EAGLE MATERIALS INC
Form 10-K
May 23, 2014
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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, 2014

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 ¨

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 ¨ 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 ¨

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 ¨

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. ¨

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):

x Large accelerated filer	¨ Accelerated filer
¨ Non-accelerated filer (Do not check if a smaller reporting company)	¨ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

The aggregate market value of the voting stock held by nonaffiliates of the Company at September 30, 2013 (the last business day of the registrants most recently completed second fiscal quarter) was approximately $3.5 billion.

As of May 20, 2014, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	50,046,850

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders of Eagle Materials Inc. to be held on August 7, 2014 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 subsidiar 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). Since the date of the Spin-off, we have no longer been affiliated with Centex. Our primary businesses are the manufacture and distribution of gypsum wallboard and the manufacture and sale of cement. Gypsum wallboard is distributed throughout the U.S. with particular emphasis in the geographic markets nearest to our production facilities. 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. Our gypsum wallboard business is supported by our recycled paperboard business, while our cement business is supported by our concrete and aggregates business.

Our products are commodities that are essential in the construction and renovation of houses, roads, bridges, commercial and industrial buildings and other, newer generation structures like wind farms. Demand for these products is generally cyclical and seasonal, depending on economic and geographic conditions. Our operations are geographically diverse, which subject us to the economic conditions in each such geographic market as well as the national construction market. General economic downturns or localized downturns in the regions where we have operations could have a material adverse effect on our business, financial condition and results of operations. Our gypsum wallboard and paperboard operations are more national in scope and shipments are made throughout the continental U.S., except for the northeast, and therefore are more impacted by national downturns. The markets of our cement companies are more regional due to the low value-to-weight ratio of cement, which generally limits shipments to a 150 mile radius of the plants by truck and up to 300 miles by rail. Concrete and aggregates are primarily local businesses that serve the areas immediately surrounding Austin, Texas, the greater Kansas City area and north of Sacramento, California, while frac sand is currently sold in Texas. Cement, concrete and aggregates demand is more sensitive to change in local and regional markets and economies than the national market, as well as being more susceptible to seasonal impact due to adverse weather.

On November 30, 2012, the Company completed the acquisition (the Acquisition) of certain assets of Lafarge North America Inc. (Lafarge North America or the Sellers), primarily two cement plants in Missouri and Oklahoma and a concrete and aggregates business in Kansas City, Missouri (the Acquired Assets). The Acquired Assets are used to produce, market and sell portland cement, aggregates and concrete in Kansas, Missouri, Nebraska and Oklahoma. The acquisition of the Acquired Assets expanded the Company s market into the central part of the United States and, together with our existing markets, created a network of cement plants and distribution terminals stretching from Chicago, Illinois to northern California, and south to Texas.

During fiscal 2012 and 2013, we purchased land with mineral reserves in the Midwest for the purpose of developing a business to provide sand for hydraulic fracturing (frac sand) to oil services and other industrial end markets. During fiscal 2013, we constructed a drying and screening plant in Corpus Christi, Texas to process and market the sand in Texas, and we began selling third-party purchased sand out of this facility during fiscal 2014, as we have not yet opened our own mine. The results of operations from our frac sand operations have been included in our concrete and aggregates segment. We continue to pursue other frac sand deposits and distribution sites that are geographically supportive to our frac sand operations, and anticipate additional capital expenditures related to frac sand in the range of $30 million to $40 million in fiscal 2015.

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.

At March 31, 2014, we operated six cement plants (one of which belongs to our joint venture company), five gypsum wallboard plants, one recycled paperboard plant, seventeen concrete batching plants, four aggregates facilities and one frac sand processing and drying plant. The gypsum wallboard plant in Bernalillo, New Mexico has been temporarily idled since 2009, pending market demand improvement.

Recently demand for our two major product lines has begun to recover, as underlying economic fundamentals in the U.S. began to show improvement in calendar 2012 and continued to improve through calendar 2013. Cement consumption in the United States, as estimated by the Portland Cement Association, increased 4% to 87.8 million short tons in calendar 2013 as compared to 84.1 million short tons in calendar 2012, with imported cement consumption consistent at approximately 9% of total sales in both calendar 2013 and 2012. The increase in consumption benefited EXP, as our cement sales volumes, excluding volumes from the Acquired Assets, increased approximately 6%, in fiscal 2014, as compared to fiscal 2013. The increases occurred in all of our markets, with the largest increases in our Mountain and Illinois markets. Demand for gypsum wallboard continues to improve as well, as industry shipments of gypsum wallboard increased approximately 8% to 20.5 billion square feet in calendar 2013, as compared to 18.9 billion square feet in calendar 2012, primarily due to the increase in residential home construction.

We continue to pursue opportunities in businesses which are naturally adjacent to our existing core businesses and would allow us to leverage our core competencies and existing infrastructure and customer relationships. The entry into any such new businesses requires capital expenditures and the investment of management time and other resources, and is subject to the risks associated with any new business development. See Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary .

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.

INDUSTRY SEGMENT INFORMATION

While our businesses are separated into four segments, these four segments are generally related to two businesses, and are therefore discussed as follows: Cement and Concrete and Aggregates, and Gypsum Wallboard and Recycled Paperboard. A description of these business segments can be found on pages 2-14.

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 Note (G) of the Notes to Consolidated Financial Statements on pages 65-68.

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 of Nevada Cement Company and our Sugar Creek, Missouri and Tulsa, Oklahoma plants operate under the name Central Plains Cement Company.

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Cement is the basic binding agent for concrete, a primary construction material. Our modern 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:

Location	Rated Annual Clinker Capacity (M short tons)[1]	Manufacturing Process	Number of Kilns	Kiln Dedication Date	Estimated Minimum Limestone Reserves (Years)
Buda, TX	1,300[2]	Dry 4 Stage Preheater/ Pre-calciner	1	1983	50+[5]
LaSalle, IL	1,000	Dry 5 Stage Preheater/ Pre-calciner	1	2006	33[5]
Sugar Creek, MO	1,000	Dry 5 Stage Preheater/ Pre-calciner	1	2002	50+[5]
Laramie, WY	650	Dry 2 Stage Preheater Dry Long Dry Kiln	1 1	1988 1996	50+[6]
Tulsa, OK	650	Dry Long Dry Kiln	2	1961 1964	50+[5]
Fernley, NV	500	Dry Long Dry Kiln Dry 1 Stage Preheater	1 1	1964 1969	50+[6]
Total-Gross [3]	5,100				
Total-Net [3][4]	4,450				

(1) One short ton equals 2,000 pounds.

(2) 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.

(3) Generally, a plant s cement grinding production capacity is greater than its clinker production capacity.

(4) Net of partner s 50% interest in the Buda, Texas plant.

(5) Owned reserves.

(6) Includes both owned and leased reserves.

Our net cement production, including our 50% share of the cement Joint Venture production, totaled 4.0 million short tons in fiscal 2014 and 3.1 million short tons in fiscal 2013. Total net cement sales, including our 50% share of cement sales from the Joint Venture, were 4.6 million short tons and 3.3 million short tons in fiscal 2014 and fiscal 2013, respectively. Cement production and sales related to the Acquired Assets totaled 1.4 million tons and 1.4 million tons, respectively, in fiscal 2014 and 0.3 million tons and 0.3 million tons, respectively, in fiscal 2013, and have been included in the fiscal 2014 and 2013 amounts above. 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. In addition to construction aggregates, in fiscal 2013, we completed our plant in Corpus Christi, Texas that is used to screen and dry frac sand used by oil services companies. We began selling third-party purchased frac sand in the Texas market during fiscal 2014.

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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	25
Austin, Texas	6	74
Kansas City Area	8	66
Total	17	165

We conduct aggregate operations near our concrete facilities in northern California; Austin, Texas and the greater Kansas City area. We did not mine any frac sand from our Utica, Illinois quarry during fiscal 2014. All of our frac sand sales were in south Texas, with sand purchased from third parties. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company, and we expect to begin mining frac sand out of our Utica, Illinois quarry during the latter half of fiscal 2015. The following table sets forth certain information regarding these operations:

Location	Types of Aggregates	Estimated Annual Production Capacity (Thousand tons)	Estimated Minimum Reserves (Years)
Northern California	Sand and Gravel	4,000	100+(1)
Austin, Texas	Limestone	3,000	46(2)
Kansas City Area	Limestone	900	50+(1)
Utica, Illinois	Frac Sand	2,500(3)	50+(1)
Total		10,400	

(1) Owned reserves through various subsidiaries.
(2) Leased reserves.
(3) Our plant in Utica is currently under construction.

