

EAGLE MATERIALS INC  
Form 10-Q  
February 09, 2012  
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**United States**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**  
**QUARTERLY REPORT**

**Pursuant to Section 13 or 15(d) of the**

**Securities Exchange Act of 1934**

**For the Quarterly Period Ended**

**December 31, 2011**

**Commission File Number 1-12984**

**Eagle Materials Inc.**

**Delaware**

**(State of Incorporation)**

**75-2520779**

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

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

**(Address of principal executive offices)**

**(214) 432-2000**

**(Registrant's telephone number)**

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 ☐

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

Large accelerated filer ☒ Accelerated filer ☐

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

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

As of February 2, 2012, the number of outstanding shares of common stock was:

| Class                         | Outstanding Shares |
|-------------------------------|--------------------|
| Common Stock, \$.01 Par Value | 44,944,310         |

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**Eagle Materials Inc. and Subsidiaries**

**Form 10-Q**

**December 31, 2011**

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## Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

|                                                    | For the Three Months<br>Ended December 31, |            | For the Nine Months<br>Ended December 31, |            |
|----------------------------------------------------|--------------------------------------------|------------|-------------------------------------------|------------|
|                                                    | 2011                                       | 2010       | 2011                                      | 2010       |
| Revenues                                           | \$ 123,596                                 | \$ 103,870 | \$ 378,222                                | \$ 366,799 |
| Cost of Goods Sold                                 | 111,125                                    | 96,030     | 352,661                                   | 328,979    |
| Gross Profit                                       | 12,471                                     | 7,840      | 25,561                                    | 37,820     |
| Equity in Earnings of Unconsolidated Joint Venture | 7,776                                      | 7,196      | 21,160                                    | 17,868     |
| Corporate General and Administrative               | (3,873)                                    | (3,942)    | (12,463)                                  | (12,060)   |
| Loss on Arbitration Ruling                         | (9,117)                                    |            | (9,117)                                   |            |
| Other Income (Expense)                             | (464)                                      | 192        | (428)                                     | 1,084      |
| Loss on Debt Retirement                            | (2,094)                                    |            | (2,094)                                   |            |
| Interest Expense, Net                              | (4,210)                                    | (4,666)    | (13,352)                                  | (13,104)   |
| Earnings Before Income Taxes                       | 489                                        | 6,620      | 9,267                                     | 31,608     |
| Income Tax Benefit (Expense)                       | 2,408                                      | (1,124)    | 462                                       | (5,955)    |
| Net Earnings                                       | \$ 2,897                                   | \$ 5,496   | \$ 9,729                                  | \$ 25,653  |
| <b>EARNINGS PER SHARE:</b>                         |                                            |            |                                           |            |
| Basic                                              | \$ 0.07                                    | \$ 0.13    | \$ 0.22                                   | \$ 0.58    |
| Diluted                                            | \$ 0.07                                    | \$ 0.12    | \$ 0.22                                   | \$ 0.58    |
| <b>AVERAGE SHARES OUTSTANDING:</b>                 |                                            |            |                                           |            |
| Basic                                              | 44,212,098                                 | 43,887,833 | 44,197,540                                | 43,858,606 |
| Diluted                                            | 44,395,982                                 | 44,199,121 | 44,423,467                                | 44,200,558 |
| <b>CASH DIVIDENDS PER SHARE:</b>                   |                                            |            |                                           |            |
|                                                    | \$ 0.10                                    | \$ 0.10    | \$ 0.30                                   | \$ 0.30    |

*See notes to unaudited consolidated financial statements.*



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

## Consolidated Balance Sheets

(dollars in thousands)

|                                                                                                                                      | December 31,<br>2011<br>(unaudited) | March 31,<br>2011 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
| <b>ASSETS</b>                                                                                                                        |                                     |                   |
| Current Assets -                                                                                                                     |                                     |                   |
| Cash and Cash Equivalents                                                                                                            | \$ 3,679                            | \$ 1,874          |
| Accounts and Notes Receivable                                                                                                        | 54,491                              | 43,855            |
| Inventories                                                                                                                          | 113,613                             | 115,237           |
| Income Tax Receivable                                                                                                                | 9,109                               | 9,088             |
| Prepaid and Other Assets                                                                                                             | 3,045                               | 4,572             |
| Total Current Assets                                                                                                                 | 183,937                             | 174,626           |
| Property, Plant and Equipment -                                                                                                      | 1,138,261                           | 1,115,058         |
| Less: Accumulated Depreciation                                                                                                       | (548,284)                           | (512,228)         |
| Property, Plant and Equipment, net                                                                                                   | 589,977                             | 602,830           |
| Notes Receivable                                                                                                                     | 3,448                               | 5,326             |
| Investment in Joint Venture                                                                                                          | 37,571                              | 33,661            |
| Goodwill and Intangible Assets                                                                                                       | 151,061                             | 151,539           |
| Other Assets                                                                                                                         | 19,155                              | 17,828            |
|                                                                                                                                      | \$ 985,149                          | \$ 985,810        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                          |                                     |                   |
| Current Liabilities -                                                                                                                |                                     |                   |
| Accounts Payable                                                                                                                     | \$ 33,344                           | \$ 30,339         |
| Accrued Liabilities                                                                                                                  | 42,456                              | 40,011            |
| Income Taxes Payable                                                                                                                 | 3,392                               |                   |
| Current Portion of Long-term Debt                                                                                                    | 4,677                               |                   |
| Total Current Liabilities                                                                                                            | 83,869                              | 70,350            |
| Long-term Debt                                                                                                                       | 276,259                             | 287,000           |
| Other Long-term Liabilities                                                                                                          | 35,268                              | 37,807            |
| Deferred Income Taxes                                                                                                                | 127,562                             | 129,139           |
| Total Liabilities                                                                                                                    | 522,958                             | 524,296           |
| Stockholders' Equity -                                                                                                               |                                     |                   |
| Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued                                                          |                                     |                   |
| Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 44,944,310 and 44,447,428 Shares, respectively | 449                                 | 444               |
| Capital in Excess of Par Value                                                                                                       | 29,235                              | 24,859            |
| Accumulated Other Comprehensive Losses                                                                                               | (2,893)                             | (2,893)           |
| Retained Earnings                                                                                                                    | 435,400                             | 439,104           |

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|                            |            |            |
|----------------------------|------------|------------|
| Total Stockholders' Equity | 462,191    | 461,514    |
|                            | \$ 985,149 | \$ 985,810 |

*See notes to the unaudited consolidated financial statements.*

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### Eagle Materials Inc. and Subsidiaries

#### Consolidated Statements of Cash Flows

(unaudited dollars in thousands)

|                                                                                      | For the Nine Months<br>ended December 31, |           |
|--------------------------------------------------------------------------------------|-------------------------------------------|-----------|
|                                                                                      | 2011                                      | 2010      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                          |                                           |           |
| Net Earnings                                                                         | \$ 9,729                                  | \$ 25,653 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities - |                                           |           |
| Depreciation, Depletion and Amortization                                             | 37,354                                    | 36,966    |
| Gain on Sale of Property, Plant and Equipment                                        |                                           | (485)     |
| Deferred Income Tax Provision                                                        | (1,735)                                   | 3,899     |
| Stock Compensation Expense                                                           | 4,042                                     | 2,845     |
| Excess Tax Benefits from Share Based Payment Arrangements                            | (156)                                     | (652)     |
| Equity in Earnings of Unconsolidated Joint Venture                                   | (21,160)                                  | (17,868)  |
| Distributions from Joint Venture                                                     | 17,250                                    | 20,250    |
| Changes in Operating Assets and Liabilities:                                         |                                           |           |
| Accounts and Notes Receivable                                                        | (8,758)                                   | 4,903     |
| Inventories                                                                          | 1,624                                     | (5,141)   |
| Accounts Payable and Accrued Liabilities                                             | 3,051                                     | (6,344)   |
| Other Assets                                                                         | (891)                                     | (1,508)   |
| Income Taxes Payable                                                                 | 3,392                                     | (24,406)  |
| Net Cash Provided by Operating Activities                                            | 43,742                                    | 38,112    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                          |                                           |           |
| Property, Plant and Equipment Additions                                              | (22,944)                                  | (11,743)  |
| Proceeds from Sale of Property, Plant and Equipment                                  |                                           | 600       |
| Net Cash Used in Investing Activities                                                | (22,944)                                  | (11,143)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                          |                                           |           |
| Increase in Bank Credit Facility                                                     | 82,000                                    | 2,000     |
| Repayment of Senior Notes                                                            | (88,064)                                  | (15,000)  |
| Dividends Paid to Stockholders                                                       | (13,424)                                  | (13,214)  |
| Proceeds from Stock Option Exercises                                                 | 732                                       | 1,230     |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation                       | (393)                                     |           |
| Excess Tax Benefits from Share Based Payment Arrangements                            | 156                                       | 652       |
| Net Cash Used in Financing Activities                                                | (18,993)                                  | (24,332)  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                     | 1,805                                     | 2,637     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                              | 1,874                                     | 1,416     |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                    | \$ 3,679                                  | \$ 4,053  |

See notes to the unaudited consolidated financial statements.



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**Eagle Materials Inc. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**December 31, 2011**

**(A) BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements as of and for the nine month period ended December 31, 2011 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 26, 2011.

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.

We evaluated all events or transactions that occurred after December 31, 2011 through the filing of these financial statements. See Footnote (L) for discussion of subsequent event.

**Recent Accounting Pronouncements**

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

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

Cash payments made for interest were \$17.9 million and \$17.7 million for the nine months ended December 31, 2011 and 2010, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2011 and 2010, were \$2.1 million and \$19.7 million, respectively.

**(C) COMPREHENSIVE INCOME**

Comprehensive income for the nine month periods ended December 31, 2011 and 2010 was identical to net income for the same periods.

As of December 31, 2011, we had an accumulated other comprehensive loss of \$2.9 million, in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

**Table of Contents****(D) ACCOUNTS AND NOTES RECEIVABLE**

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$5.0 million and \$4.6 million at December 31, 2011 and March 31, 2011, respectively. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had notes receivable totaling approximately \$4.0 million at December 31, 2011, of which approximately \$0.6 million has been classified as current and presented with accounts receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at LIBOR plus 3.5%. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2011 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment and are generally payable monthly. We monitor the credit risk of each borrower by focusing on the timeliness of payments, review of credit history and credit metrics and interaction with the borrowers. At December 31, 2011, approximately \$0.6 million of our allowance for doubtful accounts is related to our notes receivable.

