EAGLE MATERIALS INC
Form 10-Q
August 04, 2015

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the Quarterly Period Ended

June 30, 2015

Commission File Number 1-12984

Eagle Materials Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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, including area code)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ¨ No x

As of July 30, 2015, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	50,383,613

Eagle Materials Inc. and Subsidiaries

Form 10-Q

June 30, 2015

Table of Contents

PART I. FINANCIAL INFORMATION (unaudited)

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

	For the Three Months Ended June 30, 2015	2014
Revenues	$284,963	$266,251
Cost of Goods Sold	223,866	209,850
Gross Profit	61,097	56,401
Equity in Earnings of Unconsolidated Joint Venture	7,830	9,800
Corporate General and Administrative Expense	(8,991)	(7,042)
Other Income	435	679
Interest Expense, Net	(4,486)	(4,052)
Earnings Before Income Taxes	55,885	55,786
Income Tax Expense	(18,123)	(18,076)
Net Earnings	$37,762	$37,710
EARNINGS PER SHARE:		
Basic	$0.76	$0.76
Diluted	$0.75	$0.75
AVERAGE SHARES OUTSTANDING:		
Basic	49,767,424	49,501,847
Diluted	50,450,908	50,287,452
CASH DIVIDENDS PER SHARE:	$0.10	$0.10

See notes to unaudited consolidated financial statements.

1

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Comprehensive Earnings

(unaudited – dollars in thousands)

	For the Three Months Ended June 30,	
	2015	2014
Net Earnings	$ 37,762	$ 37,710
Change in Funded Status of Defined Benefit Plans:		
Amortization of Net Actuarial Loss	319	163
Tax Expense	(188)	(57)
Comprehensive Earnings	$ 37,893	$ 37,816

See notes to unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	June 30, 2015 (unaudited)	March 31, 2015
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$7,551	$7,514
Accounts and Notes Receivable	135,696	113,577
Inventories	234,741	235,464
Prepaid and Other Assets	10,110	10,080
Total Current Assets	388,098	366,635
Property, Plant and Equipment -	1,988,971	1,962,215
Less: Accumulated Depreciation	(759,979)	(740,396)
Property, Plant and Equipment, net	1,228,992	1,221,819
Notes Receivable	2,803	2,847
Investment in Joint Venture	49,199	47,614
Goodwill and Intangible Assets	207,047	211,167
Other Assets	32,209	32,509
	$1,908,348	$1,882,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities -		
Accounts Payable	$61,037	$77,749
Accrued Liabilities	36,373	46,830
Income Taxes Payable	11,606	2,952
Current Portion of Long-term Debt	57,045	57,045
Total Current Liabilities	166,061	184,576
Long-term Debt	466,714	455,714
Other Long-term Liabilities	68,876	69,055
Deferred Income Taxes	158,472	162,653
Total Liabilities	860,123	871,998
Stockholders' Equity -		
Preferred Stock, Par Value $0.01; Authorized 5,000,000 Shares; None Issued	—	—
Common Stock, Par Value $0.01; Authorized 100,000,000 Shares; Issued and Outstanding 50,357,355 and 50,245,364 Shares, respectively	504	502
Capital in Excess of Par Value	277,026	272,441
Accumulated Other Comprehensive Losses	(11,748)	(12,067)
Retained Earnings	782,443	749,717
Total Stockholders' Equity	1,048,225	1,010,593

$1,908,348	$1,882,591

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited – dollars in thousands)

	For the Three Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$37,762	$37,710
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	24,264	17,290
Deferred Income Tax Provision	(4,369)	(3,742)
Stock Compensation Expense	4,018	2,936
Excess Tax Benefits from Share Based Payment Arrangements	(1,142)	(492)
Equity in Earnings of Unconsolidated Joint Venture	(7,830)	(9,800)
Distributions from Joint Venture	6,245	8,375
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(22,075)	(31,325)
Inventories	723	4,626
Accounts Payable and Accrued Liabilities	(26,852)	(6,263)
Other Assets	75	1,237
Income Taxes Payable	9,796	19,746
Net Cash Provided by Operating Activities	20,615	40,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(27,122)	(23,181)
Net Cash Used in Investing Activities	(27,122)	(23,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Credit Facility	11,000	(13,000)
Dividends Paid to Stockholders	(5,025)	(5,005)
Shares Redeemed to Settle Employee Taxes on Stock Compensation	(1,523)	(568)
Proceeds from Stock Option Exercises	950	1,023
Excess Tax Benefits from Share Based Payment Arrangements	1,142	492
Net Cash Provided by (Used in) Financing Activities	6,544	(17,058)
NET INCREASE IN CASH AND CASH EQUIVALENTS	37	59
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,514	6,482
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$7,551	$6,541

See notes to the unaudited consolidated financial statements.

Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2015

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three month period ended June 30, 2015 include the accounts of Eagle Materials Inc. and its majority-owned subsidiaries (the "Company", "us" or "we") and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 22, 2015.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. In our opinion, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the information in the following unaudited consolidated financial statements of the Company have been included. The results of operations for interim periods are not necessarily indicative of the results for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)," and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB delayed the implementation of this standard by one year. The standard will now be effective for us in the first quarter of fiscal 2019, with early adoption not permitted. There are two transition methods available under the new standard, either cumulative effect or retrospective. We are currently evaluating the impact of this ASU and have not yet selected a transition method.

In April 2015, the Financial Accounting Standards Board issued ASU 2015-03, "Interest-Imputation of Interest" (Subtopic 830-30). This Standard requires that discounts, premiums or debt issue costs related to borrowings be reported in the balance sheet as a direct reduction of the associated borrowing. The standard will be effective for us in the first quarter of fiscal 2017, and earlier application is permitted for financial statements that have not been previously issued. This impact of adopting this ASU is not expected to be material.

(B) ACQUISITIONS

CRS Acquisition

On November 14, 2014, we acquired all of the outstanding equity interest in CRS Holdco LLC, CRS Proppants LLC, Great Northern Sand LLC and related entities (collectively “CRS Proppants”) (such acquisition, the “CRS Acquisition”). CRS Proppants is a supplier of frac sand to the energy industry, and its business currently consists of a frac sand mine in New Auburn, Wisconsin, and a trans-load network into Texas and southwest Oklahoma.

Purchase Price: The purchase price (the " CRS Purchase Price") of the CRS Acquisition was approximately $236.1 million, including approximately $8.9 million of in-process capital expenditures paid as of the closing date. We funded the payment of the CRS Purchase Price at closing and expenses incurred in connection with the CRS Acquisition through borrowings under our bank credit facility, which was amended and restated on October 30, 2014. See Footnote (L) to the Unaudited Consolidated Financial Statements for more information about the amended bank credit facility.

We previously reported the estimated CRS Purchase Price in our Form 10-K as approximately $237.2 million. During the quarter ended June 30, 2015, we finalized the amount of working capital acquired at the closing, which resulted in a reduction in the CRS Purchase Price of approximately $1.1 million.

Recording of assets acquired and liabilities assumed: The CRS Acquisition has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We engaged a third-party to perform an appraisal valuation to support our preliminary estimate of the fair value of certain assets acquired in the CRS Acquisition. Included in the assets acquired, and liabilities assumed, are two long-term sales agreements that included prepayments for future sales under such agreements, with such prepayments classified as liabilities. Additionally, one of the agreements is with a customer that is currently in bankruptcy, and is not expected to fulfill its obligations under the agreement. We have been indemnified by the former owner against any loss related to this agreement, and such indemnity has been valued at fair value and recorded as an asset at the date of the CRS Acquisition.