Our total net aggregate sales, excluding frac sand sales, were 3.2 million tons in fiscal 2014 and 2.6 million tons in fiscal 2013. Total aggregates production, excluding frac sand, was 3.0 million tons and 2.4 million tons for fiscal 2014 and fiscal 2013, respectively. Included in the fiscal 2014 and fiscal 2013 information above are 0.7 million tons and 0.1 million tons, respectively, in both sales and production attributable to the Acquired Assets. A portion of our total aggregates production is used internally by our readymix concrete operations in Texas, the greater Kansas City area and California. Our total net frac sand sales and production were 0.2 million tons and 0.3 million tons, respectively, during fiscal 2014, with all sales originating from our Corpus Christi facility.

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 at least 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. All of the limestone reserves are deemed to be probable under the definition provided by Industry Guide 7.

Coal and petroleum coke are the primary fuels used in our cement plants, but the plants are equipped to burn natural gas as an alternative. The cost of delivered coal and petroleum coke declined in fiscal 2014 as compared to fiscal 2013, primarily due to the increase of petroleum coke as a percentage of total fuel. The Tulsa

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plant currently burns alternative fuels, 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 5%, 100% and 15% of the cement requirements for our Austin, greater Kansas City and northern California concrete operations, respectively. We supply approximately 35%, 60% and 85%, 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 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 northern California quarry is estimated to contain over one billion tons of sand and gravel reserves. The Austin, Texas quarry 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 50 years of reserves, respectively. Our Kansas City quarry currently has over 50 years of reserves, and we are actively seeking additional reserves to extend the life of the quarry. We currently own a quarry in Utica, Illinois with approximately 50+ years of frac sand reserves. We expect to begin mining our quarry in Utica, Illinois after all required permits have been received.

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 4% during calendar 2013 from calendar 2012, and the Portland Cement Association predicts cement consumption will increase another 8% in calendar 2014. 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.

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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 2014. 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 80% 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 2013, 2012 and 2011. 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.

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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 selling area. Our batch plants in Austin, the greater Kansas City area and northern California are strategically located to serve each selling 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 2014. 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.

The frac sand proppant business continues to show signs of growth throughout the central United States. Proppants are used to prop open hydraulic fractures, enabling hydrocarbons to be extracted from oil and gas shale formations. The United States is the single largest consumer of proppants, followed by Canada. The 2014 USGS Minerals Yearbook Summary, published in February 2014, reports that approximately 32.5 million tons of frac sand were consumed in the United States in 2013, compared to 25.7 million tons in 2012, a 26% increase. This follows frac sand consumption increasing approximately 58% in 2012 to approximately 25.7 million tons, as compared to approximately 16.3 million tons in 2011.

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.

Six 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 2013 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.

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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. Under the Tailoring Rule, beginning January 1, 2011, any major modification of our existing plants or construction of a new plant that triggered PSD review for non-GHG emissions also triggered PSD review for GHG emissions if the proposed major modification or construction would result in a GHG emissions increase of 75,000 tons or more per year. Beginning July 1, 2011, any modification or expansion of our existing plants that would result in an increase in GHG emissions of 75,000 tons or more per year or any construction of a new plant that would result in an increase in GHG emissions of 100,000 tons or more per year requires PSD review even if PSD is not triggered for any other pollutant. PSD review requires an analysis of possible GHG controls and, potentially, the installation of GHG controls or emission limitations. The EPA has committed to periodically reviewing the Tailoring Rule tonnage thresholds and may lower them in the future.

On June 26, 2012, the U.S. Court of Appeals for the D.C. Circuit issued an opinion in *Coalition for Responsible Regulation, Inc. v. E.P.A.*, 684 F.3d 102 (2012) rejecting challenges to the Tailoring Rule and related rulemakings. Various parties filed petitions for *certiorari* with the Supreme Court of the United States for review of the D.C. Circuit s opinion on a multitude of issues, but the Supreme Court granted *certiorari* on the limited question of [w]hether EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the CAA for stationary sources that emit greenhouse gases. The Supreme Court heard oral argument on this issue on February 24, 2014. The Supreme Court is not under any deadline to issue a ruling.

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. States also have joined together to form regional initiatives to reduce GHG emissions, most notably the Regional Greenhouse Gas Initiative in the Northeast.

It is not possible at this time to predict how any future legislation that may be enacted or 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 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. 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.

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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, EPA promulgated final HWC regulations, with compliance required for all facilities by 2008. Environmental and industry organizations filed lawsuits challenging the 2005 regulations. The EPA has agreed to revise the HWC NESHAP standards in accordance with an agreement with litigants. However, 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.

***Concrete and Aggregates*.** The concrete and aggregates industry is subject to environmental regulations similar to those governing our cement operations. Any significant regulations regarding the practice of fracturing wells could have an adverse impact on our sales of frac sand. There has been much discussion about possible federal consolidation of regulations surrounding frac sand, but at this time, most regulation is at the state and local level. None of our concrete or aggregates operations are presently the subject of any material local, state or federal environmental proceedings or inquiries.

Capital Expenditures

Cement. We had capital expenditures related to compliance with environmental regulations applicable to our cement operations of $0.9 million during fiscal 2014 and anticipate spending an additional $3.0 million during fiscal 2015.

Concrete and Aggregates. We had capital expenditures related to compliance with environmental regulations applicable to our concrete and aggregates operations of $0.2 million during fiscal 2014. We do not anticipate any additional spending in fiscal 2015 at this time.

GYPSUM WALLBOARD AND RECYCLED PAPERBOARD OPERATIONS

Company Operations

Gypsum Wallboard. We currently own five gypsum wallboard manufacturing facilities; however, we temporarily idled our gypsum manufacturing facility in Bernalillo, New Mexico beginning 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	Approximate Annual Gypsum Wallboard Capacity (MMSF)[1]	Estimated Minimum Gypsum Rock Reserves (years)[2]
Albuquerque, New Mexico	425	36[3][4]
Bernalillo, New Mexico[8]	550	36[3][4]
Gypsum, Colorado	700	16[5][6]
Duke, Oklahoma	1,300	18[5][6]
Georgetown, South Carolina	900	54[7]
Total	3,875	

(1) Million Square Feet (MMSF), based on anticipated product mix.
(2) At 100% capacity utilization.
(3) The same reserves serve both New Mexico plants.
(4) Includes mining claims and leased reserves.
(5) Includes both owned and leased reserves.
(6) We anticipate that additional reserves would be available on satisfactory terms, if required.
(7) We have a sixty year supply agreement with Santee Cooper for synthetic gypsum.
(8) This plant was temporarily idled in December 2009.

Our gypsum wallboard production totaled 2,142 MMSF in fiscal 2014 and 1,950 MMSF in fiscal 2013. Total gypsum wallboard sales were 2,112 MMSF in fiscal 2014 and 1,909 MMSF in fiscal 2013.

Recycled Paperboard. Our recycled paperboard manufacturing operation, which we refer to as Republic Paperboard Company (Republic), was acquired in November 2000 and is located in Lawton, Oklahoma. Our paperboard operation 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, absorbs less moisture during the gypsum wallboard manufacturing process resulting in reduced drying time and energy (natural gas) usage. 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. 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 with approximately 14 million tons of gypsum in the area of Duke, Oklahoma, with an additional 4 million tons controlled through a lease agreement. All of the gypsum reserves are deemed to be probable under the definition provided by Industry Guide 7. 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 seventh 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 June 2014 for Colorado, May 2015 for New Mexico, and October 2014 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 2014.

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 2015 is for waste paper prices, namely OCC, to remain relatively consistent with fiscal 2014, which is higher than historic pricing. 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. Evaluations conducted throughout fiscal 2014 have yielded an additional supplier for the process chemistry that may complement our business.

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 2014, natural gas costs were higher compared to fiscal 2013, both from a cost per MMBtu perspective and usage perspective as well. Due to the increased production of gypsum liner paper, which requires more natural gas than lighter weight bag and liner grades, there was a 6% increase in usage during fiscal 2014 compared to the prior year. Upward movement in natural gas cost has a negative impact on production costs and operating earnings. During fiscal 2014, electricity costs were higher compared to fiscal 2013 due to an increase in the fuel costs passed through from the utility provider. The paper mill has an electricity supply agreement with Public Service of Oklahoma (PSO); however, this power company has a large dependency on natural gas, which could impact our electricity rates. 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 35%, 54%, 9% and 2%, respectively, of calendar 2013 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. No single customer accounted for 10% or more of our gypsum wallboard segment sales during fiscal 2014.

