

EAGLE MATERIALS INC
Form 10-Q
February 07, 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

December 31, 2013

Commission File Number 1-12984

Eagle Materials Inc.

Delaware

(State of Incorporation)

75-2520779

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

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

(Address of principal executive offices)

(214) 432-2000

(Registrant's telephone number)

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

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

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

Large accelerated filer Accelerated filer

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

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

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

Class	Outstanding Shares
Common Stock, \$.01 Par Value	49,973,319

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Eagle Materials Inc. and Subsidiaries

Form 10-Q

December 31, 2013

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Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
Revenues	\$ 228,812	\$ 164,743	\$ 708,502	\$ 483,444
Cost of Goods Sold	178,964	133,482	552,571	396,797
Gross Profit	49,848	31,261	155,931	86,647
Equity in Earnings of Unconsolidated Joint Venture	9,856	8,852	27,481	24,070
Corporate General and Administrative	(6,796)	(6,268)	(18,450)	(16,942)
Acquisition and Litigation Expense		(2,485)		(8,859)
Other Income (Expense)	400	(223)	1,300	(427)
Interest Expense, Net	(4,475)	(3,836)	(14,225)	(11,149)
Earnings Before Income Taxes	48,833	27,301	152,037	73,340
Income Tax Expense	(17,212)	(9,321)	(50,412)	(23,429)
Net Earnings	\$ 31,621	\$ 17,980	\$ 101,625	\$ 49,911
EARNINGS PER SHARE:				
Basic	\$ 0.64	\$ 0.37	\$ 2.07	\$ 1.09
Diluted	\$ 0.63	\$ 0.37	\$ 2.03	\$ 1.07
AVERAGE SHARES OUTSTANDING:				
Basic	49,294,010	48,331,185	49,091,476	45,920,452
Diluted	50,162,962	49,249,547	49,948,178	46,574,724
CASH DIVIDENDS PER SHARE:				
	\$ 0.10	\$ 0.10	\$ 0.30	\$ 0.30

See notes to unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(unaudited dollars in thousands)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
Net Earnings	\$ 31,621	\$ 17,980	\$ 101,625	\$ 49,911
Change in Funded Status of Defined Benefit Plans:				
Amortization of Net Actuarial Loss	238	178	714	534
Tax Expense	(83)	(62)	(249)	(186)
Comprehensive Earnings	\$ 31,776	\$ 18,096	\$ 102,090	\$ 50,259

See notes to unaudited consolidated financial statements.

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

Consolidated Balance Sheets

(dollars in thousands)

	December 31, 2013 (unaudited)	March 31, 2013
ASSETS		
Current Assets -		
Cash and Cash Equivalents	\$ 7,424	\$ 3,897
Accounts and Notes Receivable	96,357	87,543
Inventories	173,871	156,380
Income Tax Receivable		2,443
Prepaid and Other Assets	5,074	11,008
Total Current Assets	282,726	261,271
Property, Plant and Equipment -	1,647,138	1,599,992
Less: Accumulated Depreciation	(662,734)	(614,268)
Property, Plant and Equipment, net	984,404	985,724
Notes Receivable	3,208	3,893
Investment in Joint Venture	41,178	42,946
Goodwill and Intangible Assets	161,117	162,400
Other Assets	14,631	19,999
	\$ 1,487,264	\$ 1,476,233
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities -		
Accounts Payable	\$ 47,586	\$ 58,880
Accrued Liabilities	39,622	41,349
Income Taxes Payable	6,835	
Current Portion of Long-term Debt	9,500	
Total Current Liabilities	103,543	100,229
Long-term Debt	382,759	489,259
Other Long-term Liabilities	52,317	51,547
Deferred Income Taxes	143,217	139,028
Total Liabilities	681,836	780,063
Stockholders Equity -		
Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued		
Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 49,964,881 and 49,503,496 Shares, respectively	500	495
Capital in Excess of Par Value	246,161	224,053
Accumulated Other Comprehensive Losses	(6,577)	(7,042)
Retained Earnings	565,344	478,664
Total Stockholders Equity	805,428	696,170

\$ 1,487,264 \$ 1,476,233

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 Nine Months Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 101,625	\$ 49,911
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	52,315	39,780
Deferred Income Tax Provision	3,939	406
Stock Compensation Expense	7,487	6,695
Excess Tax Benefits from Share Based Payments	(4,619)	(3,461)
Equity in Earnings of Unconsolidated Joint Venture	(27,481)	(24,070)
Distributions from Joint Venture	29,250	21,250
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(6,461)	(4,954)
Inventories	(19,489)	7,721
Accounts Payable and Accrued Liabilities	(8,101)	12,526
Other Assets	1,650	(9,163)
Income Taxes Payable	13,897	10,312
Net Cash Provided by Operating Activities	144,012	106,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(43,208)	(28,832)
Acquisition		(448,420)
Net Cash Used in Investing Activities	(43,208)	(477,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	(97,000)	221,000
Repayment of Senior Notes		(4,677)
Dividends Paid to Stockholders	(14,903)	(13,601)
Net Proceeds from Offering of Common Stock		154,832
Proceeds from Stock Option Exercises	10,496	14,722
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(489)	(921)
Payment of Debt Acquisition Costs		(1,751)
Excess Tax Benefits from Share Based Payments	4,619	3,461
Net Cash Provided by (Used in) Financing Activities	(97,277)	373,065
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,527	2,766
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,897	6,481
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,424	\$ 9,247

See notes to the unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

December 31, 2013

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three and nine month periods ended December 31, 2013 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 24, 2013.

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 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) ACQUISITION

On November 30, 2012, the Company completed the acquisition (the Acquisition) of certain assets of Lafarge North America Inc. (Lafarge North America or the Sellers). The Acquisition expanded the scope of our cement business in a geographic area that is complementary to, but does not overlap with, our existing cement business. The Acquisition also further positions the Company near energy growth markets where there is growing demand for our specialty oil well cement and other related products.

The assets acquired by us in the Acquisition were used by the Sellers in connection with the business (the Acquired Assets) of producing, marketing and selling portland cement and concrete in Kansas, Missouri and Oklahoma, and include the following:

two cement plants located in Sugar Creek, Missouri and Tulsa, Oklahoma;

the related cement distribution terminals located in Sugar Creek and Springfield, Missouri; Omaha, Nebraska; Iola and Wichita, Kansas; and Oklahoma City, Oklahoma;

two aggregates quarries near Sugar Creek, Missouri;

eight ready-mix plants located in or near Kansas City, Missouri;

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certain fly ash operations conducted in the Kansas City, Missouri area; and

certain related assets such as equipment, accounts receivable and inventory.

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In most cases, we acquired ownership of these assets from the Sellers. However, the cement plant located in Sugar Creek, Missouri was leased by the Sellers pursuant to a long-term lease containing a purchase option exercisable by payment of a nominal fee. This lease, including the purchase option, was transferred to us at the closing of the Acquisition. In addition, we assumed certain liabilities in the Acquisition, including accounts payable, contractual obligations, reclamation obligations and other liabilities related to the Acquired Assets.

Purchase Price: The final purchase price (the Purchase Price) of the Acquisition was \$450.7 million, which reflects a \$2.7 million reduction from the preliminary purchase price to reflect actual working capital acquired at the closing. The reduction in purchase price was primarily related to adjustments to the final value of inventory and prepaid assets acquired. We funded the payment of the Purchase Price at closing and expenses incurred in connection with the Acquisition through a combination of borrowings under our bank credit facility and the proceeds from our issuance of common stock, which was completed on October 3, 2012.

Recording of assets acquired and liabilities assumed: The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We engaged a third-party to perform a valuation to support our estimate of the fair value of certain assets acquired in the Acquisition. The estimated working capital amounts paid at the closing were adjusted by approximately \$2.7 million to reflect actual working capital acquired.

The preparation of the valuation of the assets acquired and liabilities assumed in the Acquisition requires the use of significant assumptions and estimates. Critical estimates include, but are not limited to, future expected cash flows, including projected revenues and expenses, and applicable discount rates. These estimates are based on assumptions that we believe to be reasonable. However, actual results may differ from these estimates.

Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets and assumed liabilities based on their estimated fair values at the acquisition date. Based on the fair value of tangible and intangible assets acquired and liabilities assumed the purchase price is allocated as follows:

Purchase Price Allocation (in thousands)	
Cash and cash equivalents	\$
Accounts Receivable	23,432
Inventories	20,361
Prepaid and Other Assets	3,511
Property and Equipment	407,260
Intangible Assets	12,500
Accounts Payable	(9,070)
Accrued Liabilities	(3,501)
Other Long-term Liabilities	(1,060)
Total Net Assets	453,433
Goodwill	
Initial Purchase Price	\$ 453,433
Final Working Capital Adjustment	(2,734)
Final Purchase Price	\$ 450,699

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Intangible Assets: The following table is a summary of the fair value estimates of the identifiable intangible assets (in thousands) and their weighted-average useful lives:

	Weighted Average Life	Fair Value
Customer Relationships	15	\$ 4,760
Sales Contracts	4	2,500
Permits	40	5,240
Total Intangible Assets		\$ 12,500

Actual and pro forma impact of the Acquisition: The following table presents the net sales and operating income of the Acquired Assets that have been included in our consolidated statement of earnings from April 1, 2013 through December 31, 2013 and November 30 through December 31, 2012:

	For the Three Months Ended December 31, 2013 2012 (dollars in thousands)		For the Nine Months Ended December 31, 2013 2012 (dollars in thousands)	
Net Sales	\$ 40,002	\$ 7,905	\$ 133,885	\$ 7,905
Operating Income	\$ 7,082	\$ 665	\$ 25,795	\$ 665

The unaudited pro forma results presented below include the effects of the Acquisition as if it had been consummated as of April 1, 2012. The pro forma results include the amortization associated with an estimate for acquired intangible assets and interest expense associated with debt used to fund the Acquisition, depreciation from the fair value adjustments for property and equipment, and the impact on earnings per share of the issuance of common stock in connection with the Acquisition. To better reflect the combined operating results, material nonrecurring charges directly related to the Acquisition of \$6.1 million have been excluded from pro forma net income for the three and nine month periods ended December 31, 2012.