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

The following table summarizes the allocation of the CRS Purchase Price to assets acquired and liabilities assumed as of the acquisition date:

Purchase price allocation (in thousands)	As of November 14, 2014
Cash and cash equivalents	$ 219
Accounts Receivable	14,640
Inventories	9,627
Prepaid and Other Assets	753
Property and Equipment	192,738

Intangible Assets		56,200
Indemnity under Sales Agreement		14,810
Accounts Payable and Accrued Liabilities		(6,928)
Obligations under Long-term Sales Agreements		(28,131)
Asset Retirement Obligation		(4,112)
Deferred Taxes		(13,765)
Total Net Assets		236,051
Goodwill		—
Total Estimated Purchase Price	$	236,051

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

	Weighted Average Life	Estimated Fair Value
Customer Relationships	4	56,000
Permits	40	200
Total Intangible Assets		$ 56,200

Actual and pro forma impact of the CRS Acquisition: The following table presents the net sales and operating income of CRS Proppants that have been included in our consolidated statement of earnings from April 1, 2015 through June 30, 2015:

	Three Months Ended June 30, 2015 (dollars in thousands)
Revenues	$ 18,769
Operating Loss	$ (4,799)

Operating income shown above has been impacted by approximately $5.6 million of depreciation and amortization and approximately $0.5 million related to the impact of recording acquired inventory at fair value.

The unaudited pro forma results presented below include the effects of the CRS Acquisition as if it had been consummated as of April 1, 2014. The pro forma results include the amortization associated with an estimate for acquired intangible assets and interest expense associated with debt used to fund the Acquisition and depreciation from the fair value adjustments for property and equipment. To better reflect the combined operating results, material nonrecurring charges incurred by the Company directly related to the CRS Acquisition of $2.1 million have been excluded from pro forma net income for the three months ended June 30, 2014.

	For the Three Months Ended June 30, 2014

	(dollars in thousands)
Revenues	$ 278,753
Net Income	$ 31,199
Earnings per share – basic	$ 0.63
Earnings per share - diluted	$ 0.62

The pro forma results do not include any anticipated synergies or other expected benefits of the CRS Acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the CRS Acquisition been consummated as of April 1, 2014.

Skyway Acquisition

On July 10, 2015, we completed the acquisition of a 600,000 ton per year Granulated Ground Blast Furnace Slag (“GGBFS”) plant in South Chicago (the “Skyway Plant”) with Holcim (US) Inc. (the “Skyway Acquisition”). Among other applications, GGBFS is used in conjunction with Portland cement to make durable concrete structures. The Skyway Plant purchases its primary raw material, slag, pursuant to a long term supply agreement with a third party.

The purchase price (the “Skyway Purchase Price”) for the Skyway Acquisition was approximately $30.0 million in cash, subject to customary post-closing adjustments. We funded the payment of the Skyway Purchase Price and expenses incurred in connection with the Skyway Acquisition through operating cash flow and borrowings under our bank credit facility. We also assumed certain liabilities, including contractual obligations, related to the Skyway Plant. See Note (L) in the Notes to the Unaudited Financial Statements for more information about our bank credit facility.

(C) CASH FLOW INFORMATION—SUPPLEMENTAL

Cash payments made for interest were $6.6 million for both of the three months ended June 30, 2015 and 2014. Net payments made for federal and state income taxes during the three months ended June 30, 2015 and 2014, were $11.8 million and $0.4 million, respectively.

(D) ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of $7.2 million and $7.1 million at June 30, 2015 and March 31, 2015, respectively. We perform ongoing credit evaluations of our customers’ financial condition and generally require no collateral from our customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry, detailed analysis of the expected collectability of accounts receivable that are past due and the expected collectability of overall receivables. We have no significant credit risk concentration among our diversified customer base.

We had notes receivable totaling approximately $3.3 million at June 30, 2015, of which approximately $0.5 million has been classified as current and presented with accounts receivable on the balance sheet. We lend funds to certain companies in the ordinary course of business, and the notes bear interest, on average, at LIBOR plus 3.5%. Remaining unpaid amounts, plus accrued interest, mature on various dates between 2015 and 2017. The notes are collateralized by certain assets of the borrowers, namely property and equipment, and are generally payable monthly. We monitor the credit risk of each borrower by focusing on the timeliness of payments, review of credit history and credit metrics and interaction with the borrowers.

(E) STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity follows:

	For the Three Months Ended June 30, 2015 (dollars in thousands)
Common Stock –	
Balance at Beginning of Period	$ 502
Stock Option Exercises	2
Balance at End of Period	504
Capital in Excess of Par Value –	
Balance at Beginning of Period	272,441
Stock Compensation Expense	4,016
Shares Redeemed to Settle Employee Taxes	(1,523)
Stock Option Exercises	2,092
Balance at End of Period	277,026
Retained Earnings –	
Balance at Beginning of Period	749,717
Dividends Declared to Stockholders	(5,036)
Net Earnings	37,762
Balance at End of Period	782,443
Accumulated Other Comprehensive Loss -	
Balance at Beginning of Period	(12,067)
Change in Funded Status of Pension Plan, net of tax	319
Balance at End of Period	(11,748)
Total Stockholders' Equity	$ 1,048,225

There were no open market share repurchases during the three months ended June 30, 2015. As of June 30, 2015, we have authorization to purchase an additional 717,300 shares.

(F) INVENTORIES

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

	As of June 30, 2015	March 31, 2015
	(dollars in thousands)	
Raw Materials and Material-in-Progress	$119,645	$115,345
Finished Cement	19,892	20,508
Gypsum Wallboard	7,830	7,741
Frac Sand	5,498	4,928
Aggregates	11,141	11,131
Paperboard	7,171	8,493
Repair Parts and Supplies	58,568	62,121
Fuel and Coal	4,996	5,197
	$234,741	$235,464

9

(G) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of June 30, 2015	March 31, 2015
	(dollars in thousands)	
Payroll and Incentive Compensation	$10,703	$ 19,082
Benefits	10,338	9,951
Interest	2,078	4,524
Property Taxes	4,103	3,189
Power and Fuel	1,661	1,619
Sales and Use Tax	834	523
Legal	630	1,673
Other	6,026	6,269
	$36,373	$ 46,830

(H) Share-BASED EMPLOYEE COMPENSATION

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

Long-Term Compensation Plans -

Options. In June 2015, the Compensation Committee approved an equity award of an aggregate of 268,571 stock options pursuant to the Plan to certain officers and key employees that vest ratably over a three year period (the "Fiscal 2016 Employee Stock Option Grant"). The stock options have a term of ten years from the date of grant. The Fiscal 2016 Employee Stock Option Grant was valued at the grant date using the Black-Scholes option pricing model.

The weighted-average assumptions used in the Black-Scholes model to value the option awards in fiscal 2016 are as follows:

Fiscal 2016

Dividend Yield	2.0%
Expected Volatility	36.5%
Risk Free Interest Rate	1.7%
Expected Life	6.0 years

Stock option expense for all outstanding stock option awards totaled approximately $2.0 million and $1.4 million for the three months ended June 30, 2015 and 2014, respectively. At June 30, 2015, there was approximately $16.4 million of unrecognized compensation cost related to outstanding stock options, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.6 years.