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 production capacity in the United States is currently estimated at approximately 33 billion square feet per year; however, certain lines have been curtailed and plants closed or idled. No new plants are expected to be added during 2014; however, it is possible that previously closed plants or lines could be brought back into service. The Gypsum Association, an industry trade group, estimates that total calendar 2013 gypsum wallboard shipments by U.S. manufacturers were approximately 20.5 billion square feet.

Recycled Paperboard. Our manufactured recycled paperboard products are sold to gypsum wallboard manufacturers and other industrial users. During fiscal 2014, 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 June 21, 2010, the EPA proposed regulations to address the storage and disposal of coal combustion residuals CCR), which include fly ash and flue gas desulfurization gypsum (synthetic gypsum). We use synthetic gypsum in wallboard manufactured at our Georgetown, SC plant. The EPA has proposed two alternatives for regulating CCR. Under the first alternative, the EPA would characterize CCR destined for disposal as a special waste under Subtitle C of the RCRA (the subtitle that regulates hazardous waste). Under this proposal, beneficial use of coal combustion products, including synthetic gypsum used in the manufacture of wallboard, would continue to be exempt from Subtitle C of RCRA under the Bevill Amendment and not warrant federal regulation. Under the second alternative, the EPA would continue to regulate coal combustion products under Subtitle D of RCRA, which regulates solid wastes that are not hazardous wastes. Recent statements from the EPA seem to indicate that regulation under Subtitle D would be sufficient to protect human health and the environment. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion. The EPA continues to review the public comments and associated data that were received in response to its 2010 proposal. A final rule is expected to be published in 2014. Since the EPA s regulatory process is on-going, the EPA could issue a supplemental proposed rule or revised proposed rule. It is not possible to accurately determine how the EPA will proceed or estimate how any final rule would impact our business. It is possible that the final regulations could affect our business, financial condition and results of operations depending on how any such regulation affects our costs or the demand for our products.

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 no capital expenditures related to compliance with environmental regulations applicable to our gypsum wallboard and recycled paperboard operations during fiscal 2014, and we anticipate spending approximately $0.7 million during fiscal 2015.

EMPLOYEES

As of March 31, 2014, we had approximately 1,800 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 products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. While the most recent downturn in residential and commercial construction, which began in calendar 2007, materially impacted our business, certain economic fundamentals began improving in calendar 2012, and have continued to improve into calendar 2014; however, the rate and sustainability of such improvement remains uncertain. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects**.** Despite the enactment of a new federal highway bill in July 2012, infrastructure spending continues to be adversely impacted by a number of factors, including the budget constraints currently being experienced by federal, state and local governments. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general (including any weakness in residential construction or commercial construction) could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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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.

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

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

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

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

For example, GHGs currently are regulated as pollutants under the CAA and subject to reporting and permitting requirements. Future consequences of GHG permitting requirements and potential emission reduction measures for our operations may be significant because (1) the cement manufacturing process requires the combustion of large amounts of fuel, (2) in our cement manufacturing process, the production of carbon dioxide is a byproduct of the calcination process, whereby carbon dioxide is removed from calcium carbonate to produce calcium oxide, and (3) our gypsum wallboard manufacturing process combusts a significant amount of fossil fuel, especially natural gas.

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

On March 21, 2011 EPA proposed revised Standards of Performance for New Sources and Emissions Guidelines for Existing Sources for Commercial/Industrial Solid Waste Incinerators (the CISWI Rule) per Section 129 of the Clean Air Act, which created emission standards for 4 subcategories of industrial facilities, one of which is Waste Burning Kilns. EPA simultaneously stayed the CISWI Rule for further reconsideration. On February 12, 2013, the EPA finalized revisions to the CISWI Rule. For those cement kilns that utilize non-hazardous secondary materials (NHSM) as defined in a rule first finalized on March 21, 2011 (and slightly revised on February 12, 2013), the CISWI Rule will require significant reductions in emissions of certain pollutants from applicable cement kilns. The CISWI Rule sets forth emission standards for mercury, carbon monoxide, acid gases, nitrogen oxides, sulfur dioxide, certain metals (lead and cadmium) and more stringent standards than PC NESHAP for particulate matter and dioxin/furans. The CISWI Rule as currently promulgated may materially increase capital costs and costs for production but only for those facilities that will be using applicable solid wastes as fuel. The compliance date for this rule is approximately early 2018 (either 3 years after State CISWI plan approval, or 5 years from the date of the final CISWI Rule, whichever is sooner). It is anticipated that the CISWI Rule may materially increase capital costs and costs of production for the Company and the industry as a whole.

In 2010, the EPA released proposed regulations to address the storage and disposal of coal combustion products, which include fly ash and flue gas desulfurization gypsum (synthetic gypsum). We use synthetic gypsum in wallboard manufactured at our Georgetown, South Carolina plant. In its proposed regulations, the EPA is considering two alternatives. Under one proposal, the EPA would characterize coal combustion products destined for disposal as a special waste under Subtitle C of the Resource Conservation and Recovery Act, or RCRA, which is the Subtitle that regulates hazardous wastes. Under this proposal, beneficial encapsulated use of coal combustion products, including synthetic gypsum, would continue to be exempt under the Bevill Amendment and not warrant regulation. Under the other proposal, the EPA would continue to regulate coal combustion products under Subtitle D of RCRA, which regulates solid wastes that are not hazardous wastes. The EPA has stated that Subtitle D regulation could be sufficient to protect human health and the environment. The EPA has emphasized that it does not wish to discourage the beneficial reuse of coal combustion products under either of its two proposals. It is not possible to accurately predict the regulations that will be ultimately adopted, if any. The EPA continues to review the public comments and associated data that were received in response to its 2010 proposal. It is anticipated that a final rule will be issued by the end of 2014. It is possible that such rulemaking could affect our business, financial condition and results of operations, depending on how any such regulation affects our costs or the demand for our products utilizing synthetic gypsum.

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

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

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

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

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

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

Our operations are subject to state, federal and local environmental laws and regulations, which impose liability for cleanup or remediation of environmental pollution and hazardous waste arising from past acts. These laws and regulations also require pollution control and prevention, site restoration and operating permits and/or approvals to conduct certain of our operations 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.

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

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

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

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

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

We incurred significant borrowings under the Credit Facility to finance the Acquisition. We reduced outstanding borrowings during fiscal 2014, and we expect to use cash flow generated from our future operations to make payments on our debt obligations and to fund planned capital expenditures. Our future ability to satisfy these obligations and make these expenditures is subject, to some extent, to financial, market, competitive, legislative, regulatory and other factors that are beyond our control. Our substantial debt obligations could have negative consequences to our business, and in particular could impede, restrict or delay the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. For example:

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

- 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.

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.

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

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

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

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

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

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- operating risks inherent in the operation of cement plants and ready-mix facilities;
- the impact of the Acquisition on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

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.

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

This report and other materials we have filed or will file with the SEC, as well as information included in oral statements or other written statements made or to be made by us, contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words believe, expect, intend, estimate, anticipate, project, may, can, could, might, w 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. 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 temporarily idled beginning in December 2009. We anticipate re-opening this facility when business conditions improve. See Item 1. Business on pages 1-14 of this Report for additional information relating to the Company s properties.

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ITEM 3. LEGAL PROCEEDINGS

Outstanding Lawsuit against the IRS

As previously reported, the Internal Revenue Service (the IRS) completed the examination of our federal income tax returns for all of the fiscal years ended March 31, 2001 through 2006. The IRS issued Exam Reports and Notices of Proposed Adjustment on November 9, 2007 for the examination of the 2001, 2002 and 2003 tax years, and on February 5, 2010 for the examination of the 2004, 2005 and 2006 fiscal years, in which it denied certain depreciation deductions claimed by us with respect to assets acquired by us from Republic Group LLC in November 2000. We paid a deposit to the IRS of approximately $45.8 million during November 2007 for the years ended March 31, 2001, 2002 and 2003, which is comprised of $27.6 million in federal income taxes, $5.7 million for penalties and $12.5 million for interest. During March 2010, we paid the IRS an additional deposit of $29.3 million for the years ended March 31, 2004, 2005 and 2006, which is comprised of $18.1 million in federal income taxes, $3.7 million for penalties and $7.5 million for interest. These deposits were made to avoid imposition of the large corporate tax underpayment interest rates. On June 29, 2010 we received a Notice of Deficiency (commonly referred to as a 90 day letter) and shortly thereafter converted the previously made deposits to tax, penalty and interest paid and paid an additional $23.6 million comprised of $13.6 million of tax, $2.9 million of penalties and $7.1 million of interest. Subsequent reviews of IRS interest computations resulted in a $0.8 million dollar refund which reduced the total net payment to $97.9 million. On May 4, 2011 we filed a lawsuit in Federal District Court to recover the $97.9 million of taxes, penalties and interest ultimately paid. In September 2013, the judge heard arguments on each party s motion for summary judgment and in November of 2013 the judge denied each such motion. The judge scheduled the trial date for September 2014. See Note (I) of the Notes to Consolidated Financial Statements for more information.

