

Appendix 12

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-36293

Continental Building Products, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-1718923
(I.R.S. Employer
Identification No.)

12950 Worldgate Drive, Suite 700, Herndon VA
(Address of principal executive offices)

20170
(Zip code)

Registrant's telephone number, including area code (703) 480-3800

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 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 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 (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Non-accelerated filer

PUBLIC
Accelerated filer

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

The number of shares of the registrant's common stock outstanding as of October 31, 2015 was 42,199,848, which amount excludes 1,922,864 shares of common stock held by the Registrant as treasury shares.

Table of Contents

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	
Financial Statements:	
Unaudited Consolidated Statements of Operations	3
Unaudited Consolidated Statements of Comprehensive Income (Loss)	4
Unaudited Consolidated Balance Sheets	5
Unaudited Consolidated Statements of Cash Flows	6
Notes to Unaudited Consolidated Financial Statements	7
Item 2.	18
Item 3.	25
Item 4.	26
<u>PART II. OTHER INFORMATION</u>	
Item 1.	27
Item 1A.	27
Item 2.	27
Item 5.	27
Item 6.	28
Exhibits	28
Signatures	29

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Continental Building Products, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Sales	\$ 108,150	\$ 113,804	\$ 311,322	\$ 303,692
Costs, expenses and other income:				
Cost of goods sold	78,151	85,821	231,342	241,042
Selling and administrative	9,008	7,774	26,799	23,358
Long Term Incentive Plan funded by Lone Star	9,933	—	29,946	—
Total costs and operating expenses	<u>97,092</u>	<u>93,595</u>	<u>288,087</u>	<u>264,400</u>
Operating income	11,058	20,209	23,235	39,292
Other income (expense), net	(283)	(131)	(700)	(5,461)
Interest expense, net	(4,154)	(4,945)	(12,559)	(24,518)
Income (loss) before loss on equity method investment and income tax	6,621	15,133	9,976	9,313
Loss from equity method investment	(278)	(20)	(530)	(257)
Income (loss) before income tax	6,343	15,113	9,446	9,056
Income tax (expense) benefit	(2,104)	(5,627)	(3,313)	(3,526)
Net income (loss)	<u>\$ 4,239</u>	<u>\$ 9,486</u>	<u>\$ 6,133</u>	<u>\$ 5,530</u>
Net income (loss) per common share:				
Basic	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13
Diluted	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13
Weighted average shares outstanding:				
Basic	43,000	44,069	43,557	42,561
Diluted	43,058	44,081	43,597	42,569

See accompanying notes to unaudited financial statements.

Continental Building Products, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)
(Unaudited)

	Three Months Ended <u>September 30, 2015</u>	Three Months Ended <u>September 30, 2014</u>	Nine Months Ended <u>September 30, 2015</u>	Nine Months Ended <u>September 30, 2014</u>
Net income (loss)	\$ 4,239	\$ 9,486	\$ 6,133	\$ 5,530
Foreign currency translation adjustment	(1,430)	(971)	(2,568)	(1,079)
Gain on derivatives qualifying as cash flow hedges, net of tax	292	56	790	56
Other comprehensive income (loss), net of tax	(1,138)	(915)	(1,778)	(1,023)
Comprehensive income (loss)	<u>\$ 3,101</u>	<u>\$ 8,571</u>	<u>\$ 4,355</u>	<u>\$ 4,507</u>

See accompanying notes to unaudited financial statements.

Continental Building Products, Inc.
Consolidated Balance Sheets
(dollars in thousands except share data)