**(E) STOCKHOLDERS' EQUITY**

A summary of changes in stockholders' equity follows:

|                                                | For the Nine Months Ended December 31, 2011 |          |
|------------------------------------------------|---------------------------------------------|----------|
|                                                | (dollars in thousands)                      |          |
| <b>Common Stock</b>                            |                                             |          |
| Balance at Beginning of Period                 | \$                                          | 444      |
| Stock Option Exercises                         |                                             | 5        |
| Balance at End of Period                       | \$                                          | 449      |
| <b>Capital in Excess of Par Value</b>          |                                             |          |
| Balance at Beginning of Period                 |                                             | 24,859   |
| Stock Compensation Expense                     |                                             | 4,042    |
| Shares Redeemed to Settle Employee Taxes       |                                             | (393)    |
| Stock Option Exercises                         |                                             | 727      |
| Balance at End of Period                       |                                             | 29,235   |
| <b>Retained Earnings</b>                       |                                             |          |
| Balance at Beginning of Period                 |                                             | 437,154  |
| Adjustment for Reversal of accrual (see below) |                                             | 1,950    |
| Balance at Beginning of Period                 |                                             | 439,104  |
| Dividends Declared to Stockholders             |                                             | (13,433) |
| Net Earnings                                   |                                             | 9,729    |
| Balance at End of Period                       |                                             | 435,400  |
| <b>Accumulated Other Comprehensive Loss</b>    |                                             |          |
| -                                              |                                             |          |
| Balance at Beginning of Period                 |                                             | (2,893)  |

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|                          |         |
|--------------------------|---------|
| Balance at End of Period | (2,893) |
|--------------------------|---------|

|                                  |           |                |
|----------------------------------|-----------|----------------|
| <b>Total Stockholders Equity</b> | <b>\$</b> | <b>462,191</b> |
|----------------------------------|-----------|----------------|

There were no open market share repurchases during the three and nine month periods ended December 31, 2011. As of December 31, 2011, we have authorization to purchase an additional 717,300 shares.

During January 2012, we determined that our previous treatment of a reversal of a \$3.0 million accrual, which related to a prior year, should have been treated as a correction of an error in the prior period rather than a reduction of Cost of Goods Sold during the three month period ended June 30, 2011, as it was previously reported. The accrual was originally recorded in fiscal 2001 as a contra account in the fixed asset subledger, and related to expected costs to improve certain manufacturing equipment at our Duke, Oklahoma gypsum wallboard facility. The amount was recorded in order to properly state the acquired assets at fair value; however, the accrual was not released as the original assets were depreciated over their useful life. These assets were fully depreciated at March 31, 2011; therefore, the accrual was no longer necessary.

We have restated our Form 10-Qs for the three month periods ended June 30, 2011 and September 30, 2011 to reflect this reversal of the \$3.0 million accrual as an adjustment to a prior period. **This restatement did not impact cash flows from operating activities.**

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### (F) INVENTORIES

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

|                                        | As of                  |                   |
|----------------------------------------|------------------------|-------------------|
|                                        | December 31,<br>2011   | March 31,<br>2011 |
|                                        | (dollars in thousands) |                   |
| Raw Materials and Material-in-Progress | \$ 39,253              | \$ 35,118         |
| Finished Cement                        | 9,278                  | 11,540            |
| Gypsum Wallboard                       | 6,093                  | 6,347             |
| Aggregates                             | 12,661                 | 12,419            |
| Paperboard                             | 1,823                  | 5,274             |
| Repair Parts and Supplies              | 40,334                 | 41,659            |
| Fuel and Coal                          | 4,171                  | 2,880             |
|                                        | \$ 113,613             | \$ 115,237        |

### (G) ACCRUED EXPENSES

Accrued expenses consist of the following:

|                                    | As of                  |                   |
|------------------------------------|------------------------|-------------------|
|                                    | December 31,<br>2011   | March 31,<br>2011 |
|                                    | (dollars in thousands) |                   |
| Payroll and Incentive Compensation | \$ 7,748               | \$ 7,712          |
| Benefits                           | 8,571                  | 7,988             |
| Interest                           | 2,050                  | 7,003             |
| Insurance                          | 5,842                  | 6,639             |
| Property Taxes                     | 3,600                  | 4,033             |
| Arbitration Loss                   | 8,063                  |                   |
| Other                              | 6,582                  | 6,636             |
|                                    | \$ 42,456              | \$ 40,011         |

### (H) COMPUTATION OF EARNINGS PER SHARE

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

|                                                     | For the Three Months<br>Ended December 31, |            | For the Nine Months<br>Ended December 31, |            |
|-----------------------------------------------------|--------------------------------------------|------------|-------------------------------------------|------------|
|                                                     | 2011                                       | 2010       | 2011                                      | 2010       |
| Weighted-Average Shares of Common Stock Outstanding | 44,212,098                                 | 43,887,833 | 44,197,540                                | 43,858,606 |

Common Equivalent Shares:

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|                                                                            |            |            |            |            |
|----------------------------------------------------------------------------|------------|------------|------------|------------|
| Assumed Exercise of Outstanding Dilutive Options                           | 306,632    | 884,679    | 634,265    | 1,065,195  |
| Less Shares Repurchased from Assumed Proceeds of Assumed Exercised Options | (205,175)  | (666,876)  | (506,070)  | (817,976)  |
| Restricted Shares                                                          | 82,427     | 93,485     | 97,732     | 94,733     |
| Weighted-Average Common and Common Equivalent Shares Outstanding           | 44,395,982 | 44,199,121 | 44,423,467 | 44,200,558 |
| Shares Excluded Due to Anti-dilution Effects                               | 3,391,168  | 2,741,721  | 2,978,930  | 2,555,217  |

**Table of Contents****(I) PENSION AND EMPLOYEE BENEFIT PLANS**

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

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

|                                                  | For the Three Months   |        | For the Nine Months ended |        |
|--------------------------------------------------|------------------------|--------|---------------------------|--------|
|                                                  | Ended<br>December 31,  |        | December 31,              |        |
|                                                  | 2011                   | 2010   | 2011                      | 2010   |
|                                                  | (dollars in thousands) |        | (dollars in thousands)    |        |
| Service Cost - Benefits Earned during the Period | \$ 139                 | \$ 148 | \$ 417                    | \$ 418 |
| Interest Cost of Benefit Obligations             | 265                    | 283    | 795                       | 795    |
| Expected Return on Plan Assets                   | (291)                  | (461)  | (873)                     | (873)  |
| Recognized Net Actuarial Loss                    | 86                     | 122    | 258                       | 266    |
| Amortization of Prior-Service Cost               | 20                     | 4      | 60                        | 60     |
| Net Periodic Pension Cost                        | \$ 219                 | \$ 96  | \$ 657                    | \$ 666 |

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

On January 8, 2004, our stockholders approved a new incentive plan (the Plan) that combined and amended the two previously existing stock option plans. In August 2009, our shareholders approved an amendment to the Plan which, among other things, increased the number of shares available for award under the Plan by 3.0 million shares. Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (RSUs), restricted stock and stock appreciation rights (collectively, the Equity Awards) to employees of the Company and members of the Board of Directors. The Compensation Committee of our Board of Directors specifies the terms for grants of Equity Awards under the Plan.

*Long-Term Compensation Plans -*

**Options.** In June 2011, the Compensation Committee of the Board of Directors approved an incentive equity award of an aggregate of 352,829 stock options pursuant to the Plan to certain individuals that vest ratably over a three year period (the Fiscal 2012 Employee Stock Option Grant). The options have a term of ten years from the date of grant. In August 2011, we granted 121,295 options to members of the Board of Directors (the Fiscal 2012 Board of Directors Grant). Options granted under the Fiscal 2012 Board of Directors Grant vested immediately, and can be exercised from the date of grant until their expiration at the end of ten years. The Fiscal 2012 Employee Stock Option Grant and Fiscal 2012 Board of Directors Grant were both valued at the grant date using the Black-Scholes option pricing model.

The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2012 are as follows:

|                         |           |
|-------------------------|-----------|
| Dividend Yield          | 2.0%      |
| Expected Volatility     | 41.9%     |
| Risk Free Interest Rate | 2.5%      |
| Expected Life           | 8.0 years |

Stock option expense for all outstanding stock option awards totaled approximately \$0.5 million and \$1.1 million for the three and nine month periods ended December 31, 2011, respectively, and \$0.3 million and \$1.5 million for the three and nine month periods ended December 31, 2010, respectively.



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The expense for the nine month period ended December 31, 2011 reflects a credit of \$1.3 million resulting from our updated assessment of future compliance with performance conditions associated with certain stock option grants. At December 31, 2011, there was approximately \$4.1 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.3 years.

The following table represents stock option activity for the nine months ended December 31, 2011:

|                                                                  | Number<br>of<br>Shares | Weighted-<br>Average<br>Exercise Price |
|------------------------------------------------------------------|------------------------|----------------------------------------|
| Outstanding Options at Beginning of Period                       | 3,323,786              | \$ 35.60                               |
| Granted                                                          | 474,124                | \$ 26.41                               |
| Exercised                                                        | (53,751)               | \$ 13.62                               |
| Cancelled                                                        | (72,439)               | \$ 34.35                               |
| Outstanding Options at End of Period                             | 3,671,720              | \$ 34.76                               |
| Options Exercisable at End of Period                             | 1,860,895              |                                        |
| Weighted-Average Fair Value of Options Granted during the Period | \$ 10.29               |                                        |

The following table summarizes information about stock options outstanding at December 31, 2011:

| Range of Exercise Prices | Outstanding Options                |                                                           |                                            | Exercisable Options                |                                            |
|--------------------------|------------------------------------|-----------------------------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------|
|                          | Number of<br>Shares<br>Outstanding | Weighted -<br>Average<br>Remaining<br>Contractual<br>Life | Weighted -<br>Average<br>Exercise<br>Price | Number of<br>Shares<br>Outstanding | Weighted -<br>Average<br>Exercise<br>Price |
| \$ 11.56 - \$ 13.43      | 276,552                            | 1.11                                                      | \$ 12.17                                   | 276,552                            | \$ 12.17                                   |
| \$ 23.17 - \$ 30.74      | 1,688,984                          | 5.57                                                      | \$ 26.88                                   | 1,239,434                          | \$ 26.44                                   |
| \$ 34.09 - \$ 40.78      | 308,170                            | 1.92                                                      | \$ 37.91                                   | 277,770                            | \$ 38.07                                   |
| \$ 47.53 - \$ 62.83      | 1,398,014                          | 2.53                                                      | \$ 48.06                                   | 67,139                             | \$ 58.42                                   |
|                          | 3,671,720                          | 3.77                                                      | \$ 34.76                                   | 1,860,895                          | \$ 27.21                                   |

At December 31, 2011, there was no aggregate intrinsic value for both outstanding and exercisable options. The total intrinsic value of options exercised during the nine month period ended December 31, 2011 was approximately \$0.6 million.