	Three Month Period Ended December 31, 2012 (dollars in thousands)	Nine Month Period Ended December 31, 2012 (dollars in thousands)
Revenues	\$ 202,737	\$ 633,861
Net Income	\$ 24,818	\$ 70,937
Earnings per share - basic	\$ 0.51	\$ 1.47
Earnings per share - diluted	\$ 0.50	\$ 1.46
Weighted Average Shares Outstanding:		
Basic	48,331,185	48,158,499
Diluted	49,250,467	48,669,224

The pro forma results do not include any anticipated synergies or other expected benefits of the Acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the Acquisition been consummated as of April 1, 2012.

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A summary of changes in stockholders equity follows:

	For the Nine Months Ended December 31, 2013 (dollars in thousands)
Common Stock	
Balance at Beginning of Period	\$ 495
Stock Option Exercises	5
Balance at End of Period	\$ 500
Capital in Excess of Par Value	
Balance at Beginning of Period	224,053
Stock Compensation Expense	7,486
Shares Redeemed to Settle Employee Taxes	(489)
Stock Option Exercises	15,111
Balance at End of Period	246,161
Retained Earnings	
Balance at Beginning of Period	478,664
Dividends Declared to Stockholders	(14,945)
Net Earnings	101,625
Balance at End of Period	565,344
Accumulated Other Comprehensive Loss -	
Balance at Beginning of Period	(7,042)
Change in Funded Status of Pension Plan, net of tax	465
Balance at End of Period	(6,577)
Total Stockholders Equity	\$ 805,428

There were no open market share repurchases during the three and nine month periods ended December 31, 2013. As of December 31, 2013, we have authorization to purchase an additional 717,300 shares.

(D) CASH FLOW INFORMATION SUPPLEMENTAL

Cash payments made for interest were \$16.1 million and \$13.4 million for the nine months ended December 31, 2013 and 2012, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2013 and 2012, were \$32.6 million and \$11.3 million, respectively.

(E) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$5.6 million and \$5.1 million at December 31, 2013 and March 31, 2013, 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

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receivables. We have no significant credit risk concentration among our diversified customer base.

We had notes receivable totaling approximately \$9.5 million at December 31, 2013, of which approximately \$6.3 million has been classified as current and presented with accounts receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at the prime rate plus 1.5%. 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 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.

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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	
	December 31, 2013	March 31, 2013
	(dollars in thousands)	
Raw Materials and Material-in-Progress	\$ 75,971	\$ 56,019
Finished Cement	16,933	18,077
Gypsum Wallboard	5,100	6,855
Aggregates	11,742	16,837
Paperboard	3,811	2,867
Repair Parts and Supplies	52,814	49,361
Fuel and Coal	7,500	6,364
	\$ 173,871	\$ 156,380

(G) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of	
	December 31, 2013	March 31, 2013
	(dollars in thousands)	
Payroll and Incentive Compensation	\$ 15,482	\$ 11,827
Benefits	9,373	10,349
Interest	2,017	4,813
Property Taxes	2,800	3,235
Power and Fuel	2,505	3,146
Sales and Use Tax	771	591
Acquisition Related Expenses		2,023
Other	6,674	5,365
	\$ 39,622	\$ 41,349

(H) 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 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 August 2013, the Compensation Committee of the Board of Directors approved an incentive equity award of an aggregate of 206,914 stock options pursuant to the Plan to certain officers and key employees that vest ratably over a three year period (the "Fiscal 2014 Employee Stock Option Grant"). The options have a term of ten years from the date of grant. In August 2013, we granted 30,075 options to

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members of the Board of Directors (the Fiscal 2014 Board of Directors Grant). Options granted under the Fiscal 2014 Board of Directors Grant vest immediately and can be exercised from the

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date of grant until their expiration on the tenth anniversary of the date of grant. The Fiscal 2014 Employee Stock Option Grant and Fiscal 2014 Board of Directors Grant were 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 2014 are as follows:

	Fiscal 2014
Dividend Yield	2.0%
Expected Volatility	44.6%
Risk Free Interest Rate	2.0%
Expected Life	7.0 years

Stock option expense for all outstanding stock option awards totaled approximately \$1.3 million and \$4.0 million for the three and nine months ended December 31, 2013, respectively, and \$1.2 million and \$3.0 million of the three and nine months ended December 31, 2012, respectively. At December 31, 2013, there was approximately \$9.4 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.2 years.

The following table represents stock option activity for the nine month period ended December 31, 2013:

	Number of Shares	Weighted- Average Exercise Price
Outstanding Options at Beginning of Period	3,022,592	\$ 37.83
Granted	251,989	\$ 67.62
Exercised	(360,727)	\$ 29.17
Cancelled	(5,000)	\$ 53.22
Outstanding Options at End of Period	2,908,854	\$ 41.46
Options Exercisable at End of Period	942,570	\$ 31.51
Weighted-Average Fair Value of Options Granted during the Period	\$ 26.20	

The following table summarizes information about stock options outstanding at December 31, 2013:

Range of Exercise Prices	Outstanding Options			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	740,129	5.39	\$ 26.63	620,700	\$ 26.44
\$33.08 - \$ 40.78	609,272	7.17	\$ 34.59	257,546	\$ 35.45
\$47.53 - \$ 74.10	1,559,453	2.08	\$ 51.19	64,324	\$ 64.61
	2,908,854	3.99	\$ 41.46	942,570	\$ 31.51

At December 31, 2013, the aggregate intrinsic value for outstanding and exercisable options was approximately \$104.6 million and \$43.3 million, respectively. The total intrinsic value of options exercised during the nine month period ended December 31, 2013 was approximately \$15.9 million.

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Restricted Stock Units. There was no expense related to RSUs for the three and nine month periods ended December 31, 2013, respectively and \$0.4 million and \$1.2 million of expense for the three and nine months ended December 31, 2012, respectively.

Restricted Stock. In August 2013, the Compensation Committee also approved the granting of an aggregate of 93,186 shares of restricted stock to certain key employees at both the corporate and subsidiary level (the Fiscal 2014 Employee Restricted Stock Award) that will be earned if our ten year return on equity is at least 15% at March 31, 2014. 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 shares will lapse ratably over five years, with the first fifth lapsing promptly following the vesting determination date, and the remaining restrictions lapsing on March 31, 2015 through 2018. The value of the Fiscal 2014 Employee Restricted Stock Award, net of estimated forfeitures, is being expensed over a five year period. In August 2013, we granted 5,761 shares of restricted stock to members of the Board of Directors (the Board of Directors Fiscal 2014 Restricted Stock Award). Awards issued under the Board of Directors Fiscal 2014 Restricted Stock Award do not fully vest until the retirement of each director, in accordance with the Company's director retirement policy.

Expense related to restricted shares was approximately \$1.3 million and \$3.4 million for the three and nine months ended December 31, 2013, respectively and \$0.9 million and \$2.5 million for the three and nine months ended December 31, 2012, respectively. At December 31, 2013, there was approximately \$16.3 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 3.5 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights and restricted stock under the Plan was 3,959,125 at December 31, 2013.

(I) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
Weighted-Average Shares of Common Stock Outstanding	49,294,010	48,331,185	49,091,476	45,920,452
Common Equivalent Shares:				
Assumed Exercise of Outstanding Dilutive Options	1,559,885	3,338,382	1,648,483	2,065,387
Less: Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(1,011,617)	(2,754,678)	(1,095,651)	(1,693,393)
Restricted Shares	320,684	334,658	303,870	282,278
Weighted-Average Common and Common Equivalent Shares Outstanding	50,162,962	49,249,547	49,948,178	46,574,724
Shares Excluded Due to Anti-dilution Effects	216,914	53,361	124,970	1,435,756

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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 December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Service Cost - Benefits Earned During the Period	\$ 360	\$ 261	\$ 753	\$ 525
Interest Cost of Benefit Obligations	306	343	917	879
Expected Return on Plan Assets	(410)	(342)	(1,096)	(1,028)
Recognized Net Actuarial Loss	215	313	707	667
Amortization of Prior-Service Cost	1	(4)	9	24
Net Periodic Pension Cost	\$ 472	\$ 571	\$ 1,290	\$ 1,067

(K) INCOME TAXES

Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the three and nine months ended December 31, 2013 was approximately 35% and 33%, respectively, which increased from 34% and 32% for the three and nine months ended December 31, 2012, respectively, due to the reduction in the impact of our depletion deduction as a result of increased earnings in fiscal year 2014.

(L) LONG-TERM DEBT

Long-term debt consists of the following:

	As of	
	December 31, 2013	March 31, 2013
	(dollars in thousands)	
Credit Facility	\$ 200,000	\$ 297,000
Senior Notes	192,259	192,259
Total Debt	392,259	489,259
Current Portion of Long-term Debt	(9,500)	
Long-term Debt	\$ 382,759	\$ 489,259

Credit Facility -

On December 16, 2010, we entered into a \$300.0 million revolving credit facility (the "Credit Facility"), which was amended on September 26, 2012 and is scheduled to expire on December 16, 2015. The amendment to the Credit Facility increased available revolving borrowings from

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\$300.0 million to \$400.0 million (including an increase in the swingline loan sublimit from \$15.0 million to \$25.0 million) and changed certain provisions in the negative covenants in order to allow for or facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future. Borrowings under the Credit Facility are

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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 \$200.0 million of borrowings outstanding under the Credit Facility at December 31, 2013. Based on our Leverage Ratio, we had \$192.6 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at December 31, 2013.

