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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the Quarterly Period Ended

December 31, 2009

Commission File Number 1-12984

Eagle Materials Inc.

Delaware

(State of Incorporation)

75-2520779

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

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

(Address of principal executive offices)

(214) 432-2000

(Registrant s telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

Large accelerated filer	þ	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 þ

As of February 5, 2010, the number of outstanding shares of common stock was:

Class	Outstanding Shares
Common Stock, $.01 Par Value	43,809,874

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Eagle Materials Inc. and Subsidiaries

Form 10-Q

December 31, 2009

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PART I. FINANCIAL INFORMATION (unaudited)

PART II. OTHER INFORMATION

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Earnings

(dollars in thousands, except share data)

(unaudited)

	For the Three Months Ended December 31, 2009	For the Three Months Ended December 31, 2008	For the Nine Months Ended December 31, 2009	For the Nine Months Ended December 31, 2008
REVENUES				
Gypsum Wallboard	$ 45,374	$ 61,393	$ 159,016	$ 217,374
Cement	37,171	45,874	135,886	161,955
Paperboard	12,900	15,555	38,298	55,710
Concrete and Aggregates	9,084	14,901	37,319	54,682
Other, net	110	106	197	3,845
	104,639	137,829	370,716	493,566
COSTS AND EXPENSES				
Gypsum Wallboard	47,661	58,593	156,563	221,302
Cement	29,690	32,544	101,645	115,642
Paperboard	9,684	11,517	25,680	43,615
Concrete and Aggregates	9,182	14,495	35,627	50,801
Other, net			84	
Corporate General and Administrative	3,170	5,140	12,314	14,110
Interest Expense, net	5,695	7,671	16,929	23,791
	105,082	129,960	348,842	469,261
EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURE	5,910	8,681	18,276	25,421
EARNINGS BEFORE INCOME TAXES	5,467	16,550	40,150	49,726
Income Taxes	783	5,291	11,352	14,992
NET EARNINGS	$ 4,684	$ 11,259	$ 28,798	$ 34,734
EARNINGS PER SHARE:				
Basic	$ 0.11	$ 0.26	$ 0.66	$ 0.80

Diluted	$	0.11	$	0.26	$	0.65	$	0.79
AVERAGE SHARES OUTSTANDING:								
Basic		43,752,952		43,517,844		43,655,146		43,473,363
Diluted		44,092,803		43,826,789		44,033,928		43,869,479
CASH DIVIDENDS PER SHARE:	$	0.10	$	0.10	$	0.30	$	0.50

See notes to unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

	December 31, 2009 (unaudited)	March 31, 2009
ASSETS		
Current Assets -		
Cash and Cash Equivalents	$ 22,442	$ 17,798
Accounts and Notes Receivable	38,262	44,261
Inventories	99,515	107,063
Prepaid and Other Assets	4,553	6,161
Total Current Assets	164,772	175,283
Property, Plant and Equipment -	1,100,534	1,089,610
Less: Accumulated Depreciation	(455,960)	(419,669)
Property, Plant and Equipment, net	644,574	669,941
Notes Receivable	7,024	6,301
Investment in Joint Venture	33,797	39,521
Goodwill and Intangible Assets	152,335	152,812
Other Assets	24,065	22,810
	$ 1,026,567	$ 1,066,668
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities -		
Accounts Payable	$ 16,460	$ 19,645
Federal Income Taxes Payable	3,817	
Accrued Liabilities	38,086	44,604
Total Current Liabilities	58,363	64,249
Long-term Debt	300,000	355,000
Other Long-term Liabilities	100,090	97,104
Deferred Income Taxes	118,890	122,488
Total Liabilities	577,343	638,841

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 43,809,874 and 43,589,775 Shares, respectively	438	436
Capital in Excess of Par Value	16,878	11,166
Accumulated Other Comprehensive Losses	(6,040)	(6,040)
Retained Earnings	437,948	422,265
Total Stockholders Equity	449,224	427,827
	$ 1,026,567	$ 1,066,668