**Restricted Stock Units.** Expense related to RSUs was approximately \$0.4 million and \$1.1 million for the three and nine month periods ended December 31, 2011, respectively, and \$0.1 million and \$0.4 million for the three and nine month periods ended December 31, 2010, respectively. At December 31, 2011, there was approximately \$2.2 million of unearned compensation from RSUs, net of estimated forfeitures, which will be recognized over a weighted-average period of 1.5 years.

**Restricted Stock.** In June 2011, the Compensation Committee also approved the granting of an aggregate of 412,164 shares of restricted stock to certain key employees at both the corporate and subsidiary level that will be earned if our ten year average return on invested capital exceeds 12% at March 31, 2012. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, restrictions on the shares will lapse ratably over five years, with the first fifth lapsing immediately, and the remaining restrictions lapsing on March 31, 2013 through 2016. The value of the restricted shares, net



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of estimated forfeitures, is being expensed over a five year period. Expense related to restricted shares was \$0.8 million and \$1.9 million for the three and nine month periods ended December 31, 2011, respectively, and \$0.3 million and \$0.8 million for the three and nine month periods ended December 31, 2010, respectively. At December 31, 2011, there was approximately \$15.3 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 5.2 years.

The number of shares available for future stock option, restricted stock unit, stock appreciation right and restricted stock grants under the Plan was 1,739,081 at December 31, 2011.

**(K) LONG-TERM DEBT**

Long-term debt consists of the following:

|                                         | As of                  |                   |
|-----------------------------------------|------------------------|-------------------|
|                                         | December 31,<br>2011   | March 31,<br>2011 |
|                                         | (dollars in thousands) |                   |
| Bank Credit Facility                    | \$ 84,000              | \$ 2,000          |
| Senior Notes                            | 196,936                | 285,000           |
| <b>Total Debt</b>                       | <b>280,936</b>         | <b>287,000</b>    |
| Less: Current Portion of Long-term Debt | (4,677)                |                   |
| <b>Long-Term Debt</b>                   | <b>\$ 276,259</b>      | <b>\$ 287,000</b> |

On December 16, 2011, we accepted for repurchase \$59.1 million in aggregate principal amount of our Series 2007A Senior Notes for \$60.2 million, plus accrued interest of \$0.3 million, and \$29.0 million in aggregate principal amount of our Series 2005A Senior Notes for \$29.6 million, plus accrued interest of \$0.4 million. The purchase of the Senior Notes was funded through borrowings under our Bank Credit Facility. The premium paid on these repurchases has been included in Loss on Debt Retirement in our Consolidated Statement of Earnings for the three and nine month periods ended December 31, 2011.

*Bank Credit Facility -*

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



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The Bank Credit Facility has a \$50.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At December 31, 2011, we had \$9.4 million of letters of credit outstanding. We had \$206.6 million of borrowings available under the Bank Credit Facility at December 31, 2011. Due to certain covenants contained in the Bank Credit Facility, namely the requirement for our consolidated funded debt ratio to remain at 3.50 to 1.0 or less, and other outstanding debt instruments, approximately \$55.0 million in additional borrowings were available to us at December 31, 2011.

*Senior Notes -*

We entered into a Note Purchase Agreement on November 15, 2005 (the 2005 Note Purchase Agreement) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the Series 2005A Senior Notes) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased an aggregate of \$81.1 million in principal of the Series 2005A Senior Notes through December 31, 2011. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

|           | Principal       | Maturity Date     | Interest Rate |
|-----------|-----------------|-------------------|---------------|
| Tranche A | \$ 4.7 million  | November 15, 2012 | 5.25%         |
| Tranche B | \$ 57.0 million | November 15, 2015 | 5.38%         |
| Tranche C | \$ 57.2 million | November 15, 2017 | 5.48%         |

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the 2007 Note Purchase Agreement) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Notes) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased an aggregate of \$122.0 million in principal of the Series 2007A Senior Notes through December 31, 2011. 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 | \$ 8.0 million  | October 2, 2016 | 6.27%         |
| Tranche C | \$ 24.0 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 December 31, 2011.

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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.

On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the "Shelf Agreement") with John Hancock Life Insurance Company (U.S.A.) ("Hancock"). The Shelf Agreement provides the terms under which the Company may offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock's affiliates that become bound by the Shelf Agreement (collectively, "Purchasers"). The Shelf Agreement does not obligate the Company to sell, or the Purchasers to buy, any such notes, and has a term of two years. We have not sold any notes pursuant to the Shelf Agreement as of December 31, 2011.

## (L) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers compensation and auto and general liability self-insurance. At December 31, 2011, we had contingent liabilities under these outstanding letters of credit of approximately \$9.4 million.

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

|                                         | As of and For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |          | As of and For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |          |
|-----------------------------------------|--------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------|----------|
| Accrual Balances at Beginning of Period | \$ 6,294                                                                                         | \$ 6,846 | \$ 6,639                                                                                        | \$ 6,384 |
| Insurance Expense Accrued               | 630                                                                                              | 610      | 1,783                                                                                           | 2,156    |
| Payments                                | (1,082)                                                                                          | (545)    | (2,580)                                                                                         | (1,629)  |
| Accrual Balance at End of Period        | \$ 5,842                                                                                         | \$ 6,911 | \$ 5,842                                                                                        | \$ 6,911 |

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as 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, results of operations or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under \$10.3 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for

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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.

The Internal Revenue Service (the "IRS") completed the examination of our federal income tax returns for all of the fiscal years ended March 31, 2001 through 2006. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 tax years, 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"). The examination of our federal income tax return for fiscal years ended March 31, 2007 through March 31, 2011 is currently in progress.

In June 2010, we received a Notice of Deficiency ("Notice") of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. Subsequent review of the IRS interest billing produced a refund of \$0.8 million reducing the net outlay to \$97.9 million. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest, and we filed a lawsuit in May 2011 in Federal District Court to recover the requested refunds.

In the event we reach a settlement through negotiation or in the courts, we will reverse any accrued interest and penalties in excess of the negotiated settlement through the Consolidated Statement of Earnings. 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.

## **Subsequent Event**

In June 2011, we were served with a claim for arbitration involving a contract dispute between one of our aggregates mining subsidiaries and another mining company over the right to mine certain areas. The mining company which brought this claim mines gold in the same area in which our subsidiary mines aggregates. The dispute centered on two agreements entered into by the parties in 1989 and 1992 that address the rights and obligations of the parties with respect to the areas in which both companies mine. In the arbitration, the gold mining company claimed that our subsidiary's operations in a limited area (which are conducted through a licensee) interfered with the gold mining company's right under the agreements to mine gold and that the gold in that area was therefore no longer recoverable. Based on the agreements, we concluded that our subsidiary's operations were permitted to be conducted in that area, particularly in light of the fact that our subsidiary had operations on the disputed parcel (through a licensee) prior to the 1992 agreement. Moreover, based on the express language of the two agreements, we concluded that, even if the arbitration panel were to decide otherwise, our subsidiary was entitled to continue its operations until a determination was made in the arbitration and that any damages or other relief ordered by the panel would not accrue for periods prior to the determination by the arbitration panel and, accordingly, would not be material to the Company. Based primarily on these contractual provisions and related facts, we concluded at the time we filed our Form 10-Qs for the first two quarters of fiscal 2012 that the likelihood that the proceeding would be material to our financial statements was remote.

The arbitration panel convened in November 2011 and resulting proceeding was concluded in December 2011, although the decision was not announced until January 19, 2012. When the decision of the arbitration panel was announced, the arbitration panel ruled against us and awarded \$6.9 million to the other mining company. Additionally, we believe it is probable that the arbitration panel will award attorneys' fees and arbitration costs to the other party. The dollar amount of attorneys' fees and arbitration costs the panel may award is uncertain since the panel will make its decision on such costs in late February or early March; however, if adversely decided, we estimate these additional amounts to be approximately \$1.2 million, although the actual amounts, when determined, may be either less than or greater than the amount accrued. As a result of this arbitration award, we have accrued a loss of \$8.1 million at December 31, 2011. This amount, together with our legal expenses incurred during the third quarter of fiscal 2012, is classified as Loss on Arbitration Ruling in our Consolidated Statements of Earnings for the three and nine month periods ended December 31, 2011. The award will become final and payable during the quarter ending March 31, 2012, and any changes to the estimated accrual will be recognized during that quarter. The ruling involves a limited area within our California aggregates deposit and is not expected to have a material adverse impact on our continuing operations in future periods.

There is also a pending lawsuit in state court filed by the same claimant/mining company based on the same facts and circumstances which were the subject of the arbitration. The state lawsuit has been stayed pending the outcome of the arbitration ruling. While we believe that the resolution of the arbitration hearing substantially addresses the claims in the state lawsuit and that the incurrence of any further material loss in this case is remote, we are currently unable to determine the outcome of this lawsuit or the impact of an unfavorable ruling on our financial position, results of operations or cash flows.



**Table of Contents****(M) INCOME TAXES**

Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the nine months ended December 31, 2011 was approximately 23%, before the impact of the discrete items discussed below.

During the quarter ended December 31, 2011, the federal statute of limitations for assessment for the years ended March 31, 2004, March 31, 2005 and March 31, 2006 expired. Also during the quarter, the Company participated in amnesty programs in Arizona, Colorado and California. These events were treated as discrete items in the tax provision and a benefit totaling approximately \$2.5 million on an after-tax basis was recognized.

During January 2012, we received payment of the \$9.1 million owed to us by the IRS at December 31, 2011.

**(N) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at December 31, 2011 is as follows:

|                        | Fair Value<br>(dollars in thousands) |
|------------------------|--------------------------------------|
| Series 2005A Tranche A | \$ 4,771                             |
| Series 2005A Tranche B | 59,651                               |
| Series 2005A Tranche C | 59,419                               |
| Series 2007A Tranche A | 10,108                               |
| Series 2007A Tranche B | 8,492                                |
| Series 2007A Tranche C | 25,392                               |
| Series 2007A Tranche D | 38,599                               |

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and our Bank Credit Facility approximate their fair values at December 31, 2011 due to the short-term maturities or variable interest rates of these assets and liabilities.

**(O) SEGMENT INFORMATION**

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

We operate in four business segments: Cement, Gypsum Wallboard, Recycled Paperboard, and Concrete and Aggregates, with Gypsum Wallboard and Cement being our principal lines of business. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and the manufacture and sale of gypsum wallboard, the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters, 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.