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 December 31, 2013, we had \$7.4 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

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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.

We amended both the 2005 Note Purchase Agreement and 2007 Note Purchase Agreement (collectively, the Note Purchase Agreements) on September 26, 2012. The amendment to each Note Purchase Agreement, among other things, mirrors the amendments to the Credit Facility, by changing certain provisions in the negative covenants in order to allow for and facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future as well as reasonably identifiable cost savings, improvements and synergies related to the purchase of the Acquired Assets.

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 December 31, 2013 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 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.

As a result of the Acquisition, we succeeded to the leasehold interest held by Lafarge North America with respect to the cement plant located in Sugar Creek, Missouri, as well as its obligations under certain related industrial revenue bonds. In 1998, Lafarge North America had entered into a series of agreements, which were later amended in 2003, with the City of Sugar Creek, Missouri, in connection with the construction of improvements at the Sugar Creek cement plant. Under these agreements, Lafarge North America leased the Sugar Creek cement plant from the City of Sugar Creek, Missouri, which issued \$150.0 million of tax-exempt and taxable industrial revenue bonds to partly finance the construction of such improvements. The lease payments due to the City of Sugar Creek under the Sugar Creek cement plant lease 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. Upon the closing of the Acquisition, funds for the retirement of

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\$47.0 million of the industrial revenue bonds were placed into escrow by Lafarge North America, resulting in the defeasement of such bonds and leaving \$103.0 million of industrial revenue bonds outstanding. The defeased bonds were subsequently paid in full in June 2013. The remaining \$103.0 million of industrial revenue bonds held by Lafarge North America were transferred to a wholly owned subsidiary of the Company in connection with the Acquisition. Because we are now 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 Sugar Creek cement plant.

On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the Shelf Agreement) with John Hancock Life Insurance Company (U.S.A.) (Hancock). The Shelf Agreement provided the terms under which the Company could offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock s affiliates that become bound by the Shelf Agreement (collectively, Purchasers). The Shelf Agreement did not obligate the Company to sell, or the Purchasers to buy, any such notes, and had a term of two years. We did not sell any notes pursuant to the Shelf Agreement prior to its expiration on August 31, 2013.

(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.

We operate in four business segments: Cement, Gypsum Wallboard, Recycled Paperboard, and Concrete and Aggregates, with Cement and Gypsum Wallboard 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, gravel and sand). These products are used primarily in commercial and residential construction, public construction projects, projects to build, expand and repair roads and highways and in oil and gas drilling.

As further discussed below, subsequent to the Acquisition, we operate six cement plants, seventeen 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 and four aggregates processing plant locations. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the Rocky Mountains, northern Nevada, the Kansas, Oklahoma and Western Missouri area, and northern California. Due to the low value to weight ratio of cement, cement is usually shipped within a 150 mile radius of the plants by truck and up to 400 miles by rail. Gypsum wallboard and recycled paperboard are distributed throughout the continental U.S. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area, northern California and Kansas City, Missouri area.

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.

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Revenues -				
Cement	\$ 105,578	\$ 74,935	\$ 356,482	\$ 229,492
Gypsum Wallboard	104,158	80,737	299,099	228,284
Paperboard	33,696	31,331	100,501	93,390
Concrete and Aggregates	28,336	14,201	83,639	41,335
Sub-total	271,768	201,204	839,721	592,501
Less: Intersegment Revenues	(16,766)	(12,461)	(49,247)	(37,434)
Net Revenues, including Joint Venture	255,002	188,743	790,474	555,067
Less: Joint Venture	(26,190)	(24,000)	(81,972)	(71,623)
Net Revenues	\$ 228,812	\$ 164,743	\$ 708,502	\$ 483,444

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Intersegment Revenues -				
Cement	\$ 2,556	\$ 535	\$ 7,503	\$ 1,614
Paperboard	13,993	11,780	40,855	35,217
Concrete and Aggregates	217	146	889	603
	\$ 16,766	\$ 12,461	\$ 49,247	\$ 37,434
Cement Sales Volume (in thousands of tons) -				
Wholly owned Operations	876	592	3,037	1,852
Joint Venture	239	226	753	678
	1,115	818	3,790	2,530

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	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Operating Earnings -				
Cement	\$ 26,011	\$ 16,615	\$ 77,451	\$ 43,923
Gypsum Wallboard	30,730	16,870	90,234	47,356
Paperboard	6,661	7,963	19,277	20,934
Concrete and Aggregates	(3,698)	(1,335)	(3,550)	(1,496)
Other, net	400	(223)	1,300	(427)
Sub-total	60,104	39,890	184,712	110,290
Corporate General and Administrative	(6,796)	(6,268)	(18,450)	(16,942)
Acquisition and Litigation Expense		(2,485)		(8,859)
Earnings Before Interest and Income Taxes	53,308	31,137	166,262	84,489
Interest Expense, net	(4,475)	(3,836)	(14,225)	(11,149)
Earnings Before Income Taxes	\$ 48,833	\$ 27,301	\$ 152,037	\$ 73,340
Cement Operating Earnings -				
Wholly owned Operations	\$ 16,155	\$ 7,763	\$ 49,970	\$ 19,853
Joint Venture	9,856	8,852	27,481	24,070
	\$ 26,011	\$ 16,615	\$ 77,451	\$ 43,923
Capital Expenditures -				
Cement	\$ 2,657	\$ 3,851	\$ 8,493	\$ 8,798
Gypsum Wallboard	1,284	744	2,983	2,208
Paperboard	902	47	2,803	413
Aggregates	6,600	15,560	27,616	17,380
Concrete	68		1,199	24
Other	114	2	114	9
	\$ 11,625	\$ 20,204	\$ 43,208	\$ 28,832
Depreciation, Depletion and Amortization -				
Cement	\$ 8,036	\$ 5,258	\$ 23,684	\$ 12,991
Gypsum Wallboard	5,239	5,252	15,783	15,798
Paperboard	2,205	2,207	6,558	6,626
Aggregates	1,315	866	3,805	2,650
Concrete	460	401	1,356	937
Other, net	436	352	1,129	778
	\$ 17,691	\$ 14,336	\$ 52,315	\$ 39,780

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	As of	
	December 31, 2013	March 31, 2013
	(dollars in thousands)	
Identifiable Assets -		
Cement	\$ 744,363	\$ 756,158
Gypsum Wallboard	412,422	425,866
Paperboard	126,392	129,226
Aggregates	151,167	108,796
Concrete	27,892	27,187
Corporate and Other	25,028	29,000
	\$ 1,487,264	\$ 1,476,233

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

	As of	
	December 31, 2013	March 31, 2013
	(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 December 31, 2013, 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 was \$3.0 million, and the carrying value of the equipment was \$1.9 million at December 31, 2013, 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 as 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.

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

	For the Three Months		For the Nine Months	
	Ended December 31,		Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Revenues	\$ 52,380	\$ 48,000	\$ 163,944	\$ 143,246
Gross Margin	\$ 20,513	\$ 19,165	\$ 57,848	\$ 51,653
Earnings Before Income Taxes	\$ 19,712	\$ 17,704	\$ 54,962	\$ 48,140

	As of	
	December 31,	March 31,
	2013	2013
	(dollars in thousands)	
Current Assets	\$ 57,032	\$ 53,059
Non-Current Assets	\$ 42,777	\$ 44,120
Current Liabilities	\$ 19,617	\$ 12,913

(N) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months		For the Nine Months	
	Ended December 31,		Ended December 31,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Interest (Income)	\$ (1)	\$ (48)	\$ (3)	\$ (52)
Interest Expense	4,102	3,556	13,071	10,449
Interest Expense Income Taxes	155	100	481	288
Other Expenses	219	228	676	464
Interest Expense, net	\$ 4,475	\$ 3,836	\$ 14,225	\$ 11,149

Interest income includes interest on investments of excess cash. Components of interest expense include interest associated with the Senior Notes, the Credit Facility and commitment fees based on the unused portion of the 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.

(O) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers compensation and auto and general liability self-insurance. At December 31, 2013, we had contingent liabilities under these outstanding letters of credit of approximately \$7.4 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;

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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 \$15.3 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

The IRS has completed its examinations of our federal income tax returns for fiscal years ended March 31, 2001 through March 31, 2010. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 tax years, in which it denied certain depreciation deductions claimed by us with respect to assets acquired from Republic Group LLC in November 2000 (the Republic Assets). In addition, on October 5, 2012, the IRS issued a 30-day letter related to the examination of the tax returns for fiscal years ended March 31, 2007 through March 31, 2010, denying certain depreciation deductions claimed by us with respect to the Republic Assets, similar to the actions taken by the IRS for our tax years ended March 31, 2001 through March 31, 2006, described above.

In June 2010, we received a Notice of Deficiency (Notice) of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The total amount related to the Notice, including interest, was approximately \$98.7 million, of which \$75 million had previously been deposited with the IRS. We deposited the remaining \$23.7 million with the IRS in July 2010 and asked the IRS to apply all \$98.7 million of deposits to the payment of the tax, penalties and interest. Subsequent review of the IRS interest billing produced a refund of \$0.8 million reducing the net outlay to \$97.9 million. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest. The IRS has denied our refund request and we filed a lawsuit in May 2011 in Federal District Court to recover the requested refunds. 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. Additionally, the judge suspended the December 2013 trial date without setting a new date.