The following table represents stock option activity for the three month period ended June 30, 2015:

	Number of Shares	Weighted-Average Exercise Price
Outstanding Options at Beginning of Period	1,665,565	$ 46.37
Granted	276,071	$ 81.59
Exercised	(36,600)	$ 25.94
Cancelled	—	$ —
Outstanding Options at End of Period	1,905,036	$ 51.87
Options Exercisable at End of Period	1,224,020	$ 37.54
Weighted-Average Fair Value of Options Granted during the Period	$24.80	

The following table summarizes information about stock options outstanding at June 30, 2015:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares Outstanding	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number of Shares Outstanding	Weighted - Average Exercise Price
$23.17 – $ 30.74	558,510	4.18	$ 26.58	556,510	$ 26.57
$33.08 – $ 37.95	485,368	6.67	$ 33.95	462,368	$ 33.89
$53.22 – $ 74.10	282,936	7.58	$ 66.60	120,075	$ 66.37
$79.90 – $ 93.56	578,222	9.48	$ 84.11	85,067	$ 88.44
	1,905,036	6.93	$ 51.87	1,224,020	$ 37.54

At June 30, 2015, the aggregate intrinsic value for outstanding and exercisable options was approximately $46.6 million and $47.6 million, respectively. The total intrinsic value of options exercised during the three months ended June 30, 2015 was approximately $2.1 million.

Restricted Stock. In June 2015, the Compensation Committee approved the granting of an aggregate of 93,782 shares of restricted stock to certain officers and key employees that will be earned if certain performance conditions are satisfied (the “Fiscal 2016 Employee Restricted Stock Award”). The performance criterion for the Fiscal 2016 Employee Restricted Stock Award is based upon the achievement of certain levels of return on equity, ranging from 12.5% to 17.5%, for fiscal year ending March 31, 2016. All restricted shares will be earned if the return on equity is 17.5% or greater, and the percentage of shares earned will be reduced proportionately to approximately 75% if the return on equity is 12.5%.   If the Company does not achieve a return on equity of at least 12.5%, all awards will be forfeited. If the criteria are met, the award may be reduced by the Compensation Committee based on individual performance goals. Following any such reduction, restrictions on the earned shares will lapse ratably over five years, with the first fifth lapsing promptly following the determination date, and the remaining restrictions lapsing on March 31, 2017 through 2020. The value of the Fiscal 2016 Employee Restricted Stock Award, net of estimated forfeitures, is being expensed over a five year period.

Expense related to restricted shares was approximately $2.0 million and $1.5 million for the three months ended June 30, 2015 and 2014, respectively. At June 30, 2015, there was approximately $21.6 million of unearned compensation from restricted stock, net of estimated forfeitures, which will be recognized over a weighted-average period of 2.5 years.

The number of shares available for future grants of stock options, restricted stock units, stock appreciation rights and restricted stock under the Plan was 4,556,013 at June 30, 2015.

(I) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended June 30, 2015	2014
Weighted-Average Shares of Common Stock Outstanding	49,767,424	49,501,847
Common Equivalent Shares:		
Assumed Exercise of Outstanding Dilutive Options	1,328,364	1,483,664
Less: Shares Repurchased from Assumed Proceeds of Assumed Exercised Options	(876,472)	(974,265)
Restricted Shares	231,592	276,206
Weighted-Average Common and Common Equivalent Shares Outstanding	50,450,908	50,287,452
Shares Excluded Due to Anti-dilution Effects	457,687	121,800

(J) PENSION AND EMPLOYEE BENEFIT PLANS

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

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

	For the Three Months Ended June 30, 2015	2014
	(dollars in thousands)	
Service Cost – Benefits Earned During the Period	$ 231	$ 236
Interest Cost of Benefit Obligations	381	315
Expected Return on Plan Assets	(430)	(414)
Recognized Net Actuarial Loss	433	155
Amortization of Prior-Service Cost	75	3
Net Periodic Pension Cost	$ 690	$ 295

(K) INCOME TAXES

Income taxes for the interim period presented have been included in the accompanying financial statements on the basis of an estimated annual effective tax rate. In addition to the amount of tax resulting from applying the estimated annual effective tax rate to pre-tax income, we will, when appropriate, include certain items treated as discrete events to arrive at an estimated overall tax amount. The effective tax rate for the three months ended June 30, 2015 was approximately 32%, which was consistent with the effective tax rate for the three months ended June 30, 2014.

(L) LONG-TERM DEBT

Long-term debt consists of the following:

	As of June 30, 2015	March 31, 2015
	(dollars in thousands)	
Credit Facility	$341,000	$330,000
Senior Notes	182,759	182,759
Total Debt	523,759	512,759
Less: Current Portion of Long-term Debt	(57,045)	(57,045)
Total Debt	$466,714	$455,714

Credit Facility –

We have a $500.0 million revolving credit facility (the “Credit Facility”), including a swingline loan sublimit of $25.0 million, which is scheduled to expire on October 30, 2019. Borrowings under the Credit Facility are guaranteed by substantially all of the Company’s subsidiaries. At the option of the Company, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company’s ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, to the Company’s consolidated indebtedness (the “Leverage Ratio”), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus ½% per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be a period of up to nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We had $341.0 million of borrowings outstanding at June 30, 2015. Based on our Leverage Ratio, we had $149.6 million of available borrowings, net of the outstanding letters of credit, at June 30, 2015.

The Credit Facility has a $50.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At June 30, 2015, we had $9.4 million of letters of credit outstanding.

Senior Notes -

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

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

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

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

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

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the “Note Purchase Agreements”) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as “the Senior Notes”) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Credit Facility. We were in compliance with all financial ratios and tests at June 30, 2015.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and Make-Whole Amounts (as defined in the Note Purchase Agreements) on the Senior Notes and the other payment and performance obligations of the Company contained in the Senior Notes and in the Note Purchase Agreements. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Senior Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a Make-Whole Amount. The Make-Whole Amount is computed by discounting the remaining scheduled payments of interest and principal of the Senior Notes being prepaid at a discount rate equal to the sum of 50 basis points and the yield to maturity of U.S. treasury securities having a maturity equal to the remaining average life of the Senior Notes being prepaid.

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

(M) SEGMENT INFORMATION

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

We operate in five business segments: Cement, Gypsum Wallboard, Recycled Paperboard, Oil and Gas Proppants 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) and sand used in hydraulic fracturing (“frac sand”). The products that we manufacture, distribute and sell are basic materials used with broad application as construction products, building materials, and basic materials used for oil and natural gas extraction. Our construction products are used in residential, industrial, commercial and infrastructure construction and include cement, concrete and aggregates. Our building materials are sold into similar markets and include gypsum wallboard. Our basic materials used for oil and natural gas extraction include frac sand and oil well cement.

We operate six cement plants, sixteen cement distribution terminals, five gypsum wallboard plants, including the plant idled in Bernalillo, N.M., a gypsum wallboard distribution center, a recycled paperboard mill, seventeen readymix concrete batch plant locations, three aggregates processing plant locations, two frac sand processing facilities, three frac sand drying facilities and five frac sand trans-load locations. In addition to the five trans-load locations in operation at June 30, 2015, we expect to open a trans-load location in Fowlerton, Texas during the second quarter of fiscal 2016. The principal markets for our cement products are Texas, northern Illinois (including Chicago), the central plains, the Rocky Mountains, northern Nevada, and northern California. Gypsum wallboard and recycled paperboard are distributed throughout the continental U.S, with the exception of the northeast. Concrete and aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area, north of Sacramento, California and the greater Kansas City, Missouri area, while frac sand is currently sold into shale deposit zones across the United States. During July 2015, we completed the Skyway Acquisition, which will be operated by Illinois Cement Company, and its operations will be included in the Cement segment.

