

EAGLE MATERIALS INC
Form 10-Q
August 08, 2014
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the Quarterly Period Ended

June 30, 2014

Commission File Number 1-12984

Eagle Materials Inc.

Delaware

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(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

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 August 4, 2014, the number of outstanding shares of common stock was:

<u>Class</u>	<u>Outstanding Shares</u>
Common Stock, \$.01 Par Value	50,200,124

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Eagle Materials Inc. and Subsidiaries

Form 10-Q

June 30, 2014

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Consolidated Statements of Earnings

(dollars in thousands, except share and per share data)

(unaudited)

	For the Three Months Ended June 30,	
	2014	2013
Revenues	\$ 266,251	\$ 227,044
Cost of Goods Sold	209,850	180,440
Gross Profit	56,401	46,604
Equity in Earnings of Unconsolidated Joint Venture	9,800	7,878
Corporate General and Administrative Expense	(7,042)	(5,594)
Other Income (Expense)	679	583
Interest Expense, Net	(4,052)	(4,955)
Earnings before Income Taxes	55,786	44,516
Income Taxes	(18,076)	(14,415)
Net Earnings	\$ 37,710	\$ 30,101
EARNINGS PER SHARE		
Basic	\$ 0.76	\$ 0.61
Diluted	\$ 0.75	\$ 0.60
AVERAGE SHARES OUTSTANDING		
Basic	49,501,847	48,955,724
Diluted	50,287,452	49,810,170
CASH DIVIDENDS PER SHARE	\$ 0.10	\$ 0.10

See notes to unaudited consolidated financial statements.

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Consolidated Statements of Comprehensive Earnings

(dollars in thousands, except share and per share data)

(unaudited)

	For the Three Months Ended June 30,	
	2014	2013
Net Earnings	\$ 37,710	\$ 30,101
Net Change in Funded Status of Defined Benefit Plans:		
Amortization of Net Actuarial Loss, net of		
tax expense of \$57 and \$83	106	155
Comprehensive Earnings	\$ 37,816	\$ 30,256

See notes to unaudited consolidated financial statements.

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Consolidated Balance Sheets

(dollars in thousands)

	June 30, 2014 (unaudited)	March 31, 2014
ASSETS		
Current Assets -		
Cash and Cash Equivalents	\$ 6,541	\$ 6,482
Accounts and Notes Receivable, net	134,108	102,917
Inventories	182,470	187,096
Prepaid and Other Assets	8,290	10,465
Total Current Assets	331,409	306,960
Property, Plant and Equipment -		
Less: Accumulated Depreciation	(691,946)	(676,924)
Property, Plant and Equipment, net	990,597	984,051
Notes Receivable	3,197	3,063
Investment in Joint Venture	44,434	43,008
Goodwill and Intangible Assets, net	160,262	160,690
Other Assets	14,468	13,757
	\$ 1,544,367	\$ 1,511,529
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities -		
Accounts Payable	\$ 57,803	\$ 57,098
Accrued Liabilities	34,894	41,520
Income Taxes Payable	19,956	702
Current Portion of Long-term debt	9,500	9,500
Total Current Liabilities	122,153	108,820
Long-term Debt	358,759	371,759
Other Long-term Liabilities	53,177	53,678
Deferred Income Taxes	142,094	145,773
Total Liabilities	676,183	680,030
Stockholders Equity -		
Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued	502	501

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Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 50,153,937 and 50,058,738 Shares, respectively		
Capital in Excess of Par Value	257,407	253,524
Accumulated Other Comprehensive Losses	(5,377)	(5,483)
Retained Earnings	615,652	582,957
Total Stockholders' Equity	868,184	831,499
	\$ 1,544,367	\$ 1,511,529

See notes to the unaudited consolidated financial statements.

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

Consolidated Statements of Cash Flows

(unaudited dollars in thousands)

	For the Three Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 37,710	\$ 30,101
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	17,290	17,221
Deferred Income Tax Provision	(3,742)	(892)
Stock Compensation Expense	2,936	1,805
Excess Tax Benefits from Share Based Payment Arrangements	(492)	(764)
Equity in Earnings of Unconsolidated Joint Venture	(9,800)	(7,878)
Distributions from Joint Venture	8,375	9,750
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(31,325)	(30,075)
Inventories	4,626	(7,817)
Accounts Payable and Accrued Liabilities	(6,263)	(8,157)
Other Assets	1,237	1,456
Income Taxes Payable	19,746	14,111
Net Cash Provided by Operating Activities	40,298	18,861
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(23,181)	(21,237)
Net Cash Used in Investing Activities	(23,181)	(21,237)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	(13,000)	8,000
Dividends Paid to Stockholders	(5,005)	(4,954)
Proceeds from Stock Option Exercises	1,023	1,699
Shares Redeemed to Settle Employee Taxes on Restricted Shares	(568)	(286)
Excess Tax Benefits from Share Based Payment Arrangements	492	764
Net Cash Provided by (Used in) Financing Activities	(17,058)	5,223
NET INCREASE IN CASH AND CASH EQUIVALENTS	59	2,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,482	3,897
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,541	\$ 6,744

See notes to the unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2014

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three month period ended June 30, 2014 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 23, 2014.

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.

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 \$6.6 million and \$7.5 million for the three month periods ended June 30, 2014 and 2013, respectively. Net payments made for federal and state income taxes were \$0.4 million during each of the three months ended June 30, 2014 and 2013.

(C) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$6.1 million and \$5.8 million at June 30, 2014 and March 31, 2014, 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 \$9.1 million at June 30, 2014, of which approximately \$5.9 million are 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 4.3% which will vary based on changes in LIBOR. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2014 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment, and are generally payable monthly. We monitor

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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 June 30, 2014, approximately \$0.3 million of our allowance for doubtful accounts is related to our notes receivable.

(D) STOCKHOLDERS EQUITY

A summary of changes in stockholders equity follows:

	For the Three Months Ended June 30, 2014 (dollars in thousands)
Common Stock	
Balance at Beginning of Period	\$ 501
Stock Option Exercises	1
Balance at End of Period	502
Capital in Excess of Par Value	
Balance at Beginning of Period	253,524
Stock Compensation Expense	2,936
Shares Redeemed to Settle Employee Taxes	(568)
Stock Option Exercises	1,515
Balance at End of Period	257,407
Retained Earnings	
Balance at Beginning of Period	582,957
Dividends Declared to Stockholders	(5,015)
Net Earnings	37,710
Balance at End of Period	615,652
Accumulated Other Comprehensive Losses	
Balance at Beginning of Period, net of tax	(5,483)
Pension Plan Actuarial losses	106
Balance at End of Period, net of tax	(5,377)
Total Stockholders Equity	\$ 868,184

There were no open market share repurchases during the three month period ended June 30, 2014. As of June 30, 2014, we have authorization to purchase an additional 717,300 shares.

(E) INVENTORIES

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

	As of	
	June 30, 2014	March 31, 2014
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 79,486	\$ 82,319
Finished Cement	21,168	19,173
Gypsum Wallboard	6,059	7,144
Frac Sand	245	275
Aggregates	11,786	11,815
Paperboard	2,997	4,102
Repair Parts and Supplies	53,758	56,119
Fuel and Coal	6,971	6,149
	\$ 182,470	\$ 187,096

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Accrued expenses consist of the following:

	As of	
	June 30, 2014	March 31, 2014
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 10,135	\$ 12,855
Benefits	9,839	10,158
Interest	2,018	4,813
Property Taxes	3,462	2,801
Power and Fuel	2,304	2,132
Sales and Use Tax	681	658
Legal	1,210	1,831
Other	5,245	6,272
	\$ 34,894	\$ 41,520

(G) SHARE-BASED EMPLOYEE COMPENSATION

On August 7, 2013 our stockholders approved the Eagle Materials Inc. Amended and Restated Incentive Plan (the Plan), which increased the shares we are authorized to issue as awards by 3,000,000 (1,500,000 of which may be stock awards). Under the terms of the Plan, we can issue equity awards, including stock options, restricted stock units (RSUs), restricted stock and stock appreciation rights to employees of the Company and members of the Board of Directors. Awards that were already outstanding prior to the approval of the Plan on August 7, 2013 remain outstanding. The Compensation Committee of our Board of Directors specifies the terms for grants of equity awards under the Plan.