With respect to the tax returns for the fiscal years ended March 31, 2007 through March 31, 2010, the IRS has issued an assessment of approximately \$8.1 million of income tax and approximately \$1.9 million in penalties relating to the acquisition of the Republic Assets. In addition, we estimate that interest of approximately \$2.4 million has accrued on these amounts as of December 31, 2013. These amounts have been fully accrued in our financial statements at December 31, 2013. The amounts accrued have been treated as unrecognized tax liabilities and are included in Other Long Term Liabilities on our Consolidated Balance Sheet at December 31, 2013. On October 31, 2012, we appealed the findings of the examiner to the IRS Appeals Office, contesting the assessment of tax, penalties and interest for fiscal years ended March 31, 2007 through March 31, 2010. In March 2013, the IRS agreed to suspend the audit for tax years 2007 through 2011 pending the outcome of our case in Federal District Court.

In the event we reach a settlement through negotiation or in the courts, we will reverse any accrued taxes, interest and penalties in excess of the negotiated settlement through the Consolidated Statement of Earnings. At this time, we are unable to predict with certainty the ultimate outcome or how much of the amounts paid for tax, interest, and penalties to the IRS and state taxing authorities will be recovered, if any.

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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, Georgia-Pacific LLC, 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 present for unspecified monetary damage (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, 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 plaintiffs' claims.

While American Gypsum's production of written discovery is substantially complete, discovery is ongoing. Due to the fact that these claims remain in a preliminary phase, we are unable to assess the likelihood or amount of potential loss relating to the claims, or whether such losses, if any, would have a material impact on our financial position, results of operations or cash flows. American Gypsum denies the allegations in these lawsuits and will vigorously defend itself against these claims.

(P) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at December 31, 2013 is as follows:

	Fair Value (dollars in thousands)
Series 2005A Tranche B	\$ 59,698
Series 2005A Tranche C	60,847
Series 2007A Tranche A	9,742
Series 2007A Tranche B	8,648
Series 2007A Tranche C	26,208
Series 2007A Tranche D	39,931

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 at December 31, 2013 due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at December 31, 2013.

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

EXECUTIVE SUMMARY

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three and nine months ended December 31, 2013 and 2012, respectively, reflects the Company's four business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. 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, gravel and 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. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

On November 30, 2012, the Company completed the acquisition (the "Acquisition") of certain assets of Lafarge North America Inc. ("Lafarge North America" or "the Sellers"). The Acquisition expanded the scope of our cement business in a geographic area that is complementary to, but does not overlap with, our existing cement business. The Acquisition also further positions the Company near energy growth markets where there is growing demand for our specialty oil well cement and other related products.

The assets acquired by us in the Acquisition were used by the Sellers in connection with the business (the "Acquired Assets") of producing, marketing and selling portland cement and concrete in Kansas, Missouri and Oklahoma, and include the following:

two cement plants located in Sugar Creek, Missouri and Tulsa, Oklahoma;

the related cement distribution terminals located in Sugar Creek and Springfield, Missouri; Omaha, Nebraska; Iola and Wichita, Kansas; and Oklahoma City, Oklahoma;

two aggregates quarries near Sugar Creek, Missouri;

eight ready-mix plants located in or near Kansas City, Missouri;

certain fly ash operations conducted in the Kansas City, Missouri area; and

certain related assets such as equipment, accounts receivable and inventory.

The final purchase price ("Purchase Price") of the Acquisition was \$450.7 million, as adjusted to reflect actual working capital acquired at the closing. We funded the payment of the Purchase Price at closing and expenses incurred in connection with the Acquisition through a combination of borrowings under our bank credit facility and the proceeds from our issuance of common stock, which was completed on October 3, 2012. In addition, we assumed certain liabilities in the Acquisition, including accounts payable, contractual obligations, reclamation obligations and other liabilities related to the Acquired Assets. The operating results of the Acquired Assets are included in our results of operations beginning December 1, 2012.

We began operations at our new frac sand plant in Corpus Christi, Texas during the first quarter of fiscal 2014. We continue to pursue other locations that are geographically supportive of the frac sand business, and anticipate capital expenditures related to frac sand to be in the range of \$20.0 million to \$30.0 million during fiscal 2014. The results of operations of the frac sand business are reported in the concrete and aggregates segment.

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We continue to pursue opportunities in businesses which are naturally adjacent to our existing core businesses and would allow us to leverage our core competencies and existing infrastructure and customer relationships. We are also continuing to increase our production of specialty oil well cements. Oil well cements generate higher profit margins than regular construction cement sales and we are among the few producers of oil well cements. The entry into any such new businesses requires capital expenditures and the investment of management time and other resources, and is subject to the risks associated with any new business development.

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. Our Cement companies are located in geographic areas west of the Mississippi river and the Chicago, Illinois metropolitan area. Due to the low value-to-weight ratio of cement, 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 those operations serve the areas immediately surrounding Austin, Texas, north of Sacramento, California and the greater Kansas City, Missouri area. 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.

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

RESULTS OF OPERATIONS**Consolidated Results**

	For the Three Months Ended December 31,			For the Nine Months Ended December 31,		
	2013	2012	Change	2013	2012	Change
	(In thousands except per share)			(In thousands except per share)		
Revenues	\$ 228,812	\$ 164,743	39%	\$ 708,502	\$ 483,444	47%
Cost of Goods Sold	(178,964)	(133,482)	34%	(552,571)	(396,797)	39%
Gross Profit	49,848	31,261	59%	155,931	86,647	80%
Equity in Earnings of Unconsolidated Joint Venture	9,856	8,852	11%	27,481	24,070	14%
Corporate General and Administrative	(6,796)	(6,268)	8%	(18,450)	(16,942)	9%
Acquisition and Litigation Expense		(2,485)	(100%)		(8,859)	(100%)
Other Income (Expense)	400	(223)	279%	1,300	(427)	404%
Interest Expense, net	(4,475)	(3,836)	17%	(14,225)	(11,149)	28%
Earnings Before Income Taxes	48,833	27,301	79%	152,037	73,340	107%
Income Tax Expense	(17,212)	(9,321)	85%	(50,412)	(23,429)	115%
Net Earnings	\$ 31,621	\$ 17,980	76%	\$ 101,625	\$ 49,911	104%
Diluted Earnings per Share	\$ 0.63	\$ 0.37	70%	\$ 2.03	\$ 1.07	90%

Revenues. Revenues increased \$64.1 million to \$228.8 million for the three months ended December 31, 2013, as compared to \$164.7 million for the three months ended December 31, 2012. Revenues from the Acquired Assets positively impacted revenues by approximately \$32.1 million. The remaining increase in revenues from our historical businesses was due primarily to increased average

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sales prices in our gypsum wallboard and cement segments and increased sales volumes in all our segments. The impact of the increased net sales prices and sales volumes on revenues of our historical businesses for the quarter ended December 31, 2013, as compared to December 31, 2012, was approximately \$22.8 million and \$9.2 million, respectively.

Revenues increased \$225.1 million to \$708.5 million for the nine months ended December 31, 2013, as compared to \$483.4 million for the nine months ended December 31, 2012. Revenues from the Acquired Assets positively impacted revenues by approximately \$126.0 million. The remaining increase in revenues from our historical businesses was due primarily to increased average sales prices in our gypsum wallboard and cement segments and increased sales volumes in all our segments. The impact of the increased net sales prices and sales volumes on our historical revenues for the nine months ended December 31, 2013, as compared to December 31, 2012, was approximately \$60.0 million and \$39.1 million, respectively.

Cost of Goods Sold. Cost of goods sold was \$179.0 million and \$133.5 million during the three months ended December 31, 2013 and 2012, respectively. The \$45.5 million increase in cost of goods sold was related to increased volumes and increased costs, which increased cost of goods sold by approximately \$35.0 million and \$10.5 million, respectively. Approximately \$30.9 million of the increase in cost of goods sold related to sales volumes was attributable to the Acquired Assets, with the remaining increase due primarily to the \$8.0 million increase in our gypsum wallboard business. The increase in operating costs in the third quarter of fiscal 2013, as compared to fiscal 2012, was primarily related to our paperboard and concrete and aggregates businesses and was approximately \$3.3 million and \$5.9 million, respectively, partially offset by a decrease of approximately \$2.1 million in our cement business.

Cost of goods sold was \$552.6 million and \$396.8 million during the nine months ended December 31, 2013 and 2012, respectively. The \$155.8 million increase in cost of goods sold was related to increased volumes and increased costs, which increased cost of goods sold by approximately \$134.6 million and \$20.6 million, respectively. Approximately \$105.9 million of the increase in cost of goods sold related to sales volumes was attributable to the Acquired Assets, with the remaining increase due primarily to the \$23.8 million and \$9.0 million increase in our gypsum wallboard and cement businesses, respectively. The increase in operating costs for the nine months ended December 31, 2013, as compared to the similar period in 2012, was primarily related to our gypsum wallboard, paperboard and aggregates businesses and was approximately \$4.1 million, \$4.7 million and \$14.7 million, respectively, partially offset by a decrease of approximately \$5.0 million in our cement business.

Gross Profit. Gross profit was \$49.8 million and \$31.3 million during the three months ended December 31, 2013 and 2012, respectively. The 59% increase was due primarily to increased average sales prices and increased sales volumes, partially offset by increased cost of goods sold, as noted above. The increase in our gross margin to 22% from 19% is due primarily to increased gross margins in our gypsum wallboard and cement businesses, partially offset by reduced margins in our recycled paperboard and concrete and aggregates businesses.

Gross profit was \$155.9 million and \$86.6 million during the nine months ended December 31, 2013 and 2012, respectively. The 80% increase was due primarily to increased average sales prices and increased sales volumes, partially offset by increased cost of goods sold, as noted above. The increase in our gross margin to 22% from 18% is due primarily to increased gross margins in our gypsum wallboard and cement businesses.

