letters of credit of approximately \$7.0 million.

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

	As of and for the Three Months Ended June 30,	
	2009	2008
	(dollars in thousands)	
Accrual Balances at Beginning of Period	\$ 5,794	\$ 5,673
Insurance Expense Accrued	977	683
Payments	(725)	(1,120)
Accrual Balance at End of Period	\$ 6,046	\$ 5,236

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. The Company currently has no outstanding guarantees.

The Internal Revenue Service (the "IRS") completed the examination of our federal income tax returns for the fiscal years ended March 31, 2001, 2002, and 2003. The IRS issued an Exam Report and Notice of Proposed Adjustment on November 9, 2007, in which it proposes to deny certain depreciation deductions claimed by us with respect to assets acquired by us from Republic Group LLC in November 2000 (the "Republic Assets").

If sustained, the adjustment proposed by the IRS would result in additional federal income taxes owed by us of approximately \$27.6 million, plus penalties of \$5.7 million and applicable interest. Moreover, for taxable years subsequent to fiscal 2003, we also claimed depreciation deductions with respect to the Republic Assets, as originally recorded. If challenged on the same basis as set forth in the Notice of Proposed Adjustment, additional federal income taxes of approximately \$39.6 million, plus applicable interest and possible civil penalties, could be asserted by the IRS for those periods. Also, additional state income taxes, interest, and civil penalties of approximately \$9.3 million would be owed by us for the fiscal years under exam and subsequent taxable years if the IRS' position is sustained. The IRS examination of federal income tax returns for fiscal years ended March 31, 2004, 2005 and 2006 is currently in process.

On December 7, 2007, we filed an administrative appeal of the IRS's proposed adjustments. On December 17, 2008 our initial appeals hearing with the IRS was held. Our appeal is currently still in process. The Company intends to vigorously pursue the appeal and, if necessary, resort to the courts for a final determination.

We paid the IRS approximately \$45.8 million during November 2007, which is comprised of \$27.6 million in federal income taxes, \$5.7 million for penalties and \$12.5 million for interest, to avoid additional imposition of the large corporate tax underpayment interest rates. In the event we reach a settlement with the IRS through the appeals process or in the courts, we will reverse any accrued interest and penalties in excess of the negotiated settlement through the consolidated Statement of Earnings, consistent with our adoption of Statement of Financial Accounting Standards No. 141R "Business Combinations". In the event we are unable to reach 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.

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We are currently contingently liable for performance under \$8.7 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.

**(N) INTEREST EXPENSE**

The following components are included in interest expense, net:

	<b>For the Three Months Ended June 30, 2009      2008 (dollars in thousands)</b>	
Interest (Income)	\$ (17)	\$ (26)
Interest Expense	4,733	6,493
Interest Expense - IRS	799	1,399
Other Expenses	118	125
Interest Expense, net	\$ 5,633	\$ 7,991

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

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

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

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

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

	<b>For the Three Months Ended June 30, 2009      2008 (dollars in thousands)</b>	
<b>Revenues -</b>		
Gypsum Wallboard	\$ 56,922	\$ 81,398
Cement	62,100	86,309
Paperboard	22,536	33,800
Concrete and Aggregates	14,610	18,936
Other, net	87	400
<b>Sub-total</b>	<b>156,255</b>	<b>220,843</b>
Less: Intersegment Revenues	(11,042)	(16,411)
Less: Joint Venture	(17,321)	(27,629)
<b>Net Revenues</b>	<b>\$ 127,892</b>	<b>\$ 176,803</b>

	<b>For the Three Months Ended June 30, 2009      2008 (dollars in thousands)</b>	
<b>Intersegment Revenues -</b>		
Cement	\$ 1,592	\$ 1,916
Paperboard	9,141	14,270
Concrete and Aggregates	309	225
	<b>\$ 11,042</b>	<b>\$ 16,411</b>

<b>Cement Sales Volume (M Tons) -</b>		
Wholly owned Operations	465	556
Joint Venture	187	279
	<b>652</b>	<b>835</b>