EPA Notice of Violation

On October 5, 2010, Region IX of the EPA issued a Notice of Violation and Finding of Violation (NOV) alleging violations by our subsidiary, Nevada Cement Company (NCC), of the Clean Air Act (CAA). The NOV alleges that NCC made certain physical changes to its facility in the 1990s without first obtaining permits 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 as required by the National Emissions Standard for Hazardous Air Pollutants General Provisions and the Portland Cement Manufacturing Industry Standards. On March 12, 2014, EPA Region IX issued a second NOV to NCC. The second NOV is materially similar to the 2010 NOV except that it alleges violations of the new source performance standards (NSPS) for portland cement plants. The NOVs state that the EPA may seek penalties although it does not propose or assess any specific level of penalties or specify what relief the EPA will seek for the alleged violations. NCC believes it has meritorious defenses to the allegations in the NOVs. NCC met with the EPA in December 2010, September 2012 and May 2014 to present its defenses and to discuss a resolution of the alleged violations. 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. We are currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon our financial position or results of operations.

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed against the Company s subsidiary, American Gypsum Company LLC (American Gypsum), alleging that American Gypsum conspired with other wallboard manufacturers to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The complaints allege that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual job quote pricing. In addition to American Gypsum, the defendants in these lawsuits include

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CertainTeed Corp., USG Corporation, New NGC, Inc., Lafarge North America, Georgia-Pacific LLC, Temple Inland Inc. and PABCO Building Products LLC. The plaintiffs in these class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard during various periods from 2008 to present for unspecified monetary damage (including treble damages) and in some cases injunctive relief in various United States district courts, including the Eastern District of Pennsylvania, Western District of North Carolina, North Carolina and the Northern District of Illinois. On April 8, 2013, the Judicial Panel on Multidistrict Litigation transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

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

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

ITEM 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.

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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 16, 2014, there were approximately 2,000 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, 2014			Fiscal Year Ended March 31, 2013		
Quarter ended:	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
June 30	$ 77.30	$ 61.72	$ 0.10	$ 37.34	$ 29.84	$ 0.10
September 30	$ 73.19	$ 64.06	$ 0.10	$ 47.41	$ 33.94	$ 0.10
December 31	$ 79.29	$ 70.53	$ 0.10	$ 58.60	$ 47.44	$ 0.10
March 31	$ 90.88	$ 74.82	$ 0.10	$ 71.57	$ 60.43	$ 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, 2014. We did not repurchase any shares in the open market during the fiscal years ended March 31, 2014, 2013 and 2012.

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 2014, 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 Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1 through January 31, 2014		$		
February 1 through February 29, 2014				
March 1 through March 31, 2014	27,783	87.25		
Quarter 4 Totals	27,783	$ 87.25		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.

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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, 2009 and tracks it through March 31, 2014.

*$100 invested on March 31, 2009 in stock or index, including reinvestment of dividends.

	2009	2010	2011	2012	2013	2014
Eagle Materials, Inc.	100.00	111.17	128.65	149.82	290.10	388.21
Russell 1000	100.00	151.60	176.91	190.82	218.35	267.29
Dow Jones US Building Materials & Fixtures	100.00	158.88	194.89	217.30	306.60	378.25

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

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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,				
	2014	**2013**	**2012**	**2011**	**2010**
Revenues	$ 898,396	$ 642,562[(4)]	$ 495,023	$ 462,180	$ 467,905
Earnings Before Income Taxes	181,804	84,096[(4)]	21,912	16,762[(2)]	39,297[(2)]
Net Earnings	124,243	57,744[(4)]	18,732	14,849[(3)]	28,950[(3)]
Diluted Earnings Per Share	2.49	1.22[(4)]	0.42	0.34	0.66
Cash Dividends Per Share	0.40	0.40	0.40	0.40	0.40
Total Assets	1,511,529	1,476,233	985,145	985,810	1,016,776
Total Debt	381,259	489,259	266,936	287,000	303,000
Stockholders Equity	831,499	696,170	472,511	461,514	453,597
Book Value Per Share At Year End	$ 16.61	$ 14.06	$ 10.44	$ 10.38	$ 10.35
Average Diluted Shares Outstanding	49,939	47,340	44,516	44,251	44,038

(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 and 2010, we wrote-off $10,701 and $2,548, respectively, 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 (2011) and Mountain Cement (2010) facilities. Excluding these write-offs, our Earnings Before Income Taxes would have been $27,463 and $41,845 in fiscal 2011 and 2010, respectively.

(3) Excluding the impact of the write-offs discussed in note 2 above, Net Earnings would have been $19,746 and $30,840 in 2011 and 2010, respectively. These amounts were calculated using the effective tax rates of 28.1% in fiscal 2011 and 26.3% in fiscal 2010.

(4) Includes operations related to the Acquired Assets from December 1, 2012 through March 31, 2013.

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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 building products used in residential, industrial, commercial and infrastructure construction. Information presented for the fiscal years ended March 31, 2014, 2013 and 2012, respectively, reflects the Company s four business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard and Concrete and Aggregates. These operations are conducted in the U.S. and include the mining of limestone and the manufacture, production, distribution and sale of portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and the manufacture and sale of gypsum wallboard, the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters, the sale of readymix concrete and the mining and sale of aggregates (crushed stone, sand and gravel). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

On November 30, 2012, the Company completed the acquisition (the Acquisition) of certain assets of Lafarge North America Inc., primarily two cement plants in Missouri and Oklahoma and a concrete and aggregates business in Kansas City (the Acquired Assets). The Acquired Assets produce, market and sell portland cement, aggregates and concrete in Kansas, Missouri, Nebraska and Oklahoma. The acquisition of the Acquired Assets expanded the Company s market into the central part of the United States and, together with our existing markets, created a network of cement plants and distribution terminals stretching from Chicago, Illinois to northern California, and south to Texas.

We continue to pursue opportunities in businesses which are naturally adjacent to our existing core businesses and would allow us to leverage our core competencies and existing infrastructure and customer relationships. The entry into any such new businesses requires capital expenditures and the investment of management time and other resources, and is subject to the risks associated with any new business development. During fiscal 2014, we began selling third-party purchased frac sand from our Corpus Christi plant into the Texas market. The results of operations of the frac sand business are reported in the concrete and aggregates segment. We continue to pursue other locations that are geographically supportive of the frac sand business, and anticipate additional capital expenditures related to frac sand in the range of $30.0 million to $40.0 million in fiscal 2015. Additionally, we continue to increase our production of specialty oil well cements, which can generate higher profit margins than regular construction cement sales.

We operate in cyclical commodity businesses that are affected by changes in market conditions and the overall construction environment. Our operations, depending on each business segment, range from local in nature to national businesses. We have operations in a variety of geographic markets, which subject us to the economic conditions in those geographic markets as well as economic conditions in the national market. General economic downturns or localized downturns in the regions where we have operations may have a material adverse effect on our business, financial condition and results of operations. Our Cement companies 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 in Texas. Cement, concrete and aggregates demand may fluctuate more widely because local and regional markets and economies may be more sensitive to changes than the national markets. Our Wallboard and Paperboard operations are more national in scope and shipments are made throughout most of the continental United States, except for the northeast.

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

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RESULTS OF OPERATIONS

Fiscal Year 2014 Compared to Fiscal Year 2013

	For the Years Ended March 31, 2014	2013	
	(in thousands, except per share)		Change
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, Litigation and Other 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 Acquired Assets 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 Acquisition. 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, Litigation and Other 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 (I) to the 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. 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.

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) to the 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 four business segments:

	For the Years Ended March 31, 2014	2013	Percentage Change
	(in thousands, except net sales prices)		
Revenues [1]			
Cement [2]	$ 438,224	$ 304,125	44%
Gypsum Wallboard	387,016	306,529	26%
Recycled Paperboard	130,178	121,930	7%
Concrete and Aggregates	116,465	56,287	107%
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) [4]	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 [4]	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%)
Concrete and Aggregates	(4,678)	(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.
(4) Excludes frac sand from average net sales price and sales volume.

