

EAGLE MATERIALS INC
Form 11-K
June 29, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K
ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005
Commission file number 1-12984
EAGLE MATERIALS INC.
HOURLY PROFIT SHARING PLAN
(Full title of the plan)
EAGLE MATERIALS INC.
3811 Turtle Creek Blvd, Suite 1100
Dallas, Texas 75219
(Name of issuer and address of principal executive office)

EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
AT DECEMBER 31, 2005 AND 2004,
AND FOR THE YEAR ENDED DECEMBER 31, 2005

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Report of Independent Registered Public Accounting Firm

The Administrative Committee

Eagle Materials Inc. Hourly Profit Sharing Plan

We have audited the accompanying statements of net assets available for benefits of the Eagle Materials Inc. Hourly Profit Sharing Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2005, and delinquent participant contributions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Dallas, Texas

June 26, 2006

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31 | |
|--|---------------------|-------------|
| | 2005 | 2004 |
| Assets: | | |
| Investments in the Eagle Materials Inc. Plans Master Trust | \$10,674,607 | \$9,031,102 |
| Participant loans | 5,352 | 27,218 |
| Participant contributions receivable | | 45,866 |
| Participating Employers contribution receivable | | 4,684 |
| | | |
| Net Assets Available for Benefits | \$10,679,959 | \$9,108,870 |

See accompanying notes to the financial statements.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2005

| | |
|---|---------------|
| Additions: | |
| Participating Employers contributions | \$ 678,611 |
| Participant contributions | 1,067,285 |
| Interest in the Eagle Materials Inc. Plans Master Trust investment income | 820,259 |
| Interest income on participant loans | 1,392 |
| Total Additions | 2,567,547 |
| Deductions: | |
| Distributions to participants | 962,621 |
| Administrative expenses | 33,837 |
| Total Deductions | 996,458 |
| Net Increase | 1,571,089 |
| Net Assets Available for Benefits: | |
| Beginning of year | 9,108,870 |
| End of year | \$ 10,679,959 |

See accompanying notes to the financial statements.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1. DESCRIPTION OF THE PLAN

The following description of the Eagle Materials Inc. Hourly Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan, established April 1, 1993 and amended and restated effective January 1, 2001, is a defined contribution retirement plan covering eligible employees of Eagle Materials Inc. (the Company or Eagle Materials) and eligible employees of certain subsidiaries of the Company, which have adopted the Plan with the Company's consent. The Company and certain subsidiaries collectively comprise the Participating Employers. The Plan is administered by an Administrative Committee (the Committee) appointed by the Board of Directors of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan has three distinct types of eligible employees: (1) employees eligible to participate in the employer profit sharing contributions, (2) employees eligible to participate in employer matching contributions or (3) employees not eligible to participate in any employer contributions. Eligible employees may not participate in both employer profit sharing and matching contributions. Certain hourly employees of the Participating Employers participate in profit sharing contributions on the earlier of January 1 or July 1 after completing one year of service, as defined in the Plan. One year of service, for purposes of eligibility, is defined as a twelve consecutive month period during which the employee worked 1,000 hours, ending on the first anniversary of the employee's date of hire. Hourly employees of Republic Paperboard Company, LLC (Republic), a subsidiary of the Company, participate in matching contributions on the date the employee first performs an hour of service for the employer, as defined in the Plan. Hourly employees of Mathews Ready Mix (Mathews), a subsidiary of the Company, participate in matching contributions during the calendar year in which they participate.

A member of a group or class of employees covered by a collective bargaining agreement is not eligible to receive a profit sharing contribution unless such agreement extends the Plan to such group or class of employees. Employees participating at the American Gypsum Duke, OK facility and the employees at the Illinois Cement Company facility (hired after February 14, 2005) are eligible for such contribution.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1. DESCRIPTION OF THE PLAN (CONTINUED)

Contributions

The Plan permits participants to contribute pre-tax up to 70% of their compensation, as defined in the Plan, (up to a statutory limit) to a 401(k) account upon the date of hire. Total contributions to a participant's account are limited to a maximum of 100% of compensation (or \$42,000, whichever is less) for participant contributions and Participating Employers' contributions.