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	<b>For the Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(dollars in thousands)</b>	
<b>Operating Earnings -</b>		
Gypsum Wallboard	\$ 3,408	\$ (5,388)
Cement	17,081	22,640
Paperboard	5,033	3,213
Concrete and Aggregates	1,510	2,113
Other, net	87	400
<b>Sub-total</b>	<b>27,119</b>	<b>22,978</b>
Corporate General and Administrative	(4,293)	(4,055)
<b>Earnings Before Interest and Income Taxes</b>	<b>22,826</b>	<b>18,923</b>
Interest Expense, net	(5,633)	(7,991)
<b>Earnings Before Income Taxes</b>	<b>\$ 17,193</b>	<b>\$ 10,932</b>
<b>Cement Operating Earnings -</b>		
Wholly owned Operations	\$ 9,780	\$ 14,754
Joint Venture	7,301	7,886
	<b>\$ 17,081</b>	<b>\$ 22,640</b>
<b>Capital Expenditures <sup>(1)</sup> -</b>		
Gypsum Wallboard	\$ 16	\$ 2,822
Cement	2,475	3,947
Paperboard		162
Concrete and Aggregates	57	707
	<b>\$ 2,548</b>	<b>\$ 7,638</b>
<b>Depreciation, Depletion and Amortization <sup>(1)</sup> -</b>		
Gypsum Wallboard	\$ 5,636	\$ 5,842
Cement	3,679	3,436
Paperboard	2,281	2,261
Concrete and Aggregates	1,018	960
Other, net	205	223
	<b>\$ 12,819</b>	<b>\$ 12,722</b>

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	As of	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Identifiable Assets <sup>(1)</sup> -		
Gypsum Wallboard	\$ 481,677	\$ 489,518
Cement	322,834	317,555
Paperboard	155,245	154,541
Concrete and Aggregates	58,029	56,334
Corporate and Other	29,792	48,720
	\$ 1,047,577	\$ 1,066,668

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

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Segment operating earnings, including the proportionately consolidated 50% interest in the revenues and expenses of the Joint Venture, represent revenues, less direct operating expenses, segment depreciation, and segment selling, general and administrative expenses. Corporate assets consist primarily of cash and cash equivalents, general office assets, miscellaneous other assets and unrecognized tax benefits. See Footnote (M) of the Unaudited Consolidated Financial Statements for additional information. The segment breakdown of goodwill is as follows:

	As of	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Gypsum Wallboard	\$ 116,618	\$ 116,618
Cement	8,359	8,359
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 first quarter for the gypsum wallboard assets and goodwill, noting that there was no impairment at this time. We will continue to test for any potential impairment on a quarterly basis throughout fiscal year 2010, or until conditions in the wallboard industry improve enough for us to determine that an impairment loss is not likely to occur.

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

	For the Three Months Ended June 30,	
	2009	2008
	(dollars in thousands)	
Revenues	\$ 32,978	\$ 53,316
Gross Margin	\$ 15,718	\$ 17,178
Earnings Before Income Taxes	\$ 14,602	\$ 15,772

	As of	
	June 30, 2009	March 31, 2009
	(dollars in thousands)	
Current Assets	\$ 46,092	\$ 47,307
Non-Current Assets	\$ 39,794	\$ 42,742
Current Liabilities	\$ 11,773	\$ 16,251

**Table of Contents****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 June 30, 2009 and 2008, respectively, reflects the Company's four business segments, consisting of Gypsum Wallboard, Cement, Recycled Paperboard and Concrete and Aggregates. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

We operate in cyclical commodity businesses that are directly related to the overall construction environment. Our operations, depending on each business segment, range from local in nature to national businesses. We have operations in a variety of geographic markets, which subject us to the economic conditions in each such geographic market as well as the national market. General economic downturns or localized downturns in the regions where we have operations could 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 rising price of diesel fuel may further restrict 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.