Long-Term Compensation Plans -

Options. In June 2014, the Compensation Committee approved an incentive equity award of an aggregate of 193,636 stock options pursuant to the Plan to certain officers and key employees (the Fiscal 2015 Employee Stock Option Grant) that will be earned if our ten year return on equity is at least 15% at March 31, 2015. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the award may be reduced by the Compensation Committee based on individual performance goals. Following any such reduction, the earned options will vest ratably over three years, with the first third vesting promptly following the determination date, and the remaining options vesting on March 31, 2016 and 2017. The stock options have a term of ten years from the date of grant. The Fiscal 2015 Employee Stock Option Grant was 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 2015 are as follows:

Fiscal 2015

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Dividend Yield	2.0%
Expected Volatility	44.8%
Risk Free Interest Rate	1.8%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately \$1.4 million and \$0.8 million for the three month periods ended June 30, 2014 and 2013, respectively. At June 30, 2014, there was approximately \$13.0 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 3.3 years.

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The following table represents stock option activity for the quarter ended June 30, 2014:

	Number of Shares	Weighted- Average Exercise Price
Outstanding Options at Beginning of Period	2,788,999	\$ 41.83
Granted	198,636	\$ 87.53
Exercised	(26,671)	\$ 38.37
Cancelled	(1,269,500)	\$ 47.53
Outstanding Options at End of Period	1,691,464	\$ 43.05
Options Exercisable at End of Period	1,058,583	
Weighted-Average Fair Value of Options Granted during the Period	\$ 32.14	

The following table summarizes information about stock options outstanding at June 30, 2014:

Range of Exercise Prices	Outstanding Options Weighted			Exercisable Options	
	Number of Shares Outstanding	Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
\$23.17 - \$ 30.74	679,191	4.77	\$ 26.50	670,191	\$ 26.47
\$33.08 - \$ 40.78	519,799	7.34	\$ 34.15	337,183	\$ 34.27
\$53.22 - \$ 74.10	288,838	8.59	\$ 66.59	51,209	\$ 65.34
\$87.34 - \$ 93.56	203,636	9.92	\$ 87.52		
	1,691,464	6.83	\$ 43.05	1,058,583	\$ 30.84

At June 30, 2014, the aggregate intrinsic value for outstanding options was \$86.7 million and the aggregate intrinsic value of exercisable options was \$67.2 million. The total intrinsic value of options exercised during the three month period ended June 30, 2014 was approximately \$1.5 million.

Restricted Stock. In June 2014, the Compensation Committee approved the granting of an aggregate of 80,416 shares of restricted stock to certain officers and key employees (the "Fiscal 2015 Employee Restricted Stock Award") that will be earned if our ten year return on equity is at least 15% at March 31, 2015. If this criterion is not met, all of the shares will be forfeited. If the criterion is met, the award may be reduced by the Compensation Committee based on individual performance goals. Following any such reduction, restrictions on the earned shares will lapse ratably over five years, with the first fifth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2016 through 2019. The value of the Fiscal 2015 Employee Restricted Stock Award, net of estimated forfeitures, is being expensed over a five year period.

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Expense related to restricted shares was \$1.5 million and \$0.9 million for the three month periods ended June 30, 2014 and 2013, respectively. At June 30, 2014, there was approximately \$20.8 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 3.2 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights and restricted stock under the Plan was 4,979,185 at June 30, 2014.

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

	For the Three Months Ended June 30,	
	2014	2013
Weighted-Average Shares of Common Stock Outstanding	49,501,847	48,955,724
Effect of Dilutive Shares:		
Assumed Exercise of Outstanding Dilutive Options	1,483,664	1,702,973
Less Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(974,265)	(1,141,008)
Restricted Shares	276,206	292,481
 Weighted-Average Common and Common Equivalent Shares Outstanding	 50,287,452	 49,810,170

At June 30, 2014 and 2013, 121,800 and 21,000 stock options, respectively, were excluded from the diluted earnings per share calculation, as their effect was anti-dilutive. During the quarter ended June 30, 2014, approximately 1,270,000 options expired without the performance criteria having been met.

(I) PENSION AND EMPLOYEE BENEFIT PLANS

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

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

	For the Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Service Cost - Benefits Earned during the Period	\$ 236	\$ 196
Interest Cost of Benefit Obligations	315	305
Expected Return on Plan Assets	(414)	(343)
Recognized Net Actuarial Loss	155	245
Amortization of Prior-Service Cost	3	6
 Net Periodic Pension Cost	 \$ 295	 \$ 409

(J) INCOME TAXES

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Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the three months ended June 30, 2014 was approximately 32.4%, which has increased from the prior year due to the reduction in the impact of our depletion deduction caused by increased earnings in fiscal year 2015, as compared to fiscal 2014.

In September 2013, the Internal Revenue Service enacted final guidance regarding the deduction and capitalization of expenditures related to tangible property (tangible property regulations). The tangible property regulations clarify and expand sections 162(a) and 263(a) of the Internal Revenue Code

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which relate to amounts paid to acquire, produce, or improve tangible property. Additionally, the tangible property regulations provide final guidance under section 167 regarding accounting for and retirement of depreciable property and regulations under section 168 relating to the accounting for property under the Modified Accelerated Cost Recovery System. The tangible property regulations affect all taxpayers that acquire, produce, or improve tangible property, which includes the Company, and generally apply to taxable years beginning on or after January 1, 2014, which will impact us for the fiscal year ending March 31, 2015. We have evaluated the tangible property regulations and determined the regulations will not have a material impact on our financial condition, results of operations or cash flows.

(K) LONG-TERM DEBT

Long-term debt consists of the following:

	As of	
	June 30, 2014	March 31, 2014
	(dollars in thousands)	
Credit Facility	\$ 176,000	\$ 189,000
Senior Notes	192,259	192,259
Total Debt	368,259	381,259
Less: Current Portion of Long-term Debt	(9,500)	(9,500)
Total Debt	\$ 358,759	\$ 371,759

Credit Facility -

We have a \$400.0 million revolving Credit Facility, including a swingline loan sublimit of \$25.0 million, which is scheduled to expire on December 16, 2015. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, outstanding principal amounts on the 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, defined as earnings before interest, taxes, depreciation and amortization, to the Company's consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus ½% per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. The 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, in each case, no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0:1.0. We had \$176.0 million of borrowings outstanding under the Credit Facility at June 30, 2014. Based on our Leverage Ratio, we had \$216.3 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at June 30, 2014.

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The 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 June 30, 2014, we had \$7.7 million of letters of credit outstanding.

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 \$81.1 million in principal of the Series 2005A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During November 2012, Tranche A of the Series 2005A Senior Notes matured and we retired the remaining \$4.7 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the remaining tranches are as follows:

	Principal	Maturity Date	Interest Rate
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 the 15th day of May and the 15th day of November of each year until all principal is paid for the respective tranche.

We also 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 \$122.0 million in principal of the Series 2007A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). 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 the second day of April and the second day of October 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 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 Credit Facility. We

were in compliance with all financial ratios and tests at June 30, 2014 and throughout the fiscal year.