	As of September 30, 2015 (unaudited)	As of December 31, 2014
Assets		
Cash	\$ 17,258	\$ 15,627
Receivables, net	37,579	40,152
Inventories	31,661	29,564
Prepaid and other current assets	7,117	8,330
Deferred taxes, current	5,282	3,157
Total current assets	<u>98,897</u>	<u>96,830</u>
Property, plant and equipment, net	329,456	353,652
Customer relationships and other intangibles, net	98,289	110,809
Goodwill	119,945	119,945
Equity method investment	9,596	10,919
Debt issuance costs	7,409	8,826
Total Assets	<u><u>663,592</u></u>	<u><u>\$ 700,981</u></u>
Liabilities and equity		
Accounts payable	\$ 26,214	\$ 24,561
Accrued and other liabilities	10,720	11,428
Notes payable, current portion	—	—
Total current liabilities	<u>36,934</u>	<u>35,989</u>
Deferred taxes and other long-term liabilities	13,986	12,494
Notes payable, non-current portion	314,499	349,125
Total liabilities	<u><u>365,419</u></u>	<u><u>397,608</u></u>
Equity		
Undesignated preferred stock, par value \$0.001 per share; 10,000,000 shares authorized, no shares issued and outstanding at September 30, 2015 and December 31, 2014	—	—
Common stock, \$0.001 par value per share; 190,000,000 shares authorized; 44,122,712 and 44,069,000 shares issued at September 30, 2015 and December 31, 2014, respectively; 42,199,848 and 44,069,000 shares outstanding at September 30, 2015 and December 31, 2014, respectively	44	44
Additional paid-in capital	318,873	288,393
Less: Treasury stock	(40,035)	—
Accumulated other comprehensive loss	(4,838)	(3,060)
Accumulated earnings	24,129	17,996
Total equity	<u>298,173</u>	<u>303,373</u>
Total liabilities and equity	<u><u>\$ 663,592</u></u>	<u><u>\$ 700,981</u></u>

See accompanying notes to unaudited financial statements.

Continental Building Products, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Net income (loss)	\$ 6,133	\$ 5,530
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	38,931	41,324
Bad debt recovery	(250)	—
Amortization of debt issuance costs and debt discount	1,742	8,560
Loss from equity method investment	530	257
Share based compensation	730	344
Deferred taxes	(491)	6,619
Change in assets and liabilities:		
Receivables	2,654	(7,202)
Inventories	(2,401)	(6,731)
Prepaid expenses and other current assets	1,178	(3,616)
Accounts payable	1,955	1,394
Accrued and other current liabilities	275	(1,154)
Other long term liabilities	(142)	383
Net cash provided by operating activities	50,844	45,708
Cash flows from investing activities:		
Capital expenditures	(2,851)	(2,910)
Software purchased or developed	(880)	(3,180)
Capital contributions to equity method investment	(4)	—
Distributions from equity method investment	797	1,754
Net cash used in investing activities	(2,938)	(4,336)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	—	151,354
Principal payments for First Lien Credit Agreement	(35,000)	(36,975)
Repayment of Second Lien Credit Agreement	—	(155,000)
Proceeds from revolving credit facility, net	—	—
Capital Contribution from Lone Star Funds	29,750	—
Payments to repurchase common stock	(40,035)	—
Net cash used in financing activities	(45,285)	(40,621)
Effect of foreign exchange rates on cash and cash equivalents	(990)	(417)
Net change in cash and cash equivalents	1,631	334
Cash, beginning of period	15,627	11,822
Cash, end of period	\$ 17,258	\$ 12,156

See accompanying notes to unaudited financial statements.

CONTINENTAL BUILDING PRODUCTS, INC.
CONSOLIDATED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND SEPTEMBER 30, 2014

1. Background and Nature of Operations

Description of Business

Continental Building Products, Inc. (“CBP”, or the “Company”) is a Delaware corporation. Prior to the acquisition of the gypsum division of Lafarge North America Inc. (“Lafarge N.A.”) on August 30, 2013, further described below, CBP had no operating activity. The accompanying consolidated financial statements of CBP for the three and nine months ended September 30, 2015 and September 30, 2014 contain activity of the acquired business.

The Company manufactures gypsum wallboard and related products for commercial and residential buildings and houses. The Company operates a network of three highly efficient wallboard facilities, all located in the eastern United States and produces joint compound at one plant in the United States and at another plant in Canada.