Profit sharing contributions are made by certain of the Participating Employers on a discretionary basis as determined by their respective Boards of Directors. The contributions are allocated to participant accounts on a pro rata basis determined by the number of hours worked. Employer nondiscretionary matching contributions for eligible employees of Republic are allocated to participant accounts based on 75% of each participant's eligible contributions up to 6% of compensation, as defined by the Plan. Employer nondiscretionary matching contributions for eligible employees of Mathews are allocated to participant accounts based on 100% of each participant's eligible contributions up to \$500, as defined by the Plan. The Participating Employers, at their sole discretion, may make qualified non-elective contributions to the Plan. No such contributions were made for the 2005 Plan year. Forfeitures may be used to reduce employer matching contributions, employer profit sharing contributions or administrative expenses of the Plan. Forfeitures of \$8,841 were used to reduce employer profit sharing contributions remitted to the Plan during the year ended December 31, 2005.

Participants direct the investment of their accounts into a variety of registered investment company funds, common/collective trust fund or the Eagle Materials Common Stock Fund (the EXPSF). Another fund, the Centex Common Stock Fund (the CCSF), exists for those employees who chose to retain their balance in this fund upon transfer of all of their balances from the Profit Sharing and Retirement Plan of Centex Corporation to the Plan in 1994. No additional contributions to the CCSF are permitted. Both the EXPSF and CCSF are unitized stock funds. Participants may allocate up to 15% of employer and participant contributions to the EXPSF, whereas up to 100% may be allocated to any other investment option (except the CCSF) offered by the Plan.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1. DESCRIPTION OF THE PLAN (CONTINUED)

Vesting

A participant does not fully vest in Participating Employers' nondiscretionary matching contributions made prior to January 1, 2002, Participating Employers' discretionary profit sharing contributions and all related earnings until the completion of five years of service, as defined in the Plan. The participant needs to complete three years of service to fully vest in Participating Employers' nondiscretionary matching contributions made after December 31, 2001, and the related earnings, as defined in the Plan. Participants are fully vested in all contributions upon retirement, full and permanent disability, or death.

Participants are always fully vested in their participant contributions and related earnings.

Participant Loans

Loans by participants currently are not permitted. Prior to January 2003, participants from Republic were allowed to obtain loans against their vested account balances. Republic participants could borrow up to 50% of the vested portion of their accounts, not in excess of \$50,000. Outstanding loans are collateralized by participant accounts. Such loans bear interest at a rate that approximates market rates and are repayable to the Plan within five years.

Administrative Expenses

Certain administrative expenses of the Plan are paid by the Company. The Plan is not required to reimburse the Company for any administrative expenses paid by the Company. Expenses not paid by the Company are paid by the Plan.

Distributions

In accordance with the Plan document, distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59^{1/2}; or distribution is available to satisfy a financial hardship meeting the requirements of the Internal Revenue Service (IRS) regulations. Distributions are made in a lump-sum payment, a direct rollover distribution, or a combination thereof.

Plan Termination

Although there is no intention to do so, the Company has the right to discontinue contributions and terminate the Plan subject to the provisions of ERISA. The Plan provides that, in the event of plan termination, participants will become fully vested in their Participating Employers' contributions, and the method of distribution of assets will be in accordance with the provisions of ERISA.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Valuation of Investments

All of the Plan's investments, except for participant loans, are commingled with the investments of the Profit Sharing and Retirement Plan of Eagle Materials Inc. (the Eagle Salary Plan) in the Eagle Materials Inc. Plans Master Trust (the Master Trust). The Master Trust is governed by a trust agreement with Fidelity Management Trust Company (the Trustee) which is held accountable by and reports to the Committee.

Investments included in the Master Trust are valued at fair value. The registered investment company shares are valued based on published market prices, which represent the net asset value of shares held by the Plan at year-end. Investments in the unitized stock funds are determined by the value of the underlying common stocks combined with the short-term cash positions. The fair values of the common stock portion of the funds are based on the closing prices of the common stocks on their primary exchange. The short-term cash positions of the unitized stock fund are recorded at cost, which approximates fair value. Investments in the common/collective trust fund are stated at fair value as determined by the issuer based on the fair value of the underlying assets in the fund.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

The Master Trust allocates net investment income/(loss) to the Plan based on the ratio of market values of the Plan's investment in each Master Trust account. Net investment income is then allocated to participants on a pro rata basis. Administrative expenses for the year ended December 31, 2005, include Trustee and recordkeeper fees. Fund management fees are charged directly to the Master Trust and therefore are included in the net change in fair market value of investments for the Master Trust. Administrative expenses are allocated pro rata to the Plan and the Eagle Salaried Plan.