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

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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.

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

(L) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Interest (Income)	\$ (1)	\$ (1)
Interest Expense	3,660	4,559
Interest Expense Income Taxes	174	163
Other Expenses	219	234
Interest Expense, net	\$ 4,052	\$ 4,955

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 credit facility costs.

Interest expense Income Taxes relates to interest accrued on our unrecognized tax benefits, primarily related to the Republic Asset Acquisition.

(M) SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by our chief operating decision maker in order to allocate resources and assess performance. During the quarter ended June 30, 2014, we changed our segment presentation to reflect Oil and Gas Proppants, which had been included in Concrete and Aggregates, as a separate segment. We have adjusted the prior period segment presentation to reflect this change for comparative purposes.

We operate in five business segments: Cement, Gypsum Wallboard, Recycled Paperboard, Concrete and Aggregates and Oil and Gas Proppants, with Gypsum Wallboard and Cement currently 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) and sand used in hydraulic fracturing (frac sand). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways and in oil and natural gas extraction.

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We operate six cement plants, sixteen 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, seventeen readymix concrete batch plant locations, four aggregates processing plant locations and a frac sand mine and processing facility. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the central plains, the Rocky Mountains, northern Nevada, and northern California. Gypsum wallboard and recycled paperboard are distributed throughout the continental U.S, with the exception of the northeast. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area, north of Sacramento, California and the greater Kansas City, Missouri area, while frac sand is currently sold in Texas.

We conduct one of our six 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 Ended June 30, 2014 2013 (dollars in thousands)	
Revenues -		
Cement	\$ 127,936	\$ 117,700
Gypsum Wallboard	112,677	95,981
Paperboard	37,479	32,163
Oil and Gas Proppants	11,180	942
Concrete and Aggregates	26,162	24,264
Sub-total	315,434	271,050
Less: Intersegment Revenues	(16,605)	(15,602)
Net Revenues, including Joint Venture	298,829	255,448
Less: Joint Venture	(32,578)	(28,404)
Net Revenues	\$ 266,251	\$ 227,044

	For the Three Months Ended June 30, 2014 2013 (dollars in thousands)	
Intersegment Revenues -		
Cement	\$ 2,360	\$ 1,992
Paperboard	14,016	13,212
Concrete and Aggregates	229	398

	\$ 16,605	\$ 15,602
Cement Sales Volume (M Tons) -		
Wholly owned Operations	1,007	979
Joint Venture	284	262
	1,291	1,241

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	For the Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Operating Earnings -		
Cement	\$ 20,507	\$ 19,010
Gypsum Wallboard	37,428	29,636
Paperboard	7,547	5,679
Oil and Gas Proppants	(637)	(855)
Concrete and Aggregates	1,356	1,012
Other, net	679	583
 Sub-total	 68,880	 55,065
Corporate General and Administrative	(7,042)	(5,594)
 Earnings Before Interest and Income Taxes	 59,838	 49,471
Interest Expense, net	(4,052)	(4,955)
 Earnings Before Income Taxes	 \$ 55,786	 \$ 44,516
Cement Operating Earnings -		
Wholly-owned Operations	\$ 10,707	\$ 11,132
Joint Venture	9,800	7,878
	\$ 20,507	\$ 19,010
Capital Expenditures -		
Cement	\$ 8,820	\$ 3,767
Gypsum Wallboard	2,235	1,097
Paperboard	326	537
Oil and Gas Proppants	7,602	15,288
Concrete and Aggregates	4,130	548
Corporate Other	68	
	\$ 23,181	\$ 21,237
Depreciation, Depletion and Amortization -		
Cement	\$ 7,884	\$ 7,837
Gypsum Wallboard	5,098	5,283
Paperboard	2,070	2,182
Oil and Gas Proppants	569	317
Concrete and Aggregates	1,223	1,359
Corporate Other	446	243
	\$ 17,290	\$ 17,221

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	As of	
	June 30, 2014	March 31, 2014
	(dollars in thousands)	
Identifiable Assets -		
Cement	\$ 780,567	\$ 762,578
Gypsum Wallboard	416,532	412,566
Paperboard	126,201	125,045
Oil and Gas Proppants	101,353	71,366
Concrete and Aggregates	88,458	108,197
Corporate Other	31,256	31,777
	\$ 1,544,367	\$ 1,511,529

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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	
	June 30, 2014	March 31, 2014
	(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. If business conditions in the operating units containing goodwill change substantially during the fiscal year, and we are unable to conclude that an impairment loss is not likely to occur, we will perform impairment tests for those business units during our quarterly periods. At June 30, 2014, we determined that impairment losses are not likely to occur; therefore, no impairment tests were performed during the quarter.

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 was \$2.9 million and \$1.3 million, respectively, at June 30, 2014, 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, we 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.

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 just our 50% interest in those amounts):

For the Three Months
Ended June 30,
2014 2013
(dollars in thousands)

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Revenues	\$ 65,156	\$ 56,808
Gross Margin	\$ 20,457	\$ 16,694
Earnings Before Income Taxes	\$ 19,600	\$ 15,756

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	As of	
	June 30, 2014	March 31, 2014
	(dollars in thousands)	
Current Assets	\$ 59,994	\$ 59,029
Non-Current Assets	\$ 44,005	\$ 42,826
Current Liabilities	\$ 17,140	\$ 17,901

(N) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At June 30, 2014, we had contingent liabilities under these outstanding letters of credit of approximately \$7.7 million.

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications may include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; construction contracts and financial matters. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, 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 \$16.3 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

Outstanding Lawsuit against the IRS

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 denied 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 is 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 and paid an additional \$23.6 million comprised of \$13.6 million of tax, \$2.9 million of penalties and \$7.1 million of interest. Subsequent reviews of IRS interest computations resulted in a \$0.8 million dollar refund which reduced the total net payment to \$97.9 million. 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. In September 2013, the judge heard arguments on each party's motion for summary judgment and in November 2013 the judge denied each such motion. The trial is scheduled for September 2014.

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At this time we are unable to predict 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. In the event we reach a settlement through negotiation or in the courts, we will reverse any amounts in excess of the settlement through the Consolidated Statement of Earnings in the period such settlement is reached.

EPA Notice of Violation

On October 5, 2010, Region IX of the 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). The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits 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 required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. On March 12, 2014, EPA Region IX issued a second NOV to NCC. The second NOV is materially similar to the 2010 NOV except that it alleges violations of the new source performance standards (NSPS) for Portland cement plants. The NOVs state 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 meritorious defenses to the allegations in the NOVs. NCC met with the EPA in December 2010, September 2012 and May 2014 to present its defenses and to discuss a resolution of the alleged violations. EPA and NCC remain in discussions regarding the alleged violations. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by the EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. Additionally, an enforcement action 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.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed against the Company's subsidiary, American Gypsum Company LLC (American Gypsum), alleging that American Gypsum conspired with other wallboard manufacturers to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The complaints allege that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual job quote pricing. In addition to American Gypsum, the defendants in these lawsuits include CertainTeed Corp., USG Corporation, New NGC, Inc., Lafarge North America, Temple Inland Inc. and PABCO Building Products LLC. The plaintiffs in these class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard during various periods from 2008 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief in various United States district courts, including the Eastern District of Pennsylvania, Western District of North Carolina and the Northern District of Illinois. On April 8, 2013, the Judicial Panel on Multidistrict Litigation transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers' complaint added the Company as a defendant. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs' claims.

