EAGLE MATERIALS INC
Form 10-K
May 22, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended

March 31, 2015

Commission File No. 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $.01 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

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 x NO o

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 x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 x	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 Act). YES o NO x

The aggregate market value of the voting stock held by nonaffiliates of the Company at September 30, 2014 (the last business day of the registrants' most recently completed second fiscal quarter) was approximately $5.0 billion.

As of May 18, 2015, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	50,232,767

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders of Eagle Materials Inc. to be held on August 6, 2015 are incorporated by reference in Part III of this Report.

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PART I

ITEM 1. BUSINESS

Overview

Eagle Materials Inc. (the “Company” or “EXP” which may be referred to as “we”, “our” or “us”) was founded in 1963 as a building materials subsidiary of Centex Corporation (“Centex”), and we operated as a public company under the name Centex Construction Products, Inc. from April 1994 to January 30, 2004, at which time Centex completed a tax-free distribution of its shares in EXP to its shareholders (the “Spin-off”). The products that we manufacture, distribute and sell are basic materials with broad application as construction products, building materials, and basic materials used for oil and natural gas extraction. Our construction products are used in residential, industrial, commercial and infrastructure construction and include cement, concrete and aggregates. Our building materials are sold into similar markets and include gypsum wallboard. Our basic materials used for oil and natural gas extraction include frac sand and oil well cement. Gypsum wallboard is distributed throughout the U.S. with particular emphasis in the geographic markets nearest to our production facilities. We also operate a recycled paperboard business which sells internally to our wallboard business as well as to external customers. We sell cement in six regional markets, including northern Nevada and California, the greater Chicago area, the Rocky Mountain region, the Central Plains region and Texas. We have three concrete and aggregates businesses and we recently began selling frac sand for use in the hydraulic fracturing of oil and gas wells.

Our products are commodities that are essential in commercial and residential construction, public construction projects, projects to build, expand and repair roads and highways and in natural gas and oil extraction. Demand for these products is generally cyclical and seasonal, depending on economic and geographic conditions. Our operations are geographically diverse, providing us with regional economic diversification. The markets of our cement companies are more regional due to the low value-to-weight ratio of cement, which generally limits shipments by truck to a 150 mile radius of the plants and up to 300 miles by rail. Our cement companies focus on the U.S. heartland in Texas, Oklahoma, Missouri, Colorado, Wyoming and Nevada, as well as the Chicago, Illinois metropolitan area. Concrete and aggregates are more local as our operations serve the areas immediately surrounding Austin, Texas, the greater Kansas City area and north of Sacramento, California, Demand for cement, concrete and aggregates may fluctuate more widely because local and regional markets and economies can be more sensitive to changes than the national market, as well as being more susceptible to seasonal impact due to adverse weather. Our gypsum wallboard and paperboard operations are more national in scope and shipments of wallboard and paper are made throughout the continental U.S., except for the northeast, and therefore are more impacted by national trends. Frac sand is currently sold into shale deposit zones across the United States. Demand for oil and gas proppants is impacted primarily by rig counts and well completion activity.

Our goal, through relentless and disciplined continuous improvement, is to be the lowest cost producer in each of the markets in which we compete. As such, we will continue to focus on reducing costs and improving our operations, recognizing that being the lowest cost producer is a key to our success.

Demand continues to increase for our construction products and building materials businesses, as underlying economic fundamentals in the U.S. continued to improve during calendar 2014. Cement consumption in the United States, as estimated by the Portland Cement Association, increased 8% to 97.8 million short tons in calendar 2014, compared to 90.0 million short tons in calendar 2013, with imported cement consumption increasing to approximately 9.5% of total sales in calendar 2014, compared to 9% in calendar 2013. Consistent with the increase in cement consumption nationally, we also experienced increased sales volumes of approximately 5%, in fiscal 2015, compared to fiscal 2014. Demand for gypsum wallboard continues to improve as well, as industry shipments of gypsum wallboard increased approximately 5% to 21.5 billion square feet in calendar 2014, compared to 20.5 billion square feet in calendar 2013, primarily due to the approximately 4% and 16% increase in single family and multi-family

housing starts during calendar 2014 compared to calendar 2013.

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At March 31, 2015, we operated six cement plants (one of which belongs to our joint venture company), sixteen cement distribution terminals, five gypsum wallboard plants, one recycled paperboard plant, seventeen concrete batching plants, four aggregates facilities, two frac sand wet processing facilities, three frac sand drying facilities and four frac sand trans-load locations. We opened a trans-load location during the first quarter of fiscal 2016 in Kenedy, Texas, and we expect to open a second trans-load location in Fowlerton, Texas during the second quarter of fiscal 2016. Our gypsum wallboard plant in Bernalillo, New Mexico has been idled since 2009.

We will also continue to focus on growth through acquisitions or expansion of existing facilities that we believe provide an opportunity to realize an appropriate return on investment and increased profitability for our shareholders.

On March 3, 2015, we entered into an asset purchase agreement to acquire a 600,000 ton per year Granulated Ground Blast Furnace Slag ("GGBFS") plant in South Chicago (the "Skyway Plant") with Holcim (US) Inc. ("Holcim") and an affiliate of Holcim (the "Skyway Acquisition"). Among other applications, GGBFS is used in conjunction with Portland cement to make durable concrete structures. The Skyway Plant purchases its primary raw material, slag, pursuant to a long term supply agreement with a third party.

The purchase price (the "Skyway Purchase Price") to be paid by the Company in the Skyway Acquisition is approximately $30,000,000 in cash, subject to customary post-closing adjustments. We expect to fund the payment of the Skyway Purchase Price and expenses incurred in connection with the Skyway Acquisition with operating cash flow. We will assume certain liabilities, including contractual obligations, related to the Skyway Plant. The Skyway Acquisition is conditioned on the closing of the Lafarge S.A.-Holcim Ltd. merger and is expected to close during our fiscal second quarter.

On November 14, 2014, we completed the previously announced acquisition (the "CRS Acquisition") of all of the outstanding equity interests of CRS Holdco LLC, CRS Proppants LLC, Great Northern Sand, LLC, and related entities (collectively, "CRS Proppants"). CRS Proppants is a supplier of frac sand to the energy industry, and its business currently consists of a frac sand mine in New Auburn, Wisconsin, a wet processing plant, a drying facility and a transload network into Texas and southwest Oklahoma. The purchase price (the "Purchase Price") paid by the Company for CRS Proppants was approximately $237.2 million in cash, including approximately $8.9 million for in-process capital expenditures paid through the closing date, and estimated working capital and other estimated closing amounts. The Purchase Price is subject to customary post-closing adjustments as provided in the Securities Purchase Agreement entered into in connection with the CRS Acquisition. The Purchase Price was funded through borrowings under the Company's credit facility. CRS Proppants was in the process of expanding its frac sand mine in New Auburn, Wisconsin at the time of purchase. We expect to complete the expansion during fiscal 2016 at an additional cost of approximately $8.0 million.

Industry Segment Information

We currently have five different business segments, which are Cement, Concrete and Aggregates, Gypsum Wallboard, Recycled Paperboard and Oil and Gas Proppants. A description of these business segments can be found on pages 3-14.

We conduct one of our six cement plant operations through a joint venture, Texas Lehigh Cement Company LP, which is located in Buda, Texas. We own a 50% interest in the joint venture and account for our interest using the equity method of accounting. However, for segment reporting purposes, we proportionately consolidate our 50% share of the cement joint venture's revenues and operating earnings, which is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance. Revenues from external customers, operating earnings, identifiable assets, depreciation, depletion and amortization, and capital expenditures by segment are presented in Footnote (G) of the Notes to Consolidated Financial Statements on pages 70-73.

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Cement, CONCRETE AND AGGREGATES Operations

Company Operations

Cement. Our cement production facilities are located in or near Buda, Texas; LaSalle, Illinois; Laramie, Wyoming; Sugar Creek, Missouri; Tulsa, Oklahoma and Fernley, Nevada. All of our cement subsidiaries are wholly-owned except the Buda, Texas plant, which is owned by Texas Lehigh Cement Company LP, a limited partnership joint venture owned 50% by us and 50% by Lehigh Cement Company LLC, a subsidiary of Heidelberg Cement AG. Our LaSalle, Illinois plant operates under the name Illinois Cement Company; the Laramie, Wyoming plant operates under the name Mountain Cement Company; the Fernley, Nevada plant operates under the name Nevada Cement Company and our Sugar Creek, Missouri and Tulsa, Oklahoma plants operate under the name Central Plains Cement Company.

Cement is the basic binding agent for concrete, a primary construction material. All of our cement plants utilize dry process technology and, at present, approximately 75% of our clinker capacity is from preheater or preheater/pre-calciner kilns. The following table sets forth certain information regarding these plants:

Plant Location	Owned or Leased Reserves	Rated Annual Clinker Capacity (M short tons)[1]	Manufacturing Process	Number of Kilns	Kiln Dedication Date	Estimated Minimum Limestone Reserves (M short tons)[2]	Estimated Minimum Limestone Reserves (Years)	Fiscal 2015 Tons Mined (Thousand tons)
Buda, TX	Owned	1,300 [3]	Dry – 4 Stage Preheater/ Pre-calciner	1	1983	227,260	50+	1,900
LaSalle, IL	Owned	1,000	Dry – 5 Stage Preheater/ Pre-calciner	1	2006	33,740	29	1,165
Sugar Creek, MO	Owned Leased	1,000	Dry – 5 Stage Preheater/ Pre-calciner	1	2002	122,000 6,075	50+	1,060
Laramie, WY	Owned	650	Dry – 2 Stage	1	1988	132,850	50+	850

	Leased		Preheater			3,850		
			Dry – Long					
			Dry Kiln	1	1996			
Tulsa, OK	Owned	650	Dry – Long	2	1961	42,000	50+	820
			Dry Kiln		1964			
Fernley, NV	Owned	500	Dry – Long	1	1964	13,700	50+	650
	Leased		Dry Kiln			71,100		
			Dry – 1 Stage	1	1969			
			Preheater					
Total-Gross [4]		5,100						
Total-Net [4][5]		4,450						

[1] One short ton equals 2,000 pounds.

[2] All limestone reserves are deemed to be probable under the definition provided by Industry Guide 7.

[3] The amount shown represents 100% of plant capacity and production. This plant is owned by a separate limited partnership in which the Company has a 50% interest.

[4] Generally, a plant's cement grinding production capacity is greater than its clinker production capacity.

[5] Net of partner's 50% interest in the Buda, Texas plant.

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Our net cement production, including our 50% share of the cement Joint Venture production, totaled 4.2 million short tons in fiscal 2015 and 4.0 million short tons in fiscal 2014. Total net cement sales, including our 50% share of cement sales from the Joint Venture, were 4.8 million short tons and 4.6 million short tons in fiscal 2015 and fiscal 2014, respectively. The Joint Venture also owns a minority interest in an import terminal in Houston, Texas and can purchase up to 495,000 short tons annually from this cement terminal.

Concrete and Aggregates. Readymix concrete is a versatile, low-cost building material used in almost all construction. The production of readymix concrete involves the mixing of cement, sand, gravel, or crushed stone and water to form concrete, which is then sold and distributed to numerous construction contractors. Concrete is produced in batch plants and transported to the customer's job site in mixer trucks.

The construction aggregates business consists of the mining, extraction, production and sale of crushed stone, sand, gravel and lightweight aggregates such as expanded clays and shales. Construction aggregates of suitable characteristics are employed in virtually all types of construction, including the production of readymix concrete and asphaltic mixes used in highway construction and maintenance.

We produce and distribute readymix concrete from company-owned sites north of Sacramento, California; Austin, Texas and the greater Kansas City area. The following table sets forth certain information regarding these operations:

Location	Number of Plants	Number of Trucks
Northern California	3	30
Austin, Texas	6	80
Kansas City Area	8	85
Total	17	195

We conduct aggregate operations near our concrete facilities in northern California; Austin, Texas and the greater Kansas City area. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company. The following table sets forth certain information regarding these operations:

Location	Owned or Leased	Types of Aggregates	Estimated Annual Production Capacity (Thousand tons)	Estimated Minimum Reserves (Thousand Tons) [1]	Estimated Minimum Reserves (Years)	Fiscal 2015 Tons Mined (Thousand Tons)
Northern California	Owned	Sand and Gravel	4,000	915,000	100+	820
Austin, Texas	Leased	Limestone	3,000	75,000	25	2,200
Kansas City Area	Leased	Limestone	700	57,500	50+	620

[1] All reserves are deemed to be probable under the definition of Industry Guide 7.

Our total net aggregate sales were 3.0 million tons in fiscal 2015 and 3.2 million tons in fiscal 2014. Total aggregates production was 3.6 million tons and 3.0 million tons for fiscal 2015 and fiscal 2014, respectively. A portion of our total aggregates production is used internally by our readymix concrete operations in Texas, the greater Kansas City area and California.

Raw Materials and Fuel Supplies

Cement. The principal raw material used in the production of Portland cement is calcium carbonate in the form of limestone. Limestone is obtained principally through mining and extraction operations conducted at quarries that we own or lease and are located in close proximity to our plants. We believe that the estimated recoverable limestone reserves owned or leased by us will permit each of our plants to operate at our present production capacity for approximately 30 years. Other raw materials used in substantially smaller quantities than limestone are sand, clay, iron ore and gypsum. These materials are readily available and can either be obtained from Company-owned or leased reserves or purchased from outside suppliers.

Coal and petroleum coke are the primary fuels used in our cement plants, but the plants are equipped to burn natural gas, if necessary. The cost of delivered coal and petroleum coke declined in fiscal 2015 as compared to fiscal 2014, primarily due to the increased use of petroleum coke and alternative fuels as a percentage of total fuel. The Tulsa plant currently burns fuel quality wastes, as well as coal and petroleum coke, and the Sugar Creek plant currently burns alternative fuels and petroleum coke. When we acquired Sugar Creek and Tulsa in late 2012, both plants had existing alternative fuels programs managed by a company that supplies alternative fuels and materials to the cement plants. In keeping with Eagle’s commitment to sustainability and to cost management, we continued these programs to manage our alternative fuels and materials at those plants.

Electric power is also a major cost component in our manufacturing process and we have sought to diminish overall power costs by adopting interruptible power supply agreements at certain locations. These agreements may expose us to some production interruptions during periods of power curtailment.

Concrete and Aggregates. We supply from our cement plants approximately 100% of the cement requirements for both our greater Kansas City and northern California concrete operations. We internally supply approximately 40%, 45% and 80%, respectively, of our aggregates requirements for our Austin, greater Kansas City and northern California concrete operations. We obtain the balance of our cement and aggregates requirements from multiple outside sources in each of these areas.

We mine and extract limestone, sand and gravel, the principal raw materials used in the production of aggregates, from quarries owned or leased by us and located near our plants. The quarry serving our northern California business is estimated to contain over nine hundred million tons of sand and gravel reserves. The quarry serving our Austin, Texas market is covered by a lease which expires in 2060. Based on its current production capacity, we estimate our northern California and Austin, Texas quarries contain over 100 years and approximately 25 years of reserves, respectively. The quarry serving our Kansas City market currently has 50 years of reserves, and we are actively seeking additional reserves to extend the life of the quarry.

Sales and Distribution

Cement. The principal sources of demand for cement are infrastructure, commercial construction and residential construction, with public works infrastructure comprising over 50% of total demand. Cement consumption increased approximately 9% during calendar 2014 from calendar 2013, and the Portland Cement Association predicts cement consumption will increase another 8% in calendar 2015. Demand for cement is seasonal, particularly in northern states where inclement winter weather often affects construction activity. Cement sales are generally greater from spring through the middle of autumn than during the remainder of the year. The impact to our business of regional construction cycles may be mitigated to some degree by our geographic diversification.

The following table sets forth certain information regarding the geographic areas served by each of our cement plants and the location of our distribution terminals in each area. We have a total of 16 cement storage and distribution terminals that are strategically located to extend the sales areas of our plants.

Plant Location	Principal Geographic Areas	Distribution Terminals
Buda, Texas	Texas and western Louisiana	Corpus Christi, Texas Houston, Texas Roanoke (Ft. Worth), Texas Waco, Texas Houston Cement Company (Joint Venture), Houston, Texas
LaSalle, Illinois	Illinois and southern Wisconsin	Hartland, Wisconsin
Sugar Creek, Missouri	Western Missouri, eastern Kansas and northern Nebraska	Sugar Creek, Missouri Iola, Kansas Wichita, Kansas Omaha, Nebraska
Laramie, Wyoming	Wyoming, Utah, Colorado and western Nebraska	Salt Lake City, Utah Denver, Colorado North Platte, Nebraska
Tulsa, Oklahoma	Oklahoma, western Arkansas and southern Missouri	Oklahoma City, Oklahoma Springfield, Missouri
Fernley, Nevada	Northern Nevada and northern California	Sacramento, California

Cement is distributed directly to our customers mostly through customer pickups, as well as by common carriers from our plants or distribution terminals. We transport cement principally by rail to our storage and distribution terminals. No single customer accounted for 10% or more of our cement segment sales during fiscal 2015. Sales are made on the basis of competitive prices in each market and, as is customary in the industry, we do not typically enter into long-term sales contracts.