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, as 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, as compared to fiscal 2013. The increase in sales volume was primarily due to the Acquisition, 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, as 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, as 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, as 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.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 107% to $116.5 million for fiscal 2014, as compared to $56.3 million for fiscal 2013. The primary reason for the increase in revenue for fiscal 2014, as compared to fiscal 2013, was the 56% and 23% increase in sales volumes for concrete and aggregates, respectively, which positively impacted revenues by approximately $26.2 million. In addition to the increase in sales volumes, average sales prices increased 18% and 11% for concrete and aggregates, respectively, during fiscal 2014, as compared to fiscal 2013, which positively impacted revenues by $14.4 million. The increase in sales volumes was due primarily to the Acquisition, which contributed $33.0 million of the increased revenues during fiscal 2014, as compared to fiscal 2013. The remaining increase in sales volumes was due to increased construction activity in our Austin, Texas market, and revenues related to the startup of our frac sand business during fiscal 2014 of approximately $19.6 million.

Operating loss for fiscal 2014 was approximately $4.7 million, as compared to an operating loss of approximately $5.4 million for fiscal 2013. The operating loss was positively impacted by increased average net sales prices, which decreased the operating loss by approximately $14.4 million, partially offset by increased operating expenses of approximately $7.4 million, and losses incurred during the recent start-up of our frac sand operation in Corpus Christi, Texas of approximately $4.9 million. Increased operating costs during fiscal 2014, as 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.

GENERAL OUTLOOK

The drivers of construction products demand continue to incrementally improve, reinforcing the notion that a cyclic recovery is underway. The pace of recovery continues to hinge upon the pace of growth in the U.S. economy. The Acquired Assets provide us with new opportunities in the Central Plains cement markets and link our cement sales network across the central U.S., both east to west and north to south. While we anticipate cement consumption to continue to increase in calendar 2014, each region will increase at a different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. Improvement is expected in each area.

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

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

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

RESULTS OF OPERATIONS

Fiscal Year 2013 Compared to Fiscal Year 2012

	For the Years Ended March 31, 2013	2012	Change
	(in thousands, except per share)		
Revenues	$ 642,562	$ 495,023	30%
Cost of Goods Sold	(539,317)	(454,546)	19%
Gross Profit	103,245	40,477	155%
Equity in Earnings of Unconsolidated Joint Venture	32,507	28,528	14%
Corporate General and Administrative	(23,918)	(19,617)	22%
Other Income (Loss)	(1,232)	356	(446%)
Acquisition, Litigation and Other Expense	(10,683)	(9,117)	17%
Interest Expense, net	(15,823)	(16,621)	(5%)
Loss on Debt Retirement		(2,094)	(100%)
Earnings Before Income Taxes	84,096	21,912	284%
Income Tax Expense	(26,352)	(3,180)	729%
Net Earnings	$ 57,744	$ 18,732	208%
Diluted Earnings per Share	$ 1.22	$ 0.42	190%

Revenues. Revenues were $642.6 million in fiscal 2013 and $495.0 million in fiscal 2012. The $147.6 million increase in revenues was due primarily to increased average sales prices in our gypsum wallboard and cement segments and increased sales volumes in all our segments. Increased sales volumes in our cement and concrete and aggregates businesses during fiscal 2013, as compared to fiscal 2012, were positively impacted by the Acquisition, which contributed approximately $28.9 million of revenues during fiscal 2013. Including the business acquired in the Acquisition, the impact of the increased net sales prices and sales volumes on revenues for fiscal 2013, as compared to fiscal 2012, was approximately $61.1 million and $86.5 million, respectively.

Cost of Goods Sold. Cost of goods sold increased $84.7 million to $539.3 million in fiscal 2013, as compared to $454.6 million in fiscal 2012. The 19% increase in cost of goods sold for fiscal 2013, as compared to fiscal 2012, was primarily due to increased operating costs and increased sales volumes. The impact of increased operating costs and increased volumes on cost of goods sold for fiscal 2013, as compared to fiscal 2012, was $4.1 million and $80.6 million, respectively. The increase in cost of sales related to increased volumes primarily related to volume increases in our wallboard and cement businesses of approximately $35.7 million and $39.1 million, respectively. Approximately $42.8 million of the increase in cost of goods sold related to volumes is due to the Acquisition, with $35.0 million related to the cement segment and $7.8 million related to the concrete and aggregates segment. The increase in operating costs in fiscal 2013, as compared to fiscal 2012, is primarily related to approximately $14.0 million of repair and maintenance expense at the two cement plants acquired in the Acquisition during the fourth quarter of fiscal 2013, which partially offset reduced operating expenses in our gypsum wallboard and recycled paperboard businesses of approximately $10.0 million and $9.8 million, respectively, reflecting lower natural gas and OCC prices.

Gross Profit. Gross profit was $103.2 million in fiscal 2013 and $40.5 million in fiscal 2012. The 155% increase in gross profit was primarily due to increased average sales prices and increased sales volumes, partially offset by increased manufacturing and maintenance costs, as noted above.

Equity in Earnings of Unconsolidated Joint Venture. Equity in earnings of our unconsolidated joint venture increased $4.0 million, or 14%, for fiscal 2013, as compared to fiscal 2012. The increase is primarily due to increases in the average net sales price and sales volume. The impact of the increases in average net sales price and sales volume on equity in earnings of our unconsolidated joint venture during fiscal 2013 was approximately $5.6 million and $4.6 million, respectively, partially offset by increased cost of sales of approximately $6.2 million. The increase in cost of sales was due to both the increase in sales volumes, and increased operating costs, both of which increased cost of sales by approximately $3.1 million. The increased operating costs in fiscal 2013, as compared to fiscal 2012, were due primarily to a $0.7 million, $1.1 million and $0.4 million increase in maintenance, purchased cement and purchased raw materials, respectively.

Corporate General and Administrative. Corporate general and administrative expenses increased 22% for fiscal 2013, as compared to corporate general and administrative expenses in fiscal 2012. The approximately $4.3 million increase in corporate general and administrative expenses for fiscal 2013, as compared to fiscal 2012, is due primarily to increased long-term incentive compensation expenses. Long-term incentive compensation, which is comprised primarily of stock compensation, increased approximately $3.5 million during fiscal 2013, as compared to fiscal 2012. The increase in stock compensation expense during fiscal 2013, as compared to fiscal 2012, is due to our issuance of additional equity awards in June 2012, which increased expense during the last three quarters of fiscal 2013, and our re-assessment of future satisfaction of performance conditions associated with certain stock option grants, which resulted in the reversing of approximately $1.3 million of previously recognized expense during the third quarter of fiscal 2012.

Other Income (Expense). Other expense was $1.2 million in fiscal 2013, as compared to other income of $0.4 million in fiscal 2012, 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 decrease in other income during fiscal 2013, as compared to fiscal 2012, was primarily due to approximately $1.0 million of prestart-up costs related to our new frac sand business.

Acquisition, Litigation and Other 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. Acquisition related expenses incurred during the fiscal year ended March 31, 2013 were approximately $6.1 million. Expense related to the write-off of the greenfield opportunity during the fiscal year ended March 31, 2013, was approximately $1.0 million. Legal fees related to our lawsuit against the Internal Revenue Service (the IRS) were approximately $3.6 million during the fiscal year ended March 31, 2013, while the loss in arbitration (including legal expense) for the fiscal year ended March 31, 2012 was approximately $9.1 million. This expense represents the adverse ruling by an arbitration panel in January 2012 in a contract dispute between one of our aggregate mining subsidiaries and another mining company over the right to mine certain areas. The amounts owed under this adverse ruling were paid in March 2012. See Footnote (I) to the Unaudited 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 decreased approximately $0.8 million during fiscal 2013, as compared to fiscal 2012. The 5% decrease in interest expense for fiscal 2013, as compared to fiscal 2012, is due primarily to the repurchase of approximately $88.1 million in Senior Notes during December 2011, funded principally by additional borrowings under our Credit Facility, which resulted in both a lower outstanding debt balance, and lower average interest rates on our outstanding debt for most of fiscal 2013, as the interest rate on our Credit Facility is lower than the interest rate on the Senior Notes. Interest expense increased $1.4 million in the fourth quarter of fiscal 2013, as compared to the fourth quarter of fiscal 2012, as a result of increased debt due to the Acquisition. The increase in interest expense related to our unrecognized tax benefit of approximately $1.5 million for fiscal 2013, as compared to fiscal 2012, was due primarily to our ability to participate in several state tax amnesty programs in fiscal 2012. During the quarter ended December 31, 2011, we filed amended returns with several states that offered amnesty for certain penalties and interest. Due to the amnesty relief, we received credits of approximately $0.4 million for interest accrued in prior periods.

Loss on Debt Retirement. The $2.1 million loss is related to the repurchase of certain of our Senior Notes during the quarter ended December 31, 2011. On December 16, 2011, we repurchased a total of approximately $88.1 million of our Series 2005A and Series 2007A Notes. This expense consists of a 2% premium paid on the repurchase, plus brokerage and miscellaneous fees related to the repurchase.