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While American Gypsum's production of written discovery is substantially complete, discovery is ongoing. Due to the fact that the case is in the discovery phase, and the plaintiffs have not specified the amount of any damages they are seeking, we are unable to estimate the amount of any reasonably possible loss or range of reasonably possible losses. American Gypsum denies the allegations in these lawsuits and will vigorously defend itself against these claims.

(O) 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 June 30, 2014 is as follows:

	Fair Value (dollars in thousands)
Series 2005A Tranche B	\$ 59,298
Series 2005A Tranche C	61,019
Series 2007A Tranche A	9,590
Series 2007A Tranche B	8,594
Series 2007A Tranche C	26,190
Series 2007A Tranche D	40,497

The estimated fair value of our long-term debt was based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at June 30, 2014.

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

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three months ended June 30, 2014 and 2013; respectively, reflects the Company's business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard, Concrete and Aggregates and Oil and Gas Proppants. 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) as well as specialty oil well cement; 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, the mining and sale of aggregates (crushed stone, sand and gravel) and the sale of sand used in hydraulic fracturing (frac sand). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways and in natural gas extraction. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions. During the quarter ended June 30, 2014, we changed our segments presentation to reflect Oil and Gas Proppants, which had been included in Concrete and Aggregates, as a separate segment. We have adjusted the prior period segment presentation to reflect this change for comparative purposes.

During fiscal 2014, we began selling third-party purchased frac sand from our Corpus Christi plant into the Texas market. We continue to pursue other locations that are geographically supportive of the oil and gas proppants business, and anticipate additional capital expenditures related to this business in the range of \$30.0 million to \$40.0 million in fiscal 2015. Additionally, we continue to increase our production of specialty oil well cement, which can generate higher profit margins than regular construction cement sales.

We operate in cyclical commodity businesses that are affected by changes in market conditions and 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 those geographic markets as well as economic conditions in the national market. General economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition and results of operations. Our Cement companies focus on the U.S. heartland in Texas, Oklahoma, Missouri, Colorado, Wyoming and Nevada, as well as the Chicago, Illinois metropolitan area. Due to the low value-to-weight ratio of cement, it is usually shipped within a 150 mile radius of the plants by truck and up to 300 miles by rail. Concrete and Aggregates are even more regional as our operations serve the areas immediately surrounding Austin, Texas, north of Sacramento, California and the greater Kansas City, Missouri area, while frac sand is currently sold in Texas. 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 most of the continental United States, except for the northeast.

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 June 30,		Change
	2014	2013	
	(In thousands except per share)		
Revenues	\$ 266,251	\$ 227,044	17%
Cost of Goods Sold	(209,850)	(180,440)	16%
Gross Profit	56,401	46,604	21%
Equity in Earnings of Unconsolidated Joint Venture	9,800	7,878	24%
Corporate General and Administrative	(7,042)	(5,594)	26%
Other Income (Expense)	679	583	16%
Interest Expense, net	(4,052)	(4,955)	(18%)
Earnings Before Income Taxes	55,786	44,516	25%
Income Taxes	(18,076)	(14,415)	25%
Net Earnings	\$ 37,710	\$ 30,101	25%
Diluted Earnings per Share	\$ 0.75	\$ 0.60	25%

Revenues. Revenues were \$266.3 million and \$227.0 million during the quarters ended June 30, 2014 and 2013, respectively. The \$39.3 million increase in revenues during the three month period ended June 30, 2014, as compared to June 30, 2013, was primarily due to increased sales volumes for all of our businesses and increased average sales prices for all of our businesses. The impact of the increased net sales prices and sales volumes on revenues for the quarter ended June 30, 2014, as compared to June 30, 2013, was approximately \$14.9 million and \$24.4 million, respectively.

Cost of Goods Sold. Cost of goods sold was \$209.9 million and \$180.4 million during the quarters ended June 30, 2014 and 2013, respectively. The \$29.5 million increase in cost of goods sold was related primarily to an increase in volumes, which increased cost of sales by approximately \$19.4 million, and an increase in operating costs of approximately \$10.5 million. Increases in sales volumes from our oil and gas proppants and gypsum wallboard businesses accounted for approximately \$10.0 million and \$4.6 million, respectively, of the increase in costs related to increased volumes. Operating costs increased by approximately \$4.3 million and \$4.5 million in our gypsum wallboard and cement businesses, respectively, during the first quarter of fiscal 2015, as compared to fiscal 2014. The increases in operating costs for these two businesses related primarily to maintenance, purchased cement and freight, which increased operating costs by approximately \$5.9 million, \$1.2 million and \$1.3 million, respectively.

Gross Profit. Gross profit was \$56.4 million in the first quarter of fiscal 2015, as compared to \$46.6 million in the first quarter of fiscal 2014. The increase in gross profit was due to the increase in average sales prices and sales volumes, partially offset by increased cost of goods sold related to the increased sales volumes, as noted above.

Equity in Earnings of Unconsolidated Joint Venture. Equity in earnings of our unconsolidated joint venture increased \$1.9 million, or 24%, for the three months ended June 30, 2014, as compared to the similar period in 2013. The increase is primarily due to an 8% increase in sales volume. The impact of the increase in sales volume on equity in earnings of unconsolidated joint venture during the three month period ended June 30, 2014 was approximately \$2.4 million, partially offset by increased operating costs of approximately \$0.5 million. The increase in operating costs was due primarily to increased purchased cement costs of approximately \$0.6 million.

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Corporate General and Administrative. Corporate general and administrative expenses were \$7.0 million in the first quarter of fiscal 2015, as compared to \$5.6 million in the first quarter of fiscal 2014. The 26% increase in corporate general and administrative expenses is due primarily to an increase of approximately \$0.2 million and \$0.8 million in incentive compensation and stock compensation expense, respectively, which is due to increased earnings and equity grants made during the first quarter of fiscal 2015, as compared to the second quarter in fiscal 2014.

Other Income (Expense). Other income was \$0.7 million for the three months ended June 30, 2014 and other expense was \$0.6 million for the three months ended June 30, 2013, and consists of a variety of items that are non-segment operating in nature, including non-inventoried aggregates income, gypsum wallboard distribution center income, asset sales and other miscellaneous income and cost items.

Interest Expense, Net. Interest expense, net, decreased 18% to \$4.1 million during the three months ended June 30, 2014, from \$5.0 million for the three months ended June 30, 2013. Interest expense from our Credit Facility decreased approximately \$0.9 million during the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014. The decrease in interest expense from our Credit Facility related to reduced outstanding balances during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due to repayments made during fiscal 2014 and the three months ended June 30, 2014. We anticipate total interest expense for fiscal 2015 will be less than interest expense during fiscal 2014 due to the repayment of borrowings under the Credit Facility made during fiscal 2014.

Earnings Before Income Taxes. Earnings before income taxes increased to \$55.8 million during the first quarter of fiscal 2015, as compared to \$44.5 million in the first quarter of fiscal 2014, primarily due to a \$9.8 million increase in gross profit, a \$1.9 million increase in equity in earnings of unconsolidated joint venture and a \$0.9 million decrease in interest expense, partially offset by a \$1.4 million increase in corporate general and administrative expense.

Income Taxes. Income tax expense was \$18.1 million and \$14.4 million for the three months ended June 30, 2014 and 2013, respectively. The estimated effective tax rate for fiscal 2015 remained consistent with the 32% rate in fiscal 2014.

Net Earnings and Diluted Earnings per Share. Net earnings were \$37.7 million and \$30.1 million for the three months ended June 30, 2014 and June 30, 2013, respectively. Diluted earnings per share were \$0.75 and \$0.60 for the three months ended June 30, 2014 and 2013, respectively.