The cement industry is extremely competitive as a result of multiple domestic suppliers and the importation of foreign cement through various terminal operations. Approximately 75% of the U.S. cement industry is owned by foreign

international companies. Competition among producers and suppliers of cement is based primarily on price, with consistency of quality and service to customers being important but of lesser significance. Price competition among individual producers and suppliers of cement within a geographic area is intense because of the fungible nature of the product. Because of cement's low value-to-weight ratio, the relative cost of transporting cement on land is high and limits the geographic area in which each company can market its products profitably; therefore, the U.S. cement industry is fragmented into regional geographic areas rather than a single national selling area. No single cement company has a distribution of plants extensive enough to serve all geographic areas, so profitability is sensitive to shifts in the balance between regional supply and demand.

Cement imports into the U.S. occur primarily to supplement domestic cement production or to supply a particular region. Cement is typically imported into deep water ports or transported on the Mississippi River system near major population centers to take advantage of lower waterborne freight costs versus higher truck and rail transportation costs that U.S. based manufacturers incur to deliver into the same areas.

The Portland Cement Association estimates that imports represented approximately 9% of cement used in the U.S. during each of the calendar years 2014, 2013 and 2012. Based on the normal distribution of cement into the market, we believe that approximately 5% to 10% of the total consumption will consistently be served by imported cement.

Concrete and Aggregates. Demand for readymix concrete and aggregates largely depend on local levels of construction activity. Construction activity is also subject to weather conditions, the availability of financing at reasonable rates and overall fluctuations in local economies, and therefore tends to be cyclical. We sell readymix concrete to numerous contractors and other customers in each plant's marketing area. Our batch plants in Austin, the greater Kansas City area and northern California are strategically located to serve each marketing area. Concrete is delivered from the batch plants primarily by company-owned trucks, as well as third party contractors in certain markets.

We sell aggregates to building contractors and other customers engaged in a wide variety of construction activities. Aggregates are delivered from our aggregate plants by common carriers and customer pick-up. None of our customers accounted for 10% or more of our segment revenues during fiscal 2015. We are continuing our efforts to secure a rail link from our principal aggregates deposit north of Sacramento, California to supply extended markets in northern California.

Both the concrete and aggregates industries are highly fragmented, with numerous participants operating in each local area. Because the cost of transporting concrete and aggregates is very high relative to product values, producers of concrete and aggregates typically can profitably sell their products only in areas within 50 miles of their production facilities. Barriers to entry in each industry are low, except with respect to environmental permitting requirements for new aggregates production facilities and zoning of land to permit mining and extraction of aggregates.

Environmental Matters

Cement. Our cement operations are subject to numerous federal, state and local laws and regulations pertaining to health, safety and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws) impose environmental permitting requirements and govern the nature and amount of emissions that may be generated when conducting particular operations. Some laws, such as the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (and analogous state laws) impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim certain land upon completion of extraction and mining operations in our quarries. We believe that we have obtained all the material environmental permits that are necessary to conduct our operations. We further believe that we are conducting our operations in substantial compliance with these permits. In addition, none of our manufacturing sites is listed as a CERCLA "Superfund" site.

Seven environmental issues involving the cement manufacturing industry deserve special mention.

The first environmental issue involves cement kiln dust or CKD. The federal Environmental Protection Agency ("EPA") has been evaluating the regulatory status of CKD under the Resource Conservation and Recovery Act ("RCRA") for a number of years. In 1999, the EPA proposed a rule that would allow states to regulate properly-managed CKD as a non-hazardous waste under state laws and regulations governing solid waste. In contrast, CKD that was not properly managed would be treated as a hazardous waste under RCRA. In 2002, the EPA confirmed its intention to continue to exempt properly-managed CKD from the hazardous waste requirements of RCRA. The agency announced that it would collect additional data over the next three to five years to determine if the states' regulation of CKD is effective. Although the EPA had previously indicated that it continues to consider an approach whereby it would finalize its 1999 proposal to exempt properly-managed CKD wastes and establish protective CKD management standards, as of May 1, 2015 the EPA still has not finalized the 1999 proposal. Based on currently available information, it is uncertain whether or when this proposal will be finalized. Nevertheless, in the interim many state environmental agencies have been using the EPA's 1999 proposed CKD management standards as general industry guidelines.

Currently, substantially all CKD produced in connection with our ongoing operations is recycled, and therefore such CKD is not viewed as a waste under RCRA. However, CKD was historically collected and stored on-site at our Illinois, Nevada, Missouri, Oklahoma and Wyoming cement plants and at a former plant site in Corpus Christi, Texas, which is no longer producing cement. If either the EPA or the states decide to reclassify or

impose new management standards on this CKD at some point in the future, we could incur additional costs to comply with those requirements with respect to our historically collected CKD. CKD that comes in contact with water might produce a leachate with an alkalinity high enough to be classified as hazardous and might also leach certain hazardous trace metals therein.

The second environmental issue involves the historical disposal of refractory brick containing chromium. Such refractory brick was formerly used widely in the cement industry to line cement kilns. We currently do not use refractory brick containing chromium, and we crush spent refractory brick which is then used as raw feed in the kiln.

The third environmental issue involves the potential regulation of our emission of greenhouse gasses (“GHGs”), including carbon dioxide, under the Clean Air Act (“CAA”). The consequences of GHG emission reduction regulations for our cement operations will likely be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel to generate very high kiln temperatures, and (2) the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide.

In response to the Supreme Court’s ruling in Massachusetts v. EPA, 127 S. Ct. 1438 (2007), that GHGs are “air pollutants” and, thus, potentially subject to regulation under the CAA, the EPA has taken steps to regulate GHG emissions from mobile and stationary sources. On September 22, 2009, the EPA issued a “Mandatory Reporting of Greenhouse Gases” final rule, which took effect December 29, 2009. This rule establishes a new comprehensive scheme requiring operators of stationary sources in the United States emitting more than established annual thresholds of GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. On December 15, 2009, the EPA published a final rule finding that current and projected concentrations of six key GHGs in the atmosphere threaten public health and welfare. Based on this finding, on May 7, 2010, the EPA promulgated a final rule establishing GHG emission standards for new motor vehicles under Title II of the CAA. According to the EPA, the motor vehicle rule triggered construction and operating permit requirements for large stationary sources of GHGs, including cement plants, under Title I of the CAA. On May 13, 2010, the EPA promulgated a final rule, known as the “Tailoring Rule,” addressing the thresholds at which stationary sources of GHGs trigger prevention of significant deterioration (“PSD”) and Title V permitting requirements. PSD review requires an analysis of possible GHG controls and, potentially, the installation of GHG controls or emissions limitations.

On June 23, 2014 the U.S. Supreme Court issued an opinion with respect to the Tailoring Rule holding that the EPA can require PSD controls for GHG emissions only for sources subject to PSD review based on another pollutant. Util. Air Regulatory Grp. V. E.P.A, 134 S. Ct. 2427 (2014). Following the Supreme Court decision, the EPA issued a memorandum clarifying that the EPA intends to continue to apply PSD requirements to GHG emissions if a source emits or has the potential to emit 75,000 tons per year (‘tpy”) or more of GHGs. Thus, any major modification of our existing plants or construction of a new plant that triggers PSD review for non-GHG emissions also would trigger PSD review for GHG emissions if the proposed major modification or construction would result in a GHG emission increase of at least 75,000 tpy.

On June 2, 2014, the EPA proposed regulations establishing standards of performance for GHG emissions from existing fossil-fuel fired power plants under Section 111(d) of the Clean Air Act (“ESPS”). Instead of establishing source-specific requirements, the proposed ESPS would set state-wide emission limits. Several states have individually implemented measures to reduce emissions of GHGs, primarily through the planned development of GHG inventories or registries or regional GHG “cap and trade” programs. California’s AB 32 program is the most advanced of such state initiatives, with regulations affecting all major sources of GHGs. States also have joined together to form regional initiatives to reduce GHG emissions, most notably the Regional Greenhouse Gas Initiative in the Northeast. In the future, the EPA is expected to propose new source performance standards for cement manufacturing, which similarly will trigger a requirement for the EPA to promulgate regulations relating to existing

cement manufacturing facilities. The timing of such regulations is uncertain.

It is not possible at this time to predict how any future legislation that may be enacted or final EPA regulations that may be adopted to address GHG emissions would impact our business. However, any imposition of raw materials or production limitations, fuel-use or carbon taxes, or emission limitations or reductions could have a significant impact on the cement manufacturing industry and a material adverse effect on us and our results of operations.

The fourth environmental issue is the EPA's promulgation on September 9, 2010 of final regulations establishing national emissions standards for hazardous air pollutants ("NESHAP") for portland cement plants pursuant to Section 112 of the CAA. For specific hazardous air pollutants ("HAPs"), the final rule requires cement plants to meet certain emission and operating standards. The new rule sets limits on mercury emissions from existing portland cement kilns and increases the stringency of emission limits for new kilns. The rule sets emission limits for total hydrocarbons, and also sets emission limits for particulate matter as a surrogate for non-volatile metal HAPS, from cement kilns of all sizes, and reduces hydrochloric acid emissions from kilns that are large emitters. As a result of industry challenges to the regulations, in December 2011, the U.S. Court of Appeals for the D.C. Circuit issued its opinion in Portland Cement Ass'n v. EPA, 665 F.3d 177 (D.C. Cir. 2011), remanding certain provisions of the regulations to the EPA for review. In May 2012, the EPA proposed a settlement agreement with industry petitioners that would require the EPA to agree to reconsider certain other provisions of the regulations. The EPA concluded reconsideration of the regulations and issued a revised rule on February 12, 2013. The revised rule made two notable changes to the 2010 HAP regulations. First, the rule established less stringent emission standards for total hydrocarbons and particulate matter. Second, the rule extended to September 9, 2015, the deadline for existing sources to comply with the HAP regulations. We do not believe we would be placed at a competitive disadvantage by the revised rule.

On October 24, 2013, the U.S. Court of Appeals for the D.C. Circuit issued a decision in Natural Res. Def. Council v. EPA, No. 10-1371, 2014 WL 1499825 (D.C. Cir. Apr. 18, 2014), upholding the emissions-related provisions of the revised rule. However, the court also vacated the portion of the rule that established an affirmative defense to penalties for non-compliance during well documented malfunction events. The court declined to address whether it is permissible for individual states to adopt a similar affirmative defense.

The fifth environmental issue is the EPA's promulgation pursuant to Section 129 of the CAA of revised regulations for Commercial and Industrial Solid Waste Incineration ("CISWI") units. Clean Air Act Section 129 requires the EPA to set standards for solid waste incineration units. The EPA promulgated CISWI regulations in 2000. The regulations were challenged and remanded to the EPA, without being vacated, for review of the definitions of "commercial and industrial waste" and "commercial or industrial solid waste incineration unit." The EPA published revised definitions in 2005; the rulemaking was referred to as the "CISWI Definitions Rule." The CISWI Definitions Rule defined these terms so that only units that combusted commercial or industrial waste and were not designed to, or did not operate to, recover thermal energy from the combustion were subject to the CISWI regulations. The CISWI Definitions Rule was challenged, and in 2007 the U.S. Court of Appeals for the D.C. Circuit issued its decision in Natural Resources Defense Council v. EPA, 489 F. 3d 1250 (D.C. Cir. 2007), vacating the rule. The Court held that the Clean Air Act requires that any facility that combusts commercial or industrial solid waste (including cement kilns) must comply with the CISWI regulations. In response, on March 21, 2011, the EPA promulgated revised CISWI regulations. The EPA subsequently agreed to reconsider limited aspects of the revised regulations and, on February 7, 2013, issued a final rule on reconsideration. Affected sources must comply with the revised CISWI regulations the earlier of 3 years after State CISWI plan approval, or 5 years from the date of the final rule on reconsideration. On January 1, 2015, the EPA published a proposal to reconsider four provisions of the February 2013 final CISWI rule, and eliminate the affirmative defense to penalties for non-compliance during well documented malfunction events. Compared to the PC NESHAP, the CISWI regulations contain requirements for more pollutants and the requirements for particulate matter and dioxin/furans for existing and new sources are more stringent.

Whether a facility is a CISWI unit regulated under Section 129 of the Clean Air Act or a cement plant regulated under Section 112 of the Clean Air Act hinges on whether it combusts "solid waste" as that term is defined under Subtitle D of the Resource Conservation and Recovery Act. On March 21, 2011 (and also revised

on February 7, 2013), the EPA finalized the Identification of Non-Hazardous Secondary Materials that Are Solid Waste ("NHSM") rule. The NHSM rule's primary purpose is to provide the definition of solid waste that is used to determine if a cement kiln is regulated under CISWI regulations or the PC NESHAP regulations. The rule lays out processing and legitimacy criteria that are used to determine if a non-traditional fuel is a solid waste. Combustion of a solid waste triggers applicability of the CISWI requirements.

At some of our operations, kilns are or will be using non-hazardous secondary materials as a replacement for traditional fuels used in the manufacturing process. These kiln systems are capable of beneficially utilizing a wide array of NHSM and may be subject to the CISWI requirements, depending on whether these materials are identified as "solid wastes" under the NHSM rule. Solid waste-burning kilns must meet the CISWI emission and operating standards. Non-waste burning kilns must prove any alternative fuels used are not solid wastes subject to the PC NESHAP. We are in the process of analyzing the implications of using NHSM and compliance with the CISWI standards. In addition, industry and environmental organizations have filed lawsuits challenging both the CISWI and NHSM regulations. It is not possible at this time to predict whether these rules will be changed or stayed as an outcome of the litigation. We do not believe we would be placed at a competitive disadvantage by these rules.

The sixth environmental issue is a revision the Hazardous Waste Combustor National Emission Standards for Hazardous Waste Standards ("HWC NESHAP"). The Tulsa, Oklahoma cement facility utilizes hazardous waste as fuel and is required to meet the emission and operating standards of the HWC NESHAP. This facility has demonstrated and remains in compliance with all of the requirements of the current HWC NESHAP regulation. On October 12, 2005, as a result of ongoing litigation, the EPA promulgated final HWC regulations, with compliance required for all facilities by 2008. On October 28, 2008, the EPA promulgated a final rule addressing eight issues for which the EPA granted reconsideration. The final rule on reconsideration did not change the compliance date for existing sources established by the 2005 rule. Environmental and industry organizations filed lawsuits in the U.S. Court of Appeals for the D.C. Circuit challenging the 2005 and 2008 regulations. The EPA subsequently agreed to revise the HWC NESHAP standards in accordance with an agreement with litigants, and the court remanded, without vacatur, the 2005 and 2008 regulations to the EPA for further consideration. The EPA has not indicated when it will issue a proposed rule amending the regulations. It is not possible to predict at this time the stringency or impact of revised HWC NESHAP regulations or timing required for compliance.

We believe that our current procedures and practices in our operations, including those for handling and managing hazardous materials, are consistent with industry standards and are in substantial compliance with applicable environmental laws and regulations. Nevertheless, because of the complexity of our operations and the environmental laws to which we are subject, there can be no assurance that past or future operations will not result in violations, remediation costs or other liabilities or claims. Moreover, we cannot predict what environmental laws will be enacted or adopted in the future or how such future environmental laws or regulations will be administered or interpreted. Compliance with more stringent environmental laws, or stricter interpretation of existing environmental laws, could necessitate significant capital outlays.

The seventh environmental issue is the EPA's ongoing review of the national ambient air quality standards ("NAAQS") for ozone. On December 17, 2014, the EPA proposed to lower the primary and secondary ozone standards from the current 8-hour standard of 75 parts per billion ("ppb") to a standard in the range of 65 to 70 ppb, but is considering a primary standard as low as 60 ppb. The EPA also proposed, for the first time, a potential secondary standard based on the "W126 metric," which is a seasonal, cumulative measure of weighted hourly ozone values observed between 8 a.m. and 8 p.m. The W126 metric is used to assess cumulative impacts of ozone exposure on ecosystems and vegetation. After the final rule is issued, the EPA will determine whether the ozone levels in areas across the country, typically on a county level, are above the new standards. Areas above the new standards will be designated as "nonattainment;" areas at or below the new standards will be designated "attainment." In states with major emitting sources located in or near designated nonattainment areas, states may impose new and costly regulatory

requirements. The EPA has stated that it will complete its review of the NAAQS and issue its final rule by October 1, 2015. At this time, it is not possible to predict at what level the

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EPA will set the final NAAQS and whether any area in which we operate will be designated as a nonattainment area.

Concrete and Aggregates. The concrete and aggregates industry is subject to environmental regulations similar to those governing our cement operations.

Capital Expenditures

Cement. We had capital expenditures related to compliance with environmental regulations applicable to our cement operations of $1.7 million during fiscal 2015 and anticipate spending an additional $4.0 million during fiscal 2016.

Concrete and Aggregates. We had no capital expenditures related to compliance with environmental regulations applicable to our concrete and aggregates operations during fiscal 2015. We anticipate spending approximately $1.0 million in fiscal 2016 at this time.

Gypsum Wallboard and RECYCLED PAPERBOARD Operations

Company Operations

Gypsum Wallboard. We currently own five gypsum wallboard manufacturing facilities; however, we idled our gypsum manufacturing facility in Bernalillo, New Mexico in December 2009, due to cyclical low wallboard demand. We anticipate re-opening this facility when additional capacity is needed to meet marketplace demand. There are four primary steps in the gypsum wallboard manufacturing process: (1) gypsum is mined and extracted from the ground (or, in the case of synthetic gypsum, received from a power generation company); (2) the gypsum is then calcined and converted into plaster; (3) the plaster is mixed with various other materials and water to produce a mixture known as slurry, which is extruded between two continuous sheets of recycled paperboard on a high-speed production line and allowed to harden; and (4) the sheets of gypsum wallboard are then cut to appropriate lengths, dried and bundled for sale. Gypsum wallboard is used to finish the interior walls and ceilings in residential, commercial and industrial structures.