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

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

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Revenues -		
Cement	$ 128,176	$ 127,936
Gypsum Wallboard	115,052	112,677
Paperboard	35,318	37,479
Oil and Gas Proppants	22,825	11,180
Concrete and Aggregates	28,532	26,162
Sub-total	329,903	315,434
Less: Intersegment Revenues	(17,929)	(16,605)
Net Revenues, including Joint Venture	311,974	298,829
Less: Joint Venture	(27,011)	(32,578)
Net Revenues	$ 284,963	$ 266,251

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Intersegment Revenues -		
Cement	$ 3,126	$ 2,360
Paperboard	14,551	14,016
Concrete and Aggregates	252	229
	$ 17,929	$ 16,605
Cement Sales Volume (in thousands of tons) -		
Wholly –owned Operations	991	1,007
Joint Venture	212	284
	1,203	1,291

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Operating Earnings -		
Cement	$ 25,713	$ 20,507
Gypsum Wallboard	40,894	37,428
Paperboard	6,030	7,547
Oil and Gas Proppants	(5,636)	(637)
Concrete and Aggregates	1,926	1,356
Other, net	435	679
Sub-total	69,362	66,880
Corporate General and Administrative	(8,991)	(7,042)
Earnings Before Interest and Income Taxes	60,371	59,838
Interest Expense, net	(4,486)	(4,052)
Earnings Before Income Taxes	$ 55,885	$ 55,786
Cement Operating Earnings -		
Wholly–owned Operations	$ 17,883	$ 10,707
Joint Venture	7,830	9,800
	$ 25,713	$ 20,507
Capital Expenditures -		
Cement	$ 8,150	$ 8,820
Gypsum Wallboard	1,497	2,235
Paperboard	844	326
Oil and Gas Proppants	15,967	7,602
Concrete and Aggregates	664	4,130
Other	—	68
	$ 27,122	$ 23,181
Depreciation, Depletion and Amortization -		
Cement	$ 7,866	$ 7,884
Gypsum Wallboard	4,786	5,098
Paperboard	2,053	2,070
Oil and Gas Proppants	7,559	569
Concrete and Aggregates	1,505	1,223
Other, net	495	446
	$ 24,264	$ 17,290

	As of June 30, 2015	March 31, 2015

	(dollars in thousands)	
Identifiable Assets -		
Cement	$798,243	$777,956
Gypsum Wallboard	400,097	403,279
Paperboard	123,310	123,519
Oil and Gas Proppants	464,089	455,572
Concrete and Aggregates	99,289	96,610
Corporate and Other	23,320	25,655
	$1,908,348	$1,882,591

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

	As of June 30, 2015	March 31, 2015
	(dollars in thousands)	
Cement	$8,359	$8,359
Gypsum Wallboard	116,618	116,618
Paperboard	7,538	7,538
	$132,515	$132,515

We perform our annual test of impairment on goodwill during the fourth quarter of our fiscal year. If business conditions in the operating units containing goodwill change substantially during the fiscal year, and we are unable to conclude that an impairment loss is not likely to occur, we will perform impairment tests for those business units during our quarterly periods. At June 30, 2015, we determined that impairment losses are not likely to occur; therefore, no impairment tests were performed during the quarter.

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

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Revenues	$ 54,022	$ 65,156
Gross Margin	$ 17,012	$ 20,457
Earnings Before Income Taxes	$ 15,660	$ 19,600

	As of June 30, 2015	March 31, 2015
	(dollars in thousands)	
Current Assets	$70,874	$ 68,399
Non-Current Assets	$42,640	$ 42,765
Current Liabilities	$18,825	$ 19,723

(N) INTEREST EXPENSE

The following components are included in interest expense, net:

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Interest (Income)	$ (1)	$ (1)
Interest Expense	4,296	3,660
Interest Expense – Income Taxes	—	174
Other Expenses	191	219
Interest Expense, net	$ 4,486	$ 4,052

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

(O) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers' compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At June 30, 2015, we had contingent liabilities under these outstanding letters of credit of approximately $9.4 million.

In the ordinary course of business, we execute contracts involving indemnifications that are standard in the industry and indemnifications specific to a transaction such as sale of a business. These indemnifications may include claims relating to any of the following: environmental and tax matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier, and other commercial contractual relationships; construction contracts and financial matters. While the maximum amount to which the Company may be exposed under such agreements cannot be estimated, it is the opinion of management that these indemnifications are not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows. We currently have no outstanding guarantees.

We are currently contingently liable for performance under $14.8 million in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain reclamation obligations and mining permits. We have indemnified the underwriting insurance company against any exposure under the performance bonds. In our past experience, no material claims have been made against these financial instruments.

EPA Notice of Violation

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

Domestic Wallboard Antitrust Litigation

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

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers' complaint added the Company as a defendant. The plaintiffs in the consolidated class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs' claims.

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

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

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, is related to the same subject matter at issue in the litigation described above and we intend to fully cooperate with government officials. Given its preliminary nature, we are currently unable to determine the ultimate outcome of such investigation.

20

(P) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at June 30, 2015 is as follows:

	Fair Value (dollars in thousands)
Series 2005A Tranche B	$ 57,764
Series 2005A Tranche C	60,605
Series 2007A Tranche B	8,368
Series 2007A Tranche C	25,781
Series 2007A Tranche D	40,377

The estimated fair value of our long-term debt was based on quoted prices of similar debt instruments with similar terms that are publicly traded (level 2 input). The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values at June 30, 2015 due to the short-term maturities of these assets and liabilities. The fair value of our Credit Facility also approximates its carrying value at June 30, 2015.

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

EXECUTIVE SUMMARY

Eagle Materials Inc. is a diversified producer of basic building products used in residential, industrial, commercial and infrastructure construction. Information presented for the three months ended June 30, 2015 and 2014, respectively, reflects the Company's business segments, consisting of Cement, Gypsum Wallboard, Recycled Paperboard, Oil and Gas Proppants 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) as well as specialty oil well cement; the mining of gypsum and the manufacture and sale of gypsum wallboard; the manufacture and sale of recycled paperboard to the gypsum wallboard industry and other paperboard converters; the sale of readymix concrete, the mining and sale of aggregates (crushed stone, sand and gravel) and the mining and sale of sand used in hydraulic fracturing ("frac sand"). The products that we manufacture, distribute and sell are basic materials with board application as construction products, building materials and basic materials used for oil and natural gas extraction. Our construction products are used in residential, industrial, commercial and infrastructure construction and include cement, concrete and aggregates. Our building materials are sold into similar markets and include gypsum wallboard. Our basic materials used for oil and gas extraction include frac sand and oil well cement. Certain information for each of Concrete and Aggregates is broken out separately in the segment discussions.

On November 14, 2014, we acquired of all of the outstanding equity interests of CRS Holdco LLC, CRS Proppants LLC, Great Northern Sand LLC, and related entities (collectively, "CRS Proppants") (such acquisition, the "CRS Acquisition"). CRS Proppants is a supplier of frac sand to the energy industry, and its business currently consists of a frac sand mine in New Auburn, Wisconsin, and a trans-load network into Texas and southwest Oklahoma. The purchase price (the " CRS Purchase Price") paid by the Company for the CRS Acquisition was approximately $236.1 million in cash, including approximately $8.9 million for in-process capital expenditures paid through the closing date, and estimated working capital and other estimated closing amounts. The CRS Purchase Price was funded through borrowings under the Company's Credit Facility. CRS Proppants was in the process of expanding its frac sand mine in New Auburn, Wisconsin at the time of purchase. This expansion was completed during the first quarter of fiscal 2016, at a cost of approximately $8.0 million.

On July 10, 2015, we completed the acquisition of a 600,000 ton per year Granulated Ground Blast Furnace Slag ("GGBFS") plant in South Chicago (the "Skyway Plant") with Holcim (US) Inc. (the "Skyway Acquisition"). Among other applications, GGBFS is used in conjunction with Portland cement to make durable concrete structures. The Skyway Plant purchases its primary raw material, slag, pursuant to a long term supply agreement with a third party.

The purchase price (the "Skyway Purchase Price") for the Skyway Acquisition was approximately $30.0 million in cash, subject to customary post-closing adjustments. We funded the payment of the Skyway Purchase Price and expenses incurred in connection with the Skyway Acquisition through operating cash flow. We also assumed certain liabilities, including contractual obligations, related to the Skyway Plant.