**RESULTS OF OPERATIONS****Consolidated Results**

	For the Three Months Ended June 30,		Change
	2009	2008	
	(In thousands except per share)		
Revenues <sup>(1)</sup>	\$ 156,255	\$ 220,843	(29)%
Operating Costs <sup>(1)</sup>	129,136	197,865	(35)%
Operating Profit	27,119	22,978	18%
Corporate General and Administrative	4,293	4,055	6%
Interest Expense, net	5,633	7,991	(30)%
Earnings Before Income Taxes	17,193	10,932	57%
Income Taxes	5,273	3,102	70%
Net Earnings	\$ 11,920	\$ 7,830	52%
Diluted Earnings per Share	\$ 0.27	\$ 0.18	50%

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



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**Net Revenues.** Net revenues decreased in all four of our business lines during the quarter ended June 30, 2009, as compared to the same quarter in 2008. The decline in revenue related to decreased sales volumes in all of our businesses, coupled with decreased average sales prices in all of our businesses except gypsum wallboard. The decreased sales volumes were most severe in our gypsum wallboard and cement segments, and are related to the continued downturn in the residential and commercial construction sectors, which have been disproportionately impacted by the decline in overall economic activity in the U.S. over the last two years.

**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 decreased 35% during the first quarter of fiscal 2009, as compared to the first quarter of fiscal 2008. The decrease was primarily due to lower production volumes for all four of our segments. Additionally, the cost of certain of our critical operating supplies declined during the first quarter of fiscal 2009, as compared to fiscal 2008, namely natural gas, fiber and freight. The declines in natural gas and freight positively impacted the earnings of our gypsum wallboard and paperboard segments, while the decline in fiber positively impacted the paperboard segment.

**Operating Profits.** Operating profit increased 18% to \$27.1 million for the quarter ended June 30, 2009 as compared to the three month period ended June 30, 2008, primarily due to lower operating expenses, as described above. The decline in operating expenses was partially offset by reduced net revenues.

**Corporate General and Administrative.** Corporate general and administrative expense was \$4.3 million for the first quarter of fiscal 2010 compared to \$4.1 million for the comparable prior year period. The increase in corporate general and administrative expense is primarily due to increased stock compensation expense relating to the issuance of RSUs during August 2008. The RSUs will fully vest during August 2009.

**Interest Expense, Net.** Net interest expense decreased 30% to \$5.6 million for the first quarter of fiscal 2010 as compared to \$8.0 million for the first quarter of fiscal 2009. The decrease in expense is related primarily to our repurchase of \$100 million in private placement debt during February 2009, resulting in lower average borrowings during the first quarter of fiscal 2010, as compared to the first quarter of fiscal 2009. Additionally, interest rates under our revolving line of credit and unrecognized tax benefits were lower during the quarter ended June 30, 2009, as compared to the rates during the quarter ended June 30, 2008.

**Income Taxes.** The estimated effective tax rate for fiscal 2010 was 31% at June 30, 2009, as compared to 28% at June 30, 2008. The expected tax rate the full fiscal year 2010 is also estimated to be 31%, as compared to an effective tax rate of 33% for fiscal 2009.

**Net Earnings and Diluted Earnings per Share.** Pre-tax earnings of \$17.2 million were 57% greater than last year's first quarter pre-tax earnings of \$10.9 million. Net earnings of \$11.9 million increased 52% from net earnings of \$7.8 million for last year's same quarter. Diluted earnings per share of \$0.27 were 50% greater than the \$0.18 for last year's same quarter.