The following table sets forth certain information regarding our plants:

Location	Owned or Leased Reserves	Approximate Annual Gypsum Wallboard Capacity (MMSF)[1]	Estimated Minimum Gypsum Reserves (Thousand Tons)[3]	Estimated Minimum Gypsum Reserves (years)[2]	Fiscal 2015 Tons Mined (Thousand Tons)
Albuquerque, New Mexico	Owned	425	26,400 [4]	34[4]	210
Bernalillo, New Mexico[6]	Leased	550	[4]	34[4]	—
Gypsum, Colorado	Owned	700	13,000	21	410
Duke, Oklahoma	Owned	1,300	19,800	19	580

Leased	2,300			
Georgetown, South Carolina [5]	900		53[5]	—
Total	3,875			

[1] Million Square Feet ("MMSF"), based on anticipated product mix.
[2] At 100% capacity utilization.
[3] All gypsum tons are deemed probable under the definition provided by Industry Guide 7.
[4] The same reserves serve both New Mexico plants.
[5] We have a sixty year supply agreement with Santee Cooper for synthetic gypsum that expires in 2068.
[6] This plant was idled in December 2009.

Our gypsum wallboard production totaled 2,244 MMSF in fiscal 2015 and 2,142 MMSF in fiscal 2014. Total gypsum wallboard sales were 2,210 MMSF in fiscal 2015 and 2,112 MMSF in fiscal 2014.

Recycled Paperboard. Our recycled paperboard manufacturing operation, which we refer to as Republic Paperboard Company ("Republic"), is located in Lawton, Oklahoma, and has a highly technologically advanced paper machine designed primarily for gypsum liner production. The paper's uniform cross-directional strength and finish characteristics facilitate the efficiencies of new high-speed wallboard manufacturing lines and improve the efficiencies of the slower wallboard manufacturing lines. Although the machine was designed primarily to manufacture gypsum liner products, we are also able to manufacture several alternative products, including containerboard grades and lightweight packaging grades. To maximize manufacturing efficiencies, namely machine width, recycled industrial paperboard grades are produced.

Our paper machine allows the paperboard operation to manufacture high-strength gypsum liner that is approximately 10-15% lighter in basis weight than generally available in the U.S. The low-basis weight product utilizes less recycled fiber to produce paper that, in turn, requires less energy (natural gas) to evaporate moisture from the board; during the gypsum wallboard manufacturing process. The low-basis weight paper also reduces the overall finished board weight, providing wallboard operations with more competitive transportation costs for both the inbound and outbound segments.

Raw Materials and Fuel Supplies

Gypsum Wallboard. We mine and extract natural gypsum rock, the principal raw material used in the manufacture of gypsum wallboard, from mines and quarries owned, leased or subject to mining claims owned by the Company and located near our plants. Certain of our New Mexico reserves are under lease with the Pueblo of Zia. Gypsum ore reserves at the Gypsum, Colorado plant are contained within a total of 115 placer claims encompassing 2,300 acres. Included in this are 94 unpatented mining claims where mineral rights can be developed upon completion of permitting requirements. We currently own land containing gypsum in the area of Duke, Oklahoma, with additional reserves controlled through a lease agreement. Other gypsum deposits are located near the plant in Duke, which we believe may be obtained at reasonable cost when needed. We are currently in the eighth year of a sixty year supply agreement (original twenty year term with two twenty year extension options) with a public utility in South Carolina for synthetic gypsum, which we use at our Georgetown, South Carolina plant. It is anticipated that the public utility will provide adequate gypsum for the foreseeable future. If the utility is unable to provide the agreed-upon amount of gypsum, it is responsible for providing gypsum from a third party to fulfill its obligations.

Through our modern low cost paperboard mill we manufacture sufficient quantities of paper necessary for our gypsum wallboard production. Paper is a significant cost component in the manufacture of gypsum wallboard, currently representing approximately one-third of our cost of production.

Our gypsum wallboard manufacturing operations use natural gas and electrical power. A significant portion of the Company's natural gas requirements for our gypsum wallboard plants are currently provided by three gas producers under gas supply agreements expiring in May 2016 for New Mexico, August 2015 for Colorado and October 2015 for South Carolina and Oklahoma. If the agreements are not renewed, we anticipate being able to obtain our gas supplies from other suppliers at competitive prices. Electrical power is supplied to our New Mexico plants at standard industrial rates by a local utility. Our Albuquerque plant utilizes an interruptible power supply agreement, which may expose it to some production interruptions during periods of power curtailment. Power for our Gypsum, Colorado facility is generated at the facility by a cogeneration power plant that we own. Currently, the cogeneration power facility supplies power and waste hot gases for drying to the gypsum wallboard plant. We do not sell any power to third parties. Gas costs represented approximately 10% of our production costs in fiscal 2015.

Recycled Paperboard. The principal raw materials are recycled paper fiber (recovered waste paper), water and specialty paper chemicals. The largest waste paper source used by the operation is old cardboard containers (known as OCC). A blend of high grades (white papers consisting of ink-free papers such as news blank and unprinted papers) is

used in the gypsum liner facing paper, white top linerboard and white bag liner grades.

We believe that an adequate supply of OCC recycled fiber will continue to be available from sources located within a reasonable proximity of the paper mill. Although we have the capability to receive rail shipments, the vast majority of the recycled fiber purchased is delivered via truck. Prices are subject to market fluctuations based on generation of material (supply), demand and the presence of the export market. The current outlook for fiscal 2016 is for waste paper prices, namely OCC, to remain relatively consistent with fiscal 2015. Current gypsum liner customer contracts include price escalators that partially offset/compensate for changes in raw material fiber prices. The chemicals used in the paper making operation, including size, retention aids, biocides and bacteria controls, are readily available from several manufacturers at competitive prices.

The manufacture of recycled paperboard involves the use of large volumes of water in the production process. We have an agreement with the City of Lawton municipal services for supply of water to Republic. Electricity, natural gas and other utilities are available to us at either contracted rates or standard industrial rates in adequate supplies. These utilities are subject to standard industrial curtailment provisions.

Paperboard operations are generally large consumers of energy, primarily natural gas and electricity. During fiscal 2015, natural gas and electricity costs were lower compared to fiscal 2014, from a cost per MMBtu perspective and usage perspective as well. During fiscal 2015, electricity costs were lower compared to fiscal 2014 due to 5% reduction in pricing and a shift in the production grade mix. Electricity is supplied to the paper mill by Public Service of Oklahoma (PSO). This power company is working to switch its fuel source dependency to natural gas, which could impact our electricity rates in future years. Oklahoma is a regulated state for electricity services and as such all rate change requests must be presented to the Oklahoma Corporation Commission for review and approval before implementation.

Sales and Distribution

Gypsum Wallboard. The principal sources of demand for gypsum wallboard are (i) residential construction, (ii) repair and remodeling, (iii) non-residential construction, and (iv) other markets such as exports and manufactured housing, which we estimate accounted for approximately 43%, 46%, 10% and 1%, respectively, of calendar 2014 industry sales. Demand for gypsum wallboard remains highly cyclical; and closely follows construction industry cycles, particularly housing construction. Demand for wallboard can be seasonal and is generally greater from spring through the middle of autumn.

We sell gypsum wallboard to numerous building materials dealers, gypsum wallboard specialty distributors, lumber yards, home center chains and other customers located throughout the United States, with the exception of the northeast. Gypsum wallboard is sold on a delivered basis, mostly by truck. We generally utilize third-party common carriers for deliveries. Two customers accounted for approximately 23% of our gypsum wallboard segment sales during fiscal 2015.

Although gypsum wallboard is distributed principally in local areas, certain industry producers (including the Company) have the ability to ship gypsum wallboard by rail outside their usual regional distribution areas to regions where demand is strong. We own approximately 100 railcars for transporting gypsum wallboard. In addition, in order to facilitate distribution in certain strategic areas, we maintain a distribution center in New Mexico. Our rail distribution capabilities permit us to service customers in markets on both the east and west coasts, except for the northeast.

There are seven manufacturers of gypsum wallboard in the U.S. operating a total of approximately 60 plants. We estimate that the three largest producers - USG Corporation, National Gypsum Company and
Koch Industries - account for approximately 60% of gypsum wallboard sales in the U.S. Due to the commodity nature of the product, competition is based principally on price, which is highly sensitive to changes in supply and demand.

Product quality and customer service are also important to the customer.

Total wallboard rated production capacity in the United States is currently estimated at approximately 33.0 billion square feet per year; however, certain lines have been curtailed and plants closed or idled. It is possible that previously closed plants or lines could be brought back into service. The Gypsum Association, an industry

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trade group, estimates that total calendar 2014 gypsum wallboard shipments by U.S. manufacturers were approximately 21.5 billion square feet.

Recycled Paperboard. Our manufactured recycled paperboard products are sold to gypsum wallboard manufacturers and other industrial users. During fiscal 2015, just below 40% of the recycled paperboard sold by our paper mill was consumed by the Company's gypsum wallboard manufacturing operations, approximately 25% was sold to CertainTeed, pursuant to a paper supply contract (the "CertainTeed Agreement"), and the remainder was shipped to other gypsum liner manufacturers and bag producers. The existing CertainTeed Agreement was originally entered into by Republic Paperboard and James Hardie Gypsum, Inc. in 1999; however, the James Hardie North American gypsum wallboard operations were acquired by BPB Gypsum, whose operations were then purchased during fiscal 2006 by St. Gobain. St. Gobain's North American operations conduct business under the CertainTeed trade name. The loss of CertainTeed as a customer or a termination or reduction of CertainTeed's production of gypsum wallboard, unless replaced by a commercially similar arrangement, could have a material adverse effect on the Company.

Environmental Matters

Gypsum Wallboard. The gypsum wallboard industry is subject to numerous federal, state and local laws and regulations pertaining to health, safety and the environment. Some of these laws, such as the federal Clean Air Act and the federal Clean Water Act (and analogous state laws), impose environmental permitting requirements and govern the nature and amount of emissions that may be generated when conducting particular operations. Some laws, such as CERCLA (and analogous state laws), impose obligations to clean up or remediate spills of hazardous materials into the environment. Other laws require us to reclaim certain land upon completion of extraction and mining operations in our quarries. None of our gypsum wallboard operations is the subject of any local, state or federal environmental proceedings or inquiries. We do not, and have not, used asbestos in any of our gypsum wallboard products.

On April 17, 2015, the EPA published its final rule addressing the storage, reuse 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. The rule, which applies only to electric utilities and independent power producers, establishes standards for the management of coal combustion residuals ("CCRs") under Subtitle D of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates non-hazardous wastes. The rule imposes requirements addressing CCR surface impoundments and landfills, including location restrictions, design and operating specifications, groundwater monitoring requirements, corrective action requirements, recordkeeping and reporting obligations, and closure requirements. Beneficial encapsulated uses of CCRs, including synthetic gypsum, are exempt from regulation. The rule becomes effective on October 14, 2015, with many of the requirements phased in months or years after the effective date. Given the EPA's decision to continue to allow CCR to be used in synthetic gypsum and to regulate CCR under the non-hazardous waste sections of RCRA, we do not expect the rule to materially affect our business, financial condition and results of operations.

Currently, the EPA is reviewing the national ambient air quality standards ("NAAQS") for ozone. On December 17, 2014, the EPA proposed to lower the primary and secondary ozone standards from the current 8 hour standard of 75 parts per billion ("ppb") to a standard in the range of 65 to 70 ppb, but it is considering a primary standard as low as 60 ppb. EPA also proposed, for the first time, a potential secondary standard based on the "W126 metric." After the final rule is issued, the EPA will determine whether the ozone levels in areas across the country, typically on a county level, are above the new standards. Areas above the new standards will be designated as "nonattainment;" areas at or below the new standards will be designated "attainment." In states with major emitting sources located in or near designated nonattainment areas, States will impose new and costly regulatory requirements. The EPA has stated that it will complete its review of the NAAQS and issue its final rule by October 1, 2015. At this time, it is not possible to predict at what level the EPA will set the final NAAQS and whether any area in which we operate will be designated

nonattainment.

Our gypsum wallboard manufacturing process combusts natural gas. It is possible that GHG emissions from our manufacturing could become subject to regulation under the CAA. For a more detailed discussion of this issue, see the “Environmental Matters” section of our cement business description on pages 7-10.

Although our gypsum wallboard operations could be adversely affected by federal, regional or state climate change initiatives, at this time, it is not possible to accurately estimate how future laws or regulations addressing GHG emissions would impact our business. However, any imposition of raw materials or production limitations, fuel-use or carbon taxes or emission limitations or reductions could have a significant impact on the gypsum wallboard manufacturing industry and a material adverse effect on the financial results of our operations.

Capital Expenditures

Gypsum Wallboard and Recycled Paperboard. We had $0.3 million of capital expenditures related to compliance with environmental regulations applicable to our gypsum wallboard and recycled paperboard operations during fiscal 2015, and we anticipate spending approximately $0.1 million during fiscal 2016.

OIL AND GAS PROPPANTS OPERATIONS

Company Operations

We currently own two frac sand mines, two frac sand wet processing plants and three frac sand drying facilities. Our frac sand mines and wet plants are in New Auburn, Wisconsin and Utica, Illinois. Our frac sand drying facilities are in New Auburn, Wisconsin and Corpus Christi, Texas, as outlined in the table below. We ship wet sand from our Utica, Illinois mine site to Corpus Christi, Texas, where the sand is processed into various mesh sizes and marketed primarily to oil service companies. In addition to Corpus Christi, we have the following trans-load locations where sand processed at our New Auburn, Wisconsin facility is sold. These locations are El Reno, Oklahoma; Cotulla, Texas; Odessa, Texas and San Antonio, Texas. We opened a trans-load location during the first quarter of fiscal 2016 in Kenedy, Texas, and we expect to open a second trans-load location in Fowlerton, Texas during the second quarter of fiscal 2016. Both trans-load locations are expected to be supplied from our Corpus Christi, Texas site.

The following table provides information regarding our frac sand production facilities at March 31, 2015:

Wet Plant Location	Owned or Leased Reserves	Estimated Annual Wet Production Capacity (Thousand tons)	Estimated Minimum Reserves (Thousand Tons)[1]	Estimated Minimum Reserves (Years)	Fiscal 2015 Tons Mined (Thousand Tons)[3]
New Auburn, Wisconsin	Owned	2,600 [2]	12,750	11.5[3]	480
	Leased		8,750		
Utica, Illinois	Owned	2,000	140,000	50+	720

Dry Plant Location	Dry Plant Capacity (Thousand Tons)
New Auburn, Wisconsin (two lines)	1,900
Corpus Christi, Texas	1,500

(1) All sand tons are deemed to be probable under the definition provided by Industry Guide 7.

(2) This reflects total capacity after the completion of the expansion, which is expected to be completed in the first half of fiscal 2016. Capacity at March 31, 2015 was 1.3 million tons.

(3) We have an option to purchase property that, if purchased, will increase our estimated minimum reserves to 20.0 years.

Raw Materials and Fuel Supplies

We mine our frac sand from open pit mines, and process the sand in our wet plants. The excavation process includes stripping the overburden overlaying the planned mining area, and removing the sand through blasting or

mechanically with the use of mobile equipment. Processing includes washing the sand with water, and screening to remove non-salable material after which the sand is dried and further screened to its final mesh sizes, which range from 20 mesh to 140 mesh. During the winter months, the cold weather adversely impacts our ability to operate our wet processing plants, resulting in these plants being shut-down for much of the winter. Generally our New Auburn, Wisconsin facility is impacted more by the weather than our Utica, Illinois facility.

Natural gas is the major fuel used in our wet and dry plants. The cost of natural gas was consistent throughout fiscal 2015, and is not expected to fluctuate materially in fiscal 2016. Electricity and water are also major cost component in our manufacturing process. We do not anticipate significant changes in the cost of these utilities in fiscal 2016.

Sales and Distribution

A portion of the frac sand we produce is sold under long-term contracts that require our customers to pay a specified price per mesh size for a specified volume of sand each month, or quarter depending on the contract. The terms of our customer contracts, including pricing, delivery and mesh distribution, vary by customer. Our long-term customer contracts contain liquidated damages for non-performance by our customers, and certain of our contracts contain provisions allowing the customer to terminate the contract at various times during the term of the contract by paying a termination fee. The recent decline in U.S. rig count and completion activity has adversely impacted oil and gas activity leading to reduced demand and pricing for proppants. As a result, we have renegotiated certain provisions of our long-term contracts with certain customers. The renegotiated contracts reflect the reduced demand for frac sand in the current environment by restructuring the contracts to provide reduced the contracted sales volume and prices in the near term, with the contracted minimums being increased in the later years. In addition to the long-term sales contracts, we sell frac sand through our distribution network under short-term pricing and other agreements. The terms of our short-term pricing agreements vary by customer.

We currently have contracts to provide frac sand to seven customers. For the year ended March 31, 2015, five customers exceeded 10% of our segment revenues, and collectively this group of customers accounted for approximately 70% of our segment revenues. Approximately 65% of our revenues for the fiscal year 2015 were generated from contract sales.