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

	For the Three Months Ended June 30,		Percentage Change
	2014	2013	
	(In thousands except per unit)		
Revenues ⁽¹⁾			
Cement ⁽²⁾	\$ 127,936	\$ 117,700	9%
Gypsum Wallboard	112,677	95,981	17%
Recycled Paperboard	37,479	32,163	17%
Oil and Gas Proppants	11,180	942	1087%
Concrete and Aggregates	26,162	24,264	8%
Gross Revenues	315,434	271,050	16%
Less: Intersegment Revenues	(16,605)	(15,602)	6%
Less: Joint Venture Revenues	(32,578)	(28,404)	15%
	\$ 266,251	\$ 227,044	17%
Sales Volume			
Cement (M Tons) ⁽²⁾	1,291	1,241	4%
Gypsum Wallboard (MMSF)	569	532	7%
Recycled Paperboard (M Tons)	72	64	13%
Concrete (M Yards)	235	227	4%
Aggregates (M Tons)	818	902	(9%)
Average Net Sales Prices ⁽³⁾			
Cement ⁽²⁾	\$ 90.66	\$ 86.15	5%
Gypsum Wallboard	161.74	146.30	11%
Recycled Paperboard	509.62	502.42	1%
Concrete	84.50	78.97	7%
Aggregates	7.40	6.88	8%
Segment Operating Earnings			
Cement ⁽²⁾	\$ 20,507	\$ 19,010	8%
Gypsum Wallboard	37,428	29,636	26%
Recycled Paperboard	7,547	5,679	33%
Oil and Gas Proppants	(637)	(855)	25%
Concrete and Aggregates	1,356	1,012	34%
Other, net	679	583	16%
Net Segment Operating Earnings	\$ 66,880	\$ 55,065	21%

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

(2) Includes proportionate share of our Joint Venture.

(3) Net of freight and delivery costs.

Cement Operations. Cement revenues were \$127.9 million for the three months ended June 30, 2014, which is a 9% increase over revenues of \$117.7 million for the three months ended June 30, 2013. The increase in revenues during the three months ended June 30, 2014, as compared to the similar period in 2013, is primarily due to increases in sales volumes and average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately \$5.2 million and \$5.0 million, respectively, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013.

Operating earnings increased 8% to \$20.5 million for the three month period ended June 30, 2014, from \$19.0 million in the three months ended June 30, 2013. The increase in operating earnings was due primarily to increased average sales prices and average sales volumes, which positively impacted operating earnings by \$5.0 million and \$1.0 million, respectively, partially offset by increased operating costs of approximately \$4.5 million. The increase in operating costs in the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014, is primarily related to increased maintenance costs and an increase in purchased cement as a percentage of total cement sold, which adversely impacted operating

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costs by approximately \$5.2 million and \$1.2 million, respectively, partially offset by reduced costs related to fuel of approximately \$1.0 million. The increase in maintenance expense is due primarily to the shift in the timing of the annual maintenance outages at our Kansas City and Tulsa cement plants, which had last occurred during the fourth quarter of fiscal 2013.

Gypsum Wallboard Operations. Sales revenues increased 17% to \$112.7 million for the three months ended June 30, 2014, from \$96.0 million for the three months ended June 30, 2013, primarily due to an 11% increase in the average net sales price and a 7% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately \$10.1 million and \$6.6 million, respectively. The increase in average net sales price was due to the implementation of a price increase in January 2014. The increased sales volumes are primarily due to increased construction activity, primarily related to homebuilding, in the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. Our market share was essentially unchanged during the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014.

Operating earnings increased to \$37.4 million for the three months ended June 30, 2014, from \$29.6 million for the three months ended June 30, 2013, primarily due to the increase in average net sales price and sales volumes, which positively impacted operating earnings by approximately \$10.1 million and \$2.0 million, partially offset by increased operating costs of \$4.3 million. The increase in operating costs during the three months ended June 30, 2014, as compared to the similar period in 2013, was primarily related to increased freight, natural gas, maintenance and labor costs of \$1.3 million, \$0.6 million, \$0.8 million and \$0.7 million, respectively. During the quarter ended June 30, 2014 our gross margin improved to 33.2% from 30.8% during the three months ended June 30, 2013, due primarily to the increase in average net sales price, partially offset by increased operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have relatively minor impact on our operating cost per unit.

Recycled Paperboard Operations. Revenues increased 17% to \$37.5 million for the three months ended June 30, 2014, from \$32.2 million for the three months ended June 30, 2013. The \$5.3 million increase in net revenue during the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 is due to increased sales volumes and increased average net sales price, which positively impacted revenues by approximately \$4.4 million and \$0.9 million, respectively.

Operating earnings increased to \$7.5 million for the first quarter of fiscal 2015, as compared to \$5.7 million for the first quarter of fiscal 2014. The increase in operating earnings is due to increased sales volumes, which positively impacted operating earnings by approximately \$1.1 million, and lower operating expenses, which positively impacted operating earnings by approximately \$0.1 million. The reduction in operating costs during the three months ended June 30, 2014, as compared to June 30, 2013, was primarily due to lower chemical costs of approximately \$0.8 million, partially offset by increased maintenance and fiber costs of approximately \$0.2 million and \$0.2 million, respectively. Operating earnings and margin were also positively impacted by a change in the product sales mix as sales of higher margin gypsum liner increased to 89% for the first quarter of fiscal 2015, from 75% for first quarter of fiscal 2013, which positively impacted operating earnings by approximately \$0.5 million.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 8% to \$26.2 million for the three months ended June 30, 2014, as compared to \$24.3 million for the three months ended June 30, 2013. The primary reason for the increase in revenue for the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014, were the 7% and 8% increase in average net sales prices for concrete and aggregates, respectively, which positively impacted revenues by approximately \$2.0 million. The 4% increase in concrete sales volumes during the three months ended June 30, 2014, was offset by the 9% decrease in aggregate sales volumes during the same period.

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Operating earnings for the three months ended June 30, 2014 were approximately \$1.4 million, as compared to operating earnings of approximately \$1.0 million for the three months ended June 30, 2013. The increase in operating earnings of approximately \$0.4 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, is due primarily to increased average net sales prices for both concrete and aggregates of approximately \$2.0 million, partially offset by increased operating expenses of approximately \$1.7 million. Increased operating expenses during the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014, were primarily related to maintenance, purchased materials and delivery costs, which increased operating costs by approximately \$0.2 million, \$1.0 million and \$0.3 million, respectively.

Oil and Gas Proppants. Revenues for our oil and gas proppants segment increased to approximately \$11.2 million during the three months ended June 30, 2014, as compared to \$0.9 million during the three months ended June 30, 2013. This segment is still in the start-up phase, and the increase in revenues during the three months ended June 30, 2014, as compared to June 30, 2013, reflects sales growth at our Corpus Christi, Texas location.

Operating loss for the three months ended June 30, 2014 was approximately \$0.6 million, which improved from an operating loss of approximately \$0.9 million during the three months ended June 30, 2013. This segment is still in the start-up phase, and we continue to sell purchased sand out of our Corpus Christi, Texas facility. During the three months ended June 30, 2014, we received the final permit necessary to start-up our mine in Illinois, and we expect to be able to sell our mined sand from the Corpus Christi facility no later than the end of our fiscal third quarter.

GENERAL OUTLOOK

The drivers of construction products demand continue to incrementally improve, reinforcing the notion that a cyclic recovery is underway. The pace of recovery continues to hinge on the pace of growth in the U.S. economy. Our cement sales network stretches across the central U.S., both east to west and north to south. While we anticipate cement consumption to continue to increase in calendar 2014, each region will increase at a different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. We expect improvement to vary in each of our cement markets.