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

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

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

|                                   | For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |            | For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |            |
|-----------------------------------|----------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------|------------|
| Revenues -                        |                                                                                        |            |                                                                                       |            |
| Cement                            | \$ 61,510                                                                              | \$ 54,876  | \$ 194,208                                                                            | \$ 185,151 |
| Gypsum Wallboard                  | 54,063                                                                                 | 45,389     | 156,386                                                                               | 153,903    |
| Paperboard                        | 30,001                                                                                 | 22,381     | 90,414                                                                                | 80,309     |
| Concrete and Aggregates           | 10,250                                                                                 | 10,443     | 36,032                                                                                | 34,706     |
| Sub-total                         | 155,824                                                                                | 133,089    | 477,040                                                                               | 454,069    |
| Less: Intersegment Revenues       | (11,595)                                                                               | (10,038)   | (34,331)                                                                              | (31,321)   |
| Revenues, including Joint Venture | 144,229                                                                                | 123,051    | 442,709                                                                               | 422,748    |
| Less: Joint Venture               | (20,633)                                                                               | (19,181)   | (64,487)                                                                              | (55,949)   |
| Net Revenues                      | \$ 123,596                                                                             | \$ 103,870 | \$ 378,222                                                                            | \$ 366,799 |

|                         | For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           | For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           |
|-------------------------|----------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------|-----------|
| Intersegment Revenues - |                                                                                        |           |                                                                                       |           |
| Cement                  | \$ 803                                                                                 | \$ 1,394  | \$ 3,044                                                                              | \$ 3,550  |
| Paperboard              | 10,594                                                                                 | 8,491     | 30,728                                                                                | 27,311    |
| Concrete and Aggregates | 198                                                                                    | 153       | 559                                                                                   | 460       |
|                         | \$ 11,595                                                                              | \$ 10,038 | \$ 34,331                                                                             | \$ 31,321 |

|                                |     |     |       |       |
|--------------------------------|-----|-----|-------|-------|
| Cement Sales Volume (M Tons) - |     |     |       |       |
| Wholly owned Operations        | 497 | 408 | 1,534 | 1,482 |
| Joint Venture                  | 203 | 211 | 657   | 614   |
|                                | 700 | 619 | 2,191 | 2,096 |



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|                                                           | For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           | For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------|-----------|
| Operating Earnings -                                      |                                                                                        |           |                                                                                       |           |
| Cement                                                    | \$ 15,493                                                                              | \$ 15,257 | \$ 39,392                                                                             | \$ 41,017 |
| Gypsum Wallboard                                          | 228                                                                                    | (2,535)   | (4,074)                                                                               | 3,961     |
| Paperboard                                                | 5,146                                                                                  | 2,160     | 12,214                                                                                | 9,787     |
| Concrete and Aggregates                                   | (620)                                                                                  | 154       | (811)                                                                                 | 923       |
| Other, net                                                | (464)                                                                                  | 192       | (428)                                                                                 | 1,084     |
| Sub-total                                                 | 19,783                                                                                 | 15,228    | 46,293                                                                                | 56,772    |
| Corporate General and Administrative                      | (3,873)                                                                                | (3,942)   | (12,463)                                                                              | (12,060)  |
| Loss on Arbitration Ruling                                | (9,117)                                                                                |           | (9,117)                                                                               |           |
| Earnings Before Interest and Income Taxes                 | 6,793                                                                                  | 11,286    | 24,713                                                                                | 44,712    |
| Premium Paid on Debt Retirement                           | (2,094)                                                                                |           | (2,094)                                                                               |           |
| Interest Expense, net                                     | (4,210)                                                                                | (4,666)   | (13,352)                                                                              | (13,104)  |
| Earnings Before Income Taxes                              | \$ 489                                                                                 | \$ 6,620  | \$ 9,267                                                                              | \$ 31,608 |
| Cement Operating Earnings -                               |                                                                                        |           |                                                                                       |           |
| Wholly owned Operations                                   | \$ 7,717                                                                               | \$ 8,061  | \$ 18,232                                                                             | \$ 23,149 |
| Joint Venture                                             | 7,776                                                                                  | 7,196     | 21,160                                                                                | 17,868    |
|                                                           | \$ 15,493                                                                              | \$ 15,257 | \$ 39,392                                                                             | \$ 41,017 |
| Capital Expenditures <sup>(1)</sup> -                     |                                                                                        |           |                                                                                       |           |
| Cement                                                    | \$ 1,723                                                                               | \$ 3,484  | \$ 5,931                                                                              | \$ 6,763  |
| Gypsum Wallboard                                          | 1,174                                                                                  | 658       | 3,188                                                                                 | 1,213     |
| Paperboard                                                | 532                                                                                    | 803       | 754                                                                                   | 860       |
| Aggregates                                                | 11,870                                                                                 | 1,200     | 12,751                                                                                | 2,645     |
| Concrete                                                  | 129                                                                                    | 131       | 271                                                                                   | 183       |
| Other                                                     |                                                                                        |           | 49                                                                                    | 79        |
|                                                           | \$ 15,428                                                                              | \$ 6,276  | \$ 22,944                                                                             | \$ 11,743 |
| Depreciation, Depletion and Amortization <sup>(1)</sup> - |                                                                                        |           |                                                                                       |           |
| Cement                                                    | \$ 3,821                                                                               | \$ 3,474  | \$ 11,254                                                                             | \$ 10,814 |
| Gypsum Wallboard                                          | 5,314                                                                                  | 5,321     | 15,798                                                                                | 16,243    |
| Paperboard                                                | 2,131                                                                                  | 2,198     | 6,383                                                                                 | 6,717     |
| Aggregates                                                | 851                                                                                    | 758       | 2,477                                                                                 | 2,053     |
| Concrete                                                  | 260                                                                                    | 229       | 758                                                                                   | 714       |
| Other, net                                                | 294                                                                                    | 147       | 684                                                                                   | 425       |
|                                                           | \$ 12,671                                                                              | \$ 12,127 | \$ 37,354                                                                             | \$ 36,966 |

As of

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|                                      | December 31,<br>2011<br>(dollars in thousands) | March 31,<br>2011 |
|--------------------------------------|------------------------------------------------|-------------------|
| Identifiable Assets <sup>(1)</sup> - |                                                |                   |
| Cement                               | \$ 310,356                                     | \$ 304,693        |
| Gypsum Wallboard                     | 432,843                                        | 446,174           |
| Paperboard                           | 141,413                                        | 144,434           |
| Aggregates                           | 50,319                                         | 39,237            |
| Concrete                             | 12,578                                         | 12,560            |
| Corporate and Other                  | 37,640                                         | 38,712            |
|                                      | \$ 985,149                                     | \$ 985,810        |

<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. The segment breakdown of goodwill is as follows:

|                  | As of                  |                   |
|------------------|------------------------|-------------------|
|                  | December 31,<br>2011   | March 31,<br>2011 |
|                  | (dollars in thousands) |                   |
| Cement           | \$ 8,359               | \$ 8,359          |
| Gypsum Wallboard | 116,618                | 116,618           |
| Paperboard       | 7,538                  | 7,538             |
|                  | \$ 132,515             | \$ 132,515        |

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. Due to the decline in operating earnings of the gypsum wallboard segment during the last three fiscal years, we began performing quarterly impairment tests in fiscal 2009, and continuing into this year, we have performed an impairment test at the end of each of the first three fiscal quarters 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 2012, or until conditions in the wallboard industry improve enough for us to determine that an impairment loss is not likely to occur.

We temporarily idled our gypsum manufacturing facility in Bernalillo, N.M. beginning in December 2009, due to cyclical low gypsum wallboard demand. The carrying value of the Bernalillo plant and equipment at December 31, 2011 was \$7.6 million and \$1.4 million, respectively and we continue to depreciate the assets over their estimated useful life. We currently have a strong market position in New Mexico, and our Albuquerque gypsum wallboard facility is operating at close to capacity. We plan on resuming manufacturing at the Bernalillo facility in the future when demand for our products improves. Costs of maintaining the facility during the idling are not significant, and the facility was generating positive cash flow prior to being idled; therefore, have determined that the value of the plant and equipment is not impaired. We are not currently considering the permanent closure of the Bernalillo facility. Any decision to permanently close Bernalillo would be the result of future changes in the building materials industry in the southwest United States and Rocky Mountain region, including changes in the production capacity or operations of our competitors, demand for gypsum wallboard or general macro-economic conditions, which we do not foresee at the present time. If we were to permanently close the Bernalillo facility, or if our expectations as to its use changed such that we project the future undiscounted cash flows from its operations would be insufficient to recover its carrying value due to the factors described above, or for any other reason, we would recognize impairment at that time. All of our other wallboard facilities are currently generating positive cash flow from operations.

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

|                              | For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           | For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |            |
|------------------------------|----------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------|------------|
| Revenues                     | \$ 35,558                                                                              | \$ 33,950 | \$ 113,353                                                                            | \$ 100,253 |
| Gross Margin                 | \$ 16,487                                                                              | \$ 15,459 | \$ 45,439                                                                             | \$ 38,820  |
| Earnings Before Income Taxes | \$ 15,552                                                                              | \$ 14,391 | \$ 42,320                                                                             | \$ 35,736  |

|                     | As of<br>December 31,      March 31,<br>2011      2011<br>(dollars in thousands) |           |
|---------------------|----------------------------------------------------------------------------------|-----------|
| Current Assets      | \$ 46,038                                                                        | \$ 42,541 |
| Non-Current Assets  | \$ 42,678                                                                        | \$ 33,457 |
| Current Liabilities | \$ 17,038                                                                        | \$ 10,296 |

During the nine month period ended December 31, 2011, we provided approximately \$10.0 million to our Joint Venture for its capital needs.

### (P) INTEREST EXPENSE

The following components are included in interest expense, net:

|                                           | For the Three Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |          | For the Nine Months<br>Ended December 31,<br>2011      2010<br>(dollars in thousands) |           |
|-------------------------------------------|----------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------|-----------|
| Interest (Income)                         | \$ (3)                                                                                 | \$ (2)   | \$ (5)                                                                                | \$ (6)    |
| Interest Expense                          | 4,425                                                                                  | 4,402    | 13,340                                                                                | 13,300    |
| Interest Expense (Income)    Income Taxes | (426)                                                                                  | 213      | (426)                                                                                 | (333)     |
| Other Expenses                            | 214                                                                                    | 53       | 443                                                                                   | 143       |
| Interest Expense, net                     | \$ 4,210                                                                               | \$ 4,666 | \$ 13,352                                                                             | \$ 13,104 |

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

Interest expense    Income Taxes relates to interest accrued on our unrecognized tax benefits, primarily related to the Republic Asset Acquisition. During fiscal 2011, we paid or applied cash deposits as payments to the IRS and filed amended state tax returns and made payments for the tax years 2001 through 2006.