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

	For the Three Months Ended June 30,		Percentage Change
	2009	2008	
	(In thousands except per unit)		
Revenues <sup>(1)</sup>			
Gypsum Wallboard	\$ 56,922	\$ 81,398	(30)%
Cement <sup>(2)</sup>	62,100	86,309	(28)%
Recycled Paperboard	22,536	33,800	(33)%
Concrete and Aggregates	14,610	18,936	(23)%
Other Income, net	87	400	(78)%
<b>Gross Revenues</b>	<b>\$ 156,255</b>	<b>\$ 220,843</b>	<b>(29)%</b>
Sales Volume			
Gypsum Wallboard (MMSF)	445	646	(31)%
Cement (M Tons) <sup>(2)</sup>	652	835	(22)%
Recycled Paperboard (M Tons)	56	67	(16)%
Concrete (M Yards)	157	177	(11)%
Aggregates (M Tons)	577	798	(28)%
Average Net Sales Prices <sup>(3)</sup>			
Gypsum Wallboard	\$ 100.00	\$ 89.27	12%
Cement <sup>(2)</sup>	88.86	97.52	(9)%
Recycled Paperboard	400.04	498.59	(20)%
Concrete	68.43	74.29	(8)%
Aggregates	6.71	7.27	(8)%
Operating Earnings			
Gypsum Wallboard	\$ 3,408	\$ (5,388)	
Cement <sup>(2)</sup>	17,081	22,640	(25)%
Recycled Paperboard	5,033	3,213	57%
Concrete and Aggregates	1,510	2,113	(29)%
Other, net	87	400	(78)%
<b>Net Operating Earnings</b>	<b>\$ 27,119</b>	<b>\$ 22,978</b>	<b>18%</b>

(1) Gross revenue, before freight and delivery costs.

(2) Includes proportionate share of our Joint Venture.

(3) Net of freight and delivery costs.

**Gypsum Wallboard Operations.** The decrease in revenues during the three month period ended June 30, 2009, as compared to 2008, is due primarily to the 31% decrease in sales volume. The decline in sales volume is primarily due to low demand for residential construction and the decline in 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 2006. Despite the decline in sales volume, the average net sales price increased 12% during the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009, partially due to decreased transportation costs. Operating earnings for gypsum wallboard increased during the first quarter of fiscal 2010, as compared to fiscal 2009, primarily due to lower operating expenses, namely natural gas, power and paper. On a per unit basis, natural gas costs declined 46%, power costs declined 26% and paper costs declined 9%. The declines in these operating expenses during the first quarter of fiscal 2010, as compared to fiscal 2009, are primarily due to higher than normal expenses during fiscal 2009.

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**Cement Operations.** Revenues decreased during the three month period ended June 30, 2009, as compared to the similar period in 2008, primarily due to the lower sales volumes and lower average sales prices. The decrease in sales volumes was more pronounced in the Mountain and Texas markets, and included declines in sales of both manufactured and purchased cement. Purchased cement sales declined to approximately 27,000 tons during the three month period ended June 30, 2009 as compared to



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approximately 167,000 tons during the three month period ended June 30, 2008, with the majority of the decline occurring in our Texas market. The decline in average sales prices during the fiscal first quarter was consistent across all markets and primarily due to the decline in demand in our markets. Operating earnings declined during the first quarter of fiscal 2010, as compared to fiscal first quarter 2009. The decreases in the sales volumes and average sales prices, as stated above, was partially offset by reduced operating expenses, namely parts, supplies and outside services, fuel and electricity.

***Recycled Paperboard Operations.*** Net revenues declined 33% during the quarter ended June 30, 2009 as compared to the similar quarter in 2008, primarily due to the 16% decline in sales volume and a 20% decline in average sales price. The decline in sales volume is primarily due to reduced residential and commercial construction, which has adversely impacted demand for gypsum paper, resulting in gypsum paper representing only 50% of total sales volume during the first quarter of fiscal 2010 as compared to 66% of total sales volume during the first quarter of fiscal 2009. The decrease in the mix of higher priced gypsum paper also had an adverse impact on the average selling price during the quarter ended June 30, 2009, as compared to June 30, 2008. Despite the reduction in net revenues, operating earnings grew by 57% in the first quarter of fiscal 2009 as compared to fiscal 2008, primarily due to decreases in our primary operating expenses, namely fiber, natural gas, electricity and chemicals. On a per ton basis, operating costs decreased approximately 30% during the first quarter of fiscal 2010 as compared to fiscal 2009. The decline in natural gas is due primarily to higher than normal expense during fiscal 2009, while the decline in fiber expense is due primarily to the reduced world-wide demand for recycled fiber.