Earnings Before Income Taxes. Earnings before income taxes increased to $84.1 million during fiscal 2013, as compared to $21.9 million in fiscal 2012, primarily due to increased gross profit and increased equity in earnings of our unconsolidated joint venture, partially offset by increased corporate general and administrative expenses.

Income Taxes. The effective tax rate for fiscal 2013 was approximately 31% compared to approximately 15% in fiscal 2012. The effective tax rate during fiscal 2012 was positively impacted by our participation in state tax amnesty programs with the states of Arizona, Colorado and California, as well as the expiration of the statute of limitations for certain items related to the 2004 through 2006 tax years. These events were treated as discrete items in the tax provision and a benefit totaling approximately $2.5 million on an after-tax basis was recognized. The effective tax rate for the full 2012 fiscal year, excluding the discrete items, was approximately 22%. The increase in the effective tax rate during fiscal 2013 is primarily due to the reduction in the impact of our depletion deduction associated with increased earnings. See Footnote (H) to the Consolidated Financial Statements for more information.

Net Earnings and Diluted Earnings per Share. Net earnings in fiscal 2013 of $57.7 million increased 208% from fiscal 2012 net earnings of $18.7 million. Diluted earnings per share in fiscal 2013 were $1.22, compared to $0.42 for fiscal 2012.

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

	For the Years Ended March 31, 2013	2012	Percentage Change
	(in thousands, except net sales prices)		
Revenues [1]			
Cement [2]	$ 304,125	$ 243,978	25%
Gypsum Wallboard	306,529	217,633	41%
Recycled Paperboard	121,930	118,794	3%
Concrete and Aggregates	56,287	45,515	24%
Gross Revenues	788,871	625,920	26%
Less: Inter-Segment Revenues	(49,987)	(44,757)	12%
Less: Joint Venture Revenues	(96,322)	(86,140)	12%
Net Revenues	$ 642,562	$ 495,023	30%
Sales Volume			
Cement (M Tons) [2]	3,303	2,723	21%
Gypsum Wallboard (MMSF)	1,909	1,633	17%
Recycled Paperboard (M Tons)	244	230	6%
Concrete (M Yards)	577	507	14%
Aggregates (M Tons)	2,631	2,221	18%
Average Net Sales Prices [3]			
Cement [2]	$ 83.49	$ 81.42	3%
Gypsum Wallboard	125.53	98.79	27%
Recycled Paperboard	496.84	515.97	(4%)
Concrete	69.74	63.83	9%
Aggregates	6.06	5.89	3%
Operating Earnings			
Cement [2]	$ 46,228	$ 46,850	(1%)
Gypsum Wallboard	69,712	6,264	1013%
Recycled Paperboard	25,200	16,988	48%
Concrete and Aggregates	(5,388)	(1,097)	(391%)
Other Operating Income, net	(1,232)	356	(446%)
Net Operating Earnings	$ 134,520	$ 69,361	94%

(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 $304.1 million for fiscal 2013, which is a 25% increase over revenues of $244.0 million for fiscal 2012. The increase in revenues during fiscal 2013, as compared to fiscal 2012, is primarily due to a 21% increase in sales volumes, as well as a 3% increase in the average net sales price. The increase in sales volumes and average net sales price positively impacted revenues by approximately $48.9 million and $11.9 million, respectively, in fiscal 2013, as compared to fiscal 2012. The increase in sales volume was primarily due to the Acquisition, which positively increased revenue by $24.6 million, as well as increased construction activity in Texas and our Mountain Cement regions.

Operating earnings decreased 1% to $46.2 million in fiscal 2013, from $46.9 million in fiscal 2012. The decrease in operating earnings was due primarily to an increase in operating costs of approximately $19.3 million, partially offset by increased sales prices and sales volumes, which positively impacted operating earnings by approximately $12.0 million and $6.8 million, respectively. The increase in operating costs adversely impacted the operating margin, which declined to 15% in fiscal 2013, as compared to 19% in fiscal 2012. The increase in operating costs in fiscal 2013, as compared to fiscal 2012, is primarily related to maintenance, purchased raw materials and rentals, which adversely impacted operating costs by approximately $21.3 million, $2.8 million and 0.7 million, respectively, partially offset by reduced costs related to fuel and power of approximately $3.8 million and $1.1 million, respectively. Approximately $15.5 million of the increased maintenance costs were related to assets acquired in the Acquisition, with approximately $14.0 million of the maintenance expense occurring in the fourth quarter. Also negatively impacting operating earnings and operating margin was an increase in purchased cement sold during fiscal 2013, as compared to fiscal 2012. The increase in sales of purchased cement adversely impacted operating earnings by approximately $0.6 million. Purchased cement use in Texas increased due to a change in the product mix sold in our Texas market.

Gypsum Wallboard Operations. Sales revenues increased 41% to $306.5 million for fiscal 2013, from $217.6 million for fiscal 2012, primarily due to a 27% increase in the average net sales price and a 17% increase in sales volumes. The increase in the average net sales price and sales volumes positively impacted revenues by approximately $52.1 million and $36.8 million, respectively. The increase in average net sales price was due to the implementation of price increases in January 2012 and 2013. The increased sales volumes are primarily due to increased construction activity in fiscal 2013, as compared to fiscal 2012. We do not believe our market share increased significantly during fiscal 2013, as compared to fiscal 2012.

Operating earnings increased to $69.7 million for fiscal 2013, from $6.3 million for fiscal 2012, primarily due to the increase in average net sales price and sales volumes, which positively impacted operating earnings by approximately $52.1 million and $1.1 million, and lower operating expenses primarily related to the $4.9 million reduction in energy costs and the approximately $1.8 million decrease in paper costs. The increase in our average net sales price is the primary reason our operating margin increased to 23% in fiscal 2013, from 3% in fiscal 2012. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in volume have relatively minor impact on our operating costs.

Recycled Paperboard Operations. Revenues increased 3% to $121.9 million in fiscal 2013, from $118.8 million in fiscal 2012. The increase in net revenue during fiscal 2013 as compared to fiscal 2012 is due to increased sales volumes, partially offset by lower average net sales prices. The increase in sales volume during fiscal 2013, as compared to fiscal 2012, positively impacted revenues by approximately $8.2 million, partially offset by approximately $5.1 million due to lower average net sales price. The decrease in average net sales price is due to the pricing provisions in our long-term sales agreement.

Operating earnings increased to $25.2 million for fiscal 2013, as compared to $17.0 million for fiscal 2012, while gross margin increased to 21% for fiscal 2013, as compared to 14% for fiscal 2012. The increased operating earnings and gross margin are largely the result of reduced operating costs, namely recycled fiber costs and energy utilization. Earnings and margin were positively impacted by the change in product sales mix as sales of higher margin gypsum liner increased to 66% for fiscal 2013, from 51% for fiscal 2012, which positively impacted operating earnings by approximately $3.7 million. Operating earnings were also positively impacted by the reduction of $10.7 million in recycled fiber costs (namely OCC) and $2.5 million in energy costs in fiscal 2013, compared to fiscal 2012, partially offset by increased chemical expense of approximately $1.1 million and a reduction in average sales prices which negatively impacted operating earnings by approximately $5.0 million.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 24% to $56.3 million for fiscal 2013, as compared to $45.5 million for fiscal 2012. The primary reason for the increase in revenue for fiscal 2013, as compared to fiscal 2012, was the 14% and 18% increase in sales volumes for concrete and aggregates, respectively, which positively impacted revenues by approximately $6.9 million. In addition to the increase in sales volumes, average sales prices increased 9% and 3% for concrete and aggregates, respectively, during fiscal 2013, as compared to fiscal 2012, which positively impacted revenues by $3.8 million. The increase in sales volumes was due primarily to the Acquisition, which contributed $5.7 million of the increased revenues during fiscal 2013, as compared to fiscal 2012. The remaining increase in sales volumes was due to increased construction activity in our Austin, Texas market.

Operating loss for fiscal 2013 was approximately $5.4 million, as compared to an operating loss of approximately $1.1 million for fiscal 2012. The operating loss was negatively impacted by increased costs during fiscal 2013, as compared to fiscal 2012, which adversely impacted the operating loss by approximately $8.0 million, partially offset by increased average selling prices of approximately $3.8 million. Increased operating costs during fiscal 2013, as compared to fiscal 2012, were primarily related to maintenance, purchased materials, fuel and power, royalties and a loss from a litigation settlement, which increased operating costs by approximately $1.2 million, $1.8 million, $0.6 million, $0.6 million and $0.4 million, respectively. Additionally, costs were adversely impacted by the harsh winter in the Midwest, and a $0.6 million reduction in carrying amount of certain aggregate inventories during the fourth quarter of fiscal 2013.