See notes to the unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited dollars in thousands)

	For the Nine Months Ended December 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	$ 28,798	$ 34,734
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -		
Depreciation, Depletion and Amortization	38,254	38,533
Gain on Sale of Property, Plant and Equipment		(2,596)
Deferred Income Tax Provision	(3,598)	(1,827)
Stock Compensation Expense	2,478	4,839
Equity in Earnings of Unconsolidated Joint Venture	(18,276)	(25,421)
Excess Tax Benefits from Share Based Payment Arrangements	(1,766)	(603)
Distributions from Joint Venture	24,000	27,500
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	5,276	12,793
Inventories	7,548	(3,529)
Accounts Payable and Accrued Liabilities	(5,796)	(25,788)
Other Assets	144	(1,434)
Income Taxes Payable	4,637	4,862
Net Cash Provided by Operating Activities	81,699	62,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Plant and Equipment Additions	(12,201)	(12,846)
Proceeds from Sale of Property, Plant and Equipment		3,996
Net Cash Used in Investing Activities	(12,201)	(8,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Long-term Debt	(55,000)	
Dividends Paid to Stockholders	(13,090)	(26,087)
Proceeds from Stock Option Exercises	1,470	1,135
Excess Tax Benefits from Share Based Payment Arrangements	1,766	603

Net Cash Used in Financing Activities	(64,854)	(24,349)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,644	28,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,798	18,960
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 22,442	$ 47,824

See notes to the unaudited consolidated financial statements.

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Eagle Materials Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

December 31, 2009

(A) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements as of and for the three and nine month periods ended December 31, 2009, 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 27, 2009.

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.

Certain prior year balances, primarily prepaid expenses and deferred taxes, have been reclassified to be consistent with the current year presentation.

We evaluated all events or transactions that occurred after December 31, 2009 up through February 8, 2010, the date we issued these financial statements. During this period, we did not have any material recognizable subsequent events.

Recent Accounting Pronouncements

Effective with the quarter ended December 31, 2009, we adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 105, Generally Accepted Accounting Principles (ASC 105). ASC 105 establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States. The FASB will make all future changes to guidance in the Codification by issuing Accounting Standards Updates. The Codification also provides that rules and interpretive releases of the U. S. Securities and Exchange Commission (SEC) issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. The Codification does not create any new GAAP standards but incorporates existing accounting and reporting standards into a new topical structure so that users can more easily access authoritative accounting guidance. Therefore, we have updated all references to authoritative standards to be consistent with those set forth in the Codification. The adoption of ASC 105 had no impact on our consolidated financial position, results of operations or cash flows.

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In May 2009, the FASB issued guidance on subsequent events, which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance was adopted effective for the first fiscal quarter of 2010 and did not have a material impact on our financial statements.

In April 2009, the FASB issued guidance on interim disclosures about fair value of financial instruments, which requires quarterly disclosure of information about the fair value of financial instruments. The guidance was adopted effective for the first fiscal quarter of 2010 and did not have a material impact on our financial statements.

(B) CASH FLOW INFORMATION - SUPPLEMENTAL

Cash payments made for interest were $18.2 million and $24.4 million for the nine months ended December 31, 2009 and 2008, respectively. Net payments made for federal and state income taxes during the nine months ended December 31, 2009 and 2008, were $11.0 and $13.1 million, respectively.

(C) STOCKHOLDERS EQUITY

A summary of changes in stockholders equity follows:

	For the Nine Months Ended December 31, 2009 (dollars in thousands)
Common Stock	
Balance at Beginning of Period	$ 436
Stock Option Exercises	2
Balance at End of Period	438
Capital in Excess of Par Value	
Balance at Beginning of Period	11,166
Share-Based Activity	4,244
Stock Option Exercises	1,468
Balance at End of Period	16,878
Retained Earnings	
Balance at Beginning of Period	422,265
Dividends Declared to Stockholders	(13,115)
Net Earnings	28,798
Balance at End of Period	437,948
Accumulated Other Comprehensive Loss -	
Balance at Beginning of Period	(6,040)
Balance at End of Period	(6,040)

Total Stockholders Equity	$	449,224

There were no share repurchases during the three and nine month periods ended December 31, 2009. As of December 31, 2009, we have authorization to purchase an additional 717,300 shares.