Equity in Earnings of Joint Venture. Equity in earnings of our unconsolidated joint venture increased \$1.0 million, or 11%, for the three months ended December 31, 2013, as compared to the similar period in 2012. The increase is primarily due to increases in both the average net sales price and sales volume of cement. The impact of the increases in average net sales price and sales volumes on equity in earnings of our unconsolidated joint venture during the three months ended December 31, 2013 was approximately \$0.8 million and \$1.4 million, respectively, partially offset by increased cost of goods sold of approximately \$1.2 million. The increase in cost of sales was primarily due to the increase in sales volumes, which increased cost of sales by approximately \$0.8 million, and increased operating costs, primarily purchased cement, which increased operating cost by approximately \$0.2 million.

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Equity in earnings of our unconsolidated joint venture increased \$3.4 million, or 14%, for the nine months ended December 31, 2013, as compared to the similar period in 2012. The increase is primarily due to increases in the average net sales price and sales volume. The impact of the increases in average net sales price and sales volumes on equity in earnings of unconsolidated joint venture during the nine months ended December 31, 2012 was approximately \$2.4 million and \$7.9 million, respectively, partially offset by increased cost of sales of approximately \$6.9 million. The increase in cost of goods sold was primarily due to the increase in sales volumes, which increased cost of sales by approximately \$5.3 million and increased operating costs of approximately \$0.4 million in maintenance and approximately \$0.8 million in purchased cement.

Corporate General and Administrative. Corporate general and administrative expenses increased 8% and 9% for the three and nine months ended December 31, 2013, respectively, compared to the similar periods in 2012. The approximately \$0.5 million and \$1.5 million increase in corporate general and administrative expenses for the three and nine months ended December 31, 2013, respectively, as compared to 2012, is due primarily to increased professional expenses. Professional expenses increased approximately \$0.6 million and \$1.8 million during the three and nine months ended December 31, 2013, respectively, as compared to similar periods in 2012, primarily due to corporate development expenses. The increase in professional expense during the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012, was partially offset by reduced group insurance costs of approximately \$0.6 million. See Footnote (O) to the Unaudited Consolidated Financial Statements for more information regarding the lawsuit against the IRS.

Acquisition and Litigation Expense. Acquisition and litigation expense incurred in the prior fiscal year consists of expenses related to the acquisition of the Acquired Assets, the write-off of the greenfield cement opportunity that will no longer be pursued due to the acquisition of the Acquired Assets and legal fees related to our lawsuit against the IRS. Acquisition related expenses and legal fees related to our lawsuit against the IRS were approximately \$1.7 million and \$0.8 million, respectively, during the three months ended December 31, 2012. Acquisition related expenses and the write-off of a greenfield opportunity were approximately \$5.2 million and \$1.0 million, respectively, while legal fees related to our lawsuit against the IRS were approximately \$2.7 million during the nine month period ended December 31, 2012. See Footnote (O) to the Unaudited Consolidated Financial Statements for more information regarding the lawsuit against the IRS.

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

Interest Expense, Net. Interest expense, net, increased approximately \$0.7 million and \$3.1 million during the three and nine months ended December 31, 2013, respectively, as compared to the three and nine months ended December 31, 2012. The 17% and 28% increase in interest expense, net for the three and nine months ended December 31, 2013, respectively, as compared to the similar three and nine months in the prior fiscal year, is due primarily to the increase in interest expense from our Credit Facility, which increased approximately \$0.5 million and \$2.6 million in the three and nine months ended December 31, 2013, respectively, as compared to the three and nine months ended December 31, 2012, due to the increase in borrowings for the Acquisition. The amortization of debt costs was relatively flat for the three month period ended December 31, 2013, as compared to December 31, 2012; however, this amount increased approximately \$0.2 million for the nine months ended December 31, 2013, as compared to the similar periods in the prior year due to costs associated with the amendment of the Credit Facility and Senior Notes in connection with the Acquisition.

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Earnings Before Income Taxes. Earnings before income taxes were \$48.8 million and \$27.3 million during the three months ended December 31, 2013 and 2012, respectively. The \$21.5 million increase was primarily due to a \$18.5 million increase in gross profit, a \$1.0 million increase in equity in earnings of our unconsolidated joint venture, an increase of \$0.6 million in other income and a decrease of \$2.5 million in acquisition and litigation expense, partially offset by increases of \$0.5 million and \$0.6 million in corporate general and administrative expenses and interest expense, respectively.

Earnings before income taxes were \$152.0 million and \$73.3 million during the nine months ended December 31, 2013 and 2012, respectively. The \$78.7 million increase was primarily due to a \$69.3 million increase in gross profit, a \$3.4 million increase in equity in earnings of our unconsolidated joint venture, an increase of \$1.8 million in other income and a decrease of \$8.9 million in acquisition and litigation expense, partially offset by increases of \$1.5 million and \$3.1 million in corporate general and administrative expenses and interest expense, respectively.

Income Taxes. Income tax expense was \$50.4 million and \$23.4 million for the nine months ended December 31, 2013 and 2012, respectively. The estimated effective tax rate for fiscal 2014 increased to 33% from 32% in fiscal 2013. The increase in the effective tax rate is primarily attributable to an increase in earnings, taxable at statutory rates, partially offset by depletion and other allowable deductions in fiscal 2014, as compared to fiscal 2013.

Net Earnings and Diluted Earnings per Share. Net earnings for the quarter ended December 31, 2013 of \$31.6 million increased 76% from last year's net earnings of \$18.0 million; while net earnings of \$101.6 million for the nine months ended December 31, 2013 increased 104% from last year's net earnings of \$49.9 million. Diluted earnings per share for the three and nine month periods ended December 31, 2013 were \$0.63 and \$2.03, respectively, compared to \$0.37 and \$1.07 for the three and nine months ended December 31, 2012, respectively.

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

	For the Three Months Ended December 31,			For the Nine Months Ended December 31,		
	2013	2012	Percentage Change	2013	2012	Percentage Change
	(In thousands except per unit)			(In thousands except per unit)		
Revenues ⁽¹⁾						
Cement ⁽²⁾	\$ 105,578	\$ 74,935	41%	\$ 356,482	\$ 229,492	55%
Gypsum Wallboard	104,158	80,737	29%	299,099	228,284	31%
Recycled Paperboard	33,696	31,331	8%	100,501	93,390	8%
Concrete and Aggregates	28,336	14,201	100%	83,639	41,335	102%
Gross Revenues	\$ 271,768	\$ 201,204	35%	\$ 839,721	\$ 592,501	42%
Sales Volume						
Cement (M Tons) ⁽²⁾	1,115	818	36%	3,790	2,530	50%
Gypsum Wallboard (MMSF)	584	519	13%	1,670	1,476	13%
Recycled Paperboard (M Tons)	66	65	2%	197	187	5%
Concrete (M Yards)	231	143	62%	723	421	72%
Aggregates (M Tons)	748	639	17%	2,663	2,101	27%
Average Net Sales Prices ⁽³⁾						
Cement ⁽²⁾	\$ 87.01	\$ 82.68	5%	\$ 86.10	\$ 82.17	5%
Gypsum Wallboard	143.40	120.55	19%	144.54	119.60	21%
Recycled Paperboard	504.08	480.51	5%	504.64	498.16	1%
Concrete	84.88	71.55	19%	82.02	67.94	21%
Aggregates	11.44	6.13	87%	8.86	6.04	47%
Operating Earnings						
Cement ⁽²⁾	\$ 26,011	\$ 16,615	57%	\$ 77,451	\$ 43,923	76%
Gypsum Wallboard	30,730	16,870	82%	90,234	47,356	91%
Recycled Paperboard	6,661	7,963	(16%)	19,277	20,934	(8%)
Concrete and Aggregates	(3,698)	(1,335)	177%	(3,550)	(1,496)	137%
Other, net	400	(223)	279%	1,300	(427)	404%
Net Operating Earnings	\$ 60,104	\$ 39,890	51%	\$ 184,712	\$ 110,290	67%

(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 \$105.6 million for the three months ended December 31, 2013, which is a 41% increase over revenues of \$74.9 million for the three months ended December 31, 2012. The increase in revenues during three months ended December 31, 2013, as compared to the similar quarter in 2012, is primarily due to a 36% increase in sales volumes, as well as a 5% increase in the average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately \$27.6 million and \$3.1 million, respectively, in the third quarter of fiscal 2014, as compared to the third quarter of fiscal 2013. The increase in sales volume was primarily due to the Acquisition, which positively increased revenue by \$22.9 million, as well as increased construction activity in Texas and our Mountain region.

Operating earnings for the cement business increased to \$26.0 million from \$16.6 million for the third quarter of fiscal 2014 and 2013, respectively. The \$9.4 million increase in operating earnings is due primarily to increased average net sales prices, which positively impacted operating earnings by approximately \$3.1 million, as well as an increase in sales volumes, which positively impacted operating earnings by approximately \$4.2 million. Also contributing to the increase was a decline in operating costs of approximately \$2.1 million during the three

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months ended December 31, 2013, as compared to December 31, 2012. The decline in operating costs related primarily to the decline in fuel and power costs of approximately \$1.2 million and \$0.9 million, respectively, partially offset by increased purchased cement costs of approximately \$0.4 million.

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Cement revenues were \$356.5 million for the nine months ended December 31, 2013, which is a 55% increase over revenues of \$229.5 million for the nine months ended December 31, 2012. The increase in revenues during the nine months ended December 31, 2013, as compared to the similar period in 2012, is primarily due to a 50% increase in sales volumes, as well as a 5% increase in the average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately \$113.8 million and \$13.2 million, respectively, in the nine months ended December 31, 2013, as compared to the similar period in 2012. The increase in sales volume was due to the Acquisition of two cement plants on November 30, 2012 that positively increased revenue by \$94.9 million, as well as increased construction activity in our historical markets.