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 concrete and aggregates segment experienced an operating loss in fiscal 2014, 2013 and 2012, the segment generated positive cash flows from operations in both years.

We temporarily idled our gypsum manufacturing facility in Bernalillo, N.M. beginning in December 2009, due to cyclical low gypsum wallboard demand. The carrying value of the Bernalillo plant and equipment at March 31, 2014 was $2.9 million and $1.6 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, 2014 and 2013 is as follows:

	For the Years Ended March 31,	
	2014	2013
	(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. Given the relative weakness in the gypsum wallboard industry utilization, coupled with the slow recovery in residential housing, we elected to perform impairment tests at the end of each quarter on our gypsum wallboard assets and related goodwill during fiscal years 2009 through 2012. Due to the increased average sales price and increased volumes beginning in late fiscal 2012, we determined that quarterly impairment tests were no longer necessary. 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 2014 and 2013 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.

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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. The measurement period for the Acquisition concluded on March 31, 2013.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow.

The following table provides a summary of our cash flows:

	For the Fiscal Years Ended March 31, 2014	2013
	(dollars in thousands)	
Net Cash Provided by Operating Activities:	$ 170,633	$ 124,407
Investing Activities:		
Additions to Property, Plant and Equipment	(59,490)	(53,011)
Acquisition		(453,420)
Net Cash Used in Investing Activities	(59,490)	(506,431)
Financing Activities:		
Increase (Decrease) in Credit Facility	(108,000)	227,000
Repayment of Senior Notes		(4,677)
Dividends Paid to Stockholders	(19,899)	(18,533)
Net Proceeds from Offering of Common Stock		154,832
Proceeds from Stock Option Exercises	14,187	19,645
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(2,913)	(3,569)
Payment of Debt Acquisition Costs		(1,751)
Excess Tax Benefits from Share Based Payment Arrangements	8,067	6,493
Net Cash Provided by (Used in) Financing Activities	(108,558)	379,440
Net Increase (Decrease) in Cash	$ 2,585	$ (2,584)

Cash flows from operating activities increased $46.2 million to $170.6 million during fiscal 2014 from $124.4 million in fiscal 2013. This increase was largely attributable to increased net earnings of approximately $66.5 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 a significant capital project in fiscal 2013, which negatively impacted fiscal 2013 distributions. Excluding the impact of both the working capital true up in fiscal 2014, and working capital purchased in the Acquisition in fiscal 2013, cash flows from operations were negatively impacted during fiscal 2014 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. During fiscal 2013, cash flows from operating activities were positively impacted by increases in accounts payable and accrued liabilities and income taxes payable of approximately $24.6 million and $5.2 million, respectively, partially offset by increases in accounts and notes receivable, inventory and other assets of approximately $7.8 million, $14.2 million and $2.7 million, respectively.

Working capital increased to $198.1 million at March 31, 2014, compared to $161.0 million at March 31, 2013, primarily due to increased cash, accounts and notes receivable and inventories of approximately $2.6 million, $15.4 million and $30.7 million, respectively, partially offset by an increase of approximately $9.5 million in current portion of long-term debt.

The increase in accounts and notes receivable at March 31, 2014, as compared to March 31, 2013, is primarily due to increased revenues during the fourth quarter of fiscal 2014, as compared to the fourth quarter of fiscal 2013. The increase in accounts receivable at March 31, 2014, as compared to March 31, 2013, 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 March 31, 2014 and 57% at March 31,

2013. The accounts receivable balance at March 31, 2013 was greater than normal due to a delay in collecting a large receivable that was obtained in the Acquisition and collected subsequent to March 31, 2013. Excluding accounts receivable that were obtained in the Acquisition, accounts receivable as a percentage of fourth quarter sales were 51%, which is consistent with fiscal 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, 2014. Notes receivable are monitored on an individual basis, and no significant deterioration in the collectability of notes receivable was identified at March 31, 2014.

Our inventory balance at March 31, 2014 increased approximately 20% from the inventory balance at March 31, 2013. The biggest increase related to raw materials and materials in process, which increased approximately $22.3 million to $82.3 million at March 31, 2014, as compared to $60.0 million at March 31, 2013. Most of the increase in raw materials and materials in process is due to increased clinker inventories of approximately $12.5 million at our two acquired plants and an increase of approximately $2.2 million in frac sand inventory. The increase in clinker inventory at the acquired cement plants is related primarily to low inventory levels at the end of fiscal 2013, primarily related to long outages during the fourth quarter of fiscal 2013. The increase in frac sand inventory is related to the start-up of this business during fiscal 2014. 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 materials.

In June 2010, we received a Notice of Deficiency (Notice) (commonly referred to as a 90 Day Letter) from the IRS claiming $71.5 million of taxes and penalties for the fiscal years ended March 31, 2001 through 2006, inclusive, related to an IRS audit of the acquisition of certain Republic Assets. The Notice was in substantial agreement with our financial accruals including interest. The total amount related to the Notice, including interest, was approximately $98.7 million, of which $75 million had previously been deposited with the IRS. We deposited the remaining $23.7 million with the IRS in July 2010 and asked the IRS to apply all $98.7 million of deposits to the payment of the tax, penalties and interest. Subsequent review of the IRS interest billing produced a refund of $0.8 million reducing the net outlay to $97.9 million. Refund claims were filed with the IRS in October 2010 to recover all $97.9 million, plus interest, and we have filed a lawsuit in Federal District Court to recover the requested refunds. Additionally, as a result of the Notice, we paid $0.3 million in state taxes and interest during the fiscal year ended March 31, 2013. See Notes (H) and (I) of the Notes to Consolidated Financial Statements for more information.

Net cash used in investing activities during fiscal 2014 was approximately $59.5 million, as compared to net cash used in investing activities of $506.4 million during fiscal 2013, a decrease of approximately $446.9 million. A substantial majority of the decrease related to the Acquisition in fiscal 2013 that increased net cash used in investing activities by $453.4 million. Excluding the Acquisition, capital expenditures increased by approximately $6.5 million in fiscal 2014, as compared to fiscal 2013. This increase is related primarily to our frac sand business, which began operations during fiscal 2014. We anticipate spending between $20 million and $25 million on sustaining capital expenditures during fiscal year 2015, which is consistent with historic levels after taking into consideration the Acquisition.

Net cash used in financing activities increased to approximately $108.6 million during fiscal 2014, as compared to net cash provided by investing activities of approximately $379.5 million during fiscal 2013. Net cash used in financing activities during fiscal 2014 is primarily related to repayments of $108.0 million in debt, with payments of dividends mostly offset by proceeds and tax benefits related to the exercise of stock options. The increase in repayment of debt is due primarily to increased cash flow due to increased net income during fiscal 2014, as compared to fiscal 2013. Net cash provided by financing activities during fiscal 2013 was primarily related to the issuance of common stock and increased borrowings related to the Acquisition. During October 2012, we completed an issuance of common stock in an underwritten public offering that generated net proceeds of approximately $154.8 million. We also increased our outstanding borrowings under the Credit Facility by $227.0 million during fiscal 2013. Net cash provided by operating activities was also positively impacted by proceeds and tax benefits related to the exercise of stock options, partially offset by dividend payments during fiscal 2013. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio was 31.4% and 31.1%, respectively, at March 31, 2014, as compared to 41.3% and 41.1%, respectively, at March 31, 2013.

Debt Financing Activities.

On December 16, 2010, we entered into a $300.0 million revolving Credit Facility, which was amended on September 26, 2012 and is scheduled to expire on December 16, 2015. The recent amendment to the Credit Facility increased available revolving borrowings from $300.0 million to $400.0 million (including an increase in the swingline loan sublimit from $15.0 million to $25.0 million) and changed certain provisions in the negative covenants in order to allow for or facilitate the Acquisition, as well as to implement certain related changes to the financial covenants. These financial covenant changes primarily related to amending the definition of Consolidated EBITDA to allow the add-back to consolidated net income of certain transaction and other allocated overhead costs related to the Acquisition that are not expected to be incurred in the future. Borrowings under the Credit Facility are guaranteed by substantially all of the Company s subsidiaries. At the option of the Company, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company s ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, to the Company s consolidated indebtedness (the Leverage Ratio), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus $^1/_2$%, per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be up to a period of six months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending on our Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. The Credit Facility also limits our ability to make certain restricted payments, such as paying cash dividends; however, there are several exceptions to this restriction, including: (i) the Company may pay cash dividends in an aggregate amount of up to $50.0 million each fiscal year; and (ii) the Company may make restricted payments not otherwise permitted so long as, in each case, no default would result therefrom and our consolidated funded indebtedness ratio does not exceed 3.0:1.0. We had $189.0 million of borrowings outstanding under the Credit Facility at March 31, 2014. Based on our Leverage Ratio, we had $203.6 million of available borrowings, net of the outstanding letters of credit, under the Credit Facility at March 31, 2014.