We utilize in basin trans-load facilities as a part of our distribution network. The San Antonio, Cotulla and Odessa trans-load locations are supplied by rail, and operated by third-party contractors. The El Reno, Oklahoma trans-load location is also supplied by rail, and is operated by company personnel. Frac sand is delivered to the sites in rail cars specifically designed for loading and unloading sand. At March 31, 2015 we had approximately 800 rail cars under lease, with an average term of approximately five years. Our Corpus Christi location is served by barge, and the Kenedy and Fowlerton, Texas trans-load sites are expected to be served by truck from Corpus Christi.

Environmental Matters

We and the commercial silica industry are subject to extensive governmental regulation pertaining to matters such as permitting and licensing requirements, plant and wildlife protection, hazardous materials, air and water emissions, and environmental contamination and reclamation. A variety of federal, state and local agencies have established, implement and enforce these regulations.

Federal Regulation. At the federal level, we may be required to obtain permits under Section 404 of the Clean Water Act from the U.S. Army Corps of Engineers for the discharge of dredged or fill material into waters of the United States, including wetlands and streams, in connection with our operations. We also may be required to obtain permits under Section 402 of the Clean Water Act from the EPA or the state environmental agencies, to which the EPA has delegated local implementation of the permit program, for discharges of pollutants into waters of the United States,

including discharges of wastewater or storm-water runoff associated with construction

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activities. Failure to obtain these required permits or to comply with their terms could subject us to administrative, civil and criminal penalties as well as injunctive relief.

The U.S. Clean Air Act and comparable state laws regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. These regulatory programs may require us to install expensive emissions abatement equipment, modify operational practices, and obtain permits for existing or new operations. Before commencing construction on a new or modified source of air emissions, such laws may require us to reduce emissions at existing facilities. As a result, we may be required to incur increased capital and operating costs to comply with these regulations. We could be subject to administrative, civil and criminal penalties as well as injunctive relief for noncompliance with air permits or other requirements of the U.S. Clean Air Act and comparable state laws and regulations.

As part of our operations, we utilize or store petroleum products and other substances such as diesel fuel, lubricating oils and hydraulic fluid. We are subject to regulatory programs pertaining to the storage, use, transportation and disposal of these substances. Spills or releases may occur in the course of our operations, and we could incur substantial costs and liabilities as a result of such spills or releases, including claims for damage or injury to property and persons. CERCLA and comparable state laws may impose joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of hazardous substances into the environment. These persons include the owner or operator of the site where the release occurred and anyone who disposed of or arranged for disposal, including offsite disposal, of a hazardous substance generated or released at the site. Under CERCLA, such persons may be subject to liability for the costs of cleaning up the hazardous substances, for damages to natural resources, and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

In addition, RCRA and comparable state statutes regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. The EPA and state environmental agencies, to which the EPA has delegated portions of the RCRA program for local implementation, administer the RCRA program.

Our operations may also be subject to broad environmental review under the National Environmental Policy Act (“NEPA”). NEPA requires federal agencies to evaluate the environmental impact of all “major federal actions” significantly affecting the quality of the human environment. The granting of a federal permit for a major development project, such as a mining operation, may be considered a “major federal action” that requires review under NEPA. Therefore, our projects may require review and evaluation under NEPA. As part of this evaluation, the federal agency considers a broad array of environmental impacts, including, among other things, impacts on air quality, water quality, wildlife (including threatened and endangered species), historic and archaeological resources, geology, socioeconomics and aesthetics. NEPA also requires the consideration of alternatives to the project. The NEPA review process, especially the preparation of a full environmental impact statement, can be time consuming and expensive. The purpose of the NEPA review process is to inform federal agencies’ decision-making on whether federal approval should be granted for a project and to provide the public with an opportunity to comment on the environmental impacts of a proposed project. Though NEPA requires only that an environmental evaluation be conducted and does not mandate a particular result, a federal agency could decide to deny a permit or impose certain conditions on its approval, based on its environmental review under NEPA, or a third party could challenge the adequacy of a NEPA review and thereby delay the issuance of a federal permit or approval.

Federal agencies granting permits for our operations also must consider impacts to endangered and threatened species and their habitat under the Endangered Species Act. We also must comply with and are subject to liability under the Endangered Species Act, which prohibits and imposes stringent penalties for the harming of endangered or threatened species and their habitat. Federal agencies also must consider a project’s impacts on

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historic or archaeological resources under the National Historic Preservation Act, and we may be required to conduct archaeological surveys of project sites and to avoid or preserve historical areas or artifacts.

State and Local Regulation. We are also subject to a variety of state and local environmental review and permitting requirements. Some states, including Wisconsin where one of our operations is located, have state laws similar to NEPA; thus our development of a new site or the expansion of an existing site may be subject to comprehensive state environmental reviews even if it is not subject to NEPA. In some cases, the state environmental review may be more stringent than the federal review. Our operations may require state-law based permits in addition to federal permits, requiring state agencies to consider a range of issues, many the same as federal agencies, including, among other things, a project’s impact on wildlife and their habitats, historic and archaeological sites, aesthetics, agricultural operations, and scenic areas. Wisconsin and some other states also have specific permitting and review processes for commercial silica mining operations, and state agencies may impose different or additional monitoring or mitigation requirements than federal agencies. The development of new sites and our existing operations also are subject to a variety of local environmental and regulatory requirements, including land use, zoning, building, and transportation requirements.

Some local communities have expressed concern regarding silica sand mining operations. These concerns have generally included exposure to ambient silica sand dust, truck traffic, water usage, and blasting. In response, certain state and local communities have developed or are in the process of developing regulations or zoning restrictions intended to minimize the potential for dust to become airborne, control the flow of truck traffic, significantly curtail the area available for mining activities, require compensation to local residents for potential impacts of mining activities and, in some cases, ban issuance of new permits for mining activities. We are not aware of any proposals for significant increased scrutiny on the part of state or local regulators in the jurisdictions in which we operate or community concerns with respect to our operations that would reasonably be expected to have a material adverse effect on our business, financial condition, or results of operations going forward.

Planned expansion of our mining and production capacity in new communities could be more significantly impacted by increased regulatory activity. Difficulty or delays in obtaining or inability to obtain new mining permits or increased costs of compliance with future state and local regulatory requirements could have a material negative impact on our ability to grow our business. In an effort to minimize these risks, we continue to be engaged with local communities in order to grow and maintain strong relationships with residents and regulators.

Capital Expenditures

We had $3.3 million of capital expenditures related to compliance with environmental regulations applicable to our oil and gas proppants operations during fiscal 2015, and we anticipate spending approximately $4.2 million during fiscal 2016.

Employees

As of March 31, 2015, we had approximately 2,000 employees, of which approximately 600 were employed under collective bargaining agreements and various supplemental agreements with local unions.

Where You Can Find More Information

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, the proxy statement, current reports on Form 8-K, and all amendments to these reports available free of charge through the investor relations page of our website, located at www.eaglematerials.com as soon as reasonably practicable after they are filed with or furnished to the SEC. This reference to our website is merely intended to suggest where additional information may be obtained by

investors, and the materials and other information presented on our website are not incorporated in and should not otherwise be considered part of this Report. Alternatively, you may contact our investor relations department directly at (214) 432-2000 or by writing to Eagle Materials Inc., Investor Relations, 3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219.

ITEM 1A. RISK FACTORS

The foregoing discussion of our business and operations should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are or may become subject, many of which are outside of our control. These risks and uncertainties, together with other factors described elsewhere in this Report, have affected, or may in the future affect, our business, operations, financial condition and results of operations in a material and adverse manner.

We are affected by the level of demand in the construction industry.

Demand for our construction products and building materials is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially impacted our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve into calendar 2015; however, the rate and sustainability of such improvement remains uncertain. Infrastructure spending continues to be adversely impacted by a number of factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential construction or commercial construction) could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

regions could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our operations that produce frac sand are materially dependent on the levels of activity in natural gas and oil exploration, development and production. More specifically, the demand for the frac sand we produce is closely related to the number of natural gas and oil wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in natural gas and oil prices. In recent years, natural gas and oil prices and, therefore, the level of exploration, development and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East and initiatives by the Organization of the Petroleum Exporting Countries (“OPEC”), have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely impact the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely impact the demand for frac sand. A prolonged reduction in natural gas and oil prices would generally depress the level of natural gas and oil exploration, development, production and well completion activity and result in a corresponding decline in the demand for the frac sand we produce. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and drilling activity or other factors, could have material adverse effect on our oil and gas proppants business, even in a stronger natural gas and oil price environment.

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

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

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

Our operations and those of our customers are subject to and affected by federal, state and local laws and regulations with respect to such matters as land usage, street and highway usage, noise level and health and safety and environmental matters. In many instances, various certificates, permits or licenses are required in order for us or our customers to conduct business or carry out construction and related operations. Although we believe that we are in compliance in all material respects with applicable regulatory requirements, there can be no assurance that we will not incur material costs or liabilities in connection with regulatory requirements or that demand for our products will not be adversely affected by regulatory issues affecting our customers. In addition, future developments, such as the

discovery of new facts or conditions, the enactment or adoption of new or stricter laws or regulations or stricter interpretations of existing laws or regulations, may impose new liabilities on us, require

additional investment by us or prevent us from opening, expanding or modifying plants or facilities, any of which could have a material adverse effect on our financial condition or results of operations.

For example, GHGs currently are regulated as pollutants under the CAA and subject to reporting and permitting requirements. Future consequences of GHG permitting requirements and potential emission reduction measures for our operations may be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel, (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide, and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas. In addition, the EPA has proposed to regulate GHG emissions from existing fossil fuel-fired power plants as a result of the EPA's promulgation of new source performance standards for the same sources. In the future, the EPA is expected to propose new source performance standards for cement manufacturing, which similarly will trigger a requirement for the EPA to promulgate regulations relating to existing cement manufacturing facilities. The timing of such regulation is uncertain.

On September 9, 2010, the EPA finalized National Emissions Standards for Hazardous Air Pollutants, or NESHAP, for portland cement plants ("PC NESHAP"). The PC NESHAP will require a significant reduction in emissions of certain hazardous air pollutants from portland cement kilns. The PC NESHAP sets limits on mercury emissions from existing portland cement kilns and increases the stringency of emission limits for new kilns. The PC NESHAP also sets emission limits for total hydrocarbons, particulate matter (as a surrogate for metal pollutants) and acid gases from cement kilns of all sizes. The PC NESHAP was scheduled to take full effect in September 2013; however, as a result of a decision by the U.S. Court of Appeals for the District of Columbia Circuit in Portland Cement Ass'n. v. EPA, 655 F.3d 177 (D.C. Cir.) arising from industry challenges to the PC NESHAP, the EPA proposed a settlement agreement with industry petitioners in May 2012. In February 2013, the EPA published the final revised rule to the PC NESHAP which extended the compliance date until September 9, 2015 for existing cement kilns and made certain changes to the rules governing particulate matter monitoring methods and emissions limits, among other revisions. The 2013 revised rule was challenged in the U.S. Court of Appeals for the D.C. Circuit and on April 18, 2014, the court vacated the affirmative defense provision. The court upheld the EPA's particulate matter emission standards and extended compliance date. On November 19, 2014, the EPA proposed a rule removing the affirmative defense provision and making minor technical corrections to the regulations. The PC NESHAP will materially increase capital costs and costs of production for the Company and the industry as a whole.

On March 21, 2011 the 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." The 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 NESHAP for particulate matter and dioxin/furans. The CISWI Rule as currently promulgated may materially increase capital costs and costs for production but only for those facilities that will be using applicable solid wastes as fuel. The compliance date for this rule is approximately early 2018 (either 3 years after State CISWI plan approval, or 5 years from the date of the final CISWI Rule, whichever is sooner). It is anticipated that the CISWI Rule may materially increase capital costs and costs of production for the Company and the industry as a whole.

On April 17, 2015, the EPA published its final rule addressing the storage, reuse 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. The rule, which applies only to electric utilities and independent power producers, establishes standards for the management of coal

combustion residuals (CCRs) under Subtitle D of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates non-hazardous wastes. The rule imposes requirements addressing CCR surface impoundments and landfills, including location restrictions, design and operating specifications, groundwater monitoring requirements, corrective action requirements, recordkeeping and reporting obligations, and closure requirements. Beneficial encapsulated uses of CCRs, including synthetic gypsum, are exempt from regulation. The rule becomes effective on October 14, 2015, with many of the requirements phased in months or years after the effective date. Given the EPA's decision to continue to allow CCR to be used in synthetic gypsum and to regulate CCR under the non-hazardous waste sections of RCRA, we do not expect the rule to materially affect our business, financial condition and results of operations.

On December 17, 2014, the EPA proposed to lower the primary and secondary ozone standards from the current 8-hour standard of 75 parts per billion ("ppb") to a standard in the range of 65 to 70 ppb, but is considering a primary standard as low as 60 ppb. The EPA also proposed, for the first time, a potential secondary standard based on the "W126 metric," an index designed to show the cumulative impact of ozone on plants and trees seasonally. After the final rule is issued, the EPA will determine whether the ozone levels in areas across the country, typically on a county level, are above the new standards. Areas above the new standards will be designated as "nonattainment;" areas at or below the new standards will be designated "attainment." In states with major emitting sources located in or near designated nonattainment areas, States will impose new and costly regulatory requirements. The EPA has stated that it will complete its review of the NAAQS and issue its final rule by October 1, 2015. At this time, it is not possible to predict at what level the EPA will set the final NAAQS and whether any area in which we operate will be designated nonattainment. However, if the EPA lowers the NAAQS and an area in which we operate is designated nonattainment, we may be required to meet new control requirements requiring significant capital expenditures for compliance.

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

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

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

We are, or may become, party to various lawsuits, claims, investigations and proceedings, including but not limited to personal injury, environmental, antitrust, tax, asbestos, property entitlements and land use, intellectual property, commercial, contract, product liability, health and safety, and employment matters. The outcome of pending or future lawsuits, claims, investigations or proceedings is often difficult to predict, but could be adverse and material in amount. In addition, the defense of these lawsuits, claims, investigations and proceedings may divert our management's attention and we may incur significant costs in defending these matters. See Part I Item 3. Legal Proceedings of this report.

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

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

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

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

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

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

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

Our Amended Credit Facility and the Note Purchase Agreements governing our Senior Notes contain, among other things, covenants that limit our ability to finance future operations or capital needs or to engage in other business activities, including but not limited to our ability to:

- Incur additional indebtedness;
- Sell assets or make other fundamental changes;
- Engage in mergers and acquisitions;
- Pay dividends and make other restricted payments;
- Make investments, loans, advances or guarantees;
- Encumber our assets or those of our restricted subsidiaries;
- Enter into transactions with our affiliates.

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

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

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

- we may be required to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts, capital expenditures or strategic acquisitions;
- we may not be able to generate sufficient cash flow to meet our substantial debt service obligations or to fund our other liquidity needs. If this occurs, we may have to take actions such as selling assets, selling equity or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures or restructuring our debt;
- as a result of the amount of our outstanding indebtedness and the restrictive covenants to which we are subject, if we determine that we require additional financing to fund future working capital, capital investments or other business activities, we may not be able to obtain such financing on commercially reasonable terms, or at all; and
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited, thereby placing us at a competitive disadvantage compared to our competitors that have less indebtedness.

As of March 31, 2015, the aggregate principal amount of our debt instruments with exposure to interest rate risk was approximately $330.0 million. As of the same date, each change in interest rates of 100 basis points would result in an approximate $3.3 million change in our annual cash interest expense before any principal

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payment on our financial instruments with exposure to interest rate risk. As a result, increases in interest rates will increase the cost of servicing our financial instruments with exposure to interest rate risk and could materially reduce our profitability and cash flows.

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

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

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

and could have a material adverse effect on our oil and gas proppants business.

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

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

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

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

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

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

Risks Related to the CRS Acquisition

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

We may not be able to achieve the anticipated benefits of the CRS Acquisition. We may not be able to accomplish the integration of CRS Proppants smoothly, successfully or within the anticipated costs or timeframe. In general, we cannot be certain that we will be able to timely achieve the anticipated incremental revenues, cost savings, operational synergies and other expected benefits of the CRS Acquisition.

The diversion of our management's attention from our current operations to integration efforts and any difficulties encountered in combining operations could prevent us from realizing the full benefits anticipated to result from the CRS Acquisition and could adversely affect our business and the price of our common stock. The integration process may be complex, costly and time-consuming. The difficulties of integrating CRS Proppants with our business include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating logistics, information, communications and other systems;

- unanticipated changes in applicable laws and regulations;
- the impact of the CRS Acquisition on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and
- unanticipated issues, expenses and liabilities.

We incurred significant liabilities and costs as a result of or in connection with the CRS Acquisition.

Upon consummation of the CRS Acquisition we became responsible for all liabilities and obligations that arose in connection with the operation of CRS Proppants.

In addition, we incurred significant costs in connection with the CRS Acquisition. The substantial majority of these costs are non-recurring transaction expenses and costs. Furthermore, substantial time and resources have been and may continue to be devoted to the CRS Acquisition and related matters, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

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," "n "can," "could," "might," "will" and similar expressions identify forward-looking statements, including statements related to expected operating and performing results, planned transactions, plans and objectives of management, future developments or conditions in the industries in which we participate, including future prices for our products, audits and legal proceedings to which we are a party and other trends, developments and uncertainties that may affect our business in the future.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved Staff comments.