We do not necessarily anticipate significant increases in concrete and aggregate sales volumes in northern California. We are starting to see a recovery in both volume and price in our Austin, Texas markets, and expect volumes to continue to increase in calendar 2014. Demand improved in the greater Kansas City area during calendar 2013, and we expect demand to continue to improve in this area during calendar 2014.

Wallboard demand is heavily influenced by new residential housing construction as well as repair and remodeling. Most forecasts point to a continued pick-up in demand in both of these areas throughout calendar 2014 and into 2015. Industry shipments of gypsum wallboard exceeded 20 billion square feet in calendar 2013, and we expect shipments to increase in calendar 2014. No new plants are expected to be added in calendar 2014, but it is possible that previously idled plants or curtailed lines could be brought back into service. We implemented a wallboard price increase effective January 2014 and recently announced a 15% price increase effective in January 2015.

Increased demand for gypsum wallboard will positively impact our recycled paperboard business as sales of higher priced gypsum paper are expected to continue to increase during calendar 2014, as compared to calendar 2013, both in gross tons and as a percentage of total sales volumes.

We began operations in our new frac sand business during the first quarter of fiscal 2014. The outlook for frac sand proppants in the oil and gas industry remains robust.

Table of Contents**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

Recent Accounting Pronouncements

Refer to Note (A) in the Notes to Consolidated Financial Statements of this 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 Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Net Cash Provided by Operating Activities	\$ 40,298	\$ 18,861
Investing Activities:		
Additions to Property, Plant and Equipment	(23,181)	(21,237)
Net Cash Used in Investing Activities	(23,181)	(21,237)
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	492	764
Increase (Decrease) in Notes Payable	(13,000)	8,000
Dividends Paid	(5,005)	(4,954)
Shares Repurchased to Settle Employee Taxes on RSUs	(568)	(286)
Proceeds from Stock Option Exercises	1,023	1,699

Net Cash Provided by (Used in) Financing Activities	(17,058)	5,223
Net Increase in Cash	\$ 59	\$ 2,847

Cash flows from operating activities were \$40.3 million during the three months ended June 30, 2014, as compared to cash flows from operating activities of \$18.9 million during the three months ended June 30, 2013. Cash flows from operations were negatively impacted during the three months ended June 30, 2014 by increases in accounts and notes receivable and decreased accounts payable and accrued liabilities of approximately \$31.3 million and \$6.3 million, respectively, partially offset by increases in income taxes payable of approximately \$19.7 million and decreased other assets and inventories of

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approximately \$1.2 million and \$4.6 million, respectively. During the three months ended June 30, 2013, cash flows from operations were negatively impacted by increases in accounts and notes receivable and inventories and decreased accounts payable and accrued liabilities of approximately \$30.1 million, \$7.8 million and \$8.2 million, respectively, partially offset by increases in income taxes payable of approximately \$14.1 million.

Working capital increased to \$209.3 million at June 30, 2014, compared to \$198.1 million at March 31, 2014, primarily due to an increase of \$31.2 million in accounts and notes receivable, partially offset by a decrease of \$4.6 million in inventories and an increase of \$19.3 in income tax payable.

The increase in accounts and notes receivable at June 30, 2014, as compared to March 31, 2014, is primarily due to increased revenues during the three months ended June 30, 2014, as compared to the three months ended March 31, 2014. As a percentage of quarterly sales generated in the quarter then ended, accounts receivable were 48% at June 30, 2014 and 51% at March 31, 2014. Management measures the change in accounts receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the accounts receivable. No significant deterioration in the collectability of our accounts receivable was identified at June 30, 2014. Notes receivable are monitored on an individual basis, and no significant deterioration in the collectability of notes receivable was identified at June 30, 2014.

Our inventory balance at June 30, 2014 decreased approximately 2% from the inventory balance at March 31, 2014. This decrease is due primarily to the approximately \$2.4 million and \$2.8 million decrease in repair parts and raw materials and materials-in-progress. The decline in repair parts inventory is due primarily to the spring outages at certain of our cement plants, while the reduction of raw materials and materials-in-progress is due primarily to strong sales in June 2014. 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 parts inventory. We believe all of these repair parts are necessary and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventory has a low risk of obsolescence due to our products being basic construction materials.

In June 2010, we received a Notice of Deficiency (Notice) (commonly referred to as a 90 Day Letter) from the IRS claiming \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to an IRS audit of the acquisition of certain Republic Assets. The Notice was in substantial agreement with our financial accruals, including interest. The total amount described in 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 filed a lawsuit in Federal District Court to recover the requested refunds. See Note (N) of the Notes to the Unaudited Consolidated Financial Statements for more information.

Net cash used in investing activities during the three months ended June 30, 2014 increased 9% to approximately \$23.1 million, as compared to net cash used in investing activities of \$21.2 million during the three months ended June 30, 2013. The increase in capital expenditures is primarily related to increased expenditures in our cement and concrete and aggregates segments, partially offset by reduced spending in our oil and gas proppants segment. We anticipate spending between \$20 million and \$25 million on sustaining capital expenditures during fiscal year 2015, which is consistent with historic levels.

Net cash provided by (used in) financing activities was approximately \$17.1 million during the three months ended June 30, 2014, as compared to net cash provided by financing activities of approximately \$5.2 million during the

similar period in 2013. This \$22.3 million increase in net cash used in financing activities is primarily due to our repayment of \$13.0 million of outstanding borrowings

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under our Credit Facility during the three months ended June 30, 2014, while we borrowed \$8.0 million during the three months ended June 30, 2013. The increase in repayment of debt is due primarily to increased cash flow during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio was 29.8% and 29.4%, respectively, at June 30, 2014, as compared to 31.4% and 31.1%, respectively, at March 31, 2014.

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

We have a \$400.0 million revolving Credit Facility, including a swingline loan sublimit of \$25.0 million, which is scheduled to expire on December 16, 2015. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, outstanding principal amounts on the 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, defined as earnings before interest, taxes, depreciation and amortization, to the Company's consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus $\frac{1}{2}\%$ per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. The 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, in each case, no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0:1.0. We had \$176.0 million of borrowings outstanding under the Credit Facility at June 30, 2014. Based on our Leverage Ratio, we had \$216.3 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at June 30, 2014.

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 \$81.1 million in principal of the Series 2005A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During November 2012, Tranche A of the Series 2005A Senior Notes matured and we retired the remaining \$4.7 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the remaining tranches are as follows:

Principal	Maturity Date	Interest Rate
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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 the 15th day of May and the 15th day of November of each year until all principal is paid for the respective tranche.

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We also 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 \$122.0 million in principal of the Series 2007A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). 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 the second day of April and the second day of October 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 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 Credit Facility. We were in compliance with all financial ratios and tests at June 30, 2014 and throughout the fiscal year.

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

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

We do not have any off balance sheet debt, except for approximately \$15.0 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 Credit Facility a \$50.0 million Letter of Credit Facility. At June 30, 2014, we had \$7.7 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$16.3 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for

at least the next 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 Credit Facility, the level of competition and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

Table of Contents***Cash used for Share Repurchases.***

We did not repurchase any of our shares in the open market during the three month period ended June 30, 2014. As of June 30, 2014, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by the Company's management, based on its evaluation of market and economic conditions and other factors.

During the three months ended June 30, 2014, 6,888 shares of stock were withheld from employees upon the vesting of Restricted Shares that were granted under the Plan. These shares were withheld by us to satisfy the employee's minimum statutory tax withholding, which is required when the Restricted Shares vest.

Dividends.

Dividends paid were \$5.1 million and \$5.0 million for the three months ended June 30, 2014 and 2013, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

Capital Expenditures.