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

States.. Cement, concrete and aggregates and frac sand 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.

RESULTS OF OPERATIONS

Consolidated Results

	For the Three Months Ended		
	June 30,		
	2015	2014	Change
	(In thousands except per share)		
Revenues	$ 284,963	$ 266,251	7 %
Cost of Goods Sold	(223,866)	(209,850)	7 %
Gross Profit	61,097	56,401	8 %
Equity in Earnings of Unconsolidated Joint Venture	7,830	9,800	(20 %)
Corporate General and Administrative Expense	(8,991)	(7,042)	28 %
Other Income	435	679	(36 %)
Interest Expense, net	(4,486)	(4,052)	11 %
Earnings Before Income Taxes	55,885	55,786	—
Income Tax Expense	(18,123)	(18,076)	—
Net Earnings	$ 37,762	$ 37,710	—
Diluted Earnings per Share	$ 0.75	$ 0.75	—

Revenues. Revenues were $285.0 million and $266.3 million for the three months ended June 30, 2015 and 2014, respectively. Revenues from the CRS Acquisition positively impacted revenues by approximately $18.7 million. Net revenues from our legacy businesses were flat during the three months ended June 30, 2015, compared to the three months ended June 30, 2014. Increased revenues from our gypsum wallboard, cement and concreate and aggregates segments were offset by decreased revenues from recycled paperboard and our legacy oil and gas proppants segment. The increase in revenues in our gypsum wallboard, cement and concrete and aggregates segments was due primarily to increased average net sales prices, while the reduction in revenues for our recycled paperboard and legacy oil and gas proppants businesses was due primarily to reduced sales volumes. Excluding revenues from the CRS Acquisition, increased net sales prices positively impacted net revenue during the quarter ended June 30, 2015 by approximately $9.2 million, while the reduction in sales volumes negatively impacted revenues by the identical amount.

Cost of Goods Sold. Cost of goods sold was $223.9 million and $209.9 million during the three months ended June 30, 2015 and 2014, respectively. Approximately $23.4 million of cost of goods sold related to sales volumes attributable to the Acquisition. The $14.0 million increase in cost of goods sold was related primarily to an increase in volumes, which increased cost of sales by approximately $16.1 million, partially offset by a decrease in operating costs of approximately $2.1 million. The decrease in operating costs in the three months ended June 30, 2015, compared to June 30, 2014, was primarily related to our gypsum wallboard and our legacy oil and gas proppants businesses and was approximately $2.2 million and $1.0 million, respectively, partially offset by increased costs in our concrete and aggregates business of approximately $1.7 million.

Gross Profit. Gross profit was $61.1 million and $56.4 million during the three months ended June 30, 2015 and 2014, respectively. The 8% increase in gross profit was due primarily to increased average sales prices, partially offset by increased cost of goods sold related to the increased sales volumes, as noted above. The gross margin for the three months ended June 30, 2015, was 21%, which is consistent with the gross margin for the three months ended June 30, 2014.

Equity in Earnings of Joint Venture. Equity in earnings of our unconsolidated joint venture decreased $2.0 million, or 20%, for the three months ended June 30, 2015, compared to the similar period in 2014. The decrease is primarily due to a 25% decrease in sales volumes and an increase in operating costs, partially offset by an 11% increase in average net sales price. The decrease in sales volumes during the quarter ended June 30, 2015, compared to the quarter ended June 30, 2014 was due primarily to above average rainfall during April and May 2015. The impact of the decrease in sales volumes and increase in operating costs on equity in earnings of our unconsolidated joint venture during the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was approximately $2.5 million and $2.2 million, respectively, partially offset by an increase in average net sales price of approximately $2.7 million. The increase in operating costs was primarily due to an increase in maintenance costs of approximately $2.0 million.

Corporate General and Administrative. Corporate general and administrative expenses increased 28% for the three months ended June 30, 2015, compared to the similar periods in 2014. The approximately $1.9 million increase in corporate general and administrative expenses for the three months ended June 30, 2015, compared to 2014, is due primarily to increased stock and long-term incentive compensation expenses. Stock and long-term incentive compensation increased approximately $1.0 million and $0.2 million, respectively, during the three months ended June 30, 2015, compared to the similar period in 2014, primarily due to the Fiscal 2016 Employee Restricted Stock Awards and increased operating earnings from most of our segments.

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

Interest Expense, Net. Interest expense, net, increased approximately $0.4 million during the three months ended June 30, 2015, compared to the three months ended June 30, 2014. The 11% increase in interest expense, net for the three months ended June 30, 2015, compared to the similar three months in the prior fiscal year, is due primarily to the increase in interest expense from our Credit Facility, which increased approximately $0.8 million in the three months ended June 30, 2015, compared to the three months ended June 30, 2014. The increase in interest expense from our Credit Facility is due to greater outstanding balances during the three months ended June 30, 2015, compared to the three months ended June 30, 2014, as a result of borrowings made to finance the CRS Acquisition in November 2014. Because of the borrowings to finance the CRS Acquisition, we expect interest expense to increase during fiscal 2016 compared to fiscal 2015. Additionally, interest expense from our Senior Notes decreased $0.2 million during the three months ended June 30, 2015, compared to June 30, 2014, due to the maturity and repayment of $9.5 million during October 2014. We also had approximately $0.2 million of interest expense during the three months ended June 30, 2014 related to an outstanding lawsuit with the IRS that was settled in January 2015.

Earnings Before Income Taxes. Earnings before income taxes were $55.9 million and $55.8 million during the three months ended June 30, 2015 and 2014, respectively. The increase was primarily due to an approximately $4.7 million increase in gross profit, partially offset by an approximate $2.0 million decrease in equity in earnings of unconsolidated joint venture, an increase in interest expense, net of approximately $0.4 million and an increase of approximately $1.9 million in corporate general and administrative expenses.

Income Taxes. Income tax expense was $18.1 million for both the three months ended June 30, 2015 and 2014, respectively. The estimated effective tax rate for fiscal 2015, compared to fiscal 2014, remained consistent at 32%.

Net Earnings and Diluted Earnings per Share. Net earnings for the quarter ended June 30, 2015 of approximately $37.8 million were relatively flat compared to net earnings for the quarter ended June 30, 2014 of approximately $37.7 million. Diluted earnings per share for the three months ended June 30, 2015 were $0.75, which was consistent with diluted earnings per share for the three months ended June 30, 2014.

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

	For the Three Months Ended June 30, 2015	2014	Percentage Change
	(In thousands except per unit)		
Revenues [1]			
Cement [2]	$ 128,176	$ 127,936	—
Gypsum Wallboard	115,052	112,677	2 %
Recycled Paperboard	35,318	37,479	(6 %)
Oil and Gas Proppants	22,825	11,180	104 %
Concrete and Aggregates	28,532	26,162	9 %
Gross Revenues	329,903	315,434	5 %
Less: Intersegment Revenues	(17,929)	(16,605)	8 %
Less: Joint Venture Revenues	(27,011)	(32,578)	(17 %)
	$ 284,963	$ 266,251	7 %
Sales Volume			
Cement (M Tons) [2]	1,203	1,291	(7 %)
Gypsum Wallboard (MMSF)	577	569	1 %
Recycled Paperboard (M Tons)	69	72	(4 %)
Concrete (M Yards)	249	235	6 %
Aggregates (M Tons)	667	818	(18 %)
Average Net Sales Prices [3]			
Cement [2]	$ 98.39	$ 90.66	9 %
Gypsum Wallboard	163.46	161.74	1 %
Recycled Paperboard	503.80	509.62	(1 %)
Concrete	92.04	84.50	9 %
Aggregates	7.94	7.40	7 %
Operating Earnings			
Cement [2]	$ 25,713	$ 20,507	25 %
Gypsum Wallboard	40,894	37,428	9 %
Recycled Paperboard	6,030	7,547	(20 %)
Oil and Gas Proppants	(5,636)	(637)	(785 %)
Concrete and Aggregates	1,926	1,356	42 %
Other, net	435	679	(36 %)
Net Operating Earnings	$ 69,362	$ 66,880	4 %

(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 $128.2 million for the three months ended June 30, 2015, which is relatively consistent with revenues of $127.9 million for the three months ended June 30, 2014. The increase in average net sales prices during the three months ended June 30, 2015, compared to the three months ended June 30, 2014 positively impacted cement revenues by approximately $9.2 million, while the decrease in sales volumes negatively impacted cement revenues by approximately $8.9 million. The decrease in sales volumes during the quarter ended June 30, 2015, compared to the quarter ended June 30, 2014 was primarily related to above average rainfall during April and May 2015 in our Texas, Oklahoma and Colorado markets.