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

#### **EXECUTIVE SUMMARY**

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three and nine month periods ended December 31, 2011 and 2010, respectively, reflects the Company's four business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

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

We continue to pursue opportunities which are natural extensions of our existing core businesses and which allow us to leverage our core competencies, existing infrastructure and customer relationships. Pursuing and realizing these opportunities will require capital expenditures and the investment of management time and other resources, and will be subject to the risks typically associated with business development or product line expansion. See Risk Factors. During the quarter ended December 31, 2011, we purchased land with mineral reserves in the Midwest for purpose of business development. Our pursuit of this opportunity is in the preliminary stages, and the Company's primary focus now is on permitting, plant design, logistics and market development.

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

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

|                                                    | For the Three Months Ended<br>December 31, |            |        | For the Nine Months ended<br>December 31, |            |        |
|----------------------------------------------------|--------------------------------------------|------------|--------|-------------------------------------------|------------|--------|
|                                                    | 2011                                       | 2010       | Change | 2011                                      | 2010       | Change |
|                                                    | (In thousands except per share)            |            |        | (In thousands except per share)           |            |        |
| Revenues                                           | \$ 123,596                                 | \$ 103,870 | 19%    | \$ 378,222                                | \$ 366,799 | 3%     |
| Cost of Goods Sold                                 | (111,125)                                  | (96,030)   | 16%    | (352,661)                                 | (328,979)  | 7%     |
| Gross Profit                                       | 12,471                                     | 7,840      | 59%    | 25,561                                    | 37,820     | (32%)  |
| Equity in Earnings of Unconsolidated Joint Venture | 7,776                                      | 7,196      | 8%     | 21,160                                    | 17,868     | 18%    |
| Corporate General and Administrative               | (3,873)                                    | (3,942)    | (2%)   | (12,463)                                  | (12,060)   | 3%     |
| Loss on Arbitration Ruling                         | (9,117)                                    |            |        | (9,117)                                   |            |        |
| Other Income (Expense)                             | (464)                                      | 192        | (342%) | (428)                                     | 1,084      | (139%) |
| Loss on Debt Retirement                            | (2,094)                                    |            |        | (2,094)                                   |            |        |
| Interest Expense, Net                              | (4,210)                                    | (4,666)    | (10%)  | (13,352)                                  | (13,104)   | 2%     |
| Earnings Before Income Taxes                       | 489                                        | 6,620      | (93%)  | 9,267                                     | 31,608     | (71%)  |
| Income Tax Benefit (Expense)                       | 2,408                                      | (1,124)    | (314%) | 462                                       | (5,955)    | (108%) |
| Net Earnings                                       | \$ 2,897                                   | \$ 5,496   | (47%)  | \$ 9,729                                  | \$ 25,653  | (62%)  |
| Diluted Earnings per Share                         | \$ 0.07                                    | \$ 0.12    | (42%)  | \$ 0.22                                   | \$ 0.58    | (62%)  |

**Net Revenues.** Revenue increased by 19% for the three month period ended December 31, 2011, as compared to the similar period in 2010. The increase, during the three month period ended December 31, 2011, was due primarily to increased average sales prices for all of our businesses except cement, in which the average sales price was flat compared to the prior year quarter and increased sales volumes for all of our businesses except concrete and aggregates, which are our smallest businesses. The impact of increased average net selling prices and sales volumes on net revenues for the three month period ended December 31, 2011, as compared to the similar period in 2010, was approximately \$5.8 million and \$13.9 million, respectively. Net revenues for the nine months ended December 31, 2011 increased 3% as compared to the revenues in the nine month period ended December 31, 2010. The increase in revenues during the nine month period ended December 31, 2011 as compared to the similar period ended December 31, 2010 was due primarily to the increase in revenues during the third quarter of fiscal 2012, as compared to fiscal 2011, as discussed above. Revenues for the nine months ended December 31, 2011, as compared to December 31, 2010, were positively impacted primarily by increased sales volumes in our cement segment and increased sales volumes and average sales prices in our recycled paperboard segment. These increases were partially offset by decreases during the nine month period ended December 31, 2011, as compared to December 31, 2010, in the average net sales price of gypsum wallboard, despite sales volumes remaining flat. The impact of increased average net selling prices and sales volumes on net revenues for the nine month period ended December 31, 2011, as compared to the similar period in 2010, was approximately \$3.9 million and \$7.5 million, respectively.

**Cost of Goods Sold.** Cost of goods sold increased 16% and 7% for the three and nine month periods ended December 31, 2011, respectively, as compared to the similar periods in 2010. Increased sales volumes are the primary reason for the increase in cost of goods sold for the both the quarter and year to date periods ended December 31, 2011. Cost of goods sold also increased due to increases in certain manufacturing expenses, primarily major maintenance at our cement facilities, fuel, power and recycled fiber. Additionally, our sales of purchased cement, which has a lower gross profit margin than manufactured cement, increased 66% and 90% during the three and nine month periods, respectively, primarily in our Nevada market.

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**Gross Profit.** Gross profit increased during the three months ended December 31, 2011, as compared to 2010, primarily due to increased average sales prices, as noted above, partially offset by increased manufacturing costs, such as fuel, power and maintenance. Gross profit declined for the nine month period ended December 31, 2011, as compared to 2010, primarily due to increased manufacturing costs, primarily fiber, fuel, power and maintenance, and a higher percentage of purchased products sold.

**Equity in Earnings of Unconsolidated Joint Venture.** Equity in earnings of our unconsolidated joint venture increased for both the three and nine month periods ended December 31, 2011, as compared to similar periods in 2010, primarily due to increased revenues during the periods. The increase in revenues is primarily due to increased sales volumes resulting from favorable weather conditions, and increases in demand for oil well cement, and strong state spending on infrastructure during calendar 2011.

**Corporate General and Administrative.** Corporate general and administrative expenses increased 2% and 3% for the three and nine month periods ended December 31, 2011, respectively, as compared to the similar periods in 2010. The increase in corporate general and administrative expenses is due primarily to increased stock compensation expenses related to the issuance of restricted stock during May 2011.

**Loss on Arbitration Ruling.** This loss represents amounts assessed by an arbitrator, our legal fees, and an estimate of the legal fees incurred by the other party in connection with an arbitration ruling totaling \$9.1 million. During January 2012 an arbitration panel ruled against the Company in a contract dispute related to a contract dispute between one of our aggregate mining subsidiaries and another mining company over the right to mine certain areas. See Footnote (L) of the Unaudited Consolidated Financial Statements for more information. As a result of the adverse ruling, we have been ordered to pay approximately \$6.9 million, and we expect to be ordered to pay reasonable legal fees as well, which are estimated to be \$1.2 million and have been accrued at December 31, 2011. The remaining \$1.0 million is related to our legal expenses incurred in relation to the arbitration during the quarter ended December 31, 2011.

**Other Income (Expense).** Other income (expense) 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. During fiscal 2011, we had net other income due primarily to the sale of a piece of property during the first quarter.

**Loss on Debt Retirement.** This premium is related to the repurchase of certain of our Senior Notes during the quarter ended December 31, 2011. On December 16, 2011, we repurchased a total of approximately \$88.1 million of our Series 2005A and Series 2007A Notes. This expense consists of a 2% premium paid on the repurchase, plus brokerage and miscellaneous fees related to the repurchase.

**Interest Expense, Net.** Net interest expense decreased 10% during the three month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to adjusting our interest liability to the IRS for our unrecognized tax positions to reflect actual amounts owed to the IRS. Net interest expense increased 2% during the nine months ended December 31, 2011, as compared to the similar period in 2010. This increase is due primarily to the increase in debt amortization costs related to the repurchase of the Senior Notes during December 2012. The interest adjustment noted above was similar to an interest adjustment made in July 2010 in connection with our payment of \$23.7 million to the IRS. Interest expense on our debt was relatively flat for the three and nine months ended December 31, 2011, as compared to the similar three and nine month periods in 2010. Due to our repurchase of approximately \$89.0 million in Senior Notes during the three month period ended December 31, 2011, we expect interest expense to decline during subsequent quarters. This decline is expected because at the current interest rate for our Bank Credit Facility is less than the interest rate of our Senior Notes, and we also expect to partially reduce the amounts drawn under the Bank Credit Facility during the fiscal fourth quarter.

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**Earnings Before Income Taxes.** Earnings before income taxes decreased 93% during the three month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to the loss on the arbitration ruling and our loss on debt retirement, partially offset by increased revenues and gross profit. Earnings before income taxes decreased 71% for the nine months ended December 31, 2011, as compared to the similar period in 2010, primarily due to increased costs of manufacturing, loss on arbitration ruling and our loss on debt retirement, partially offset by increased revenues. The increase in manufacturing costs was primarily due to increased fiber, fuel and power costs.

**Income Taxes.** The effective tax rate for the nine month period ended December 31, 2011 was approximately (5%) as compared to approximately 19% for the nine month period ended December 31, 2010. The effective tax rate during fiscal 2012 was positively impacted by our participation in state amnesty programs with the states of Arizona, Colorado and California, as well as the expiration of the statute of limitations for certain items related to the 2004 through 2006 tax years. These events were treated as discrete items in the tax provision and a benefit totaling approximately \$2.5 million on an after-tax basis was recognized. The tax rate for the nine month period ended December 31, 2010 was also positively impacted by the deduction of interest and state taxes related to the payment of taxes to the IRS and state authorities for fiscal years 2001 through 2006. Excluding the impact of these deductions, the effective tax rate for the nine months ended December 31, 2010 was 24%. The effective tax rate for the full 2012 fiscal year, excluding the discrete items, is expected to be approximately 22%.

**Net Earnings and Diluted Earnings per Share.** Net earnings for the quarter ended December 31, 2011 of \$2.9 million decreased 47% from last year's net earnings of \$5.5 million; while net earnings of \$9.7 million for the nine month period ended December 31, 2011 decreased 62% from last year's net earnings of \$25.7 million. Diluted earnings per share for the three and nine month periods ended December 31, 2011 were \$0.07 and \$0.22, respectively, as compared to \$0.12 and \$0.58 for the three and nine month periods ended December 31, 2010, respectively.