***Concrete and Aggregates Operations.*** The decline in sales volumes during the first quarter of fiscal 2010, as compared to fiscal 2009, was the primary reason for the decline in revenue for both concrete and aggregates. The decline in sales volumes negatively impacted the average net sales prices during the three month period ended June 30, 2009, resulting in average net sales price declines of 8% for both concrete and aggregates, as compared to the three month period ended June 30, 2008. The decrease in revenues and average net sales prices were the primary reason for the decline in operating earnings during the first quarter of fiscal 2010 as compared to the first quarter of fiscal 2009.

## **GENERAL OUTLOOK**

The United States government continues to look for ways to assist the country in recovering from the recession that began in December 2007. The U.S. has created the Troubled Asset Relief Program ( TARP ), aimed at shoring up the country's financial institutions from the credit crisis that began during the latter half of calendar 2008. In addition, during the first quarter of calendar 2009, Congress passed The American Recovery and Reinvestment Act of 2009, a stimulus package with spending of up to \$787 billion. A portion of the stimulus package is for infrastructure projects; however, most of the impact of the stimulus bill on the construction industry is not expected to be realized until calendar 2010. While the TARP program is continuing to provide capital and liquidity to the country's banks, there still is significant concern with the capitalization level of many of the largest banks. Although we expect the administration to continue to address the current financial crisis throughout the remainder of calendar 2009, there can be no assurance as to the actual impact that these legislative initiatives, or any other similar governmental programs, will have on our business, financial condition or results of operations.

The U.S. wallboard industry continues to be adversely impacted by the current downturn in the residential and commercial construction markets, which continue to be exacerbated by the contraction of credit from the marketplace, subsequently causing a reduction in wallboard demand, resulting in industry capacity utilization declining to approximately 50%. The reduction in capacity utilization continues to negatively impact gypsum wallboard pricing, which is expected to remain depressed throughout fiscal 2010. Wallboard consumption during the first half of calendar 2009, as reported by the Gypsum Association, decreased approximately 31% from the same period in calendar year 2008, and consumption for calendar 2009 is expected to be 25% below total consumption for calendar 2008.

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Cement demand in all U.S. regions continues to be impacted by decreasing residential housing construction, the softening commercial construction market and state budget deficits, which will hinder cement consumption during the remainder of calendar 2009. Cement consumption in the US declined approximately 30% in first five months of calendar 2009 to approximately 30 million short tons, as compared to consumption of approximately 42 million short tons during the first five months of calendar 2008. The U.S. cement industry continues to reduce imports of foreign cement with imports declining to approximately 8% of total consumption during the first five months of calendar 2009, as compared to approximately 12% of total consumption in the first five months of calendar 2008. The U.S. Government has included increased infrastructure spending as part of the stimulus package passed during the first quarter of calendar 2009; however, the effects of these expenditures are not expected to meaningfully impact the cement industry until calendar 2010. The Portland Cement Association estimates that cement consumption for calendar 2009 will decrease approximately 17% to approximately 88 million short tons. We expect the contraction in cement consumption to impact all of the markets served by our cement plants throughout the remainder of calendar 2009.