Operating earnings for the cement business increased to \$77.5 million from \$43.9 million for the nine months ended December 31, 2013 and 2012, respectively. The increase in operating earnings of approximately \$33.6 million is due primarily to increased average net sales price, and increased sales volumes, which positively impacted operating earnings by approximately \$13.2 million and \$15.4 million, respectively. Also contributing to the increase was a decline in operating costs of approximately \$5.0 million during the nine months ended December 31, 2013, as compared to December 31, 2012. The decline in operating costs related primarily the decline in fuel and power costs of approximately \$6.8 million and \$0.9 million, respectively, partially offset by increased purchased cement and other raw materials costs of approximately \$2.4 million.

Gypsum Wallboard Operations. Sales revenues increased 29% to \$104.2 million in the third quarter of fiscal 2014, from \$80.7 million in the third quarter of fiscal 2013, primarily due to a 19% increase in the average net sales price and a 13% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately \$13.3 million and \$10.2 million, respectively. The increase in average net sales price was due to the implementation of a price increase in January 2013. The increased sales volumes are primarily due to increased construction activity in fiscal 2014, as compared to fiscal 2013. Our market share was essentially unchanged during the three months ended December 31, 2013, as compared to the three months ended December 31, 2012.

Operating earnings increased to \$30.7 million in the third quarter of fiscal 2014, from \$16.9 million in the third quarter of fiscal 2013, primarily due to increased average net sales prices and sales volumes, which positively impacted operating earnings by approximately \$13.3 million and \$2.1 million, respectively, partially offset by increased operating costs of approximately \$1.6 million. The increase in operating costs was primarily related to increased paper, natural gas and maintenance costs of approximately \$0.4 million, \$0.5 million and \$1.3 million, respectively, partially offset by lower other raw material costs of approximately \$0.7 million. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating results.

Sales revenues increased 31% to \$299.1 million for the nine months ended December 31, 2013, from \$228.3 million for the nine months ended December 31, 2012, primarily due to a 21% increase in the average net sales price and a 13% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately \$40.8 million and \$30.0 million, respectively. The increase in average net sales price was due to the implementation of a price increase in January 2013. The increased sales volumes are primarily due to increased construction activity in fiscal 2014, as compared to fiscal 2013. Our market share was essentially unchanged during the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012.

Operating earnings increased to \$90.2 million for the nine months ended December 31, 2013, from \$47.4 million in the nine months ended December 31, 2012, primarily due to increased average net sales prices and sales volumes, which positively impacted operating earnings by approximately \$40.8 million and \$6.1 million, partially offset by increased operating costs of approximately \$4.1 million. The increase in operating costs is primarily related to the approximately \$2.8 million and \$1.7 million increase in natural gas and maintenance costs, respectively. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating results.

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Recycled Paperboard Operations. Revenues were \$33.7 million for the three months ended December 31, 2013, as compared to \$31.3 million for the three months ended December 31, 2012. The 8% increase in revenues during the three months ended December 31, 2013, as compared to 2012, was due to the 5% increase in average net sale price and 2% increase in sales volumes. The increase in average net sales price and sales volumes during the three months ended December 31, 2013, as compared to the similar period in 2012, positively impacted revenues by approximately \$1.7 million and \$0.7 million, respectively. The increase in average net sales price is due to the pricing provisions in our long-term sales agreement, as well as an increase in higher priced gypsum paper sales volume to 81% of sales volume during the three months ended December 31, 2013, as compared to 69% of sales volume for the three months ended December 31, 2012.

Operating earnings decreased to \$6.7 million for the third quarter of fiscal 2014, as compared to \$8.0 million for the third quarter of fiscal 2013. The decrease in operating earnings is largely the result of increased operating costs, which adversely impacted operating earnings by \$3.3 million, partially offset by increased average net sales price of \$1.7 million. The increase in operating costs is primarily related to increases in recycled fiber, electricity and natural gas costs, which negatively impacted operating earnings by approximately \$2.6 million, \$0.4 million and \$0.2 million, respectively. The increased operating costs were partially offset by decreased chemical costs of approximately \$0.2 million, and increased sales of higher margin gypsum liner, which positively impacted operating margin by approximately \$0.4 million during three months ended December 31, 2013, as compared to the three months ended December 31, 2012. The increase in operating costs was the primary reason operating margin declined to 20% during the third quarter of fiscal 2014, as compared to 25% during the third quarter of fiscal 2013.

Revenues increased 8% to \$100.5 million for the nine months ended December 31, 2013, from \$93.4 million for the nine months ended December 31, 2012. The increase in revenue during the nine months ended December 31, 2013, as compared to the similar period in 2012, is due to a 5% increase in sales volumes, and a 1% increase in average net sales price. The increase in sales volume and average net sales price during the nine months ended December 31, 2013, as compared to the similar period in 2012, positively impacted revenues by approximately \$5.7 million and \$1.4 million, respectively. The increase in average net sales price is due to the pricing provisions in our long-term sales agreement, as well as an increase in higher priced gypsum paper sales volume to 77% of sales volume during the nine months ended December 31, 2013, as compared to 64% of sales volume for the nine months ended December 31, 2012.

Operating earnings decreased to \$19.3 million for the nine months ended December 31, 2013, as compared to \$20.9 million for the nine months ended December 31, 2012. The decrease in operating earnings is largely the result of increased operating costs, which adversely impacted operating earnings by \$4.7 million, partially offset by increased average net sales price of \$1.4 million. The increase in operating costs is primarily related to increased recycled fiber, electricity and natural gas costs, which negatively impacted operating earnings by approximately \$4.2 million, \$0.8 million and \$1.0 million, respectively. The increased operating costs were partially offset by decreased chemical costs of approximately \$0.8 million, and increased sales of higher margin gypsum liner, which positively impacted operating margin by approximately \$1.4 million during the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012. The increase in operating costs was the primary reason operating margin declined to 19% during the nine months ended December 31, 2013, as compared to 22% during the nine months ended December 31, 2012.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 100% to \$28.3 million in the third quarter of fiscal 2014, as compared to \$14.2 million in the third quarter of fiscal 2013. The primary reason for the increase in revenue for the three months ended December 31, 2013, as compared to the similar period in 2012, was the 62% and 17% increase in concrete and aggregates sales volumes, respectively, which positively impacted revenues by approximately \$10.7 million, while a 19% and 87% increase in concrete and aggregates average net sales prices, respectively, increased revenue by approximately \$3.5 million. The increase in sales volumes was due primarily to the Acquisition, which increased revenues by approximately \$9.1 million during the three months ended December 31, 2013, as

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compared to the similar period in 2012. The remaining increase in sales volumes was due to the start-up of our frac sand business in April 2013, partially offset by a decline of approximately \$0.3 million in our historical concrete and aggregates businesses.

The operating loss for the three months ended December 31, 2013 was \$3.7 million, as compared to an operating loss of \$1.3 million for the three months ended December 31, 2012. The increase in operating loss is due to increased costs during the third quarter of fiscal 2014, as compared to fiscal 2013, which increased our operating loss by approximately \$5.9 million, partially offset by increased average selling prices of approximately \$3.5 million. Increased operating costs during the third quarter of fiscal 2014, as compared to the third quarter of fiscal 2013, were primarily related to maintenance and purchased materials, which increased operating costs by approximately \$1.0 million and a \$2.0 million, respectively. Our operating loss for the three months ended December 31, 2013 was also adversely impacted by start-up costs associated with our new frac sand business of approximately \$2.1 million, as well as the settlement of a litigation matter in California for \$0.5 million.

Concrete and aggregates revenues increased 102% to \$83.6 million in for the nine months ended December 31, 2013, as compared to \$41.3 million for the nine months ended December 31, 2012. The primary reason for the increase in revenue for the nine months ended December 31, 2013, as compared to the similar period in 2012, was the 21% and 47% increase in concrete and aggregates average net sales prices, respectively, which positively impacted revenues by approximately \$12.6 million, while a 72% and 27% increase in concrete and aggregates sales volumes, respectively, increased revenue by approximately \$29.7 million. The increase in sales volumes was due primarily to the Acquisition, which increased revenues by approximately \$30.9 million during the nine months ended December 31, 2013, as compared to the similar period in 2012. The remaining increase in sales volumes was due to increased construction activity in the Austin, Texas market and the start-up of our frac sand business in April 2013.

Operating loss for the nine months ended December 31, 2013 was \$3.6 million, as compared to an operating loss of \$1.5 million for the nine months ended December 31, 2012. The increase in operating loss is due to increased costs during the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012, which increased the operating loss by approximately \$14.7 million, partially offset by increased average selling prices of approximately \$12.6 million. Increased operating costs during the nine months ended December 31, 2013, as compared to the similar period in 2012, were primarily related to maintenance, delivery and purchased materials, which increased by approximately \$3.5 million, \$1.7 million and \$5.5 million, respectively. Operating loss for the nine months ended December 31, 2013 was also adversely impacted by start-up costs associated with our new frac sand business of approximately \$3.6 million, as well as the settlement of a litigation matter in California for \$0.5 million.

GENERAL OUTLOOK

Construction activity for calendar 2014 is expected to continue to improve over calendar 2013 levels. Demand for cement and wallboard in the U.S. is anticipated to continue to improve accordingly. 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 upon the pace of growth in U.S. economic strength.

While cement demand continues to be impacted by softness in the commercial construction market and state government budget deficits, the severity of the impact is uneven among the different regions. We continue to see more signs of recovery in our Texas, Mountain and Central Plains markets than we have in our Nevada and Illinois markets, in part due to energy-driven economic activity, which has also been reflected in continued robustness in our oil-well cement sales.

The Acquired Assets provide us with new opportunities in the Central Plains cement markets and link our cement sales network 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

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different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. Improvement is expected in each area, with the greatest increases expected to be in the residential end-use markets.