ITEM 2. PROPERTIES

We operate cement plants, quarries and related facilities at Buda, Texas; LaSalle, Illinois; Sugar Creek, Missouri; Tulsa, Oklahoma; Fernley, Nevada and Laramie, Wyoming. The Buda plant is owned by a partnership in which we have a 50% interest. Our principal aggregate plants and quarries are located near Austin, Texas; Sugar Creek, Missouri; Utica, Illinois and Marysville, California. Our cement plant in Sugar Creek, Missouri, is leased pursuant to a long-term agreement with the city of Sugar Creek. The lease contains a purchase option that can be exercised by

payment of a nominal fee. In addition, we operate gypsum wallboard plants in Albuquerque, New Mexico; Gypsum, Colorado; Duke, Oklahoma; and in Georgetown, South Carolina. We produce recycled paperboard at Lawton, Oklahoma. We operate frac sand mines in New Auburn, Wisconsin and Utica, Illinois, and

we have frac sand processing plants in New Auburn, Wisconsin, Utica, Illinois and Corpus Christi, Texas. Other than our leased cement plant located in Sugar Creek, Missouri, none of our facilities is pledged as security for any debts. We also have a gypsum wallboard plant in Bernalillo, New Mexico that we idled in December 2009. See "Item 1. Business" on pages 1-20 of this Report for additional information relating to the Company's properties.

ITEM 3. LEGAL PROCEEDINGS
Outstanding Lawsuit against the IRS

In May 2011, we filed a lawsuit against the Internal Revenue Service ("IRS") in Federal District Court to recover the $97.9 million of taxes, penalties and interest paid to the IRS with respect to our uncertain tax position for 2001 to 2006. In September 2014 the Company and the IRS reached a tentative agreement to settle this case, and that agreement was approved, by the U.S Department of Justice in January 2015. Under the terms of the agreement we dismissed our lawsuit seeking to recover taxes, interest and penalties paid, in exchange for the IRS conceding 40% of the penalties, plus related interest, to date. The impact of the settlement agreement was approximately $16.6 million, including state benefits, which was recorded as a reduction of income tax expense during the fourth quarter of fiscal 2015. The related interest refund of approximately $4.4 million was also recorded in the fourth quarter of fiscal 2015.

EPA Notice of Violation

On October 5, 2010, Region IX of the EPA issued a Notice of Violation and Finding of Violation ("NOV") alleging violations by our subsidiary, Nevada Cement Company ("NCC"), of the Clean Air Act ("CAA"). The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits required by the Prevention of Significant Deterioration requirements and Title V permit requirements of the CAA. The EPA also alleges that NCC has failed to submit to the EPA since 2002 certain reports required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. On March 12, 2014, the EPA Region IX issued a second NOV to NCC. The second NOV is materially similar to the 2010 NOV except that it alleges violations of the new source performance standards ("NSPS") for Portland cement plants. The NOVs state that the EPA may seek penalties although it does not propose or assess any specific level of penalties or specify what relief the EPA will seek for the alleged violations. NCC believes it has meritorious defenses to the allegations in the NOVs. NCC met with the EPA in December 2010, September 2012 and May 2014 to present its defenses and to discuss a resolution of the alleged violations. The EPA and NCC remain in discussions regarding the alleged violations. If a negotiated settlement cannot be reached, NCC intends to vigorously defend these matters in any enforcement action that may be pursued by the EPA. As a part of a settlement, or should NCC fail in its defense in any enforcement action, NCC could be required to make substantial capital expenditures to modify its facility and incur increased operating costs. NCC could also be required to pay significant civil penalties. Additionally, an enforcement action could take many years to resolve the underlying issues alleged in the NOV. We are currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon our financial position or results of operations.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various United States District Courts, including the Eastern District of Pennsylvania, Western District of North Carolina and the Northern District of Illinois, 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 and United States Gypsum (together "USG"), New NGC, Inc., Lafarge North America, Temple Inland Inc. ("TIN") and PABCO Building Products

LLC. On April 8, 2013, the Judicial Panel on Multidistrict Litigation (“JTML”) 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. The plaintiffs in the consolidated class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs’ claims.

On March 17, 2015, a group of homebuilders filed a complaint against the defendants, including American Gypsum, based upon the same conduct alleged in the consolidated class action complaints. On March 24, 2015, the JPML transferred this action to the multidistrict litigation already pending in the Eastern District of Pennsylvania.

In 2014, USG and TIN entered into agreements with counsel representing the direct and indirect purchaser classes pursuant to which they agreed to settle all claims against them. On March 16, 2014, the court entered orders preliminarily approving USG and TIN’s settlements with the direct and indirect purchaser plaintiffs. Initial discovery in this litigation is complete. At this stage we are unable to estimate the amount of any reasonably possible loss or range of reasonably possible losses. American Gypsum denies the allegations in these lawsuits and will vigorously defend itself against these claims. Defendants’ motions for summary judgement were filed in the first quarter of fiscal 2016.

ITEM 4. MINE SAFETY DISCLOSURES

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Prices and Dividends

As of May 11, 2015, there were approximately 1,500 holders of record of our Common Stock which trades on the New York Stock Exchange under the symbol EXP.

The following table sets forth the high and low closing prices for our Common Stock as reported on the New York Stock Exchange for the periods indicated, as well as dividends declared during these periods:

	Fiscal Year Ended March 31, 2015			Fiscal Year Ended March 31, 2014		
Quarter ended:	High	Low	Dividends	High	Low	Dividends
June 30	$96.03	$79.88	$ 0.10	$77.30	$61.72	$ 0.10
September 30	$104.73	$90.10	$ 0.10	$73.19	$64.06	$ 0.10
December 31	$98.90	$70.80	$ 0.10	$79.29	$70.53	$ 0.10
March 31	$84.15	$69.80	$ 0.10	$90.88	$74.82	$ 0.10

The "Dividends" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" is hereby incorporated by reference into this Part II, Item 5.

SHARE REPURCHASES

Our Board of Directors has approved the repurchase in the open market of a cumulative total of 31,610,605 shares of our Common Stock since we became publicly held in April 1994. On November 7, 2006, the Board of Directors authorized us to repurchase up to an additional 5,156,800 shares, for a total authorization, as of that date, of 6,000,000 shares, of which 717,300 remain eligible for purchase at March 31, 2015. We did not repurchase any shares in the open market during the fiscal years ended March 31, 2015, 2014 and 2013.

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 may be determined by our management, based on its evaluation of market and economic conditions and other factors. Repurchases may also be effected pursuant to plans or instructions that meet the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934.

During fiscal 2015, we reacquired shares of stock from employees upon the vesting of restricted shares that were granted under our incentive plan. These shares were withheld by the employee to satisfy the employee's minimum statutory tax withholding, which is required upon the vesting of restricted shares and the shares withheld are shown in the following table:

Period	Total Number of Shares	Average Price Paid Per	Total Number of Shares Purchased as Part of	Maximum Number of

	Purchased	Share	Publicly Announced Plans or Programs	Shares that May Yet be Purchased Under the Plans or Programs
January 1 through January 31, 2015	—	$ —	—	
February 1 through February 29, 2015	—	—	—	
March 1 through March 31, 2015	33,561	83.72	—	
Quarter 4 Totals	33,561	$ 83.72	$ —	717,300

The equity compensation plan information set forth in Part III, Item 12 of this Form 10-K is hereby incorporated by reference into this Part II, Item 5.

PERFORMANCE GRAPH

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares the cumulative 5-year total return to holders of common stock with the cumulative total returns of the Russell 1000 index and the Dow Jones US Building Materials & Fixtures index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including the reinvestment of dividends) was $100 on March 31, 2010 and tracks it through March 31, 2015.

	2010	2011	2012	2013	2014	2015
Eagle Materials, Inc.	100.00	115.72	134.76	260.94	349.19	330.59
Russell 1000	100.00	116.69	125.87	144.03	176.31	198.76
Dow Jones US Building Materials & Fixtures	100.00	122.67	136.77	192.97	238.07	273.43

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

Summary of Selected Financial Data [1]

(amounts in thousands, except per share data)

	For the Fiscal Years Ended March 31,								
	2015		2014	2013		2012	2011	
Revenues	$1,066,368	(5)	$898,396	$642,562	(4)	$495,023	$462,180	
Earnings Before Income Taxes	252,927	(5)	181,804	84,096	(4)	21,912	16,762	(2)
Net Earnings	186,853	(5)	124,243	57,744	(4)	18,732	14,849	(3)
Diluted Earnings Per Share	3.71	(5)	2.49	1.22	(4)	0.42	0.34	
Cash Dividends Per Share	0.40		0.40	0.40		0.40	0.40	
Total Assets	1,882,591		1,511,529	1,476,233		985,145	985,810	
Total Debt	512,759		381,259	489,259		266,936	287,000	
Stockholders' Equity	1,010,593		831,499	696,170		472,511	461,514	
Book Value Per Share At Year End	$20.11		$16.61	$14.06		$10.44	$10.38	
Average Diluted Shares Outstanding	50,372		49,939	47,340		44,516	44,251	

(1) The Summary of Selected Financial Data should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements for matters that affect the comparability of the information presented above.

(2) During fiscal 2011, we wrote-off $10,701, primarily related to the write-off of deferred project costs associated with our decision not to proceed with the expansion and modernization of our Nevada Cement facility. Excluding this write-off, our Earnings Before Income Taxes would have been $27,463 in fiscal 2011.

(3) Excluding the impact of the write-off discussed in note 2 above, Net Earnings would have been $19,746 in 2011. This amount was calculated using the effective tax rate of 28.1% in fiscal 2011.

(4) Includes operations related to the assets acquired from Lafarge N.A. from December 1, 2012 through March 31, 2013.

(5) Includes operations related to the CRS Acquisition from November 14, 2014 through March 31, 2015.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

executive summary

Eagle Materials Inc. is a diversified producer of basic construction products and building materials used in residential, industrial, commercial and infrastructure construction and products used in oil and natural gas extraction. Information presented for the fiscal years ended March 31, 2015, 2014 and 2013, respectively, reflects the Company's business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard, Concrete and Aggregates and Oil and Gas Proppants. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete) as well as specialty oil well cement; the mining of gypsum and the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete, the mining and sale of aggregates (crushed stone, sand and gravel) and the mining and sale of sand used in hydraulic fracturing ("frac 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 natural gas extraction. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions. During the quarter ended June 30, 2014, we changed our segments presentation to reflect Oil and Gas Proppants, which had been included in Concrete and Aggregates, as a separate segment. We have adjusted the prior period segment presentation to reflect this change for comparative purposes for the fiscal years ended March 31, 2015 and 2014. There was no material operating activity for the Oil and Gas Proppants business during the fiscal year ended March 31, 2013.

On November 14, 2014, we completed the previously announced acquisition (the "CRS Acquisition") of all of the outstanding equity interests of CRS Holdco LLC, CRS Proppants LLC, Great Northern Sand, LLC, and related entities (collectively, "CRS Proppants"). CRS Proppants is a supplier of frac sand to the energy industry, and its business currently consists of a frac sand mine in New Auburn, Wisconsin, and a transload network into Texas and southwest Oklahoma. The purchase price (the "Purchase Price") paid by the Company for CRS Proppants was approximately $237.2 million in cash, including approximately $8.9 million for in-process capital expenditures paid through the closing date, and estimated working capital and other estimated closing amounts. The Purchase Price is subject to customary post-closing adjustments as provided in the Securities Purchase Agreement entered into in connection with the CRS Acquisition. The Purchase Price was funded through borrowings under the Company's credit facility. CRS Proppants was in the process of expanding its frac sand mine in New Auburn, Wisconsin at the time of purchase. We expect to complete the expansion during fiscal 2016 at an additional cost of approximately $8.0 million.

We operate in cyclical commodity businesses that are affected by changes in market conditions and the overall construction environment. Our operations, depending on each business segment, range from local in nature to national businesses. We have operations in a variety of geographic markets, which subject us to the economic conditions in those geographic markets as well as economic conditions in the national market. General economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition and results of operations. Our Cement companies 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 our operations serve the areas immediately surrounding Austin, Texas, north of Sacramento, California and the greater Kansas City, Missouri area, while frac sand is currently sold into shale deposit zones across the United States. 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. Demand for oil and gas proppants is impacted primarily by rig counts and well completion activity. Our Wallboard and Paperboard operations are more national in scope and shipments are made throughout most of the continental United States, except for the northeast.

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

Results of Operations

Fiscal Year 2015 Compared to Fiscal Year 2014

	For the Years Ended March 31,		
	2015	2014	Change
	(in thousands, except per share)		
Revenues	$1,066,368	$898,396	19%
Cost of Goods Sold	(812,235)	(712,937)	14%
Gross Profit	254,133	185,459	37%
Equity in Earnings of Unconsolidated Joint Venture	44,967	37,811	19%
Corporate General and Administrative	(30,751)	(24,552)	25%
Other Income	3,201	1,368	134%
Acquisition and Litigation Expense	(6,880)	—	—
Interest Expense, net	(11,743)	(18,282)	(36%)
Earnings Before Income Taxes	252,927	181,804	39%
Income Tax Expense	(66,074)	(57,561)	15%
Net Earnings	$186,853	$124,243	50%
Diluted Earnings per Share	$3.71	$2.49	49%

Revenues. Revenues increased $168.0 million to $1,066.4 million in fiscal 2015, compared to $898.4 million in fiscal 2014. Revenues from the CRS Acquisition positively impacted revenues by approximately $28.0 million. The remaining increase in revenues from our historical businesses was due primarily to increased average net selling prices for all of our segments and increased sales volumes for all of our segments except aggregates. The impact of the increased net sales prices and sales volumes on revenue from our historical businesses for fiscal 2015, as compared to fiscal 2014, was approximately $62.6 million and $77.4 million, respectively.

Cost of Goods Sold. Cost of goods sold increased $99.3 million to $812.2 million in fiscal 2015, compared to $712.9 million in fiscal 2014. The 14% increase in cost of goods sold for fiscal 2015, compared to fiscal 2014, was primarily due to increased sales volumes and operating costs, which increased cost of goods sold by approximately $93.5 million and $5.8 million, respectively. Approximately $33.0 million of the increase in cost of goods sold that related to volumes is due to the CRS Acquisition. The increase in operating costs in fiscal 2015, compared to fiscal 2014, is primarily related to our cement and gypsum wallboard segments, which increased approximately $6.5 million and $6.7 million, respectively, partially offset by decreased operating costs of approximately $3.6 million in our recycled paperboard segment.

Gross Profit. Gross profit was $254.1 million in fiscal 2015 and $185.5 million in fiscal 2014. The 37% increase in gross profit was primarily due to increased average sales prices, sales volumes and lower operating costs, as noted above.

Equity in Earnings of Unconsolidated Joint Venture. Equity in earnings of our unconsolidated joint venture increased $7.2 million, or 19%, for fiscal 2015, compared to fiscal 2014. The increase is primarily due to increases in the average net sales price and sales volume. The impact of the increases in sales volume and average net sales price on equity in earnings of our unconsolidated joint venture during fiscal 2015 was approximately $10.2 million and $4.6 million, respectively, partially offset by increased cost of sales of approximately $7.6 million. The increase in cost of sales was primarily due to operating costs, which increased cost of goods sold by approximately $4.6 million, and increased sales volume, which increased cost of sales by approximately $3.0

million. The increased operating costs in fiscal 2015, compared to fiscal 2014, were due primarily to a $3.0 million and $0.6 million increase in purchased cement and power, respectively.

Corporate General and Administrative. Corporate general and administrative expenses increased 25% to $30.8 million in fiscal 2015, as compared to $24.6 million in fiscal 2014. The approximately $6.2 million increase in corporate general and administrative expenses for fiscal 2015, compared to fiscal 2014, is due primarily to increased incentive compensation and relocation expenses. Incentive compensation and relocation expenses increased approximately $4.2 million and $0.6 million, respectively, during fiscal 2015, as compared to fiscal 2014. The increase in incentive compensation was primarily due to increased operating earnings.

Acquisition and Litigation Expense. Acquisition and litigation expense consists of litigation expenses related to our lawsuit against the IRS, the CRS and Skyway Acquisitions, and due diligence efforts at growing our construction products business. Legal fees related to our lawsuit against the IRS were approximately $2.5 million, while our expenses related to the CRS and Skyway Acquisitions were approximately $1.5 million in fiscal 2015. The remaining expense was related to our due diligence efforts during fiscal 2015. As discussed in Footnote (H) of the Notes to Consolidated Financial Statements, the U.S. Department of Justice approved the proposed settlement of our lawsuit against the IRS in January 2015, and the case was dismissed.

Other Income (Expense). Other income was $3.2 million in fiscal 2015, compared to other income of $1.4 million in fiscal 2014, and consists of a variety of items that are non-segment operating in nature, including non-inventoried aggregates income, gypsum wallboard distribution center income, asset sales and other miscellaneous income and cost items.

Interest Expense, Net. Interest expense, net, decreased approximately $6.5 million during fiscal 2015 to $11.7 million, as compared to $18.3 million in fiscal 2014. The 36% decrease in interest expense, net, during fiscal 2015, compared to fiscal 2014, is due primarily to the $4.4 million refund of interest received from the IRS upon settlement of our lawsuit. See the discussion below in "Income Taxes" for more information about the settlement. The remaining reduction in interest expense in fiscal 2015, compared to 2014, was the result of lower average borrowings under our Amended Credit Facility, due to the repayment of outstanding amounts during fiscal 2014 and the first half of fiscal 2015, prior to the CRS Acquisition.