We expect gypsum paper sales as a percentage of our total paper sales to continue to decline throughout the remainder of fiscal 2010. Sales of gypsum paper comprised approximately 62% of total paper sales during the first quarter of fiscal 2010, as compared to 74% of total paper sales during fiscal year 2009. Lower total sales volumes of gypsum paper are expected to continue throughout fiscal 2010, but we continue to seek opportunities for sales in new markets as well as supplying product to the containerboard market. Two of our major operating costs, electricity and natural gas, declined during the first quarter of fiscal 2010, and due to worldwide recession, we do not expect significant increases in these costs until the fourth quarter of fiscal 2010. Fiber, another of our major operating costs, has experienced an increase throughout the first quarter, rebounding from the historical lows in the previous two quarters. As the generation of Old Cardboard Containers ( OCC ) continues to decline in the slumping economy and the presence of export demand for OCC remains steady, the price of fiber is expected to continue to rise throughout much of fiscal 2010. We continue to closely monitor the price and consumption of fiber, electricity and natural gas as these costs comprise a significant portion of our total production costs.

We expect aggregate and concrete sales volumes to be depressed throughout the remainder of calendar 2009 in both of our markets as both residential and infrastructure spending remain soft, and any impact from the stimulus bill most likely will not be realized until calendar 2010.

## **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.

**Table of Contents****Recent Accounting Pronouncements**

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, and Accounting Principles Board (APB) Opinion No. 28, *Interim Financial Reporting*. This FSP requires publicly-traded entities to disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS 107. This FSP is effective for interim and annual reporting periods ending after June 15, 2009. We adopted FSP FAS 107-1 and APB 28-1 for the period ending March 31, 2009.

In May 2009, the FASB issued SFAS 165, *Subsequent Events*. SFAS 165 should not result in significant changes in the subsequent events that an entity reports. Rather, SFAS 165 introduces the concept of financial statements being available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with generally accepted accounting principles (GAAP) and all approvals necessary for issuance have been obtained.

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

The following table provides a summary of our cash flows:

	<b>For the Three Months Ended June 30, 2009                  2008 (dollars in thousands)</b>	
Net Cash Provided by Operating Activities	\$ 19,764	\$ 1,233
Investing Activities:		
Capital Expenditures	(2,548)	(7,638)
Net Cash Used in Investing Activities	(2,548)	(7,638)
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	129	266
Increase (Decrease) in Notes Payable	(30,000)	10,000
Dividends Paid	(4,354)	(8,681)
Proceeds from Stock Option Exercises	250	379
Net Cash Provided by (Used in) Financing Activities	(33,975)	1,964
Net Decrease in Cash	\$ (16,759)	\$ (4,441)

Cash flow from operating activities increased by \$18.6 million during the three month period ended June 30, 2009, as compared to the similar period in 2008, primarily due to a \$4.1 million increase in net earnings. Additionally, cash flows from operating assets and liabilities decreased by \$4.3 million during the first quarter of fiscal 2010, as compared to a decrease of \$17.9 million during the first quarter of fiscal 2009. The decline in the use of cash from changes in operating assets and liabilities was due primarily to the \$2.7 million reduction of inventory during the first quarter of fiscal 2010, as compared to the \$5.3 million increase in inventory during the first quarter of fiscal 2009.

Net cash used in investing activities decreased to \$2.5 million during the three month period ended June 30, 2009. This decline is primarily due to our postponing or delaying all significant capital projects, with the exception of maintenance capital.

The IRS issued its Exam Report and Notice of Proposed Adjustment to the Company in November 2007 that proposes to disallow a portion of the depreciation deductions claimed by the Company during fiscal years ended March 31, 2001, 2002 and 2003.



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The adjustment proposed by the IRS, if sustained, would result in additional federal income taxes of approximately \$27.6 million, plus penalties of \$5.7 million and applicable interest, and would result in additional state income taxes, including applicable interest and penalties. The Company is pursuing an administrative appeal and, if necessary, will resort to the courts for a final determination. The Company paid the IRS approximately \$45.8 million during November 2007, including \$27.6 million in federal income taxes, the \$5.7 million for penalties and \$12.5 million of interest, to avoid additional imposition of the large corporate tax underpayment interest rates. See Footnote (M) of the Unaudited Consolidated Financial Statements for additional information.