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

|                                         | For the Three Months Ended<br>December 31, |            |                      | For the Nine months ended<br>December 31, |            |                      |
|-----------------------------------------|--------------------------------------------|------------|----------------------|-------------------------------------------|------------|----------------------|
|                                         | 2011                                       | 2010       | Percentage<br>Change | 2011                                      | 2010       | Percentage<br>Change |
|                                         | (In thousands except per unit)             |            |                      | (In thousands except per unit)            |            |                      |
| Revenues <sup>(1)</sup>                 |                                            |            |                      |                                           |            |                      |
| Cement <sup>(2)</sup>                   | \$ 61,510                                  | \$ 54,876  | 12%                  | \$ 194,208                                | \$ 185,151 | 5%                   |
| Gypsum Wallboard                        | 54,063                                     | 45,389     | 16%                  | 156,386                                   | 153,903    | 2%                   |
| Recycled Paperboard                     | 30,001                                     | 22,381     | 34%                  | 90,414                                    | 80,309     | 13%                  |
| Concrete and Aggregates                 | 10,250                                     | 10,443     | (2%)                 | 36,032                                    | 34,706     | 4%                   |
| Gross Revenues                          | 155,824                                    | 133,089    | 17%                  | 477,040                                   | 454,069    | 5%                   |
| Less: Inter-Segment Revenues            | (11,595)                                   | (10,038)   | 16%                  | (34,331)                                  | (31,321)   | 10%                  |
| Less: Joint Venture Revenues            | (20,633)                                   | (19,181)   | 8%                   | (64,487)                                  | (55,949)   | 15%                  |
| Net Revenues                            | \$ 123,596                                 | \$ 103,870 | 19%                  | \$ 378,222                                | \$ 366,799 | 3%                   |
| Sales Volume                            |                                            |            |                      |                                           |            |                      |
| Cement (M Tons) <sup>(2)</sup>          | 700                                        | 619        | 13%                  | 2,191                                     | 2,096      | 5%                   |
| Gypsum Wallboard (MMSF)                 | 421                                        | 386        | 9%                   | 1,236                                     | 1,237      |                      |
| Recycled Paperboard (M Tons)            | 57                                         | 47         | 21%                  | 174                                       | 168        | 4%                   |
| Concrete (M Yards)                      | 112                                        | 113        | (1%)                 | 391                                       | 353        | 11%                  |
| Aggregates (M Tons)                     | 463                                        | 677        | (32%)                | 1,846                                     | 2,098      | (12%)                |
| Average Net Sales Prices <sup>(3)</sup> |                                            |            |                      |                                           |            |                      |
| Cement <sup>(2)</sup>                   | \$ 80.02                                   | \$ 80.11   |                      | \$ 80.77                                  | \$ 80.51   |                      |
| Gypsum Wallboard                        | 94.86                                      | 86.65      | 9%                   | 92.35                                     | 93.90      | (2%)                 |
| Recycled Paperboard                     | 527.42                                     | 477.75     | 10%                  | 519.20                                    | 477.80     | 9%                   |
| Concrete                                | 67.11                                      | 62.72      | 7%                   | 63.98                                     | 64.64      | (1%)                 |
| Aggregates                              | 5.99                                       | 5.02       | 19%                  | 5.95                                      | 5.66       | 5%                   |
| Operating Earnings                      |                                            |            |                      |                                           |            |                      |
| Cement <sup>(2)</sup>                   | \$ 15,493                                  | \$ 15,257  | 2%                   | \$ 39,392                                 | \$ 41,017  | (4%)                 |
| Gypsum Wallboard                        | 228                                        | (2,535)    | 109%                 | (4,074)                                   | 3,961      | (203%)               |
| Recycled Paperboard                     | 5,146                                      | 2,160      | 138%                 | 12,214                                    | 9,787      | 25%                  |
| Concrete and Aggregates                 | (620)                                      | 154        | (503%)               | (811)                                     | 923        | (188%)               |
| Other, net                              | (464)                                      | 192        | (342%)               | (428)                                     | 1,084      | (139%)               |
| Net Operating Earnings                  | \$ 19,783                                  | \$ 15,228  | 30%                  | \$ 46,293                                 | \$ 56,772  | (18%)                |

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

(2) Includes proportionate share of our Joint Venture.

(3) Net of freight and delivery costs.

**Cement Operations.** Revenues increased during the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, primarily due to increased sales volumes. Sales volumes increased during the three month period ended December 31, 2011 as compared to the similar period in 2010, primarily due to increased volumes in the Nevada and Illinois markets, while sales volumes increased for the nine month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to increased volumes in the Nevada and Texas markets, partially offset by a decline in the Mountain market. While the average sales prices during the three and nine month periods ended December 31, 2011 were relatively flat, the impact of the increase in average sales volumes during the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, was approximately \$6.5 million and \$7.7 million, respectively.

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Operating earnings increased during the third quarter of fiscal 2012, as compared to the similar periods in fiscal 2011, primarily due to increased sales volumes, partially offset by increased operating costs, such as parts supplies and services, fuel and power. Operating earnings decreased for the nine month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to increased operating expenses, namely parts, supplies and services, fuel and power, partially offset by increased sales volumes. The increased parts, supply and services costs related to major maintenance projects.

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***Gypsum Wallboard Operations.*** Revenues increased 19% in the three month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to the 9% increase in both sales volume and average sales price. The impact of increased average net selling prices and sales volumes on net revenues for the three month period ended December 31, 2011, as compared to the similar period in 2010, was approximately \$4.5 million and \$4.1 million, respectively. The increase in revenue of 2% during the nine month period ended December 31, 2011, as compared to 2010, was primarily due to an increase in the gross sales price and a slight change in the sales mix towards higher priced products. The average sales price for the nine month period ended December 31, 2011 declined 2%, as compared to the nine month period ended December 31, 2010, primarily due to increased transportation costs, which are included in our average net sales price. Operating earnings increased during the quarter ended December 31, 2011, as compared to the similar quarter in 2010, primarily due to the increased sales price and sales volumes. The increased average sales price and sales volume was partially offset by increased manufacturing expense, primarily paper. Operating earnings decreased for the year to date period in fiscal 2012, as compared to fiscal 2011, primarily due to the decline in average sales price, and an increase in transportation and certain other operating expenses, namely paper and other raw materials, partially offset by reduced natural gas expense. Despite low overall utilization of all but one of our operating facilities, fixed costs are not a significant part of the overall cost of wallboard, therefore the low utilization of our facilities had a relatively minor impact on our operating results.

***Recycled Paperboard Operations.*** Net revenues increased 34% and 13% during the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, primarily due to the increase in both average sales price and sales volumes for the three and nine month periods. The increase in the average selling price per ton during the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, is due to price escalators in our gypsum liner long-term sales agreement and price increases in alternative products resulting from recycled fiber pricing, while the increase in sales volumes is primarily due to increased demand for gypsum paper (primarily at external customers) during the nine month period and increased demand for both gypsum and non-gypsum paper during the three month period. The impact of increased average net selling prices and sales volumes on net revenues for the three month period ended December 31, 2011, as compared to the similar period in 2010, was approximately \$2.8 million and \$4.8 million, respectively, while the impact of increased average net selling prices and sales volumes on net revenues for the nine month period ended December 31, 2011, as compared to the similar period in 2010, was approximately \$7.2 million and \$2.9 million, respectively. Increased average sales prices and increased sales volumes are also the primary reasons operating earnings increased for the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, partially offset by the increase in fiber cost during both the three and nine month periods.

***Concrete and Aggregates Operations.*** Net revenues declined 2% and increased 4% for the three month and nine month periods, respectively, ended December 31, 2011, as compared to the similar periods in 2010. The decrease in net revenue during the quarter ended December 31, 2011, as compared to 2010, is due primarily to the decline in aggregates sales volumes, partially offset by increased average sales prices for both concrete and aggregates. Net revenue increased for the nine months ended December 31, 2011, as compared to the similar period in 2010, primarily due to increased concrete sales volume and aggregates net sales price, partially offset by decreased aggregate sales volume. The increase in average sales price for aggregates for both the three and nine month periods ended December 31, 2011, as compared to 2010, was primarily due to a change in sales mix. Operating earnings decreased during the three and nine month periods ended December 31, 2011, as compared to 2010, primarily due to

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increased operating costs in our readymix business. The increased costs in our readymix operation were primarily due to increased transportation costs. Operating earnings declined for our aggregates business for both the three and nine month periods ended December 31, 2011, as compared to the similar periods in 2010, primarily due to reduced sales volumes. During the quarter ended December 31, 2010, we sold a large quantity of lower priced road base for a large infrastructure project, which increased our sales volumes and reduced our average sales price for the aggregates business.

## **GENERAL OUTLOOK**

Calendar 2011 was another poor year economically in the United States, particularly in the building materials and construction products businesses. Commercial and residential construction activity remains at cyclic low levels and infrastructure spending has been less than anticipated. Current budget issues and a toxic political environment most likely will limit the assistance, if any, that federal programs may provide. There can be no assurance as to the actual impact that these or any other actions will have on our business, financial condition or results of operations. Many of the states that comprise our markets are also experiencing budget deficits, and have reduced infrastructure spending in response to these shortfalls. We do not expect a significant increase in government spending for infrastructure in calendar 2012.

Cement demand in all U.S. regions continues to be impacted by reduced residential housing construction, continued weakness in the commercial construction market and expanded state government budget deficits, which are expected to limit cement consumption during calendar 2011, resulting in flat consumption as compared to calendar 2010. Cement consumption in the U.S. is expected to increase slightly in calendar 2012 as compared to calendar 2011; however, due to the regional nature of the cement business we may not benefit from such an increase, if any, in fiscal 2013.

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

The U.S. wallboard industry continues to be adversely impacted by the current downturn in the residential and commercial construction markets, which has resulted in the industry operating at a utilization rate of approximately 50%. Low volumes and low capacity utilization continue to negatively impact gypsum wallboard pricing and profitability. We do not anticipate wallboard demand to improve significantly during remainder of fiscal 2012.

In response to the continued uncertainty of gypsum wallboard paper demand, our recycled paperboard segment continues to exercise sales opportunities in several other markets to enable our paper operation to maximize its operating earnings. Although fiber prices declined in the current fiscal quarter, they remain elevated compared to historical prices, impacting the cost of manufacturing and product margins. Natural gas costs are expected to be lower during the remainder of fiscal year 2012, while electricity costs are expected to remain relatively constant during the remainder of the fiscal year.

## **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.

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

**Recent Accounting Pronouncements**

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

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

The following table provides a summary of our cash flows:

|                                                           | For the Nine Months<br>Ended December 31,<br>2011                      2010<br>(dollars in thousands) |           |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------|
| Net Cash Provided by Operating Activities                 | \$ 43,742                                                                                             | \$ 38,112 |
| Investing Activities:                                     |                                                                                                       |           |
| Capital Expenditures                                      | (22,944)                                                                                              | (11,743)  |
| Proceeds from Sale of Property, Plant and Equipment       |                                                                                                       | 600       |
| Net Cash Used in Investing Activities                     | (22,944)                                                                                              | (11,143)  |
| Financing Activities:                                     |                                                                                                       |           |
| Excess Tax Benefits from Share Based Payment Arrangements | 156                                                                                                   | 652       |
| Decrease in Long-Term Debt                                | (6,064)                                                                                               | (13,000)  |
| Dividends Paid                                            | (13,424)                                                                                              | (13,214)  |
| Shares Repurchased to Settle Employee Taxes on RSUs       | (393)                                                                                                 |           |
| Proceeds from Stock Option Exercises                      | 732                                                                                                   | 1,230     |
| Net Cash Used in Financing Activities                     | (18,993)                                                                                              | (24,332)  |
| Net Increase in Cash                                      | \$ 1,805                                                                                              | \$ 2,637  |

Cash flow from operating activities increased by approximately \$5.6 million during the nine month period ended December 31, 2011, as compared to the similar period in 2010, primarily due to decreased income tax payments, partially offset by decreased net income and lower distributions from our Joint Venture. The decrease in distributions is due primarily to capital expenditures by the Joint Venture. Use of cash from changes in operating assets and liabilities was \$10.7 million during the nine months ended December 31, 2011, as compared to cash used of \$32.5 million during the similar period in 2010. This decrease was caused primarily by the \$23.7 million payment to the IRS in July 2010, partially offset by increased accounts receivable during the nine months ended December 31, 2011 as compared to the similar period in 2010.