Participant loans are recorded at carrying value, which approximates fair value.

Distributions to Participants

Distributions to participants are recorded when paid.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2005

NOTE 3. INTEREST IN THE MASTER TRUST

The fair value of the commingled investments of the participating plans in the Master Trust accounts at December 31, 2005 and 2004, and the undivided percentage interests the Plan holds in each of the Master Trust accounts are summarized as follows:

| | 2005 | | 2004 | |
|---|------------|---------------------|------------|---------------------|
| | Fair Value | Percentage Interest | Fair Value | Percentage Interest |
| Registered Investment Companies | | | | |
| Dreyfus Founders Discovery Class F Fund | \$ 317,490 | 18.8% | \$ 295,838 | 15.9% |
| TCW Select Equities Class N Fund | 127,606 | 62.8% | 91,203 | 68.6% |
| JPMorgan Diversified Mid Cap Growth Class A Fund | 1,731,037 | 32.0% | 1,487,573 | 31.7% |
| American Beacon Funds Small Cap Value Plan Ahead Class Fund | 332,016 | 15.3% | | 0.0% |
| Fidelity Low-Priced Stock Fund | 4,081,494 | 15.8% | 3,258,002 | 17.4% |
| Fidelity Equity-Income II Fund | 1,326,296 | 22.8% | 1,046,982 | 22.3% |
| Fidelity Diversified International Fund | 2,283,825 | 13.9% | 1,434,069 | 14.7% |
| Fidelity Dividend Growth Fund | 1,773,710 | 27.7% | 1,507,737 | 25.7% |
| Fidelity Freedom Income Fund | 65,914 | 13.4% | 2,629 | 0.0% |
| Fidelity Freedom 2000 Fund | 7,337,106 | 49.8% | 6,712,177 | 50.5% |
| Fidelity Freedom 2010 Fund | 5,807,289 | 16.5% | 5,225,477 | 16.1% |
| Fidelity Freedom 2020 Fund | 6,032,084 | 13.0% | 6,333,699 | 12.9% |
| Fidelity Freedom 2030 Fund | 760,874 | 39.6% | 655,419 | 40.9% |
| Fidelity Freedom 2040 Fund | 417,858 | 45.6% | 218,990 | 39.3% |
| Spartan Extended Market Index Fund | 1,657,559 | 8.7% | 1,195,308 | 8.1% |
| Spartan U.S. Equity Index Fund | 4,659,772 | 8.3% | 4,557,427 | 6.5% |
| Fidelity U.S. Bond Index Fund | 1,736,652 | 23.8% | 1,606,663 | 19.5% |
| | 40,448,582 | | 35,629,193 | |
| Eagle Materials Common Stock Fund | | | | |
| Eagle Materials Common Stock | 5,032,134 | | 3,741,287 | |
| Interest-Bearing Cash Equivalent | 115,873 | | 98,884 | |
| | 5,148,007 | 18.1% | 3,840,171 | 16.8% |
| Centex Common Stock Fund | | | | |
| Centex Common Stock | 1,036,212 | | 873,264 | |
| Interest-Bearing Cash Equivalent | 10,410 | | 8,822 | |
| | 1,046,622 | 2.6% | 882,086 | 2.7% |
| Common/Collective Investment | | | | |
| Fidelity Managed Income Portfolio Fund | 2,256,318 | 16.4% | 2,224,862 | 12.1% |

\$ 48,899,529

\$ 42,576,312

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2005

NOTE 3. INTEREST IN THE MASTER TRUST (CONTINUED)

Net investment income (loss) of the Master Trust accounts for the year ended December 31, 2005, and the Plan's share of net investment income (loss) of each Master Trust account is summarized as follows:

| | Net Appreciation (Depreciation) in Fair Value of Investments | Interest and Dividends | Net Investment Income | Share in Net Investment Income |
|--|--|------------------------------|-----------------------------|---|
| Dreyfus Founders Discovery Class F Fund | \$ 1,176 | \$ | \$ 1,176 | 30.4% |
| TCW Select Equities Class N Fund | 1,933 | | 1,933 | 160.2% |
| JPMorgan Diversified Mid Cap Growth Class A Fund | 39,856 | 130,668 | 170,524 | 31.9% |
| American Beacon Funds Small Cap Value Plan Ahead Class Fund | 1,212 | 15,425 | 16,637 | 7.7% |
| Fidelity Low-Priced Stock Fund | 70,250 | 274,742 | 344,992 | 15.0% |
| Fidelity Equity-Income II Fund | (52,019) | 115,715 | 63,696 | 22.0% |
| Fidelity Diversified International Fund | 238,887 | 64,948 | 303,835 | 14.3% |
| Fidelity Dividend Growth Fund | 19,569 | 41,031 | 60,600 | 31.1% |
| Fidelity Freedom Income Fund | 176 | 1,042 | 1,218 | 10.5% |
| Fidelity Freedom 2000 Fund | 92,701 | 208,583 | 301,284 | 50.2% |
| Fidelity Freedom 2010 Fund | 171,540 | 147,157 | 318,697 | 17.3% |
| Fidelity Freedom 2020 Fund | 335,495 | 136,391 | 471,886 | 12.0% |
| Fidelity Freedom 2030 Fund | 40,619 | 14,417 | 55,036 | 35.9% |
| Fidelity Freedom 2040 Fund | 20,906 | 7,855 | 28,761 | 43.8% |
| Spartan Extended Market Index Fund | 124,758 | 20,312 | 145,070 | 8.1% |
| Spartan U.S. Equity Index Fund | 141,860 | 80,063 | 221,923 | 8.2% |
| Fidelity U.S. Bond Index Fund | (33,598) | 73,243 | 39,645 | 22.0% |
| Eagle Materials Common Stock Fund | 1,571,687 | | 1,571,687 | 18.0% |
| Centex Common Stock Fund | 177,352 | | 177,352 | 2.8% |
| Fidelity Managed Income Portfolio Fund | | 78,618 | 78,618 | 14.0% |
| | \$ 2,964,360 | \$ 1,410,210 | \$ 4,374,570 | |

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3. INTEREST IN THE MASTER TRUST (CONTINUED)

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 4. INCOME TAX STATUS

The Plan has received a determination letter from the IRS dated June 4, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

NOTE 5. RELATED PARTY TRANSACTIONS

Certain plan investments in the registered investment companies, the common/collective trust fund, and the interest-bearing cash equivalent portion of the Eagle Materials Common Stock Fund are managed by the Trustee and, therefore, these transactions qualify as party-in-interest transactions. Additionally, a portion of the Plan's assets is invested in the Company's common stock. Because the Company is the Plan Sponsor, transactions involving the Company's common stock qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transaction rules.

NOTE 6. SUBSEQUENT EVENT

On January 19, 2006, the Board of Directors of the Company approved an employer profit sharing contribution to the Plan. The total contribution was \$504,999, net of applied forfeitures of \$70,000, which was remitted to the Master Trust in March, 2006.

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SUPPLEMENTAL SCHEDULES

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
SCHEDULE H; LINE 4a SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS
EIN#: 75-2520779
PLAN #: 001
YEAR ENDED DECEMBER 31, 2005

**Participant Contributions
Transferred Late to Plan**

\$3,855

**Total that Constitute Nonexempt
Prohibited Transactions**

\$3,855

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN
 SCHEDULE H; LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 EIN#: 75-2520779
 PLAN #: 001
 DECEMBER 31, 2005

| (a) | (b) Identity of Issue, Borrower, Lessor, or Similar Party | (c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value | (d) Cost | (e) Current Value | |
|-----|---|--|-------------|-------------------------|-------|
| * | Participant loans | Interest rates from 5.75% to 10.00% | \$ | \$ | 5,352 |
| | | | \$ | \$ | 5,352 |

* Party-in-interest.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee which administers the Eagle Materials Inc. Hourly Profit Sharing Plan has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE MATERIALS INC. HOURLY PROFIT
SHARING PLAN

Date: June 29, 2006

By: /s/ ARTHUR R. ZUNKER, JR.

Arthur R. Zunker, Jr.
Chairman, Administrative Committee

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INDEX TO EXHIBIT

Eagle Materials Inc. Hourly Profit Sharing Plan

| Exhibit Number | Exhibit | Filed Herewith or Incorporated by Reference |
|---------------------------|------------------------------|--|
| 23 | Consent of Ernst & Young LLP | Filed herewith |