Cement operating earnings increased 25% to $25.7 million from $20.5 million for the three months ended June 30, 2015 and 2014, respectively. The increase in operating earnings was due primarily to increased average net sales prices, which positively impacted operating earnings by approximately $9.2 million, partially offset by decreased sales volumes and increased operating costs of approximately $2.6 million and $1.4 million. The increase in operating costs in the three months ended June 30, 2015, compared to June 30, 2014, is primarily related to a shift in the timing of some of our annual maintenance outages, which adversely impacted operating earnings by approximately $3.0 million, partially offset by decreased energy and other raw material costs of approximately $0.5 million and $0.4 million. Additionally, the percentage of purchased cement sold during the three months ended June 30, 2015 declined approximately 5% from purchased cement sold during June 30, 2014, which positively impacted our operating earnings by approximately $0.8 million. The operating margin increased to 20% for the first quarter of fiscal 2016, compared to 16% for the first quarter of fiscal 2015, primarily due to increased sales prices and a reduction in the percentage of sales of lower margin purchased cement.

Gypsum Wallboard Operations. Sales revenues increased 2% to $115.1 million for the three months ended June 30, 2015, from $112.7 million for the three months ended June 30, 2014, primarily due to a 1% increase in both our average net sales price and sales volumes. The increase in our average net sales price and sales volumes positively impacted revenues by approximately $0.8 million and $1.6 million, respectively. The increase in our average net sales price was due to the implementation of our price increase in January 2015. The increased sales volumes are primarily due to increased construction activity in fiscal 2016, compared to fiscal 2015. Our market share was essentially unchanged during the three months ended June 30, 2015, compared to the three months ended June 30, 2014.

Operating earnings increased to $40.9 million for the three months ended June 30, 2015, compared to $37.4 million for the three months ended June 30, 2014, primarily due to the increase in our average net sales price and sales volumes, which positively impacted operating earnings by approximately $0.8 million and $0.5 million, respectively, as well as reduced operating costs of $2.2 million. The decrease in operating costs during the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was primarily due to reduced freight, natural gas and other raw materials costs, which positively impacted operating earnings by $0.2 million, $1.6 million and $0.5 million, respectively, partially offset by increased maintenance costs of approximately $0.5 million. Our operating margin increased to 36% for the three months ended June 30, 2015, compared to 33% for the three months ended June 30, 2014 due to the increase in average net sales price and the reduction in operating costs. Fixed costs are not a significant part of the overall cost of wallboard; therefore, changes in utilization have a relatively minor impact on our operating cost per unit.

Recycled Paperboard Operations. Revenues decreased 6% to $35.3 million during the three months ended June 30, 2015, compared to $37.5 million for the three months ended June 30, 2014. The decrease in revenues during the quarter ended June 30, 2015 compared to June 30, 2014, is due primarily to the 4% decrease in sales volume, which negatively impacted revenue by approximately $1.7 million, and a 1% decrease in average net sales price, which adversely impacted revenues by approximately $0.5 million .

Operating earnings decreased to $6.0 million for the first quarter of fiscal 2016, compared to $7.5 million for the first quarter of fiscal 2015. The decrease in operating earnings is primarily due to decreased sales volumes and average net sales price and increased operating costs, which negatively impacted operating earnings by approximately $0.6 million, $0.5 million and $0.4 million, respectively. The increase in operating costs is primarily related to increased maintenance costs, which negatively impacted operating earnings by approximately $1.4 million, partially offset by lower recycled fiber and natural gas costs, which positively impacted operating earnings by approximately $0.7 million and $0.3 million, respectively. The increase in operating costs was the primary reason operating margin decreased to 17% during the first quarter of fiscal 2016, compared to 20% during the first quarter of fiscal 2015.

Concrete and Aggregates Operations. Concrete and aggregates revenues increased 9% to $28.5 million for the three months ended June 30, 2015, compared to $26.2 million for the three months ended June 30, 2014. The primary reason for the increase in revenue for the first quarter of fiscal 2016, compared to the first quarter of fiscal 2015, was the 9% and 7% increase in average net sales prices for concrete and aggregates, respectively, which positively impacted revenues by approximately $2.3 million. The increase in sales volumes by our concrete business was offset by lower sales volumes in our aggregates during the first quarter of fiscal 2016, compared to the first quarter of fiscal 2015. Additionally, aggregates sales volumes in our Texas market declined 30%, as a result of above average rainfall in April and May 2015.

Operating earnings increased to approximately $2.0 million for the three months ended June 30, 2015, compared to $1.4 million for the three months ended June 30, 2014. Operating earnings were positively impacted by increased average net sales prices, which positively impacted operating earnings by approximately $2.3 million, partially offset by increased operating costs of approximately $1.7 million during the three months ended June 30, 2015, compared to the three months ended June 30, 2014. The increase in operating costs during the three months ended June 30, 2015, compared to the three months ended June 30, 2014, was primarily related to purchased materials, and maintenance, which adversely impacted operating earnings by approximately $1.3 million and $0.4 million, respectively.

Oil and Gas Proppants. Revenues for our oil and gas proppants segment increased approximately $11.6 million to $22.8 million during the three months ended June 30, 2015, compared to $11.2 million during the three months ended June 30, 2014. Approximately $18.7 million of the increase in revenues for the three months ended June 30, 2015 was related to the CRS Acquisition, partially offset by a decline in sales volumes at our legacy facility in Corpus Christi which impacted revenues by approximately $7.5 million.

Operating loss for the three months ended June 30, 2015 was approximately $5.6 million, compared to an operating loss of approximately $0.6 million during the three months ended June 30, 2014. The increased operating loss was adversely impacted by approximately $0.5 million related to the “step-up” of inventory acquired in the CRS Acquisition and sold during the three months ended June 30, 2015, and $7.0 million of depreciation, depletion and amortization expense related to the start-up our operations and the CRS Acquisition.

GENERAL OUTLOOK

The drivers of construction products demand continue to improve incrementally, reinforcing the notion that a cyclic recovery is underway. The pace of recovery continues to hinge on the pace of growth in the U.S. economy. Our cement sales network stretches across the central U.S., both east to west and north to south. While we anticipate cement consumption to continue to increase during calendar 2015, each region will increase at a different pace. Cement markets are affected by infrastructure spending, industrial construction and residential building activity. We expect improvement to vary in each of our cement markets. During the first quarter of fiscal 2016, adverse weather in our Texas, Oklahoma and Colorado markets negatively impacted cement consumption in these markets. We anticipate that some of the reduced sales volumes will be recovered during the remainder of calendar 2015.

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

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

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

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

We will continue to consider the impact reduced oil prices and rig counts have on the operating performance of our oil and gas proppants business and, if necessary, determine whether these trends indicate a potential impairment in the value of the tangible and intangible assets of this business. If it is determined that there is a potential impairment, we will perform an impairment test to determine if any actual impairment has occurred.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Recent Accounting Pronouncements

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow.