Net cash used in financing activities was \$34.0 million during the three month period ended June 30, 2009, as compared to net cash provided by financing activities of \$2.0 million during the three month period ended June 30, 2008. The decrease in cash provided by financing activities is primarily due the repayment of \$30 million in debt, which decreased our total debt from \$355.0 million at March 31, 2009 to \$325.0 million at June 30, 2009. This decrease in debt was partially offset by a decrease in dividends paid, due to a reduction in the dividend rate during the fourth quarter of fiscal 2009. Our debt-to-capitalization ratio was 42.7% at June 30, 2009, as compared to 45.3% at March 31, 2009 and our net-debt-to-capitalization ratio was 42.6% at June 30, 2009, as compared to 44.1% at March 31, 2009.

Working capital decreased to \$99.0 million at June 30, 2009, compared to \$111.0 million at March 31, 2009, primarily due to decreased cash, offset slightly by increased accounts receivable. We do not have any material contractual obligations related to long-term capital projects at June 30, 2009. We were in compliance at June 30, 2009 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 quarter 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 we perform each year 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 2010, or until conditions in the wallboard industry improve enough for us to determine that impairment loss is not likely to occur.

***Debt Financing Activities.***

***Bank Credit Facility -***

We entered into a \$350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the Bank Credit Facility ) to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. Under the Bank Credit Facility, we are required to adhere to certain financial and other covenants, including covenants relating to the Company's interest coverage ratio and consolidated funded indebtedness ratio. At June 30, 2009, the Company had \$318.0 million of borrowings available under the Bank Credit Facility.

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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. On February 5, 2009, we repurchased \$7.0 million in principal of the Series 2005A Senior Notes for \$6.7 million, leaving \$193.0 million outstanding. Following the repurchase, the amounts outstanding for each of the three tranches are as follows:

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

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the 2007 Note Purchase Agreement ) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Notes ) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. On February 5, 2009, we repurchased \$93.0 million in principal of the Series 2007A Senior Notes for \$88.3 million, leaving \$107.0 million outstanding. 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 Bank Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Bank Credit Facility.

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

We do not have any off balance sheet debt, except for approximately \$12 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the Bank Credit Facility a \$25 million Letter of Credit Facility. At June 30, 2009, we had \$7.0 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$8.7 million in performance bonds relating primarily to our mining operations.

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

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

The Company did not repurchase any of its shares during the three month period ended June 30, 2009. As of June 30, 2009, 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 the Company's management, based on its evaluation of market and economic conditions and other factors.

***Dividends.***

Dividends paid in the three months ended June 30, 2009 and 2008 were \$4.4 million and \$8.7 million, respectively. We reduced our annual dividend from \$0.80 per share to \$0.40 per share beginning with the February 2009 dividend payment. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

***Capital Expenditures.***

The following table compares capital expenditures:

	<b>For the Three Months Ended June 30, 2009      2008 (dollars in thousands)</b>	
Land and Quarries	\$ 12	\$ 5
Plants	1,275	6,429
Buildings, Machinery and Equipment	1,261	1,204
 Total Capital Expenditures	 \$ 2,548	 \$ 7,638

For fiscal 2010, 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.

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**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. At June 30, 2009 outstanding borrowings under the Bank Credit Facility totaled \$25.0 million. 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**

An evaluation has been performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Vice President and Controller (Principal Accounting Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2009. Based on that evaluation, the Company's management, including its Chief Executive Officer and Vice President and Controller (who is our Principal Accounting Officer and performs certain functions similar to the Principal Financial Officer), concluded that the Company's disclosure controls and procedures were effective as of June 30, 2009, to provide reasonable assurance that the information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934 is processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. There have been no changes in the Company's internal controls over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.



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### **Part II. Other Information**

#### **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 has impacted, and will likely continue to adversely impact, our wallboard business. The residential construction industry is currently undergoing a significant downturn, which commenced in 2006 and has become more pronounced in recent periods. The effects of this downturn have been exacerbated by market disruptions resulting from the subprime mortgage crisis, which began in the second half of 2007, and the ensuing financial crisis affecting the banking system and financial markets, which became evident in the third quarter of 2008. In 2008, similar trends have emerged in commercial construction. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including a continued decrease in residential construction or a weakening of commercial construction) could have a material adverse effect on our business, financial condition and results of operations.