The following table compares capital expenditures:

	For the Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Land and Quarries	\$ 2,141	\$ 5,720
Plants	17,872	14,575
Buildings, Machinery and Equipment	3,168	942
Total Capital Expenditures	\$ 23,181	\$ 21,237

Historically, annual maintenance capital expenditures have been approximately \$20.0 to \$25.0 million, which we anticipate will be similar for fiscal 2015. Total capital expenditures for fiscal 2015, including maintenance capital expenditures, are expected to be approximately \$50.0 million to \$70 million. Historically, we have financed such expenditures with cash from operations and borrowings under our 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 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 \$400.0 million Credit Facility available at June 30, 2014, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$176.0 million of borrowings at June 30, 2014 would increase our interest expense by approximately \$1.8 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.

Table of Contents**Item 4. Controls and Procedures**

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

Part II. Other Information**ITEM 1. LEGAL PROCEEDINGS****Outstanding Lawsuit against the IRS**

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 denied 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 is 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 and paid an additional \$23.6 million comprised of \$13.6 million of tax, \$2.9 million of penalties and \$7.1 million of interest. Subsequent reviews of IRS interest computations resulted in a \$0.8 million dollar refund which reduced the total net payment to \$97.9 million. 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. In September 2013, the judge heard arguments on each party's motion for summary judgment and in November 2013 the judge denied each such motion. The trial is scheduled for September 2014.

At this time we are unable to predict 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. In the event we reach a settlement through negotiation or in the courts, we will reverse any amounts in excess of the settlement through the Consolidated Statement of Earnings in the period such settlement is reached.

EPA Notice of Violation

On October 5, 2010, Region IX of the 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). The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits 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 required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. On March 12, 2014, EPA Region

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IX issued a second NOV to NCC. The second NOV is materially similar to the 2010 NOV except that it alleges violations of the new source performance standards (NSPS) for Portland cement plants. The NOVs state 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 meritorious defenses to the allegations in the NOVs. NCC met with the EPA in December 2010, September 2012 and May 2014 to present its defenses and to discuss a resolution of the alleged violations. EPA and NCC remain in discussions regarding the alleged violations. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by the EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. Additionally, an enforcement action 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.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed against the Company's subsidiary, American Gypsum Company LLC (American Gypsum), alleging that American Gypsum conspired with other wallboard manufacturers to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The complaints allege that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual job quote pricing. In addition to American Gypsum, the defendants in these lawsuits include CertainTeed Corp., USG Corporation, New NGC, Inc., Lafarge North America, Temple Inland Inc. and PABCO Building Products LLC. The plaintiffs in these class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard during various periods from 2008 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief in various United States district courts, including the Eastern District of Pennsylvania, Western District of North Carolina and the Northern District of Illinois. On April 8, 2013, the Judicial Panel on Multidistrict Litigation transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers' complaint added the Company as a defendant. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs' claims.

While American Gypsum's production of written discovery is substantially complete, discovery is ongoing. Due to the fact that the case is in the discovery phase, and the plaintiffs have not specified the amount of any damages they are seeking, we are unable to estimate the amount of any reasonably possible loss or range of reasonably possible losses. American Gypsum denies the allegations in these lawsuits and will vigorously defend itself against these claims.

ITEM 1A. RISK FACTORS***We are affected by the level of demand in the construction industry.***

Demand for our products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially impacted our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve into calendar 2014; however, the rate and sustainability of

such improvement remains uncertain. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Despite the enactment of a new federal highway bill in

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July 2012, infrastructure spending continues to be adversely impacted by a number of factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential 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 suitable for construction activity. Quarterly results have varied significantly in the past and are likely to vary significantly in the future. Such variations could have a negative impact on the price of our common stock.

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

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

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

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

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 production capacity of industry participants for products such as gypsum wallboard or cement or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. Currently, there continues to be significant excess capacity in the gypsum wallboard industry in the United States. There can be no assurance that prices for products sold by us will not decline in the future or that such

declines will not have a material adverse effect on our business, financial condition and results of operations.

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

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

Our and our customers' operations are subject to extensive governmental regulation, including environmental laws, which can be costly and burdensome.

Our operations and those of our customers are subject to and affected by federal, state and local laws and regulations with respect to such matters as land usage, street and highway usage, noise level and health and safety and environmental matters. In many instances, various certificates, permits or licenses are required in order for us or our customers to conduct business or carry out construction and related operations. Although we believe that we are in compliance in all material respects with applicable regulatory requirements, there can be no assurance that we will not incur material costs or liabilities in connection with regulatory requirements or that demand for our products will not be adversely affected by regulatory issues affecting our customers. In addition, future developments, such as the discovery of new facts or conditions, the enactment or adoption of new or stricter laws or regulations or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require additional investment by us or prevent us from opening, expanding or modifying plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

For example, GHGs currently are regulated as pollutants under the CAA and subject to reporting and permitting requirements. Future consequences of GHG permitting requirements and potential emission reduction measures for our operations may be 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.

On September 9, 2010, the EPA finalized National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for portland cement plants (PC NESHAP). The PC NESHAP will require a significant reduction in emissions of certain hazardous air pollutants from portland cement kilns. The PC NESHAP sets limits on mercury emissions from existing portland cement kilns and increases the stringency of emission limits for new kilns. The PC NESHAP also sets emission limits for total hydrocarbons, particulate matter (as a surrogate for metal pollutants) and acid gases from cement kilns of all sizes. The PC NESHAP was scheduled to take full effect in September 2013; however, as a result of a decision by the U.S. Court of Appeals for the District of Columbia Circuit in *Portland Cement Ass'n v. EPA*, 655 F.3d 177 (D.C. Cir.) arising from industry challenges to the PC NESHAP, the EPA proposed a settlement agreement with industry petitioners in May 2012. In February 2013, the EPA published the final revised rule to the PC NESHAP which extended the compliance date until September 9, 2015 for existing cement kilns and made certain changes to the rules governing particulate matter monitoring methods and emissions limits, among other revisions. The PC NESHAP will materially increase capital costs and costs of production for the Company and the industry as a whole.

On March 21, 2011 EPA proposed revised Standards of Performance for New Sources and Emissions Guidelines for Existing Sources for Commercial/Industrial Solid Waste Incinerators (the CISWI Rule) per Section 129 of the Clean Air Act, which created emission standards for 4 subcategories of industrial facilities, one of which is Waste Burning Kilns. EPA simultaneously stayed the CISWI Rule for further reconsideration. On February 12, 2013, the EPA

finalized revisions to the CISWI Rule. For those cement kilns that utilize non-hazardous secondary materials (NHSM) as defined in a rule first finalized on March 21, 2011 (and slightly revised on February 12, 2013), the CISWI Rule will require significant reductions in emissions of certain pollutants from applicable cement kilns.

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The CISWI Rule sets forth emission standards for mercury, carbon monoxide, acid gases, nitrogen oxides, sulfur dioxide, certain metals (lead and cadmium) and more stringent standards than PC NESHAP for particulate matter and dioxin/furans. The CISWI Rule as currently promulgated may materially increase capital costs and costs for production but only for those facilities that will be using applicable solid wastes as fuel. The compliance date for this rule is approximately early 2018 (either 3 years after State CISWI plan approval, or 5 years from the date of the final CISWI Rule, whichever is sooner). It is anticipated that the CISWI Rule may 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, South Carolina plant. In its proposed regulations, the EPA is considering two alternatives. Under one proposal, the EPA would characterize coal combustion products destined for disposal as a special waste under Subtitle C of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates hazardous wastes. 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 stated that Subtitle D regulation could be sufficient to protect human health and the environment. 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, if any. The EPA continues to review the public comments and associated data that were received in response to its 2010 proposal. It is anticipated that a final rule will be issued by the end of 2014. It is possible that such 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.