Net cash used in investing activities during the nine month period ended December 31, 2011 was approximately \$22.9 million, as compared to net cash used in investing activities of \$11.1 million during the nine month period ended December 31, 2010. The net cash used in investing activities during the nine months ended December 31, 2011 reflected expenditures of approximately \$11.6 to acquire land with mineral reserves in the Midwest for purpose of business development. See Management's Discussion and Analysis of Results of Operations and Financial Condition Executive Summary for more information. We expect capital expenditures for the full year of fiscal 2012 to be approximately \$10.0

million to \$15.0 million more than capital expenditures during fiscal 2011.

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In June 2010, we received a Notice of Deficiency ( Notice ) of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. Subsequent review of the IRS interest billing produced a refund of \$0.8 million reducing the net outlay to \$97.9 million. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest, and we have subsequently filed a lawsuit in Federal District Court to recover the requested refunds. See Footnote (L) of the Unaudited Consolidated Financial Statements for additional information.

Net cash used in financing activities was \$19.0 million during the nine month period ended December 31, 2011, as compared to net cash used in financing activities of \$24.3 million during the nine month period ended December 31, 2010. The decrease in cash used in financing activities is primarily due to the reduction in debt repayments during the nine months ended December 31, 2011, as compared to the similar period in 2010. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio declined to 37.8% and 37.5%, respectively, at December 31, 2011, as compared to 38.4% and 38.3%, respectively, at March 31, 2011.

Working capital decreased to \$100.1 million at December 31, 2011, compared to \$104.3 million at March 31, 2011, primarily due to increased accounts payable, accrued expenses, income taxes payable and a portion of our long-term debt becoming current, partially offset by increased accounts and notes receivable. The change in accrued liabilities is due to the \$8.1 million accrual for the loss on the arbitration ruling, while the change in accounts payable is generally due to timing, while there is no income tax payable at year end as we make our estimated payment in March of each year.

The increase in accounts and notes receivable at September 30, 2011 as compared to March 31, 2011 is primarily due to the seasonal nature of our businesses, primarily the cement business. Most of our cement plants are located in the northern half of the United States, and the weather in the fiscal fourth quarter generally is not conducive to large construction projects. The increase in accounts receivable at December 31, 2011 as compared to March 31, 2011 was consistent with the increase in revenues during the same periods. As a percentage of quarterly sales generated in the quarter then ended, accounts receivable were 44% and 46% at September 30, 2011 and March 31, 2011, respectively. Management measures the change in accounts receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the accounts receivable. At December 31, 2011, no significant deterioration in the collectability of our accounts receivable was identified. Notes receivable are monitored on an individual basis.

Our inventory balance at December 31, 2011 is relatively consistent with the balance at March 31, 2011, and we expect total inventory to increase slightly next quarter due to the buildup of cement inventories. The largest individual balance in our inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a greater level of repair inventory. We believe all of these repair parts are necessary and we perform semi-annual analysis to identify obsolete parts. Our cement business, which comprises approximately 35% of our revenues, is highly seasonal given the geographic location of our plants. Generally, we will build inventory over the winter months, as demand during the building season exceeds production capacity. We have less than one year's sales of all product inventories, and our inventory has a low risk of obsolescence due our products being basic construction materials.

In June 2011, we were served with a claim for arbitration involving a contract dispute between one of our aggregates mining subsidiaries and another mining company over the right to mine certain areas. The mining company which brought this claim mines gold in the same area in which our subsidiary mines aggregates. The dispute centered on two agreements entered into by the parties in 1989 and 1992 that address the rights and obligations of the parties with respect to the areas in which both companies mine. In the arbitration, the gold mining company claimed that our subsidiary's operations in a limited area (which are conducted through a licensee) interfered with the gold mining company's right under the agreements to mine gold and that the gold in that area was therefore no longer recoverable. Based on the agreements, we concluded that our subsidiary's operations were permitted to be conducted in that area, particularly in light of the fact that our subsidiary had operations on the disputed parcel (through a licensee) prior to the 1992 agreement. Moreover, based on the express language of the two agreements, we concluded that, even if the arbitration panel were to decide otherwise, our subsidiary was entitled to continue its operations until a determination was made in the arbitration and that any damages or other relief ordered by the panel would not accrue for periods prior to the determination by the arbitration panel and, accordingly, would not be material to the Company. Based primarily on these contractual provisions and related facts, we concluded at the time we filed our Form 10-Qs for the first two quarters of fiscal 2012 that the likelihood that the proceeding would be material to our financial statements was remote.

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The arbitration panel convened in November 2011 and resulting proceeding was concluded in December 2011, although the decision was not announced until January 19, 2012. When the decision of the arbitration panel was announced, the arbitration panel ruled against us and awarded \$6.9 million to the other mining company. Additionally, we believe it is probable that the arbitration panel will award attorneys' fees and arbitration costs to the other party. The dollar amount of attorneys' fees and arbitration costs the panel may award is uncertain since the panel will make its decision on such costs in late February or early March; however, if adversely decided, we estimate that these additional amounts to be approximately \$1.2 million, although the actual amounts, when determined, may be either less than or greater than the amount accrued. As a result of this arbitration award, we have accrued a loss of \$8.1 million at December 31, 2011. This amount, together with our legal expenses incurred during the third quarter of fiscal 2012, is classified as Loss on Arbitration Ruling in our Consolidated Statements of Earnings for the three and nine month periods ended December 31, 2011. The award will become final and payable during the quarter ending March 31, 2012, and any changes to the estimated accrual will be recognized during that quarter. The ruling involves a limited area within our California aggregates deposit and is not expected to have a material adverse impact on our continuing operations in future periods.

There is also a pending lawsuit in state court filed by the same claimant/mining company based on the same facts and circumstances which were the subject of the arbitration. The state lawsuit has been stayed pending the outcome of the arbitration ruling. While we believe that the resolution of the arbitration hearing substantially addresses the claims in the state lawsuit and that the incurrence of any further material loss in this case is remote, we are currently unable to determine the outcome of this lawsuit or the impact of an unfavorable ruling on our financial position, results of operations or cash flows.

We received payment in January 2012 of our \$9.1 million dollar income tax receivable at December 31, 2011, and used the funds received to reduce amounts outstanding under our Bank Credit Facility. We did not have any material contractual obligations related to long-term capital projects at December 31, 2011. We were in compliance at December 31, 2011 with all the terms and covenants of our credit agreements.

Given the relative weakness in the gypsum wallboard earnings over the last three years and during the first nine months of this year, we determined it was necessary to perform an impairment test on the assets and goodwill of the gypsum wallboard segment. That impairment test was similar to the annual impairment test performed during the first quarter of each calendar year. We estimated the fair value of the gypsum wallboard reporting unit using the income method, which consisted of estimating future earnings and cash flows, and discounting these to a single present value, which was compared to the carrying value. Based upon the above analysis, we noted that there was no impairment at this time. We will continue to assess the potential impairment throughout fiscal year 2012, or until conditions in the wallboard industry improve enough for us to determine that impairment loss is not likely to occur.

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

On December 16, 2011, we accepted for repurchase \$59.1 million in aggregate principal amount of our Series 2007A Senior Notes for \$60.2 million, plus accrued interest of \$0.3 million, and \$29.0 million in aggregate principal amount of our Series 2005A Senior Notes for \$29.6 million, plus accrued interest of \$0.4 million. The purchase of the Senior Notes was funded through borrowings under our Bank Credit Facility. The premium paid on these repurchases has been included in Loss on Debt Retirement in our Consolidated Statement of Earnings for the three and nine month periods ended December 31, 2011.

### ***Bank Credit Facility -***

On December 16, 2010, we amended our existing credit facility, modifying certain financial and other covenants and extending the maturity date to 2015. The principal balance of the existing facility was repaid, and replaced with a new \$300.0 million credit agreement (the Bank Credit Facility). The Bank Credit Facility expires on December 16, 2015. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. At the option of the Company, outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established

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quarterly based upon the Company's ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness, or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus  $\frac{1}{2}\%$ , per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of nine months at the option of the Company. The Bank Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Bank Credit Facility also requires us to maintain a consolidated funded indebtedness ratio (consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions) of 3.5 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization and other non-cash deductions to interest expense) of at least 2.5. The Bank Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to \$50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0.

The Bank Credit Facility has a \$50.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At December 31, 2011, we had \$10.2 million of letters of credit outstanding. We had \$205.8 million of borrowings available under the Bank Credit Facility at December 31, 2011. Due to certain covenants contained in the Bank Credit Facility, namely the requirement for our consolidated funded debt ratio to remain at 3.50 to 1.0 or less, and other outstanding debt instruments, approximately \$55.0 million in additional borrowings were available to us at December 31, 2011.

*Senior Notes*

We entered into a Note Purchase Agreement on November 15, 2005 (the "2005 Note Purchase Agreement") related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the "Series 2005A Senior Notes") in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased an aggregate of \$81.1 million in principal of the Series 2005A Senior Notes through December 31, 2011. Following these repurchases, the amounts outstanding for each of the three tranches are as follows:

|           | Principal       | Maturity Date     | Interest Rate |
|-----------|-----------------|-------------------|---------------|
| Tranche A | \$ 4.7 million  | November 15, 2012 | 5.25%         |
| Tranche B | \$ 57.0 million | November 15, 2015 | 5.38%         |
| Tranche C | \$ 57.2 million | November 15, 2017 | 5.48%         |

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the "2007 Note Purchase Agreement") related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the "Series 2007A Senior Notes") in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased an aggregate of \$122.0 million in principal of the Series 2007A Senior Notes through December 31, 2011. 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 | \$ 8.0 million  | October 2, 2016 | 6.27%         |
| Tranche C | \$ 24.0 million | October 2, 2017 | 6.36%         |
| Tranche D | \$ 36.5 million | October 2, 2019 | 6.48%         |

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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 any balance were outstanding on the Bank Credit Facility at the time of termination, and an alternative source of financing could not be secured; it would have a material adverse impact on us. None of our debt is rated by the rating agencies.