Earnings Before Income Taxes. Earnings before income taxes increased to $252.9 million during fiscal 2015, compared to $181.8 million in fiscal 2014, primarily due to increased gross profit and increased equity in earnings of our unconsolidated joint venture, partially offset by increased corporate general and administrative and interest expenses.

Income Taxes. The effective tax rate for fiscal 2015 was approximately 26% compared to approximately 32% in fiscal 2014. The decrease in the effective tax rate during fiscal 2015 is primarily due to the settlement of our lawsuit with the IRS. Under the terms of the settlement, we dismissed our lawsuit seeking to recover taxes, interest and penalties paid, in exchange for the IRS conceding 40% of the penalties, plus related interest, to date. In accordance with the settlement, we recorded an income tax benefit of approximately $16.6 million during the fourth quarter of fiscal 2015. Excluding the impact of the IRS settlement, our effective tax rate would have been 33% in fiscal 2015. See Footnote (H) of the Notes to Consolidated Financial Statements for more information.

Net Earnings and Diluted Earnings per Share. Net earnings in fiscal 2015 of $186.9 million increased 50% from fiscal 2014 net earnings of $124.2 million. Diluted earnings per share in fiscal 2015 were $3.71, compared to $2.49 for fiscal 2014.

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

	For the Years Ended March 31,		
	2015	2014	Percentage
	(in thousands, except net sales prices)		Change
Revenues [1]			
Cement [2]	$ 488,644	$ 438,224	12%
Gypsum Wallboard	437,514	387,016	13%
Recycled Paperboard	142,690	130,178	10%
Oil and Gas Proppants	81,381	19,557	316%
Concrete and Aggregates	107,892	96,908	11%
Gross Revenues	1,258,121	1,071,883	17%
Less: Inter-Segment Revenues	(65,533)	(62,094)	6%
Less: Joint Venture Revenues	(126,220)	(111,393)	13%
Net Revenues	$ 1,066,368	$ 898,396	19%
Sales Volume			
Cement (M Tons) [2]	4,799	4,593	4%
Gypsum Wallboard (MMSF)	2,210	2,112	5%
Recycled Paperboard (M Tons)	276	256	8%
Concrete (M Yards)	958	899	7%
Aggregates (M Tons)	3,026	3,228	(6%)
Average Net Sales Prices [3]			
Cement [2]	$ 92.91	$ 87.31	6%
Gypsum Wallboard	162.06	148.33	9%
Recycled Paperboard	507.47	504.41	1%
Concrete	87.93	82.55	7%
Aggregates	7.50	6.76	11%
Operating Earnings			
Cement [2]	$ 117,527	$ 89,486	31%
Gypsum Wallboard	145,871	114,852	27%
Recycled Paperboard	31,512	23,610	33%
Oil and Gas Proppants	(2,546)	(4,890)	48%
Concrete and Aggregates	6,736	212	3077%
Other Operating Income, net	3,201	1,368	134%
Net Operating Earnings	$ 302,301	$ 224,638	35%

[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 $488.6 million for fiscal 2015, which is a 12% increase over revenues of $438.2 million for fiscal 2014. The increase in revenues during fiscal 2015, compared to fiscal 2014, is primarily due to a 6% increase in the average net sales price, as well as a 4% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately $30.6 million and $19.8 million, respectively, in fiscal 2015, compared to fiscal 2014. Average net sales price increased in virtually all of our markets.

The increase in average net sales price during fiscal 2015, compared to fiscal 2014, enabled us to increase our operating margin from 20% in fiscal 2014 to 24% in fiscal 2015. Cement operating earnings increased 31% to $117.5 million in fiscal 2015, from $89.5 million in fiscal 2014. The increase in operating earnings was due primarily to

increased average net sales prices and sales volumes, which contributed approximately $30.6 million and $3.9 million to operating earnings, partially offset by increased operating expenses, which adversely impacted operating earnings by approximately $6.5 million. The increase in operating costs related primarily to purchased cement, maintenance and power, which adversely impacted earnings by approximately $4.8 million, $1.7 million and $1.0 million, respectively, partially offset by decreased fuel costs of approximately $3.3 million.

Gypsum Wallboard Operations. Sales revenues increased 13% to $437.5 million for fiscal 2015, from $387.0 million for fiscal 2014, primarily due to a 5% increase in the average net sales price and a 9% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately $32.5 million and $18.0 million, respectively. The increase in average net sales price was due to the implementation of price increases in January 2015 and 2014. The increased sales volumes are primarily due to increased construction activity in fiscal 2015, compared to fiscal 2014. Our market share was essentially unchanged during fiscal 2015, compared to fiscal 2014.

Operating earnings increased to $145.9 million for fiscal 2015, from $114.9 million for fiscal 2014, primarily due to the increase in average net sales price and sales volumes, which positively impacted operating earnings by approximately $32.5 million and $5.2 million, partially offset by increased operating expenses of approximately $6.7 million. The increase in operating costs was primarily related to natural gas, raw materials, maintenance and paper, which increased approximately $0.7 million, $1.1 million, $0.5 million and $0.4 million, respectively. Additionally, operating costs were adversely impacted by approximately $3.2 million in legal expense. During fiscal 2015 our gross margin improved to 33% from 30% in fiscal 2014, primarily due to the increase in average net sales price, partially offset by increased operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in volume have a relatively minor impact on our operating cost per unit.

Recycled Paperboard Operations. Revenues increased 10% to $142.7 million in fiscal 2015, from $130.2 million in fiscal 2014. The increase in net revenue during fiscal 2015, compared to fiscal 2014, is due to both increased sales volumes and average net sales prices, which contributed approximately $10.1 million and $2.4 million, respectively, to revenues. 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 the percentage of higher priced gypsum paper sold in fiscal 2015, as compared to fiscal 2014.

Operating earnings increased to $31.5 million for fiscal 2015, compared to $23.6 million for fiscal 2014, while gross margin increased to 22% for fiscal 2015, compared to 18% for fiscal 2014. The increase in operating earnings and gross margin are primarily due to increased average net sales prices and sales volumes, which increased operating earnings by approximately $2.4 million and $1.9 million, respectively. Operating earnings were also positively impacted by decreased operating costs of approximately $3.6 million, namely recycled fiber costs and chemicals, which positively impacted operating earnings by approximately $3.4 million and $0.9 million, respectively, partially offset by increased repair and maintenance costs of approximately $0.6 million. Operating earnings and margin were also positively impacted by a change in the product sales mix as sales of higher margin gypsum liner increased to 90% for fiscal 2015, from 78% for fiscal 2014, which positively impacted operating earnings by approximately $1.4 million.

Oil and Gas Proppants. Revenues for our oil and gas proppants segment increased approximately $61.8 million to $81.4 million during fiscal 2015, compared to $19.6 million during fiscal 2014. Approximately $28.0 million of the increase in fiscal 2015, compared to fiscal 2014, related to the CRS Acquisition and approximately $33.8 of the increase reflects sales volume growth at our Corpus Christi, Texas location. Fiscal 2015 represents the first full year of operations in Corpus Christi, Texas.

The operating loss for fiscal 2015 was approximately $2.5 million, which improved from an operating loss of approximately $4.9 million during fiscal 2014. Approximately $7.4 million of the decrease in operating loss was related to improved earnings at our Corpus Christi location, partially offset by an operating loss of $5.0 million related to the CRS Acquisition. Operating income related to the CRS Acquisition was adversely impacted by approximately $1.5 million related to the “step-up” of inventory acquired on November 14, 2014 and sold prior to March 31, 2015, as well as amortization expense of approximately $5.1 million related to CRS sales contracts in existence at November 14, 2014 and $1.3 million depreciation on the assets valued at the acquisition date. Fiscal 2015 represented the first full year of operations at Corpus Christi, Texas, and we began selling internally produced sand during the fourth quarter of fiscal 2015.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 11% to $107.9 million for fiscal 2015, compared to $96.9 million for fiscal 2014. The primary reason for the increase in revenue for fiscal 2015, compared to fiscal 2014, was the 7% and 11% increase in average net sales prices for concrete and aggregates, respectively, which positively impacted revenues by approximately $7.7 million. In addition to the increase in average net sales prices, sales volume increased 7% for concrete during fiscal 2015, compared to fiscal 2014, which positively impacted revenues by $4.8 million. This increase was partially offset by a 6% decrease in sales volumes for our aggregates business, which adversely impacted revenues by approximately $1.5 million. The increase in sales volumes in our concrete business was due to primarily to increased construction activity in our Austin, Texas market, while the reduction in sales volumes in our aggregates business was primarily related to the greater Kansas City market.

Operating income for fiscal 2015 was approximately $6.7 million, as compared to operating income of approximately $0.2 million for fiscal 2014. The operating income was positively impacted by increased average net sales prices, which increased operating income by approximately $7.7 million. The increase in operating profit was partially offset by decreased sales volumes and increased operating expenses of approximately $0.3 million and $0.7 million, respectively. The increased operating expenses were primarily related to increased cost of materials in our concrete business of approximately $2.5 million, partially offset by fuel and maintenance expenses of approximately $0.6 million and $0.4 million in our aggregates business.

GENERAL OUTLOOK

The drivers of construction products demand continue to improve incrementally, reinforcing the notion that a cyclic recovery is underway. The pace of recovery continues to hinge on the pace of growth in the U.S. economy. Our cement sales network stretches across the central U.S., both east to west and north to south. While we anticipate cement consumption to continue to increase during calendar 2015, each region will increase at a different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. We expect improvement to vary in each of our cement markets.

We do not necessarily anticipate significant increases in concrete and aggregate sales volumes in northern California. We are experiencing a recovery in both volume and price in our Austin, Texas markets, and expect price and volumes to continue to increase throughout calendar 2015. Demand in the greater Kansas City area is expected to be stable during calendar 2015, compared to calendar 2014.

Wallboard demand is heavily influenced by new residential housing construction as well as repair and remodeling. Most forecasts point to a continued pick-up in demand in both of these areas throughout calendar 2015. Industry shipments of gypsum wallboard exceeded 21.5 billion square feet in calendar 2014, and are expected to increase to 22.5 billion square feet in in calendar 2015. We implemented a wallboard price increase effective January.

Increased demand for gypsum wallboard will positively impact our recycled paperboard business as sales of higher priced gypsum paper are expected to continue to increase during fiscal 2016, compared to fiscal 2015, both in gross tons and as a percentage of total sales volumes.

The recent decline in oil rig count and well completion activity has adversely impacted oil and gas activity, leading to reduced demand and pricing for proppants. We expect these conditions to persist throughout calendar 2015; however, we remain focused on strengthening our low-cost position and taking this opportunity to continue to build our low delivered cost position to targeted shale plays.

Results of Operations

Fiscal Year 2014 Compared to Fiscal Year 2013

	For the Years Ended March 31,		
	2014	2013	Change
	(in thousands, except per share)		
Revenues	$898,396	$642,562	40 %
Cost of Goods Sold	(712,937)	(539,317)	32 %
Gross Profit	185,459	103,245	79 %
Equity in Earnings of Unconsolidated Joint Venture	37,811	32,507	16 %
Corporate General and Administrative	(24,552)	(23,918)	3 %
Other Income (Expense)	1,368	(1,232)	211 %
Acquisition and Litigation Expense	—	(10,683)	(100 %)
Interest Expense, net	(18,282)	(15,823)	15 %
Earnings Before Income Taxes	181,804	84,096	116 %
Income Tax Expense	(57,561)	(26,352)	118 %
Net Earnings	$124,243	$57,744	115 %
Diluted Earnings per Share	$2.49	$1.22	104 %

Revenues. Revenues increased $255.8 million to $898.4 million in fiscal 2014, as compared to $642.6 million in fiscal 2013. Revenues from the assets acquired from Lafarge N.A. positively impacted revenues by approximately $129.9 million. The remaining increase in revenues from our historical businesses was due primarily to increased average net selling prices for all of our segments and increased sales volumes for all of our segments except recycled paperboard. The impact of the increased net sales prices and sales volumes on revenue from our historical businesses for fiscal 2014, as compared to fiscal 2013, was approximately $66.6 million and $59.3 million, respectively.

Cost of Goods Sold. Cost of goods sold increased $173.6 million to $712.9 million in fiscal 2014, as compared to $539.3 million in fiscal 2013. The 32% increase in cost of goods sold for fiscal 2014, as compared to fiscal 2013, was primarily due to increased sales volumes and operating costs, which increased cost of goods sold by approximately $167.9 million and $5.7 million, respectively. Approximately $92.1 million of the increase in cost of goods sold related to volumes is due to the assets acquired from Lafarge N.A. The increase in operating costs in fiscal 2014, as compared to fiscal 2013, is primarily related to our gypsum wallboard, recycled paperboard and concrete and aggregates segments, which increased approximately $10.2 million, $4.4 million and $7.4 million, respectively, partially offset by reduced operating costs of approximately $16.3 million in our cement segment.

Gross Profit. Gross profit was $185.5 million in fiscal 2014 and $103.2 million in fiscal 2013. The 79% increase in gross profit was primarily due to increased average sales prices and increased sales volumes, partially offset by increased operating costs, as noted above.

Equity in Earnings of Unconsolidated Joint Venture. Equity in earnings of our unconsolidated joint venture increased $5.3 million, or 16%, for fiscal 2014, as compared to fiscal 2013. The increase is primarily due to increases in the average net sales price and sales volume. The impact of the increases in sales volume and average net sales price on equity in earnings of our unconsolidated joint venture during fiscal 2014 was approximately $10.7 million and $4.4 million, respectively, partially offset by increased cost of sales of approximately $9.8 million. The increase in cost of sales was primarily due to the increase in sales volumes, which increased cost of goods sold by approximately $7.1 million, and increased operating costs, which increased cost of sales by approximately $2.7 million. The increased operating costs in fiscal 2014, as compared to fiscal

2013, were due primarily to a $1.2 million and $1.1 million increase in purchased cement and maintenance, respectively.

Corporate General and Administrative. Corporate general and administrative expenses increased 3% to $24.6 million in fiscal 2014, as compared to $23.9 million in fiscal 2013. The approximately $0.7 million increase in corporate general and administrative expenses for fiscal 2014, as compared to fiscal 2013, is due primarily to increased professional expenses. Professional expenses increased approximately $1.6 million during fiscal 2014, as compared to fiscal 2013, primarily due to corporate development expenses. The increase in professional expense in fiscal 2014, as compared to fiscal 2013, was partially offset by reduced group insurance costs of approximately $0.8 million.

Other Income (Expense). Other income was $1.4 million in fiscal 2014, as compared to other expense of $1.2 million in fiscal 2013, and consists of a variety of items that are non-segment operating in nature, including non-inventoried aggregates income, gypsum wallboard distribution center income, asset sales and other miscellaneous income and cost items. The increase in other income during fiscal 2014, as compared to fiscal 2013, was primarily due to approximately $1.0 million of prestart-up costs related to our new frac sand business during fiscal 2013.

Acquisition and Litigation Expense. Acquisition and litigation expense consists of expenses related to the Acquisition, the write-off of a greenfield cement opportunity that will no longer be pursued due to the Acquisition, legal fees related to our lawsuit against the IRS and a loss in an arbitration. During the fiscal year ended March 31, 2013, acquisition related expenses were approximately $6.1 million, expense related to the write-off of the greenfield opportunity was approximately $1.0 million and legal fees related to our lawsuit against the Internal Revenue Service (the “IRS”) were approximately $3.6 million. See Footnote (H) of the Notes to Consolidated Financial Statements for more information regarding the lawsuit against the IRS and the loss in the arbitration of a contract dispute.

Interest Expense, Net. Interest expense, net, increased approximately $2.4 million during fiscal 2014 to $18.3 million, as compared to $15.8 million in fiscal 2013. The 15% increase in interest expense, net, during fiscal 2014, as compared to fiscal 2013, is due primarily to the $2.2 million increase in interest expense from our Credit Facility, as compared to fiscal 2013, due to the increase in borrowings for the acquisition of assets from Lafarge N.A. The remaining increase was due to the $0.2 million increase in other interest due to the amortization of the debt acquisition costs incurred during the amendment of our Credit Facility in fiscal 2013, in connection with the acquisition of assets from Lafarge N.A.

Earnings Before Income Taxes. Earnings before income taxes increased to $181.8 million during fiscal 2014, as compared to $84.1 million in fiscal 2013, primarily due to increased gross profit and increased equity in earnings of our unconsolidated joint venture, partially offset by increased corporate general and administrative and interest expenses.

Income Taxes. The effective tax rate for fiscal 2014 was approximately 32% compared to approximately 31% in fiscal 2013. The increase in the effective tax rate during fiscal 2014 is primarily due to the reduction in the impact of our depletion deduction associated with increased earnings. See Footnote (H) of the Notes to Consolidated Financial Statements for more information.

Net Earnings and Diluted Earnings per Share. Net earnings in fiscal 2014 of $124.2 million increased 115% from fiscal 2013 net earnings of $57.7 million. Diluted earnings per share in fiscal 2014 were $2.49, compared to $1.22 for fiscal 2013.