The following table provides a summary of our cash flows:

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Net Cash Provided by Operating Activities	$20,615	$40,298
Investing Activities:		
Capital Expenditures	(27,122)	(23,181)
Net Cash Used in Investing Activities	(27,122)	(23,181)
Financing Activities:		
Increase (Decrease) in Long-Term Debt	11,000	(13,000)
Dividends Paid	(5,025)	(5,005)
Shares Repurchased to Settle Employee Taxes on RSUs	(1,523)	(568)
Proceeds from Stock Option Exercises	950	1,023
Excess Tax Benefits from Share Based Payment Arrangements	1,142	492
Net Cash Provided by (Used In) Financing Activities	6,544	(17,058)
Net Increase in Cash	$37	$59

Cash flows from operating activities decreased to $20.6 million during the three months ended June 30, 2015, compared to $40.3 million during the similar period in 2014. This decrease was largely attributable to decreased cash flows from changes in operating assets and liabilities. Cash flows from operations were negatively impacted during the three months ended June 30, 2015 by increases in accounts and notes receivable and income taxes payable of approximately $22.1 million and $9.8 million, respectively, and a decrease in accounts payable and accrued liabilities of approximately $26.9 million. During the three months ended June 30, 2014, cash flows from operations were negatively impacted by increases in accounts and notes receivable, and decreased accounts payable and accrued liabilities of approximately $31.3 million and $6.3 million, respectively, partially offset by increases in income taxes payable of $19.7 million and decreased other assets and inventories of approximately $1.2 million and $4.6 million, respectively.

Working capital increased to $222.0 million at June 30, 2015, compared to $182.1 million at March 31, 2015, primarily due to the increased accounts and notes receivable and decreased accounts payable and accrued liabilities of approximately $22.1 million and $27.2 million, respectively, partially offset by increased income taxes payable of approximately $8.7 million. The increase in accounts receivable is due primarily to the increase in revenues during the three months ended June 30, 2015, as compared to the three months ended June 30, 2014. The decrease in accounts payable and accrued liabilities is primarily due to increased accruals at year end for expected cement plant outages as well as certain construction payables related to our plant expansion in New Auburn, Wisconsin. The increase is income taxes payable during the three months ended June 30, 2015, compared to June 30, 2014, is due to our ability to use previous overpayments to offset our liability at June 30, 2014.

The increase in accounts and notes receivable at June 30, 2015, compared to March 31, 2015, is primarily due to increased sales revenue during the three months ended June 30, 2015, compared to the three months ended March 31, 2015. As a percentage of quarterly sales generated in the quarter then ended, accounts receivable were approximately 47% at June 30, 2015 and 51% at March 31, 2015. Management measures the change in accounts receivable by monitoring the days sales outstanding on a monthly basis to determine if any deterioration has occurred in the collectability of the accounts receivable. No significant deterioration in the collectability of our accounts receivable was identified at June 30, 2015. Notes receivable are monitored on an individual basis, and no significant deterioration in the collectability of notes receivable was identified at June 30, 2015.

Our inventory balance at June 30, 2015 remained consistent with our inventory balance at March 31, 2015. Within our inventory, raw materials and materials-in-progress increased approximately $4.3 million, while repair parts and supplies decreased by approximately $3.5 million. The increase in raw materials and materials-in-progress was due primarily to poor weather in certain of our cement markets, which adversely impacted sales. The reduction in repair parts and supplies is due to the completion of maintenance outages during the three months ended June 30, 2015. The largest individual balance in our inventory is our repair parts. These parts are necessary given the size and complexity of our manufacturing plants, as well as the age of certain of our plants, which creates the need to stock a high level of repair parts inventory. We believe all of these repair parts are necessary and we perform semi-annual analyses to identify obsolete parts. We have less than one year's sales of all product inventories, and our inventories have a low risk of obsolescence due to our products being basic construction materials.

Net cash used in investing activities during the three months ended June 30, 2015 was approximately $27.1 million, compared to net cash used in investing activities of approximately $23.2 million during the similar period in 2014, an increase of $3.9 million. The increase in net cash used in investing activities is primarily related to capital expenditures in our oil and gas proppants segment, offset by a decline in our concrete and aggregates segment. We anticipate spending between $20.0 million and $25.0 million on sustaining capital expenditures for all of our businesses during fiscal 2016, which is consistent with historic levels.

Net cash provided by financing activities was approximately $6.5 million during the three months ended June 30, 2015, compared to net cash used by financing activities of approximately $17.1 million during the similar period in 2014. This $23.6 million increase in net cash provided by financing activities is primarily due to the $30.0 million Skyway Acquisition. Our debt-to-capitalization ratio and net-debt-to-capitalization ratio improved to 33.3% and 33.0%, respectively, at June 30, 2015, compared to 33.7% and 33.4%, respectively, at March 31, 2015.

Debt Financing Activities.

Bank Credit Facility

We have a $500.0 million revolving, including a swingline loan sublimit of $25.0 million, which is scheduled to expire on October 30, 2019. Borrowings under the Credit Facility are guaranteed by substantially all of the Company's subsidiaries. At the option of the Company, outstanding principal amounts on the Credit Facility bear interest at a variable rate equal to (i) LIBOR, plus an agreed margin (ranging from 100 to 225 basis points), which is to be established quarterly based upon the Company's ratio of consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, to the Company's consolidated indebtedness (the "Leverage Ratio"), or (ii) an alternative base rate which is the higher of (a) the prime rate or (b) the federal funds rate plus ½% per annum plus an agreed margin (ranging from 0 to 125 basis points). Interest payments are payable, in the case of loans bearing interest at a rate based on the federal funds rate, quarterly, or in the case of loans bearing interest at a rate based on LIBOR, at the end of the LIBOR advance periods, which can be up to a period of nine months at the option of the Company. The Company is also required to pay a commitment fee on unused available borrowings under the Credit Facility ranging from 10 to 35 basis points depending upon the Leverage Ratio. The Credit Facility contains customary covenants that restrict our ability to incur additional debt, encumber our assets, sell assets, make or enter into certain investments, loans or guaranties and enter into sale and leaseback arrangements. The Credit Facility also requires us to maintain a consolidated indebtedness ratio (calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions) of 3.5:1.0 or less and an interest coverage ratio (consolidated earnings before interest, taxes, depreciation, amortization, certain transaction-related deductions and other non-cash deductions to consolidated interest expense) of at least 2.5:1.0. We had $341.0 million of borrowings outstanding at June 30, 2015. Based on our Leverage Ratio, we had $149.6 million of available borrowings, net of the outstanding letters of credit, at June 30, 2015.

The Credit Facility has a $50.0 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At June 30, 2015, we had $9.4 million of letters of credit outstanding.

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

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

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

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

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

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the “Note Purchase Agreements”) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (collectively referred to as “the Senior Notes”) are equal in right of payment with all other senior, unsecured debt of the Company, including our debt under the Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our ability to encumber our assets, to incur additional debt, to sell assets, or to merge or consolidate with third parties, as well as certain cross covenants with the Credit Facility. We were in compliance with all financial ratios and tests at June 30, 2015.

Pursuant to a Subsidiary Guaranty Agreement, substantially all of our subsidiaries have guaranteed the punctual payment of all principal, interest, and Make-Whole Amounts (as defined in the Note Purchase Agreements) on the Senior Notes and the other payment and performance obligations of the Company contained in the Senior Notes and in the Note Purchase Agreements. We are permitted, at our option and without penalty, to prepay from time to time at least 10% of the original aggregate principal amount of the Senior Notes at 100% of the principal amount to be prepaid, together with interest accrued on such amount to be prepaid to the date of payment, plus a Make-Whole Amount. The Make-Whole Amount is computed by discounting the remaining scheduled payments of interest and principal of the Senior Notes being prepaid at a discount rate equal to the sum of 50 basis points and the yield to maturity of U.S. treasury securities having a maturity equal to the remaining average life of the Senior Notes being prepaid.