*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. 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, have the potential of adversely affecting demand for our products. Furthermore, additions to the production capacity of industry participants, particularly in the gypsum wallboard industry, have the potential of creating an imbalance between supply and demand, which could adversely affect the prices at which we sell our products and adversely affect the collectability of our receivable. 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.

*Volatility and disruption of financial markets could negatively impact our customers and therefore our results of operations.*

Volatility and disruption of financial markets could limit customers' ability to obtain adequate financing to maintain operations and result in a decrease in sales volume or default on amounts owed to us that could have a negative impact on our results of operations.

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

The current difficult economic market environment is causing contraction in the availability and an increase in the cost of credit in the marketplace. This could potentially reduce the sources of liquidity for the Company.

*The value of investments are influenced by economic and market conditions.*

The current economic environment could negatively impact the fair value of pension assets, which could increase future funding requirements of the pension trusts.

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

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

***Our 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 greenhouse gas emissions are in various phases of discussions or implementation at national, regional and state levels. The potential consequences of greenhouse gas 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 fuel, especially natural gas. At this time, it is not possible to accurately estimate how laws or regulations addressing greenhouse gas 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.

Furthermore, the EPA recently issued proposed regulations that would require the economy-wide monitoring and reporting of greenhouse gas emissions on an annual basis, including extensive greenhouse gas monitoring and reporting requirements applicable to our industries. The EPA has also recently proposed findings (in response to the *Massachusetts* decision) that greenhouse gases in the atmosphere endanger public health and welfare, and that emissions from mobile sources cause or contribute to greenhouse gases in the atmosphere. These proposed findings, if finalized as proposed, would not immediately affect our operations, but standards eventually promulgated pursuant to these findings could affect our operations and our ability to obtain air permits for new or modified facilities.

***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 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 may 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.

### ***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 accurately estimate 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.

### ***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.

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

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

Incur additional indebtedness;

Sell assets or make other fundamental changes;

Engage in mergers and acquisitions;

Pay dividends and make other restricted payments;

Make investments, loans, advances or guarantees;

Encumber the assets of the Company and its restricted subsidiaries;

Enter into transactions with our affiliates.

In addition, these agreements require us to meet and maintain certain financial ratios and tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including industry downturns 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.

***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.



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

### **Item 6. Exhibits**

- 10.1 Eagle Materials Inc. Salaried Incentive Compensation Program for Fiscal Year 2010 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission ( the Commission ) on May 22, 2009, and incorporated herein by reference).<sup>(1)</sup>
- 10.2 Eagle Materials Inc. Cement Companies Salaried Incentive Compensation Program for Fiscal Year 2010 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on May 22, 2009, and incorporated herein by reference).<sup>(1)</sup>
- 10.3 Eagle Materials Inc. Concrete and Aggregates Companies Salaried Incentive Compensation Program for Fiscal Year 2010 (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the Commission on May 22, 2009, and incorporated herein by reference).<sup>(1)</sup>

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- 10.4 Eagle Materials Inc. American Gypsum Company Salaried Incentive Compensation Program for Fiscal Year 2010 (filed as Exhibit 10.4 to the Current Report on Form 8-K filed with the Commission on May 22, 2009, and incorporated herein by reference).<sup>(1)</sup>
- 10.5 Eagle Materials Inc. Special Situation Program for Fiscal Year 2010 (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on May 22, 2009, and incorporated herein by reference).<sup>(1)</sup>
- 12.1\* Computation of Ratio of Earnings to Fixed Charges.
- 31.1\* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification of the Vice President and Controller 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 Vice President and Controller of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

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

**SIGNATURES**

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

EAGLE MATERIALS INC.  
Registrant

July 24, 2009

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

July 24, 2009

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