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

	For the Years Ended March 31, 2014	2013	Percentage
	(in thousands, except net sales prices)		Change
Revenues [1]			
Cement [2]	$438,224	$304,125	44 %
Gypsum Wallboard	387,016	306,529	26 %
Recycled Paperboard	130,178	121,930	7 %
Oil and Gas Proppants	19,557	—	—
Concrete and Aggregates	96,908	56,287	68 %
Gross Revenues	1,071,883	788,871	36 %
Less: Inter-Segment Revenues	(62,094)	(49,987)	24 %
Less: Joint Venture Revenues	(111,393)	(96,322)	16 %
Net Revenues	$898,396	$642,562	40 %
Sales Volume			
Cement (M Tons) [2]	4,593	3,303	39 %
Gypsum Wallboard (MMSF)	2,112	1,909	11 %
Recycled Paperboard (M Tons)	256	244	5 %
Concrete (M Yards)	899	577	56 %
Aggregates (M Tons)	3,228	2,631	23 %
Average Net Sales Prices [3]			
Cement [2]	$87.31	$83.49	5 %
Gypsum Wallboard	148.33	125.53	18 %
Recycled Paperboard	504.41	496.84	2 %
Concrete	82.55	69.74	18 %
Aggregates	6.76	6.06	12 %
Operating Earnings			
Cement [2]	$89,486	$46,228	94 %
Gypsum Wallboard	114,852	69,712	65 %
Recycled Paperboard	23,610	25,200	(6 %)
Oil and Gas Proppants	(4,890)	—	—
Concrete and Aggregates	212	(5,388)	(13 %)
Other Operating Income, net	1,368	(1,232)	211 %
Net Operating Earnings	$224,638	$134,520	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 $438.2 million for fiscal 2014, which is a 44% increase over revenues of $304.1 million for fiscal 2013. The increase in revenues during fiscal 2014, compared to fiscal 2013, is primarily due to a 39% 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 $118.7 million and $15.4 million, respectively, in fiscal 2014, compared to fiscal 2013. The increase in sales volume was primarily due to the purchase of two cement plants from Lafarge N.A., which positively increased revenue by $102.0 million, as well as increased construction activity in Texas and our Mountain region.

The increase in average net sales price and reduced operating expenses per unit during fiscal 2014, compared to fiscal 2013, enabled us to increase our operating margin from 15% in fiscal 2013 to 20% in fiscal 2014. Cement operating earnings increased 94% to $89.5 million in fiscal 2014, from $46.2 million in fiscal 2013. The increase in operating earnings was due primarily to increased average net sales prices and sales volumes, which contributed approximately $15.4 million and $14.3 million to operating earnings, as well as lower per unit operating expenses, which contributed approximately $13.6 million to operating earnings. The decline in per unit operating costs related primarily to reduced maintenance and fuel costs, which positively impacted earnings by

approximately $6.8 million and $4.8 million, respectively, partially offset by increased purchased cement costs of approximately $2.3 million. The sale of purchased cement increased during fiscal 2014, compared to fiscal 2013, primarily due to both increased demand and a change in product mix in our Texas market.

Gypsum Wallboard Operations. Sales revenues increased 26% to $387.0 million for fiscal 2014, from $306.5 million for fiscal 2013, primarily due to an 18% increase in the average net sales price and an 11% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately $47.9 million and $32.6 million, respectively. The increase in average net sales price was due to the implementation of price increases in January 2014 and 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 fiscal 2014, as compared to fiscal 2013.

Operating earnings increased to $114.9 million for fiscal 2014, from $69.7 million for fiscal 2013, primarily due to the increase in average net sales price and sales volumes, which positively impacted operating earnings by approximately $47.9 million and $7.5 million, partially offset by increased operating expenses of approximately $10.2 million. The increase in operating costs was primarily related to natural gas, raw materials, maintenance and paper, which increased approximately $3.5 million, $0.5 million, $3.3 million and $0.5 million, respectively. Additionally, operating costs were adversely impacted by approximately $2.9 million in legal expense. See Note (I) in the Notes to Consolidated Financial Statements for more information. During fiscal 2014 our gross margin improved to 30% from 23% in fiscal 2013, primarily due to the increase in average net sales price, partially offset by increased operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in volume have a relatively minor impact on our operating costs.

Recycled Paperboard Operations. Revenues increased 7% to $130.2 million in fiscal 2014, from $121.9 million in fiscal 2013. The increase in net revenue during fiscal 2014, compared to fiscal 2013, is due to both increased sales volumes and average net sales prices, which contributed approximately $6.4 million and $1.9 million, respectively, to revenues. 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 the percentage of higher priced gypsum paper sold in fiscal 2014, as compared to fiscal 2013.

Operating earnings decreased to $23.6 million for fiscal 2014, as compared to $25.2 million for fiscal 2013, while gross margin decreased to 18% for fiscal 2014, as compared to 21% for fiscal 2013. The decrease in operating earnings and gross margin are primarily due to increased operating costs, namely recycled fiber costs and energy (both pricing and utilization), which decreased operating earnings by approximately $4.6 million and $2.4 million, respectively, partially offset by increased average net sales price and decreased chemical costs, of approximately $1.9 million and $1.5 million, respectively. Operating earnings and margin were also positively impacted by a change in the product sales mix as sales of higher margin gypsum liner increased to 78% for fiscal 2014, from 66% for fiscal 2013, which positively impacted operating earnings by approximately $1.6 million.

Oil and Gas Proppants. Revenues from our new oil and gas proppants segment were $19.6 million for fiscal 2014, which was the first year of operations. The majority of the revenues for fiscal 2014 related to the latter half of the fiscal year, although revenues were inconsistent on a month to month basis due to the start-up nature of this segment.

Operating loss for fiscal 2014 was primarily related to the start-up of our Corpus Christi facility during fiscal 2014.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 68% to $96.9 million for fiscal 2014, compared to $56.3 million for fiscal 2013. The primary reason for the increase in revenue for fiscal 2014, compared to fiscal 2013, was the 56% and 23% increase in sales volumes for concrete and aggregates, respectively, which positively impacted revenues by approximately $1.9 million. In addition to the increase in sales volumes, average sales prices increased 18% and 11% for concrete and aggregates, respectively, during fiscal 2014, compared

to fiscal 2013, which positively impacted revenues by $5.7 million. The increase in sales volumes was due primarily to the acquisition of Talon Concrete and Aggregates from Lafarge N.A. during

November 2012, which contributed $33.0 million of the increased revenues during fiscal 2014, compared to fiscal 2013. The remaining increase in sales volumes was due to increased construction activity in our Austin, Texas market.

Operating income for fiscal 2014 was approximately $0.2 million, compared to an operating loss of approximately $5.4 million for fiscal 2013. The operating earnings were positively impacted by increased average net sales prices, which increased the operating earnings by approximately $14.4 million, partially offset by increased operating expenses of approximately $7.4 million. Increased operating costs during fiscal 2014, compared to fiscal 2013, were primarily related to maintenance, purchased materials and delivery costs, which increased operating costs by approximately $3.4 million, $5.8 million and $2.1 million, respectively, as well as the settlement of a litigation matter in California for $0.5 million, partially offset by decreased general plant costs of approximately $3.0 million.

CRITical Accounting Policies

Certain of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. Although our accounting policies are in compliance with generally accepted accounting principles, a change in the facts and circumstances of the underlying transactions could significantly change the application of the accounting policies and the resulting financial statement impact. Listed below are those policies that we believe are critical and require the use of complex judgment in their application.

Impairment of Long-Lived Assets. We assess our long-lived assets, including mining and related assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. These evaluations for impairment are significantly impacted by estimates of revenues, costs and expenses, and in the case of our mining assets, changes in the costs and availability of extraction of our mineral assets and other factors. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Although our oil and gas proppants segment experienced an operating loss in fiscal 2015 and 2014, the segment generated positive cash flows from operations since significant business operations started in the second half of fiscal 2014.

We idled our gypsum manufacturing facility in Bernalillo, N.M. in 2009, due to cyclical low gypsum wallboard demand. The carrying value of the Bernalillo plant and equipment at March 31, 2015 was $2.7 million and $0.4 million, respectively, and we continue to depreciate the assets over their estimated useful life. We currently have a strong market position in New Mexico, and our Albuquerque gypsum wallboard facility is operating at close to capacity. We plan on resuming manufacturing at the Bernalillo facility in the future when additional capacity is needed to meet demand for our products. 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.

Goodwill. Goodwill is subject to an annual assessment at least annually for impairment by applying a fair-value-based test. We have elected to test for goodwill impairment in the fourth quarter of each fiscal year. The goodwill

impairment test is a two-step process, which requires management to make judgments in determining

what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit based on a discounted cash flow model using revenues and profit forecasts and comparing those estimated fair values with the carrying value; a second step is performed, if necessary, to compute the amount of the impairment by determining an "implied fair value" of goodwill. Similar to the review for impairment of other long-lived assets, evaluations for impairment are significantly impacted by estimates of future prices for our products, capital needs, economic trends and other factors.

The segment breakdown of goodwill at March 31, 2015 and 2014 is as follows:

	For the Years Ended March 31,	
	2015	2014
	(dollars in thousands)	
Cement	$8,359	$8,359
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
	$132,515	$132,515

Impairment testing for the cement business is done at the plant level because the relatively low value-to-weight ratio limits the geographic area in which a company can market its products profitably; therefore, the U.S. cement industry is fragmented into regional geographic areas rather than a national selling area. Impairment testing for the gypsum wallboard and paperboard segments is done at the segment level because of the national nature of the businesses and customer base. See Note (A) of the Notes to Consolidated Financial Statements for more information. The results of the first step of the annual impairment tests performed in the fiscal fourth quarter of 2015 and 2014 indicated that the fair values of the reporting units with goodwill substantially exceeded their carrying values. Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. The most important assumption underlying our estimates is a cyclical recovery in U.S. construction activity from the current low levels. Actual results may differ materially from those estimates. Changes in key assumptions or management judgment with respect to a reporting unit or its prospects, which may result from a change in market conditions, market trends, interest rates or other factors outside of our control, or significant underperformance relative to historical or projected future operating results, could result in a significantly different estimate of the fair value of our reporting units, which could result in an impairment charge in the future.

Environmental Liabilities. Our operations are subject to state, federal and local environmental laws and regulations, which impose liability for clean up or remediation of environmental pollution and hazardous waste arising from past acts and require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of its operations. We record environmental accruals when it is probable that a reasonably estimable liability has been incurred. Environmental remediation accruals are based on internal studies and estimates, including shared financial liability with third parties. Environmental expenditures that extend the life, increase the capacity, improve the safety or efficiency of assets or mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

Estimation of Reserves and Valuation Allowances. We evaluate the collectability of accounts receivable based on a combination of factors. In circumstances when we are aware of a specific customer's inability to meet its financial obligation to the Company, the balance in the reserve for doubtful accounts is evaluated, and if it is determined to be

deficient, a specific amount will be added to the reserve. For all other customers, the reserve for doubtful accounts is determined by the length of time the receivables are past due or the customer's financial condition.

Income Taxes. In determining net income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax provisions and the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

In the ordinary course of business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues in both the U.S. and state tax jurisdictions based on an estimate of the ultimate resolution of whether, and the extent to which, additional taxes will be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our process for preparing financial statements, we must assess the likelihood that our deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior years that can be used to absorb net operating losses and credit carrybacks, and taxable income in future years. Our judgment regarding future taxable income may change due to market conditions, changes in U.S. tax laws and other factors. These changes, if any, may require material adjustments to the deferred tax assets and an accompanying reduction or increase in net income in the period when such determinations are made.

Business combinations. The acquisition method of accounting requires that we recognize the assets acquired and liabilities assumed at their acquisition date fair values. Goodwill is measured as the excess of consideration transferred over the acquisition date net fair values of the assets acquired and the liabilities assumed.

The measurement of the fair values of assets acquired and liabilities assumed requires considerable judgment. Although independent appraisals may be used to assist in the determination of the fair values of certain assets and liabilities, the appraised values are usually based on significant estimates provided by management, such as forecasted revenue or profit. In determining the fair value of intangible assets, an income approach is generally used and may incorporate the use of a discounted cash flow method. In applying the discounted cash flow method, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate based on an estimated weighted average cost of capital for the building materials industry. These cash flow projections are based on management’s estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures and working capital requirements.

While we use our best estimates and assumptions as part of the process to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. During the measurement period, which occurs before finalization of the purchase price allocation, changes in assumptions and estimates that result in adjustments to the fair values of assets acquired and liabilities assumed are recorded on a retroactive basis as of the acquisition date, with the corresponding offset to goodwill. Any adjustments subsequent to the conclusion of the measurement period will be recorded to our consolidated statements of earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow.

The following table provides a summary of our cash flows:

	For the Fiscal Years Ended March 31,	
	2015	2014
	(dollars in thousands)	
Net Cash Provided by Operating Activities:	$234,121	$170,633
Investing Activities:		
Additions to Property, Plant and Equipment	(111,573)	(59,490)
CRS Acquisition	(237,171)	—
Net Cash Used in Investing Activities	(348,744)	(59,490)
Financing Activities:		
Increase (Decrease) in Credit Facility	141,000	(108,000)
Repayment of Senior Notes	(9,500)	—
Dividends Paid to Stockholders	(20,072)	(19,899)
Proceeds from Stock Option Exercises	4,311	14,187
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(4,166)	(2,913)
Payment of Debt Acquisition Costs	(1,661)	—
Excess Tax Benefits from Share Based Payment Arrangements	5,743	8,067
Net Cash Provided by (Used in) Financing Activities	115,655	(108,558)
Net Increase in Cash	$1,032	$2,585

Cash flows from operating activities increased $63.5 million to $234.1 million during fiscal 2015 from $170.6 million in fiscal 2014. This increase was largely attributable to increased net earnings of approximately $62.6 million, and increased distributions from our unconsolidated joint venture, partially offset by a decrease in cash flow from the change in operating assets and liabilities. The increase in distributions from our unconsolidated joint venture is primarily due to increased earnings in fiscal 2015, compared to fiscal 2014. Excluding the impact of the working capital purchased in the CRS Acquisition in fiscal 2015, cash flows from operating activities were negatively impacted during fiscal 2015 by increased inventories of approximately $38.7 million and a decrease in accounts payable and accrued liabilities of $11.5 million, partially offset by reduced accounts and notes receivable, other assets and increased income taxes payable of approximately $4.2 million, $0.5 million and $8.0 million, respectively. During fiscal 2014, cash flows from operating activities were negatively impacted by increases in accounts and notes receivable, inventories and other assets of approximately $12.9 million, $32.7 million and $3.5 million, respectively, partially offset by increases in accounts payable and accrued liabilities and income taxes payable of approximately $6.5 million, and $11.2 million, respectively.

Working capital decreased to $182.1 million at March 31, 2015, compared to $198.1 million at March 31, 2014, primarily due to increased accounts payable and accrued liabilities and current portion of long-term debt of approximately $26.0 million and $47.5 million, respectively, partially offset by increased cash, accounts and notes receivable and inventories of approximately $1.0 million, $10.7 million and $48.4 million, respectively.

The increase in accounts and notes receivable at March 31, 2015, compared to March 31, 2014, is primarily due to increased revenues during the fourth quarter of fiscal 2015, compared to the fourth quarter of fiscal 2014. The increase in accounts receivable at March 31, 2015, compared to March 31, 2014, was consistent with the increase in revenues

during the periods then ended. As a percentage of quarterly sales generated in the fiscal fourth quarter, accounts receivable were 51% at both March 31, 2015 and 2014. Management measures the change in accounts receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the accounts receivable. No significant deterioration in the collectability of our accounts receivable was identified at March 31, 2015. Notes receivable are monitored on an

individual basis, and no significant deterioration in the collectability of notes receivable was identified at March 31, 2015.

Our inventory balance at March 31, 2015 increased approximately 25% from the inventory balance at March 31, 2014. The biggest increase related to raw materials and materials in process, which increased approximately $33.0 million to $115.3 million at March 31, 2015, compared to $82.3 million at March 31, 2014. Most of the increase in raw materials and materials in process is due to increased clinker inventories of approximately $12.7 million, and an increase of approximately $17.2 million in frac sand inventory. The increase in clinker inventory is due to the cyclical nature of our business in which we grow our inventory during the winter months to ensure we can meet demand during the year. Additionally, most of our cement plants had extended outages in April, and the increase in clinker is necessary to ensure they will have enough supply during the outage. The increase in frac sand inventory is due primarily to the CRS Acquisition, and the growth of our existing frac sand business. Repair parts, which are a significant part of our inventory, 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 an 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 products and building materials.

In May, 2011 we filed a lawsuit against the IRS in Federal District Court to recover the $97.9 million paid to the IRS with respect to our uncertain tax position for 2001 to 2006. In September 2014 the Company and the IRS reached a tentative agreement to settle the lawsuit, and this agreement was approved by the U.S. Department of Justice in January 2015. Under the terms of the agreement, we dismissed our lawsuit seeking to recover taxes, interest and penalties paid, as discussed above, in exchange for the IRS conceding 40% of the penalties, plus interest, paid to date. Under the terms of the settlement, we reduced income tax and interest expense in the fourth quarter by approximately $16.6 million and $4.4 million, respectively. See Footnote (H) to the Notes to Consolidated Financial Statements for more information.