On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the Shelf Agreement ) with John Hancock Life Insurance Company (U.S.A.) ( Hancock ). The Shelf Agreement provides the terms under which the Company may offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock's affiliates that become bound by the Shelf Agreement (collectively, Purchasers ). The Shelf Agreement does not obligate the Company to sell, or the Purchasers to buy, any such notes, and has a term of two years. We have not sold any notes pursuant to the Shelf Agreement as of December 31, 2011.

We do not have any off balance sheet debt, except for approximately \$12.0 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 \$50.0 million Letter of Credit Facility. At December 31, 2011, we had \$9.4 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$10.3 million in performance bonds relating primarily to our mining operations.

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

We did not repurchase any of our shares on the open market during the nine month period ended December 31, 2011. As of December 31, 2011, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by management, based on its evaluation of market and economic conditions and other factors.

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During the nine month period ended December 31, 2011, 14,873 shares of stock were withheld from employees upon the vesting of Restricted Shares or Restricted Shares Units that were granted under the Plan. These shares were withheld by us to satisfy the employees' minimum statutory tax withholding, which is required once the Restricted Shares or Restricted Shares Units are vested.

**Dividends.**

Dividends paid were \$13.4 million and \$13.2 million for the nine month periods ended December 31, 2011 and 2010, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors.

**Capital Expenditures.**

The following table compares capital expenditures:

|                                    | For the Nine Months<br>Ended December 31,<br>2011                  2010<br>(dollars in thousands) |               |
|------------------------------------|---------------------------------------------------------------------------------------------------|---------------|
| Land and Quarries                  | \$ 11,635                                                                                         | \$ 157        |
| Plants                             | 8,506                                                                                             | 2,472         |
| Buildings, Machinery and Equipment | 2,803                                                                                             | 9,114         |
| <br>Total Capital Expenditures     | <br>\$ 22,944                                                                                     | <br>\$ 11,743 |

For fiscal 2012, we expect capital expenditures of approximately \$25.0 to \$30.0 million. Historically, we have financed such expenditures with cash from operations and borrowings under our revolving credit facility.

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

We are exposed to market risks related to fluctuations in interest rates on our Bank Credit Facility. From time-to-time we have utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. We have a \$300.0 million Bank Credit Facility available at December 31, 2011 under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$84.0 million of borrowings at December 31, 2011 would increase our interest expense by \$0.84 million on an annual basis. At present, we do not utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing use of alternative fuels. There have been no significant changes in market risk since March 31, 2011.

**Item 4. Controls and Procedures**

We have established a system of disclosure controls and procedures that are designed to ensure that information relating to the Company, which is required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 ( "Exchange Act" ), is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a timely fashion. In connection with the restatement of our June 30, 2011 and September 30, 2011 Forms 10-Q described in Note (E) to the Consolidated Financial Statements included in this Form 10-Q, management reevaluated the effectiveness of our internal control over financial reporting and identified a significant deficiency that rose to the level of a material weakness in our disclosure controls and procedures as of the end of the period covered by the unaudited interim financial statements for each of the fiscal quarters ended June 30, 2011, September 30, 2011 and December 31, 2011; therefore management has subsequently concluded that our disclosure controls and procedures were not effective at the end of the period covered by this Form 10-Q. The control weakness relates to our use of metrics for determining materiality for interim periods in connection with

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correcting errors which relate to prior periods. Our controls were effective in the first quarter of 2012 in identifying, quantifying and disclosing the accrual required to be reversed to correct a prior year error; however, in determining the manner in which such accrual was reversed, we did not correctly evaluate or apply all of the relevant materiality metrics. The metrics we used for determining materiality were developed to assess materiality on an annual basis, and lacked precision on a quarterly review. No other material weaknesses were found.

As a result of the identification of a material weakness during the three month periods ended June 30, 2011, September 30, 2011 and December 31, 2011, we have enhanced our disclosure controls and procedures to take into consideration the impact of correcting errors on the interim trend of earnings, gross profit and earnings before income taxes. We believe these enhanced controls are sufficient to ensure a consistent measure of materiality between annual and quarterly periods in the future.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this quarterly report. This evaluation was performed under the supervision and with the participation of management, including our CEO and CFO. We also evaluated whether any changes occurred to our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, such control. Based on this evaluation, we have concluded that there has been no such change during the period covered by this report.

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

#### **Item 1. Legal Proceedings**

As previously reported, the Internal Revenue Service (the "IRS") completed the examination of our federal income tax returns for all of the fiscal years ended March 31, 2001 through 2006. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 fiscal years, in which it proposed to deny certain depreciation deductions claimed by us with respect to assets acquired by us from Republic Group LLC in November 2000. We paid a deposit to the IRS of approximately \$45.8 million during November 2007 for the years ended March 31, 2001, 2002 and 2003, which was comprised of \$27.6 million in federal income taxes, \$5.7 million for penalties and \$12.5 million for interest. During March 2010, we paid the IRS an additional deposit of \$29.3 million for the years ended March 31, 2004, 2005 and 2006, which is comprised of \$18.1 million in federal income taxes, \$3.7 million for penalties and \$7.5 million for interest. These deposits were made to avoid imposition of the large corporate tax underpayment interest rates. On June 29, 2010 we received a Notice of Deficiency (commonly referred to as a "90 day letter") and shortly thereafter converted the previously made deposits to tax, penalty and interest paid. On May 4, 2011 we filed a lawsuit in Federal District Court to recover the \$97.9 million of taxes, penalties and interest ultimately paid. See Note (M) of the Notes to the Consolidated Financial Statements for more information.

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

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### **Item 1A. Risk Factors**

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

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

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

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

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

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

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

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

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

Difficult economic conditions can cause a contraction in the availability, and increase the cost, of credit in the marketplace. This could potentially reduce the sources of liquidity for the Company and our customers.

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

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

Legislative and regulatory measures to address emissions of Green House Gasses ( GHG s) are in various phases of discussions or implementation at the international, national, regional and state levels. In addition, the EPA has taken steps that would result in the regulation of GHGs as pollutants under the Clean Air Act. On September 22, 2009, the EPA issued a Mandatory Reporting of Greenhouse Gases final rule, which took effect December 29, 2009. This rule establishes a new comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. In addition, on December 15, 2009, the EPA published a final rule finding that emissions of GHGs from automobiles endanger public health and welfare and it proposed a rule to limit GHG emissions from automobiles. This rule, according to the EPA, will trigger construction and operating permit requirements for large stationary sources, including cement plants. In a final rule issued on May 13, 2010, known as EPA s

Tailoring Rule, any modification or expansion of our existing plants (or construction of a new plant) after January 1, 2011 that triggers New Source Review ( NSR ) requirements for non-GHG emissions will also trigger NSR for GHG if our proposed GHG emissions exceed 75,000 tons per year. This would require the permitting of, and evaluation of potential controls for, GHG emissions. Effective July 1, 2011, any modification or expansion of our existing plants that results in an increase of our GHG emissions in excess of 75,000 tons per year, or construction of a new plant with the potential to emit 100,000 tons per year, will require NSR permitting and the implementation best available control technology for GHG emissions. These limitations on emissions of GHGs from our equipment or operations could require us to incur costs to reduce such emissions and could ultimately affect our operations and our ability to obtain air permits for new or modified facilities.

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

On September 9, 2010, the EPA finalized the National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for Portland cement plants ( PC MACT ). The PC MACT will require a significant reduction in emissions of certain hazardous air pollutants from Portland cement kilns. The PC MACT sets limits on mercury emissions from existing Portland cement kilns and increases the stringency of emission limits for new kilns. The PC MACT also sets emission limits for total hydrocarbons, particulate matter and sulfur dioxide from cement kilns of all sizes and would reduce hydrochloric acid

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emissions from kilns that are large emitters. The PC MACT takes full effect in 2013, although there is an opportunity for a one-year delay under certain circumstances. This rule will materially increase capital costs and costs of production for the Company and the industry as a whole.

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

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

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

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

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

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

Major cost components in each of our businesses are the costs of fuel, energy and raw materials. Significant increases in the costs of fuel, energy or raw materials or substantial decreases in their availability could materially and adversely affect our sales and operating profits. Prices for fuel, energy or raw materials used in connection with our businesses could change significantly in a short period of time for reasons outside our control. Prices for fuel and electrical power, which are significant components of the costs associated with our gypsum wallboard and cement businesses, have fluctuated significantly in recent years and 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.

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

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

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

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

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

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

Incur additional indebtedness;

Sell assets or make other fundamental changes;

Engage in mergers and acquisitions;

Pay dividends and make other restricted payments;

Make investments, loans, advances or guarantees;

Encumber the assets of the Company and its restricted subsidiaries;

Enter into transactions with our affiliates.

In addition, these agreements require us to meet and maintain certain financial ratios and tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including the severity and duration of the current industry downturn and changes in general business and economic conditions, may impair our ability to comply with these covenants or meet those financial ratios and tests. A breach of any of these covenants or failure to maintain the required ratios and meet the required tests may

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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.

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

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

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

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

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

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

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

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

### ***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.

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

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

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

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

### **Item 4. Mine Safety Disclosures**

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

### **Item 6. Exhibits**

- 12.1\* Computation of Ratio of Earnings to Fixed Charges.
- 31.1\* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.

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- 32.1\* Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 95\* Mine Safety Disclosure
- 101 The following information from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, filed with the Securities and Exchange Commission on February 3, 2012, formatted in eXtensible Business Reporting Language ( XBRL ): (i) the consolidated income statements for the three month periods ended December 31, 2011 and December 31, 2010, (ii) the consolidated balance sheets at December 31, 2011 and March 31, 2011, (iii) the consolidated statements of cash flows for the nine months ended December 31, 2011 and December 31, 2010, and (iv) the notes to the consolidated financial statements.<sup>(1)</sup>

\* Filed herewith.

<sup>(1)</sup> Pursuant to Rule 406T of Regulation S-T, the interactive files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

### **SIGNATURES**

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

EAGLE MATERIALS INC.  
Registrant

February 9, 2012

/s/ STEVEN R. ROWLEY  
Steven R. Rowley

President and Chief Executive Officer

(principal executive officer)

February 9, 2012

/s/ D. CRAIG KESLER  
D. Craig Kesler

Executive Vice President Finance and

Administration and Chief Financial Officer

(principal financial officer)

February 9, 2012

/s/ WILLIAM R. DEVLIN  
William R. Devlin

Senior Vice President Controller and

Chief Accounting Officer

(principal accounting officer)