The cement plants located in Kansas City, Missouri and Tulsa, Oklahoma are subject to certain obligations under a consent decree with the United States requiring the establishment of facility-specific emissions limitations for certain air pollutants. Not all specific limitations have been finalized; however, upon determination, these limitations, along with specific emissions limitations that have already been finalized, will apply to our operation of these cement plants. It is difficult to predict with reasonable certainty the impact of these limitations on the operations or operating costs of the Kansas City, Missouri and Tulsa, Oklahoma cement plants. Limitations that significantly restrict emissions levels beyond current operating levels may require additional investments by us or place limitations on operations, any of which could have a material adverse effect on our financial condition or results of operations.

The cement plant in Tulsa, Oklahoma is subject to NESHAP for hazardous waste combustors (the HWC MACT), which imposes emission limitations and operating limits on cement kilns that are fueled by hazardous wastes. Compliance with the HWC MACT could impose additional liabilities on us or require additional investment by us, which could have a material adverse effect on our financial condition or results of operations. In addition, new developments, such as new laws or regulations, may impose new liabilities on us, require additional investment by us or prevent us from operating or expanding plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations. For example, revised HWC MACT regulations would apply to one of the cement kilns used at the cement plant in Tulsa, Oklahoma. This revision may require new control requirements and significant capital expenditure for compliance. The revised regulations have not been proposed. In 2013, the EPA adopted the final CISWI Rule (as discussed above) that likely will apply to one of the cement kilns used by the cement plant in Tulsa, Oklahoma and may impose new control requirements requiring significant capital expenditures for compliance. Existing CISWI units will need to comply with the CISWI Rule when it becomes effective, which is expected to occur in approximately early 2018.

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

We are, or may become, party to various lawsuits, claims, investigations and proceedings, including but not limited to personal injury, environmental, antitrust, tax, asbestos, property entitlements and land use, intellectual property, commercial, contract, product liability, health and safety, and employment matters. The outcome of pending or future lawsuits, claims, investigations or proceedings is often difficult to predict, but could be adverse and material in amount. In addition, the defense of these lawsuits, claims, investigations and proceedings may divert our management's attention and we may incur significant costs in defending these matters. See Part II Item 1. Legal Proceedings of this report.

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

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

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 or expand or modify our facilities. Certain of our operations may from time-to-time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Additionally, any future laws or regulations addressing GHG emissions would likely have a negative impact on our business or results of operations, whether through the imposition of raw material or production limitations, fuel-use or carbon taxes emission limitations or reductions or otherwise. 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.

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

Some of the raw materials used in our manufacturing processes, such as coal or coke, are transported to our facilities by truck or rail. In addition, transportation logistics play an important part in allowing us to supply products to our customers, whether by truck, rail or barge. For example, we deliver gypsum wallboard to many areas of the United States and the transportation costs associated with the delivery of our wallboard products represent a significant portion of the variable cost of our gypsum wallboard segment. Significant increases in the cost of fuel or energy can result in material increases in the cost of transportation, which could materially and adversely affect our operating profits. In addition, reductions in the availability of certain modes of transportation such as rail or trucking could limit

our ability to deliver product and therefore materially and adversely affect our operating profits.

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

Our Credit Facility 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 but not limited to our ability to:

Incur additional indebtedness;

Sell assets or make other fundamental changes;

Engage in mergers and acquisitions;

Pay dividends and make other restricted payments;

Make investments, loans, advances or guarantees;

Encumber our assets or those of our restricted subsidiaries;

Enter into transactions with our affiliates.

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

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

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

we may be required to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, capital expenditures or strategic acquisitions;

we may not be able to generate sufficient cash flow to meet our substantial debt service obligations or to fund our other liquidity needs. If this occurs, we may have to take actions such as selling assets, selling equity or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures or restructuring our debt;

as a result of the amount of our outstanding indebtedness and the restrictive covenants to which we are subject, if we determine that we require additional financing to fund future working capital, capital investments or other business activities, we may not be able to obtain such financing on commercially reasonable terms, or at all; and

our flexibility in planning for, or reacting to, changes in our business and industry may be limited, thereby placing us at a competitive disadvantage compared to our competitors that have less 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 and profits due to lost production time, which could have a material adverse effect on our results of operations and financial condition.

Increases in interest rates and inflation could adversely affect our business and demand for our products, which would have 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 Facility. Inflation can result in higher interest rates. With inflation, the costs of capital increase, and the purchasing power of our cash resources can decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation, which could have a direct and indirect adverse impact on our business and results of operations.

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

We are continuing to pursue opportunities, including our frac sand business, 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 Financial Conditions and Results of Operations 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.

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

Our operations that produce frac sand are materially dependent on the levels of activity in natural gas and oil exploration, development and production. More specifically, the demand for the frac sand we produce is closely related to the number of natural gas and oil wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in natural gas and oil prices. In recent years, natural gas and oil prices and, therefore, the level of exploration, development and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East and initiatives by the Organization of the Petroleum Exporting Countries (OPEC), have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely impact the short-term demand for natural

gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely impact the demand for frac sand. A prolonged reduction in natural gas and oil prices would generally depress the level of natural gas and oil exploration, development, production and well completion activity and result in a corresponding decline in the demand for the frac

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sand we produce. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could have material adverse effect on our oil and gas proppants business, even in a stronger natural gas and oil price environment.

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

Frac sand is a proppant used in the completion and re-completion of natural gas and oil wells through hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than ceramic proppant, which is also used in hydraulic fracturing to stimulate and maintain oil and natural gas production. A significant shift in demand from frac sand to other proppants, such as ceramic proppants, could have a material adverse effect on our oil and gas proppants business. The development and use of other effective alternative proppants, or the development of new processes to replace hydraulic fracturing altogether, could also cause a decline in demand for the frac sand we produce and could have a material adverse effect on our oil and gas proppants business.

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

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

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

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

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

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

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

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

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

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

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

The disclosure required under this Item is included in 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

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

Item 6. Exhibits

- 10.1 Eagle Materials Inc. Salaried Incentive Compensation Program for Fiscal Year 2015 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission (the

Commission) on May 19, 2014, and incorporated herein by reference).⁽¹⁾

- 10.2 Eagle Materials Inc. Cement Companies Salaried Incentive Compensation Program for Fiscal Year 2015 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on May 19, 2014, and incorporated herein by reference).⁽¹⁾

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10.3	Eagle Materials Inc. Concrete and Aggregates Companies Salaried Incentive Compensation Program for Fiscal Year 2015 (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the Commission on May 19, 2014, and incorporated herein by reference). ⁽¹⁾
10.4	American Gypsum Salaried Incentive Compensation Program for Fiscal Year 2015 (filed as Exhibit 10.4 to the Current Report on Form 8-K filed with the Commission on May 19, 2014, and incorporated herein by reference). ⁽¹⁾
10.5	Eagle Materials Inc. Special Situation Program for Fiscal Year 2015 (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on May 19, 2014, and incorporated herein by reference). ⁽¹⁾
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine Safety Disclosure
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

⁽¹⁾ Management contract or compensatory plan or arrangement.

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SIGNATURES

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

	EAGLE MATERIALS INC. Registrant
August 8, 2014	/s/ STEVEN R. ROWLEY Steven R. Rowley President and Chief Executive Officer (principal executive officer)
August 8, 2014	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President Finance and Administration and Chief Financial Officer (principal financial officer)
August 8, 2014	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President Controller and Chief Accounting Officer (principal accounting officer)