Net cash used in investing activities during fiscal 2015 was approximately $348.7 million, compared to net cash used in investing activities of $59.5 million during fiscal 2014, an increase of approximately $289.2 million. A substantial majority of the increase related to the CRS Acquisition in fiscal 2015 that increased net cash used in investing activities by $237.2 million. Excluding the CRS Acquisition, capital expenditures increased by approximately $52.1 million in fiscal 2015, as compared to fiscal 2014. This increase is related primarily to our frac sand business, which began operations during fiscal 2014, as well as the completion of the processing facility in progress at the time of the CRS Acquisition. We anticipate spending between $20 million and $25 million on sustaining capital expenditures during fiscal year 2016, which is consistent with historic levels after taking into consideration the CRS Acquisition.

Net cash provided by financing activities increased to approximately $115.7 million during fiscal 2015, compared to net cash used in investing activities of approximately $108.6 million during fiscal 2014. The increase in net cash provided by financing activities during fiscal 2015 is primarily related the increase in net borrowing under our Amended Credit facility necessary to fund the CRS Acquisition and to repay $9.5 million due upon maturity of Tranche A of our Series 2007A Senior Notes. Net cash used in financing activities in fiscal 2014 was due primarily to the repayment of debt and payment of dividends, partially offset by proceeds and tax benefits received related to the exercise of stock options. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio was 33.7% and 33.4%, respectively, at March 31, 2015, as compared to 31.4% and 31.1%, respectively, at March 31, 2014.

Debt Financing Activities.

Our Credit Facility was amended and restated on October 30, 2014 (the "Amended Credit Facility"). The Amended Credit Facility increased available borrowings from $400.0 million to $500.0 million and extended the term from

December 15, 2015 to October 30, 2019. Borrowings under the Amended Credit Facility are

guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, outstanding principal amounts on the Amended Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 basis points to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, to the Company's consolidated indebtedness (the "Leverage Ratio"), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus ½% per annum, plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be a period of up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Amended Credit Facility ranging from 10 to 35 basis points depending on the Leverage Ratio. The Amended 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 in to sale and leaseback arrangements. The Amended 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 or 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 or other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We had $330.0 million of borrowings outstanding at March 31, 2015. Based on our Leverage Ratio, we had $160.8 million of available borrowings, net of outstanding letters of credit, at March 31, 2015.

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). Following these repurchases, 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 also entered into an additional Note Purchase Agreement on October 2, 2007 (the "2007 Note Purchase Agreement") related to our sale of $200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the "Series 2007A Senior Notes") in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. Since entering into the 2007 Note Purchase Agreement, we have repurchased $122.0 million in principal of the Series 2007A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During October 2014, Tranche A of the Series 2007A Senior Notes matured and we retired the remaining $9.5 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the four tranches are as follows:

	Principal	Maturity Date

			Interest Rate	
Tranche B	$8.0 million	October 2, 2016	6.27	%
Tranche C	$24.0 million	October 2, 2017	6.36	%
Tranche D	$36.5 million	October 2, 2019	6.48	%

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the "Note Purchase Agreements") and the Series 2005A Senior Notes and the Series 2007A Senior Notes are equal in right of payment with all other senior, unsecured indebtedness 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, namely the maintenance of certain financial ratios.

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.

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

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

We do not have any off balance sheet debt except for operating leases. Also, we have no outstanding debt guarantees. We have available under the Amended Credit Facility a $50.0 million Letter of Credit Facility. At March 31, 2015, we had $9.2 million of letters of credit outstanding that renew annually. We are contingently liable for performance under $14.8 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Amended Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for at least the next twelve months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Amended Credit Facility, the level of competition and general and economic factors beyond our control. We cannot predict what effect these factors will have on our future liquidity. For additional information on factors impacting our liquidity and capital resources, please refer to Part I, Item 1A, "Risk Factors" above.

Cash Used for Share Repurchases and Stock Repurchase Program.

See table under Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for additional information.

On November 7, 2006, we announced that our Board of Directors authorized the repurchase in the open market of an additional 5,156,800 shares of common stock, raising our repurchase authorization to approximately

6,000,000 shares, of which 717,300 remained available at March 31, 2015. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by the Company's management, based on its evaluation of market and economic conditions and other factors. Repurchases may also be effected pursuant to plans or instructions that meet the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934. We did not repurchase any shares in the open market during the fiscal years ended March 31, 2015, 2014 and 2013.

Capital Expenditures.

The following table compares capital expenditures:

	CRS Acquisition	For the Fiscal Years Ended March 31, 2015	2014
		(dollars in thousands)	
Land and Quarries	$ 160,014	$ 1,030	$ 12,898
Plants	21,624	71,042	35,272
Buildings, Machinery and Equipment	11,100	39,501	11,320
Total Capital Expenditures	$ 192,738	$ 111,573	$ 59,490

Historically, annual maintenance capital expenditures have been approximately $20.0 to $25.0 million, which we anticipate will be similar for fiscal 2015. Total capital expenditures for fiscal 2016, including sustaining capital expenditures, are expected to be approximately $65.0 million to $75.0 million, including the completion of the plant expansion in New Auburn, Wisconsin. Historically, we have financed such expenditures with cash from operations and borrowings under our revolving credit facility.

Contractual and Other Obligations.

We have certain contractual obligations arising from indebtedness, operating leases and purchase obligations. Future payments due, aggregated by type of contractual obligation are set forth as follows:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(dollars in thousands)				
Contractual Obligations:					
Credit Facility [1]	$330,000	$—	$—	$330,000	$—
Senior Notes	182,759	57,045	89,214	36,500	—
Interest on Senior Notes	24,585	9,063	11,974	3,548	—
Interest on Credit Facility [2]	14,067	4,540	6,492	3,035	—
Operating Leases	52,960	11,043	17,444	10,715	13,758
Purchase Obligations [3]	68,724	14,364	11,690	9,740	32,930

Total	$673,095	$96,055	$136,814	$393,538	$46,688

(1) The Credit Facility expires in October 2019.

(2) At March 31, 2015, we had $330.0 million outstanding under the Credit Facility. Interest on the outstanding amounts is based on LIBOR plus a margin based on our leverage ratio. We also pay a commitment fee, which is calculated based on the available amount of borrowings at .35% per annum through the expiration of the facility in October 2019. We estimated the future cash flows for interest by assuming a level repayment of the Credit Facility over the remainder of the agreement. Actual amounts paid, as well as the payment time periods, will likely differ from this estimate.

(3) Purchase obligations are non-cancelable agreements to purchase coal, natural gas and synthetic gypsum, to pay royalty amounts and capital expenditure commitments.

Based on our current actuarial estimates, we anticipate making contributions of approximately $0.5 million to $1.0 million to our defined benefit plans for fiscal year 2016.

Dividends.

Dividends paid in fiscal years 2015 and 2014 were $20.1 million and $19.9 million, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors.

Inflation and Changing Prices.

The Consumer Price Index rose approximately 0.8% in calendar 2014, 1.6% in 2013, and 1.7% in 2012. Prices of materials and services, with the exception of power, natural gas, coal, petroleum coke, and transportation freight, have remained relatively stable over the three year period. During calendar 2014, the Consumer Price Index for energy decreased approximately 10.6%, while the Consumer Price Index for transportation increased approximately 1.7%, respectively. These increases, with the exception of energy, are relatively minor, and had minimal impact on our business due to improving efficiencies. The decrease in energy prices was favorable to our manufacturing businesses, but adversely impacted our oil and gas proppants segment as demand for oil declined, reducing the demand for frac sand. Additional inflationary increases could have an adverse impact on all of our businesses, with the exception of increased oil prices, which would favor our oil and gas proppants business. The ability to increase sales prices to cover future increases varies with the level of activity in the construction industry, the number, size, and strength of competitors and the availability of products to supply a local market.

General Outlook

See “General Outlook” within Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations on page 40.

Recent Accounting Pronouncements

Refer to Footnote (A) of the Notes to Consolidated Financial Statements for information regarding recently issued accounting pronouncements that may affect our financial statements.

Forward-Looking Statements

Certain information included in this report or in 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, contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when we are discussing our beliefs, estimates or expectations. From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-K, 10-Q and 8-K, press releases and presentations, on our web site and in other material released to the public. We specifically disclaim any duty to update any of the information set forth in this report, including any forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future events and, therefore, involve a number of risks and uncertainties. Management cautions that forward-looking statements are not guarantees, and our actual results could differ materially from those expressed or implied in the forward looking statements. See Item 1A – Risk Factors for a more detailed discussion of specific risks and uncertainties.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to fluctuations in interest rates on our Credit Facility. We have occasionally 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 $500.0 million Credit Facility available at March 31, 2015 under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the $330.0 million of borrowings at March 31, 2015 would increase our interest expense by $3.3 million on an annual basis. We do not presently 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Financial Information

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Earnings

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

	For the Years Ended March 31,		
	2015	2014	2013
Revenues	$1,066,368	$898,396	$642,562
Cost of Goods Sold	812,235	712,937	539,317
Gross Profit	254,133	185,459	103,245
Equity in Earnings of Unconsolidated Joint Venture	44,967	37,811	32,507
Corporate General and Administrative Expense	(30,751)	(24,552)	(23,918)
Other Operating Income (Loss)	3,201	1,368	(1,232)
Acquisition and Litigation Expense	(6,880)	—	(10,683)
Interest Expense, Net	(11,743)	(18,282)	(15,823)
Earnings before Income Taxes	252,927	181,804	84,096
Income Taxes	(66,074)	(57,561)	(26,352)
Net Earnings	186,853	$124,243	$57,744
EARNINGS PER SHARE			
Basic	$3.77	$2.53	$1.24
Diluted	$3.71	$2.49	$1.22
AVERAGE SHARES OUTSTANDING			
Basic	49,604,249	49,090,750	46,622,646
Diluted	50,372,243	49,939,165	47,340,450
CASH DIVIDENDS PER SHARE	$0.40	$0.40	$0.40

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(dollars in thousands)

	For the Years Ended March 31,		
	2015	2014	2013
Net Earnings	$186,853	$124,243	$57,744
Net Actuarial (Gains) Losses of Defined Benefit Plans:			
Unrealized (gain) loss during the period, net of tax (expense) benefit of ($3,746), $1,173 and $1,071	6,173	(2,399)	(1,988)
Amortization of Net Actuarial Loss, net of tax benefit of $242, $333 and $249	411	840	462
Comprehensive Earnings	$193,437	$122,684	$56,218

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	March 31, 2015	2014
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$7,514	$6,482
Accounts and Notes Receivable, net	113,577	102,917
Inventories	235,464	187,096
Prepaid and Other Assets	10,080	10,465
Total Current Assets	366,635	306,960
Property, Plant and Equipment -	1,962,215	1,660,975
Less: Accumulated Depreciation	(740,396)	(676,924)
Property, Plant and Equipment, net	1,221,819	984,051
Notes Receivable	2,847	3,063
Investment in Joint Venture	47,614	43,008
Goodwill and Intangible Assets, net	211,167	160,690
Other Assets	32,509	13,757
	$1,882,591	$1,511,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	$77,749	$57,098
Accrued Liabilities	46,830	41,520
Income Tax Payable	2,952	702
Current Portion of Long-term Debt	57,045	9,500
Total Current Liabilities	184,576	108,820
Long-term Debt	455,714	371,759
Other Long-term Liabilities	69,055	53,678
Deferred Income Taxes	162,653	145,773
Total Liabilities	871,998	680,030
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 50,245,364 and 50,053,078 Shares, respectively.	502	501
Capital in Excess of Par Value	272,441	253,524
Accumulated Other Comprehensive Losses	(12,067)	(5,483)
Retained Earnings	749,717	582,957
Total Stockholders' Equity	1,010,593	831,499
	$1,882,591	$1,511,529

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(dollars in thousands)

	For the Years Ended March 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Earnings	$186,853	$124,243	$57,744
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities, Net of Effect of Non-Cash Activity -			
Depreciation, Depletion and Amortization	76,299	70,021	56,850
Deferred Income Tax Provision	5,805	5,746	6,155
Stock Compensation Expense	13,030	10,136	9,002
Excess Tax Benefits from Share Based Payment Arrangements	(5,743)	(8,067)	(6,493)
Equity in Earnings of Unconsolidated Joint Venture	(44,967)	(37,811)	(32,507)
Distributions from Joint Venture	40,375	37,750	28,500
Changes in Operating Assets and Liabilities:			
Accounts and Notes Receivable	4,196	(12,876)	(7,771)
Inventories	(38,741)	(32,714)	(14,186)
Accounts Payable and Accrued Liabilities	(11,499)	6,504	24,610
Other Assets	520	(3,511)	(2,679)
Income Taxes Payable	7,993	11,212	5,182
Net Cash Provided by Operating Activities	234,121	170,633	124,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Property, Plant and Equipment	(111,573)	(59,490)	(53,011)
CRS Acquisition	(237,171)	—	(453,420)
Net Cash Used in Investing Activities	(348,744)	(59,490)	(506,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in Credit Facility	141,000	(108,000)	227,000
Repayment of Senior Notes	(9,500)	—	(4,677)
Dividends Paid to Stockholders	(20,072)	(19,899)	(18,533)
Net Proceeds from Offering of Common Stock	—	—	154,832
Proceeds from Stock Option Exercises	4,311	14,187	19,645
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(4,166)	(2,913)	(3,569)
Payment of Debt Issuance Costs	(1,661)	—	(1,751)
Excess Tax Benefits from Share Based Payment Arrangements	5,743	8,067	6,493
Net Cash Provided by (Used in) Financing Activities	115,655	(108,558)	379,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,032	2,585	(2,584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,482	3,897	6,481

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$7,514	$6,482	$3,897

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(dollars in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Losses	Total
Balance at March 31, 2012	$ 453	$37,692	$439,882	$ (5,516)	$472,511
Net Earnings	—	—	57,744	—	57,744
Net proceeds from Equity Offering	35	154,797	—	—	154,832
Stock Option Exercises and Restricted Share Vesting	8	19,637	—	—	19,645
Tax Benefit-Stock Option Exercise	—	6,493	—	—	6,493
Dividends to Stockholders	—	—	(18,962)	—	(18,962)
Stock Compensation Expense	—	9,002	—	—	9,002
Shares Redeemed to Settle Employee Taxes	(1)	(3,568)	—	—	(3,569)
Unfunded Pension Liability, net of tax	—	—	—	(1,526)	(1,526)
Balance at March 31, 2013	$ 495	$224,053	$478,664	$ (7,042)	$696,170
Net Earnings	—	—	124,243	—	124,243
Stock Option Exercises and Restricted Share Vesting	5	14,182	—	—	14,187
Tax Benefit-Stock Option Exercise	—	8,067	—	—	8,067
Dividends to Stockholders	—	—	(19,950)	—	(19,950)
Stock Compensation Expense	1	10,135	—	—	10,136
Shares Redeemed to Settle Employee Taxes	—	(2,913)	—	—	(2,913)
Unfunded Pension Liability, net of tax	—	—	—	1,559	1,559
Balance at March 31, 2014	$ 501	$253,524	$582,957	$ (5,483)	$831,499
Net Earnings	—	—	186,853	—	186,853
Stock Option Exercises and Restricted Share Vesting	1	4,310	—	—	4,311
Tax Benefit-Stock Option Exercise	—	5,743	—	—	5,743
Dividends to Stockholders	—	—	(20,093)	—	(20,093)
Stock Compensation Expense	—	13,030	—	—	13,030
Shares Redeemed to Settle Employee Taxes	—	(4,166)	—	—	(4,166)
Unfunded Pension Liability, net of tax	—	—	—	(6,584)	(6,584)
Balance at March 31, 2015	$ 502	$272,441	$749,717	$ (12,067)	$1,010,593

See notes to consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

(A) Significant Accounting Policies

Basis of Presentation –

The consolidated financial statements include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (“EXP” or the “Company”), which may be referred to as “our”, “we”, or “us”. All intercompany balances and transactions have been eliminated. EXP is a holding company whose assets consist of its investments in its subsidiaries, joint venture, intercompany balances and holdings of cash and cash equivalents. The businesses of the consolidated group are conducted through EXP’s subsidiaries. The Company conducts one of its cement plant operations through a joint venture, Texas Lehigh Cement Company L.P., which is located in Buda, Texas (the “Joint Venture”). Investments in the Joint Venture and affiliated companies owned 50% or less are accounted for using the equity method of accounting. The Equity in Earnings of Unconsolidated Joint Venture has been included for the same period as our March 31 year end.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

Reclassifications – Certain reclassifications have been made to the prior year to conform to the current year presentation.

Cash and Cash Equivalents –

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less and are recorded at cost, which approximates market value.

Accounts and Notes Receivable –

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of $7.1 million and $5.8 million at March 31, 2015 and 2014, respectively. We perform ongoing credit evaluations of our customers’ financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction and oil and gas industries, detailed analysis of the expected collectability of accounts receivable that are past due and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had notes receivable totaling approximately $3.3 million at March 31, 2015, of which approximately $0.5 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 3.9%, which will vary based on changes to LIBOR. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2015 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment. We monitor the

credit risk of each borrower by focusing on the timeliness of payments, review of credit history and credit metrics and interaction with the borrowers. At March 31, 2015 and 2014, approximately $0.3 million of our allowance for doubtful accounts is related to our notes receivable.

Inventories –

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

	March 31, 2015 (dollars in thousands)	2014
Raw Materials and Materials-in-Progress	$115,345	$82,319
Finished Cement	20,508	19,173
Gypsum Wallboard	7,741	7,144
Paperboard	8,493	4,102
Frac Sand	4,928	275
Aggregates	11,131	