We entered into a Note Purchase Agreement on November 15, 2005 (the 2005 Note Purchase Agreement) related to our sale of $200 million of senior, unsecured notes, designated as Series 2005A Senior Notes (the Series 2005A Senior Notes) in a private placement transaction. The Series 2005A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in three tranches on November 15, 2005. Since entering into the 2005 Note Purchase Agreement, we have repurchased $81.1 million in principal of the Series 2005A Senior Notes (in periods prior to the fiscal year ended March 31, 2013). During the quarter ended December 31, 2012, Tranche A of the Series 2005A Senior Notes matured and we retired the remaining $4.7 million in notes from this Tranche. Following these repurchases and maturities, the amounts outstanding for each of the remaining tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche B	$ 57.0 million	November 15, 2015	5.38%
Tranche C	$ 57.2 million	November 15, 2017	5.48%

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

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

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

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

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the Note Purchase Agreements) and the Series 2005A Senior Notes and the Series 2007A Senior Notes 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.

As a result of the Acquisition, we succeeded to the leasehold interest held by Lafarge North America with respect to the cement plant located in Sugar Creek, Missouri, as well as its obligations under certain related industrial revenue bonds. In 1998, Lafarge North America had entered into a series of agreements, which were later amended in 2003, with the City of Sugar Creek, Missouri, in connection with the construction of improvements at the Sugar Creek cement plant. Under these agreements, Lafarge North America leased the Sugar Creek cement plant from the City of Sugar Creek, Missouri, which issued $150.0 million of tax-exempt and taxable industrial revenue bonds to partly finance the construction of such improvements. The lease payments due to the City of Sugar Creek under the Sugar Creek cement plant lease are equal in amount to the payments required to be made by the City of Sugar Creek to the holders of the industrial revenue bonds. Upon the closing of the Acquisition, funds for the retirement of $47.0 million of the industrial revenue bonds were placed into escrow by Lafarge North America, resulting in the defeasement of such bonds and leaving $103.0 million of industrial revenue bonds outstanding. The defeased bonds were subsequently paid in full in June 2013. The remaining $103.0 million of industrial revenue bonds held by Lafarge North America were transferred to a wholly owned subsidiary of the Company in connection with the Acquisition. Because we are now the holder of all of the outstanding industrial revenue bonds, no debt is reflected on our financial statements in connection with our lease of the Sugar Creek cement plant.

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

Other than the Credit Facility, we have no other source of committed external financing in place. In the event the Credit Facility was terminated, no assurance can be given as to our ability to secure a new source of financing. Consequently, if a balance was outstanding on the 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 Credit Facility a $50.0 million Letter of Credit Facility. At March 31, 2014, we had $7.4 million of letters of credit outstanding that renew annually. We are contingently liable for performance under $16.0 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for at least the next twelve months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Credit Facility, the level of competition and general and economic factors beyond our control. 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, 2014. 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, 2014, 2013 and 2012.

Capital Expenditures.

The following table compares capital expenditures:

	For the Fiscal Year Ended March 31, 2014	2013
	(dollars in thousands)	
Land and Quarries	$ 12,898	$ 3,937
Plants	35,272	27,277
Buildings, Machinery and Equipment	11,320	21,797
Total Capital Expenditures	$ 59,490	$ 53,011

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During fiscal 2014 and 2013, we purchased land with mineral reserves in the Midwest for the purpose of developing a frac sand business to serve the oil services and other industrial end markets, and during fiscal 2013 we constructed a drying plant in Texas. We anticipate additional capital expenditures in the range of $30.0 million to $40.0 million during fiscal year 2015 to support the development of our frac sand business. See Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary on pages 27-28 for more information. See Footnote (B) of the Consolidated Financial Statements for more information related to the capital expenditures related to the Acquisition.

Historically, annual maintenance capital expenditures have been approximately $15.0 to $20.0 million; however, due to the Acquisition, we estimate that annual maintenance capital expenditure will be approximately $20.0 to $25.0 million. Total capital expenditures for fiscal 2015, including both the new business and maintenance capital expenditures, are expected to be approximately $50.0 to $70.0 million. Historically, we have financed such expenditures with cash from operations and borrowings under our Credit Facility.

Dividends.

Dividends paid in fiscal years 2014 and 2013 were $19.9 million and $18.5 million, respectively. Each quarterly dividend payment is subject to review and approval by our Board of Directors.

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 (dollars in thousands)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual Obligations:					
Credit Facility [(1)]	$ 189,000	$	$ 189,000	$	$
Senior Notes	192,259	9,500	65,045	81,214	36,500
Interest on Senior Notes	36,039	10,886	16,517	7,453	1,183
Interest on Credit Facility [(2)]	3,377	2,631	746		
Operating Leases	17,242	3,056	5,446	4,008	4,732
Purchase Obligations [(3)]	82,664	22,268	13,689	9,447	37,260
Total	$ 520,581	$ 48,341	$ 290,443	$ 102,122	$ 79,675

(1) The Credit Facility expires in December 2015.

(2) At March 31, 2014, we had $189 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 December 2015. 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.

Additionally, we are subject to potential tax liabilities related to the IRS audit of the acquisition of the Republic Assets where we potentially may owe $15.8 million to the IRS and $7.3 million to certain states in the next 1 to 5 year period. See Notes (G) and (I) of the Notes to Consolidated Financial Statements for more information. 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 2015.

Inflation and Changing Prices.

The Consumer Price Index rose approximately 1.6% in calendar 2013, 1.7% in 2012, and 3.0% in 2011. 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 2013, the Consumer Price Index for energy and transportation increased approximately 0.5% and 0.9%, respectively. These increases are relatively minor, and had minimal impact on our business due to improving efficiencies. Additional inflationary increases could have an adverse impact on all of our businesses. 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 33.

RECENT ACCOUNTING PRONOUNCEMENTS

There are no recent accounting pronouncements that materially impacted our financial statements during the current year, and we do not expect any accounting pronouncements to impact our financial statements in the next fiscal year.

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.

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 $400.0 million Credit Facility available at March 31, 2014 under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the $189.0 million of borrowings at March 31, 2014 would increase our interest expense by $1.9 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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Financial Information

Index to Financial Statements and Related 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, 2014	2013	2012
Revenues	$ 898,396	$ 642,562	$ 495,023
Cost of Goods Sold	712,937	539,317	454,546
Gross Profit	185,459	103,245	40,477
Equity in Earnings of Unconsolidated Joint Venture	37,811	32,507	28,528
Corporate General and Administrative Expense	(24,552)	(23,918)	(19,617)
Other Operating Income (Loss)	1,368	(1,232)	356
Acquisition, Litigation and Other Expense		(10,683)	(9,117)
Loss on Debt Retirement			(2,094)
Interest Expense, Net	(18,282)	(15,823)	(16,621)
Earnings before Income Taxes	181,804	84,096	21,912
Income Taxes	(57,561)	(26,352)	(3,180)
Net Earnings	$ 124,243	$ 57,744	$ 18,732
EARNINGS PER SHARE			
Basic	$ 2.53	$ 1.24	$ 0.42
Diluted	$ 2.49	$ 1.22	$ 0.42
AVERAGE SHARES OUTSTANDING			
Basic	49,090,750	46,622,646	44,224,924
Diluted	49,939,165	47,340,450	44,515,981
CASH DIVIDENDS PER SHARE	$ 0.40	$ 0.40	$ 0.40

See notes to consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(dollars in thousands)

	For the Years Ended March 31,		
	2014	**2013**	**2012**
Net Earnings	$ 124,243	$ 57,744	$ 18,732
Net Actuarial Gains (Losses) of Defined Benefit Plans:			
Unrealized gain during the period, net of tax expense of $1,173, $1,071 and $1,517	(2,399)	(1,988)	(2,818)
Amortization of Net Actuarial Loss, net of tax benefit of $333, $249 and $105	840	462	195
Comprehensive Earnings	$ 122,684	$ 56,218	$ 16,109

See notes to consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	March 31, 2014	March 31, 2013
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 6,482	$ 3,897
Accounts and Notes Receivable, net	102,917	87,543
Inventories	187,096	156,380
Income Tax Receivable		2,443
Prepaid and Other Assets		