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(D) COMPREHENSIVE INCOME

Comprehensive income for the nine month periods ended December 31, 2009 and 2008 was identical to net income for the same periods.

As of December 31, 2009, we had an accumulated other comprehensive loss of $6.0 million in connection with recognizing the difference between the fair value of the pension assets and the projected benefit obligation.

(E) 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	
	December 31, 2009	March 31, 2009
	(dollars in thousands)	
Raw Materials and Material-in-Progress	$ 27,016	$ 32,580
Gypsum Wallboard	6,978	9,622
Finished Cement	9,664	11,303
Paperboard	3,472	4,142
Aggregates	11,529	11,684
Repair Parts and Supplies	38,672	36,429
Fuel and Coal	2,184	1,303
	$ 99,515	$ 107,063

(F) ACCRUED EXPENSES

Accrued expenses consist of the following:

	As of	
	December 31, 2009	March 31, 2009
	(dollars in thousands)	
Payroll and Incentive Compensation	$ 7,316	$ 10,813
Benefits	9,919	9,152
Interest	3,004	7,310
Insurance	6,681	5,665
Property Taxes	3,732	3,915
Other	7,434	7,749
	$ 38,086	$ 44,604

(G) SHARE-BASED EMPLOYEE COMPENSATION

Long-Term Compensation Plans

Our current Incentive Plan (the Plan) was initially adopted during fiscal 2004 and amended during fiscal 2006 and fiscal 2010. Under the terms of the Plan, we can issue stock options, restricted stock units (RSUs) and restricted stock (collectively, the Equity Awards) to employees of the Company and members of the Board of Directors. The Compensation Committee of our Board of Directors specifies the terms for grants of Equity Awards under the Plan. The exercise price of options must be equal to or greater than the fair market value of a share of our common stock on the date of grant and the term of these options may not exceed ten years. Vesting of options granted to employees is generally based on performance criteria, while options granted to members of the Board of Directors are immediately and fully exercisable. RSUs issued to employees generally are paid in shares based on the achievement of certain performance criteria. Dividend equivalent units are accrued on all RSUs that have been earned, but not yet paid out in shares. RSUs granted to members of the Board of Directors are generally paid in shares when the director retires in accordance with our Director Retirement Policy. Restrictions on restricted shares issued to employees generally lapse ratably over a five-to-seven-year period. Equity Awards issued under the Plan generally provide that, in the event of a change in control, all awards become immediately and fully exercisable.

Options. Stock option expense for all outstanding stock option awards totaled approximately $0.3 million and $2.1 million for the three and nine month periods ended December 31, 2009, respectively, as compared to $1.7 and $3.9 million for the three and nine month periods ended December 31, 2008, respectively. At December 31, 2009, there was approximately $3.7 million of unrecognized compensation cost related to outstanding stock options which is expected to be recognized over a weighted-average period of 4.4 years.

The following table represents stock option activity for the quarter ended December 31, 2009:

	Number of Shares	Weighted-Average Exercise Price
Outstanding Options at Beginning of Period	3,568,431	$ 33.32
Granted	138,651	$ 27.72
Exercised	(126,849)	$ 27.23
Cancelled	(124,000)	$ 32.83
Outstanding Options at End of Period	3,456,233	$ 33.90
Options Exercisable at End of Period	1,986,233	
Weighted-Average Fair Value of Options Granted During the Period	$ 9.39	

The following table summarizes information about stock options outstanding at December 31, 2009:

	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
$ 6.80 - $ 8.15	152,634	1.06	$ 7.69	152,634	$ 7.69
$ 9.57 - $ 13.43	381,041	2.94	$ 12.10	381,041	$ 12.10
$ 21.52 - $ 29.08	1,189,849	5.19	$ 26.31	1,159,849	$ 26.27
$ 34.09 - $ 40.78	316,670	3.94	$ 37.83	236,670	$ 38.25
$ 47.53 - $ 62.83	1,416,039	4.56	$ 48.10	56,039	$ 61.43
	3,456,233	4.39	$ 33.90	1,986,233	$ 24.54

At December 31, 2009, there was no aggregate intrinsic value of stock options outstanding for non-exercisable options. The aggregate intrinsic value of exercisable options at that date was approximately $3.0 million. The total intrinsic value of options exercised during the nine month period ended December 31, 2009 was approximately $2.0 million.

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Restricted Stock Units. We have previously granted RSUs to employees and directors. The value of the RSUs granted to employees is being amortized over a three year period, with the exception of the RSUs granted on August 21, 2008, which we expensed over a one year period. The value of the RSUs granted to directors is being amortized over a period not to exceed ten years. Expense related to RSUs was approximately $0.0 million and $1.2 million for the three and nine month periods ended December 31, 2009, respectively, as compared to $0.4 million and $0.8 million for the three and nine month periods ended December 31, 2008, respectively. At December 31, 2009, there was approximately $0.4 million of unearned compensation from RSUs that will be recognized over a weighted-average period of 5.1 years.

Restricted Stock. We granted 30,000 shares of restricted stock on August 21, 2009. The restricted stock was valued at approximately $0.8 million, based on the closing price of the stock on the date of the grant. The restrictions lapse in annual increments over a five-year period, with the expense recognized ratably over the same five-year period.

During our Annual Shareholders Meeting, our shareholders approved a proposal to increase the number of shares available under our Incentive Plan by 3,000,000 shares and approved certain other amendments to the Plan. Shares available for future stock option and restricted stock unit grants under existing plans were 3,264,522 at December 31, 2009.

(H) COMPUTATION OF EARNINGS PER SHARE

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2009	2008	2009	2008
Weighted-Average Shares of Common Stock Outstanding	43,752,952	43,517,844	43,655,146	43,473,363
Common Equivalent Shares:				
Assumed Exercise of Outstanding Dilutive Options	1,476,522	651,489	1,131,192	900,131
Less Shares Repurchased from Assumed				
Proceeds of Assumed Exercised Options	(1,180,270)	(447,291)	(835,584)	(594,346)
Restricted Shares	43,599	104,747	83,174	90,331
Weighted-Average Common and Common Equivalent Shares Outstanding	44,092,803	43,826,789	44,033,928	43,869,479
Shares Excluded Due to Anti-dilution Effects	2,015,545	2,946,977	2,359,386	2,360,392

(I) 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 nine months ended December 31, 2009 was approximately 28%.

(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.

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2009	2008	2009	2008
	(dollars in thousands)		(dollars in thousands)	
Service Cost Benefits Earned during the Period	$ 126	$ 140	$ 404	$ 419
Interest Cost of Benefit Obligations	266	250	768	751
Expected Return on Plan Assets	(62)	(280)	(620)	(839)
Recognized Net Actuarial Loss	509	77	581	230
Amortization of Prior-Service Cost	(57)	36	97	108
Net Periodic Pension Cost	$ 782	$ 223	$ 1,230	$ 669

(K) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of our long-term debt has been estimated based upon our current incremental borrowing rates for similar types of borrowing arrangements. The fair value of our Senior Notes at December 31, 2009 is as follows:

	Fair Value (dollars in thousands)
Series 2005A Tranche A	$ 40,105
Series 2005A Tranche B	$ 78,860
Series 2005A Tranche C	$ 76,968
Series 2007A Tranche A	$ 10,013
Series 2007A Tranche B	$ 11,545
Series 2007A Tranche C	$ 52,100
Series 2007A Tranche D	$ 37,723

All assets and liabilities which are not considered financial instruments have been valued using historical cost accounting. The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

(L) CREDIT FACILITIES

Long-term debt consists of the following:

	As of	
	December 31, 2009	March 31, 2009
	(dollars in thousands)	
Bank Credit Facility	$	$ 55,000
Senior Notes	300,000	300,000

	$ 300,000	$ 355,000

Bank Credit Facility -

We entered into a $350.0 million credit facility on December 16, 2004. On June 30, 2006, we amended the Bank Credit Facility (the Bank Credit Facility) to extend the expiration date from December 2009 to June 2011, and to reduce the borrowing rates and commitment fees. Borrowings under the Bank Credit Facility are guaranteed by all major operating subsidiaries of the Company. Outstanding principal amounts on the Bank Credit Facility bear interest at a variable rate equal to LIBOR, plus an agreed margin (ranging from 55 to 150 basis points), which is to be established quarterly based upon the Company s ratio of consolidated EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, to its consolidated indebtedness. Interest payments are payable monthly or at the end of the LIBOR advance periods, which can be up to a period of nine months at our option.

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The Bank Credit Facility has a $25 million letter of credit facility. Under the letter of credit facility, the Company pays a fee at a per annum rate equal to the applicable margin for Eurodollar loans in effect from time to time plus a one-time letter of credit fee in an amount equal to 0.125% of the initial stated amount. At December 31, 2009, we had $7.0 million of letters of credit outstanding.

At December 31, 2009, the Company had $343.0 million of borrowings available under the Bank Credit Facility. Under the Bank Credit Facility, we are required to adhere to certain financial and other covenants, including covenants relating to the Company s interest coverage ratio and consolidated funded indebtedness ratio.

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. On February 5, 2009, we repurchased $7.0 million in principal of the Series 2005A Senior Notes for $6.7 million, leaving $193.0 million outstanding. Following the repurchase, the amounts outstanding for each of the three tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$ 38.6 million	November 15, 2012	5.25%
Tranche B	$ 77.2 million	November 15, 2015	5.38%
Tranche C	$ 77.2 million	November 15, 2017	5.48%

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

We entered into an additional Note Purchase Agreement on October 2, 2007 (the 2007 Note Purchase Agreement) related to our sale of $200 million of senior, unsecured notes, designated as Series 2007A Senior Notes (the Series 2007A Senior Notes) in a private placement transaction. The Series 2007A Senior Notes, which are guaranteed by substantially all of our subsidiaries, were sold at par and issued in four tranches on October 2, 2007. On February 5, 2009, we repurchased $93.0 million in principal of the Series 2007A Senior Notes for $88.3 million, leaving $107.0 million outstanding. Following the repurchase, the amounts outstanding for each of the four tranches are as follows:

	Principal	Maturity Date	Interest Rate
Tranche A	$ 9.5 million	October 2, 2014	6.08%
Tranche B	$ 11.0 million	October 2, 2016	6.27%
Tranche C	$ 50.0 million	October 2, 2017	6.36%
Tranche D	$ 36.5 million	October 2, 2019	6.48%

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

Our obligations under the 2005 Note Purchase Agreement and the 2007 Note Purchase Agreement (collectively referred to as the Note Purchase Agreements) and the Series 2005A Senior Notes and the Series 2007A Senior Notes (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 Bank Credit Facility. The Note Purchase Agreements contain customary restrictive covenants, including covenants that place limits on our consolidated funded indebtedness ratio, 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 Bank Credit Facility. We were in compliance with all financial ratios and covenants at December 31, 2009.

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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.

(M) COMMITMENTS AND CONTINGENCIES

We have certain deductible limits under our workers   compensation and liability insurance policies for which reserves are established based on the undiscounted estimated costs of known and anticipated claims. We have entered into standby letter of credit agreements relating to workers compensation and auto and general liability self-insurance. At December 31, 2009, we had contingent liabilities under these outstanding letters of credit of approximately $7.0 million.

The following table compares insurance accruals and payments for our operations:

	As of and For the Three Months Ended December 31,		As of and For the Nine Months Ended December 31,	
	2009	2008	2009	2008
	(dollars in t			