We do not necessarily anticipate significant increases in concrete and aggregate sales volumes in our northern California market; however, we are starting to see a recovery in both volume and price in our Austin, Texas market, and expect volumes to continue to increase in calendar 2014, while the demand in the northern California market is expected to remain flat. Demand has improved in the greater Kansas City area during calendar 2013, and we expect demand to remain strong during calendar 2014. We began operations in our new frac sand business during the first quarter of fiscal 2014; however, we do not expect revenue and earnings from this business to be material to the Company's consolidated fiscal 2014 revenue and earnings.

Wallboard demand is heavily influenced by new residential housing construction and repair and remodeling. Most forecasts point to a continued pick-up in demand in both of these areas throughout calendar 2014.

Industry shipments of gypsum wallboard exceeded 20 billion square feet in calendar 2013, and we expect shipments to increase in calendar 2014. Although no new plants are expected to be added in calendar 2014, 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.

Our recycled paperboard segment continues to identify sales opportunities in each of its markets enabling our paper operation to maximize operating earnings. Fiber prices, which are our largest operating cost, are expected to increase moderately throughout the first half of calendar 2014. Energy costs, particularly natural gas, are expected to continue to increase in calendar 2014, as compared to calendar 2013. 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.

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

Recent Accounting Pronouncements

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

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

The following table provides a summary of our cash flows:

	For the Nine Months Ended December 31,	
	2013	2012
	(dollars in thousands)	
Net Cash Provided by Operating Activities	\$ 144,012	\$ 106,953
Investing Activities:		
Capital Expenditures	(43,208)	(28,832)
Acquisition		(448,420)
Net Cash Used in Investing Activities	(43,208)	(477,252)
Financing Activities:		
Excess Tax Benefits from Share Based Payment Arrangements	4,619	3,461
Increase (Decrease) in Credit Facility	(97,000)	221,000
Decrease in Long-Term Debt		(4,677)
Dividends Paid	(14,903)	(13,601)
Net Proceeds from Offering of Common Stock		154,832
Payment of Debt Acquisition Costs		(1,751)
Shares Repurchased to Settle Employee Taxes on RSUs	(489)	(921)
Proceeds from Stock Option Exercises	10,496	14,722
Net Cash Provided by (Used in) Financing Activities	(97,277)	373,065
Net Increase in Cash	\$ 3,527	\$ 2,766

Cash flows from operating activities increased \$37.0 million to \$144.0 million during the nine month period ended December 31, 2013, as compared to \$107.0 million during the similar period in 2012. This increase was largely attributable to increased net earnings of approximately \$51.7 million, partially offset by a decrease in cash flows due to increased working capital. Cash flows from operations were negatively impacted during the nine months ended December 31, 2013 by increases in accounts and notes receivable, and inventories of approximately \$6.5 million and \$19.5 million, respectively, and a decrease in accounts payable and accrued liabilities of approximately \$8.1 million, partially offset by an increase of approximately \$13.8 million in income taxes payable. During the nine months ended December 31, 2012, cash flows from operating activities were positively impacted by a decrease in inventories of approximately \$7.7 million and increases in accounts payable and income taxes payable of approximately \$12.5 million and \$10.3 million, respectively, partially offset by increased accounts and notes receivable of approximately \$5.0 million.

Working capital increased to \$179.2 million at December 31, 2013, compared to \$161.0 million at March 31, 2013, primarily due to increased accounts and notes receivable and inventories of approximately \$8.8 million and \$17.5 million, respectively, and a decrease in accounts payable and accrued liabilities of approximately \$11.3 million and \$1.5 million, respectively, partially offset by decreased prepaid assets of approximately \$5.9 million, increased current portion of long-term debt of \$9.5 million and increased income taxes payable of \$6.6 million.

The increase in accounts and notes receivable at December 31, 2013, as compared to March 31, 2013, is primarily due to increased revenues during the three months ended December 31, 2013, as compared to the three months ended March 31, 2013. As a percentage of quarterly sales generated in the quarter then ended, accounts receivable were 42% at December 31, 2013 and 57% at March 31, 2013. Accounts receivable at March 31, 2013 were higher than normal, due primarily to a delay in collecting a large receivable that was obtained in the Acquisition and collected subsequent to March 31, 2013. Excluding accounts receivable that were obtained in the Acquisition, accounts receivable as a percentage of fourth quarter sales are 51%, which is consistent with the period ended December 31, 2013.

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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 December 31, 2013. Notes receivable are monitored on an individual basis, and no significant deterioration in the collectability of notes receivable was identified at December 31, 2013.

Our inventory balance at December 31, 2013 increased approximately 11% from the inventory balance at March 31, 2013. This increase is due primarily to inventory related to the start-up of our frac sand business during this fiscal year. Excluding the inventory from frac sand, our inventory balance would have increased by approximately 2% at December 31, 2013, as compared to March 31, 2013. The increase in inventory from our historical businesses is consistent with our business cycle as we generally build inventory over the winter to meet the demand in the spring and summer. The largest individual balance in our inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a greater level of repair parts inventory. We believe all of these repair parts are necessary and we perform semi-annual analysis 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) of \$71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to the IRS audit of the Republic Asset Acquisition. The Notice was in substantial agreement with our financial accruals, including interest. The final amount related to the Notice, including interest, was approximately \$97.9 million, of which \$75.0 million had previously been deposited with the IRS. We deposited the remaining amounts with the IRS in July 2010 and asked the IRS to apply all \$97.9 million of deposits to the payment of the tax, penalties and interest. Refund claims were filed with the IRS in October 2010 to recover all \$97.9 million, plus interest. The IRS has denied our refund request and we filed a lawsuit in May 2011 in Federal District Court to recover the requested refunds.

With respect to the tax returns for the fiscal years ended March 31, 2007 through March 31, 2010, the IRS issued an assessment of approximately \$8.1 million of income tax and approximately \$1.9 million in penalties. In addition, we estimate that interest of approximately \$2.3 million has accrued on these amounts as of December 31, 2013. These amounts have been fully accrued in our financial statements at December 31, 2013. The amounts accrued have been treated as unrecognized tax liabilities and are included in Other Long Term Liabilities on our Consolidated Balance Sheet at December 31, 2013 and March 31, 2013. On October 31, 2012, we appealed the findings of the examiner to the IRS Appeals Office, contesting the assessment of tax, penalties and interest for fiscal years ended March 31, 2007 through March 31, 2010. In March 2013, the IRS agreed to suspend the audit for tax years 2007 through 2011 pending the outcome of our case in Federal District Court. See Note (O) of the Notes to Unaudited Consolidated Financial Statements.

Net cash used in investing activities during the nine months ended December 31, 2013 was approximately \$43.2 million, as compared to net cash used in investing activities of \$477.3 million during the similar period in 2012, a decrease of approximately \$434.1 million. The decrease in capital expenditures is primarily due to the \$448.4 million related to the Acquisition during the nine months ended December 31, 2012. Excluding the Acquisition, capital expenditures increased by approximately \$14.2 million during the nine months ended December 31, 2013, as compared to the nine months ended December 31, 2012. The increase is primarily related to our frac sand business, which began operations during fiscal 2014. We anticipate spending between \$20.0 million and \$25.0 million on sustaining capital expenditures for all of our businesses during fiscal 2014, which is consistent with historic levels after taking into consideration the Acquisition.

Net cash used in financing activities was \$97.3 million during the nine months ended December 31, 2013, as compared to net cash provided by financing activities of \$373.1 million during the similar period in 2012. Net cash used in financing activities during the nine months ended December 31, 2013 is

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primarily related to repayments of \$97.0 million in debt, with payments of dividends mostly offset by proceeds and tax benefits related to the exercise of stock options. The increase in repayment of debt is due primarily to increased cash flow due to increased net income during the nine months ended December 31, 2013. Net cash provided by financing activities during the nine months ended December 31, 2012 was primarily related to the issuance of common stock and increased borrowings related to the Acquisition. During October 2012, we completed an issuance of common stock in an underwritten public offering that generated net proceeds of approximately \$154.8 million and increased our outstanding borrowings under the Credit Facility by \$221.0 million. Net cash provided by operating activities was also positively impacted by proceeds and tax benefits related to the exercise of stock options, partially offset by dividend payments during the nine month period ended December 31, 2012. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio improved to 32.8% and 32.3%, respectively, at December 31, 2013, as compared to 41.3% and 41.1%, respectively, at March 31, 2013.

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

On December 16, 2010, we entered into a \$300.0 million revolving credit facility (the Credit Facility), which was amended on September 26, 2012 and is scheduled to expire on December 16, 2015. The amendment to the Credit Facility increased available revolving borrowings from \$300.0 million to \$400.0 million (including an increase in the swingline loan sublimit from \$15.0 million to \$25.0 million) and changed certain provisions in the negative covenants in order to allow for or facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future. 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 $1/2\%$ 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 \$200.0 million of borrowings outstanding under the Credit Facility at December 31, 2013. Based on our Leverage Ratio, we had \$192.6 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at December 31, 2013.

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We entered into a Note Purchase Agreement on November 15, 2005 (the 2005 Note Purchase Agreement) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the Series 2005A Senior Notes) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased \$81.1 million in principal of the Series 2005A Senior Notes during prior periods. During the quarter ended December 31, 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 May 15 and November 15 of each year until all principal is paid for the respective tranche.

We entered into an additional Note Purchase Agreement on October 2, 2007 (the 2007 Note Purchase Agreement) related to our sale of \$200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Notes) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased \$122.0 million in principal of the Series 2007A Senior Notes. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	\$ 9.5 million	October 2, 2014	6.08%
Tranche B	\$ 8.0 million	October 2, 2016	6.27%
Tranche C	\$ 24.0 million	October 2, 2017	6.36%
Tranche D	\$ 36.5 million	October 2, 2019	6.48%

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

We amended both the Series 2005A Senior Notes and Series 2007 A Senior Notes on September 26, 2012. The amendment to each Note Purchase Agreement, among other things, provided for changes to the calculation used to determine compliance with the financial covenants contained in each agreement with regard to transaction costs, expenses and other amounts in connection with the pending Acquisition. These changes primarily related to amending the definition of Consolidated EBITDA to allow the add back of certain transaction and other allocated overhead costs that are not expected to be incurred in the future.