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

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

We do not have any off balance sheet debt, except for approximately $50.0 million of operating leases, which have an average remaining term of approximately fifteen years. Also, we have no outstanding debt guarantees. We have available under the Credit Facility a $50.0 million Letter of Credit Facility. At June 30, 2015, we had $9.4 million of letters of credit outstanding that renew annually. We are contingently liable for performance under $14.8 million in performance bonds relating primarily to our mining operations.

We believe that our cash flow from operations and available borrowings under our Credit Facility should be sufficient to meet our currently anticipated operating needs, capital expenditures and dividend and debt service requirements for at least the next twelve months. However, our future liquidity and capital requirements may vary depending on a number of factors, including market conditions in the construction industry, our ability to maintain compliance with covenants in our Credit Facility, the level of competition and general and economic factors beyond our control. These and other developments could reduce our cash flow or require that we seek additional sources of funding. We cannot predict what effect these factors will have on our future liquidity.

Share Repurchases.

We did not repurchase any of our shares on the open market during the nine month period ended June 30, 2015. As of June 30, 2015, we had a remaining authorization to purchase 717,300 shares. Share repurchases may be made from time-to-time in the open market or in privately negotiated transactions. The timing and amount of any repurchases of shares will be determined by management, based on its evaluation of market and economic conditions and other factors.

During the three months ended June 30, 2015, 18,391 shares of stock were withheld from employees upon the vesting of Restricted Shares that were granted under the Plan. These shares were withheld by us to satisfy the employees' minimum statutory tax withholding, which is required once the Restricted Shares or Restricted Shares Units are vested.

Dividends.

Dividends paid were $5.0 million for both of the three month periods ended June 30, 2015 and 2014. Each quarterly dividend payment is subject to review and approval by our Board of Directors, who will continue to evaluate our dividend payment amount on a quarterly basis.

Capital Expenditures.

The following table compares capital expenditures:

	For the Three Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Land and Quarries	$ 603	$ 2,141
Plants	22,996	17,872
Buildings, Machinery and Equipment	3,523	3,168
Total Capital Expenditures	$ 27,122	$ 23,181

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our Credit Facility. From time-to-time we have utilized derivative instruments, including interest rate swaps, in conjunction with our overall strategy to manage the debt outstanding that is subject to changes in interest rates. We have a $500.0 million Credit Facility available at June 30, 2015, under which borrowings bear interest at a variable rate. A hypothetical 100 basis point increase in interest rates on the $341.0 million of borrowings at June 30, 2015 would increase our interest expense by approximately $3.4 million on an annual basis. At present, we do not utilize derivative financial instruments.

We are subject to commodity risk with respect to price changes principally in coal, coke, natural gas and power. We attempt to limit our exposure to changes in commodity prices by entering into contracts or increasing use of alternative fuels.

Item 4. Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

EPA Notice of Violation

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

Domestic Wallboard Antitrust Litigation

Since late December 2012, several purported class action lawsuits were filed in various United States District Courts, including the Eastern District of Pennsylvania, Western District of North Carolina and the Northern District of Illinois, against the Company’s subsidiary, American Gypsum Company LLC (“American Gypsum”), alleging that American Gypsum conspired with other wallboard manufacturers to fix the price for drywall sold in the United States in violation of federal antitrust laws and, in some cases related provisions of state law. The complaints allege that the defendant wallboard manufacturers conspired to increase prices through the announcement and implementation of coordinated price increases, output restrictions, and other restraints of trade, including the elimination of individual “job quote” pricing. In addition to American Gypsum, the defendants in these lawsuits include CertainTeed Corp., USG Corporation and United States Gypsum (together “USG”), New NGC, Inc., Lafarge North America, Temple Inland Inc. (“TIN”) and PABCO Building Products LLC. On April 8, 2013, the Judicial Panel on Multidistrict Litigation (“JPML”) transferred and consolidated all related cases to the Eastern District of Pennsylvania for coordinated pretrial proceedings.

On June 24, 2013, the direct and indirect purchaser plaintiffs filed consolidated amended class action complaints. The direct purchasers’ complaint added the Company as a defendant. The plaintiffs in the consolidated class action lawsuits bring claims on behalf of purported classes of direct or indirect purchasers of wallboard from January 1, 2012 to the present for unspecified monetary damages (including treble damages) and in some cases injunctive relief. On July 29, 2013, the Company and American Gypsum answered the complaints, denying all allegations that they conspired to increase the price of drywall and asserting affirmative defenses to the plaintiffs’ claims.

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

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

In June 2015, American Gypsum and an employee received grand jury subpoenas from the United States District Court for the Western District of North Carolina seeking information regarding an investigation of the gypsum drywall industry by the Antitrust Division of the Department of Justice. We believe the investigation, although a separate proceeding, is related to the same subject matter at issue in the litigation described above and we intend to fully cooperate with government officials. Given its preliminary nature, we are currently unable to determine the ultimate outcome of such investigation.

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37

anticipated that the CISWI Rule may materially increase capital costs and costs of production for the Company and the industry as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2015, the aggregate principal amount of our debt instruments with exposure to interest rate risk was approximately $341.0 million. As of the same date, each change in interest rates of 100 basis points would result in an approximate $3.4 million change in our annual cash interest expense before any principal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the CRS Acquisition

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

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

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

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

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

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

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

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

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

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

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

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

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

The disclosure required under this Item is included in “Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Quarterly Report on Form 10-Q under the heading “Share Repurchases” and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

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

Item 6. Exhibits

10.1	Eagle Materials Inc. Salaried Incentive Compensation Program for Fiscal Year 2016 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission (“the Commission”) on May 20, 2015, and incorporated herein by reference). [1]
10.2	Eagle Materials Inc. Cement Companies Salaried Incentive Compensation Program for Fiscal Year 2016 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on May 20, 2015, and incorporated herein by reference). [1]
10.3	Eagle Materials Inc. Concrete and Aggregates Companies Salaried Incentive Compensation Program for Fiscal Year 2016 (filed as Exhibit 10.3 to the Current Report on Form 8-K filed with the Commission on May 20, 2015, and incorporated herein by reference). [1]
10.4	American Gypsum Salaried Incentive Compensation Program for Fiscal Year 2016 (filed as Exhibit 10.4 to the Current Report on Form 8-K filed with the Commission on May 20, 2015, and incorporated herein by reference). [1]
10.5	Eagle Materials Inc. Special Situation Program for Fiscal Year 2016 (filed as Exhibit 10.5 to the Current Report on Form 8-K filed with the Commission on May 20, 2015, and incorporated herein by reference. [1]
10.6*	Form of Management Non-Qualified Stock Option Agreement. [1]
10.7*	Form of Management Restricted Stock Agreement. [1]
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of the Chief Executive Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Eagle Materials Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine Safety Disclosure
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Pursuant to Item 601(b)(2) of Regulation S-K, the Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
(1) Management contract or compensatory plan or arrangement.

SIGNATURES

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

	EAGLE MATERIALS INC. Registrant
August 4, 2015	/s/ STEVEN R. ROWLEY Steven R. Rowley President and Chief Executive Officer (principal executive officer)
August 4, 2015	/s/ D. CRAIG KESLER D. Craig Kesler Executive Vice President – Finance and Administration and Chief Financial Officer (principal financial officer)
August 4, 2015	/s/ WILLIAM R. DEVLIN William R. Devlin Senior Vice President – Controller and Chief Accounting Officer (principal accounting officer)