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.

Other than the Credit Facility, we have no other source of committed external financing in place. In the event the Credit Facility was terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if any balance were outstanding on the 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.

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On August 31, 2011, we entered into an Uncommitted Master Shelf Agreement (the Shelf Agreement) with John Hancock Life Insurance Company (U.S.A.) (Hancock). The Shelf Agreement provided the terms under which the Company could offer up to \$75 million of its senior unsecured notes for purchase by Hancock or Hancock s affiliates that become bound by the Shelf Agreement (collectively, Purchasers). The Shelf Agreement did not obligate the Company to sell, or the Purchasers to buy, any such notes, and had a term of two years. We did not sell any notes pursuant to the Shelf Agreement prior to its expiration on August 31, 2013.

As a result of the Acquisition, we succeeded to the leasehold interest held by Lafarge North America with respect to the cement plant located in Sugar Creek, Missouri, as well as its obligations under certain related industrial revenue bonds. In 1998, Lafarge North America had entered into a series of agreements, which were later amended in 2003, with the City of Sugar Creek, Missouri, in connection with the construction of improvements at the Sugar Creek cement plant. Under these agreements, Lafarge North America leased the Sugar Creek cement plant from the City of Sugar Creek, Missouri, which issued \$150.0 million of tax-exempt and taxable industrial revenue bonds to partly finance the construction of such improvements. The lease payments due to the City of Sugar Creek under the Sugar Creek cement plant lease 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. Upon the closing of the Acquisition, funds for the retirement of \$47.0 million of the industrial revenue bonds were placed into escrow by Lafarge North America, resulting in the defeasement of such bonds and leaving \$103.0 million of industrial revenue bonds outstanding. The defeased bonds were subsequently paid in full in June 2013. The remaining \$103.0 million of industrial revenue bonds held by Lafarge North America were transferred to a wholly owned subsidiary of the Company in connection with the Acquisition. Because we are now 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 Sugar Creek cement plant.

We do not have any off balance sheet debt, except for approximately \$12.0 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the Credit Facility a \$50.0 million Letter of Credit Facility. At December 31, 2013, we had \$7.4 million of letters of credit outstanding that renew annually. We are contingently liable for performance under \$15.3 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, including the impact of the Acquisition. 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.

Cash Used for Share Repurchases.

We did not repurchase any of our shares on the open market during the nine months ended December 31, 2013. As of December 31, 2013, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by management, based on its evaluation of market and economic conditions and other factors.

During the nine months ended December 31, 2013, 6,838 shares of stock were withheld from employees upon the vesting of Restricted Shares or Restricted Shares Units that were granted under the Plan. These shares were withheld by us to satisfy the employees minimum statutory tax withholding, which is required once the Restricted Shares or Restricted Shares Units are vested.

Table of Contents***Dividends.***

Dividends paid were \$14.9 million and \$13.6 million for the nine months ended December 31, 2013 and 2012, 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 Nine Months Ended December 31,	
	2013	2012
	(dollars in thousands)	
Land and Quarries	\$ 4,978	\$ 7,901
Plants	30,260	14,830
Buildings, Machinery and Equipment	7,970	6,101
Total Capital Expenditures	\$ 43,208	\$ 28,832

Historically, sustaining capital expenditures have been approximately \$20.0 to \$25.0 million, which we anticipate will be similar for fiscal 2014. Total capital expenditures for fiscal 2014, including sustaining capital expenditures, are expected to be approximately \$55.0 million to \$60 million. Historically, we have funded such expenditures with cash from operations and borrowings under our revolving credit facility.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our 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 December 31, 2013, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the \$200.0 million of borrowings outstanding at December 31, 2013 would increase our interest expense by approximately \$2.0 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.

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.

Table of Contents**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 judge suspended the December trial date and has not yet scheduled a new trial date. See Note (O) of the Notes to the Consolidated Financial Statements for more information.

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 as required by the Prevention of Significant Deterioration requirements and Title V permit requirements of the CAA. The EPA also alleges that NCC has failed to submit to EPA since 2002 certain reports as required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. The NOV states that the EPA may seek penalties although it does not propose or assess any specific level of penalties or specify what relief the EPA will seek for the alleged violations. NCC believes it has substantial meritorious defenses to the allegations in the NOV. NCC met with the EPA in December 2010 and again in September 2012 to present its defenses and to discuss a resolution of the NOV with the EPA. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. If litigation regarding this matter occurs, it could take many years to resolve the underlying issues alleged in the NOV. We are currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon our financial position or results of operations.

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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, Georgia-Pacific LLC, 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 present for unspecified monetary damage (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, 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 plaintiffs' claims.

While American Gypsum's production of written discovery is substantially complete, discovery is ongoing. Due to the fact that these claims remain in a preliminary phase, we are unable to assess the likelihood or amount of potential loss relating to the claims, or whether such losses, if any, would have a material impact on our financial position, results of operations or cash flows. 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 improved in calendar 2012 and into calendar 2013; 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 July 2012, infrastructure spending has been adversely affected 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.

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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.

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 are regulated as pollutants under the Clean Air Act 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

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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 MACT). The PC MACT will require a significant reduction in emissions of certain hazardous air pollutants from Portland cement kilns. The PC MACT sets limits on mercury emissions from existing Portland cement kilns and increases the stringency of emission limits for new kilns. The PC MACT also sets emission limits for total hydrocarbons, particulate matter (as a surrogate for metal pollutants) and acid gases from cement kilns of all sizes. The PC MACT 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 MACT, 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 MACT 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 MACT 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. 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 MACT for particulate matter and dioxin/furans. The CISWI Rule as currently promulgated may materially increase capital costs and cost 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. EPA has recently 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. In April 2012 a number of environmental and community groups filed suit seeking to force the EPA to complete this rulemaking. That case is pending in the United States District Court for the District of Columbia. 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.

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The Acquired Assets are subject to government laws, regulations and other requirements relating to the protection of the environment and other matters that may impose significant costs and future requirements that could limit the way we operate our business.

The Acquired Assets are subject to certain obligations under a consent decree between Lafarge North America and 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 the Acquired Assets. It is difficult to predict with reasonable certainty the impact of these limitations on the operations or operating costs of the Acquired Assets. 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 ability to achieve the anticipated benefits of the Acquisition or on our financial condition or results of operations.

The Acquired Assets are subject to federal, state and local laws and regulations with respect to, among others, environmental matters, including laws and regulations not applicable to our business prior to the Acquisition such as the NESHAP for hazardous waste combustors (the HWC MACT), which imposes emission limitations and operating limits on cement kilns that are fueled by hazardous wastes, including those operated at the cement plant acquired by us in Tulsa, Oklahoma. 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 by the Acquired Assets. This revision may require new control requirements and significant capital expenditure for compliance. The revised regulations have not been proposed and compliance is not expected to be required for approximately 5 years.

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 Acquired Assets 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.

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 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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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. See Item 1. Business Industry Segment Information Environmental Matters in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on May 24, 2013, for more information on our regulatory and environmental matters.

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

Some of the raw materials used in our manufacturing processes, such as coal or coke, are transported to our facilities by truck or rail. In addition, transportation logistics play an important part in allowing us to supply products to our customers, whether by train, 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 the 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 agreement could have a material adverse effect on our financial condition or results of operations.

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

In order to finance the Acquisition, we incurred borrowings of approximately \$310.0 million under the Credit Facility. We expect to use cash flow generated from our future operations to make payments on our debt obligations and to fund planned capital expenditures. Our future ability to satisfy these obligations and make these expenditures 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;

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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 as navigating the regulatory environment in which we operate. There can be no assurance that we will be successful in the pursuit and realization of these opportunities.

We may not realize any or all of the anticipated benefits of the Acquisition and the Acquisition may adversely impact our existing operations.

We may not be able to achieve the anticipated benefits of the Acquisition as we may not be able to accomplish the integration of the Acquired Assets with our other assets and operations within the anticipated costs or timeframe. In general, we cannot assure you that we will be able to timely achieve the anticipated incremental revenues, cost savings, operational synergies and other expected benefits of the Acquisition. In addition, the market price of our common stock may decline if we do not achieve the anticipated benefits of the Acquisition as readily or to the extent anticipated by financial or industry analysts or if the effect of the Acquisition on our financial results is not consistent with expectations of financial or industry analysts.

Integration efforts related to the Acquisition have resulted in the diversion of a portion of the time and attention of our management from our other operations to such integration efforts. Any difficulties encountered in combining operations could result in further demands on the time and attention of our management or prevent us from realizing the full benefits anticipated to result from the Acquisition and could adversely affect our business and the price of our common stock. The integration process is inevitably complex, costly and time-consuming. The risks associated with integrating the Acquired Assets with our other assets and operations include, among others:

failure to implement our business plan for the combined business;

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unanticipated issues in integrating logistics, information, communications and other systems;

unanticipated changes in applicable laws and regulations;

operating risks inherent in the operation of cement plants and ready-mix facilities;

the impact of the Acquisition on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

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

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

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

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

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

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

Item 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.

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Item 6. Exhibits

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

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SIGNATURES

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

	EAGLE MATERIALS INC. Registrant
February 7, 2014	/s/ STEVEN R. ROWLEY Steven R. Rowley President and Chief Executive Officer (principal executive officer)
February 7, 2014	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President Finance and Administration and Chief Financial Officer (principal financial officer)
February 7, 2014	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President Controller and Chief Accounting Officer (principal accounting officer)