The Acquisition

On June 24, 2013, Lone Star Funds (“Lone Star”) entered into a definitive agreement with Lafarge N.A. to purchase the assets of its North American gypsum division for a total purchase price of approximately \$703 million (the “Acquisition”) in cash. The closing of the Acquisition occurred on August 30, 2013.

Initial Public Offering

On February 10, 2014, the Company completed the initial public offering of 11,765,000 shares of its common stock par value \$0.001 per share, at an offering price of \$14.00 per share (the “Initial Public Offering”). Net proceeds from the Initial Public Offering after underwriting discounts and commissions, but before other closing costs, were approximately \$154 million. The net proceeds were used to pay a \$2 million one-time payment to Lone Star in consideration for the termination of the Company’s asset advisory agreement with affiliates of Lone Star (See Note 10, Related Party Transactions). The remaining \$152 million of net proceeds and cash on hand of \$6.1 million were used to repay the \$155 million Second Lien Term Loan in full along with a prepayment premium of \$3.1 million (See Note 13, Debt). In expectation of the Initial Public Offering, on February 3, 2014, the Company effected a 32,304 for one stock split of its common stock. The Company’s common stock trades on the New York Stock Exchange under the symbol “CBPX”.

Secondary Public Offerings

On March 18, 2015, LSF8 Gypsum Holdings, L.P. (“LSF8”), an affiliate of Lone Star, sold 5,000,000 shares of the Company’s common stock at a price per share of \$19.40. As a result of the sale, the aggregate beneficial ownership of Lone Star fell below 50% of the Company’s outstanding shares of common stock and the Company no longer qualified as a “Controlled Company” under the corporate governance standards of New York Stock Exchange. On May 15, 2015 and June 3, 2015, LSF8 sold an additional 4,600,000 and 361,747 shares of the Company’s common stock, respectively, at a price per share of \$21.90. On September 16, 2015, LSF8 sold an additional 4,600,000 shares of the Company’s common stock at a price per share of \$19.85. The decrease in ownership by Lone Star and its affiliates to below 50% and LSF8’s subsequent sales of common stock triggered an aggregate of \$29.9 million in payments to certain officers and the estate of the Company’s former CEO under the LSF8 Gypsum Holdings, L.P. Long Term Incentive Plan, which is funded by LSF8 (See Note 10, Related Party Transaction).

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements for CBP have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated.

Basis of Presentation for Interim Periods

Certain information and footnote disclosures normally included for the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted for the interim periods presented. Management believes that the unaudited interim financial statements include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company and the results of operations and cash flows for the periods presented.

[Table of Contents](#)

The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. Seasonal changes and other conditions can affect the sales volumes of the Company's products. Therefore, the financial results for any interim period do not necessarily indicate the expected results for the year.

The financial statements should be read in conjunction with CBP's audited consolidated financial statements and the notes thereto for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K for the fiscal year then ended (the "2014 10-K"). The Company has continued to follow the accounting policies set forth in those financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU No. 2014-09 for all entities by one year to annual reporting periods beginning after December 15, 2017. The ASU requires retroactive application on either a full or modified basis. Early application is permitted as of the original effective date on December 15, 2016. The Company is currently evaluating ASU 2014-09 to determine its impact on its consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*: Presentation of Financial Statements—Going Concern (Subtopic 205-40). This ASU defines when and how companies are required to disclose going concern uncertainties, which must be evaluated each interim and annual period. Specifically, it requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plans (if any) to mitigate the going concern uncertainty. The provisions of ASU 2014-15 will be effective for annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted. The ASU should be applied on a prospective basis. The Company believes the adoption of this ASU will not have a material impact on the Company's disclosures.

In April 2015, the FASB issued ASU 2015-03, which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 will be effective for the Company in the first quarter of 2016. Early adoption is permitted. Upon adoption, the guidance must be applied retroactively to all periods presented in the financial statements. The adoption of this guidance will result in a reclassification of debt issuance costs on the Company's balance sheet, but will not have a material impact on the Company's results of operations.

3. Receivables

Receivables consist of the following:

<i>(in thousands)</i>	As of September 30, 2015	As of December 31, 2014
Trade receivables	\$ 39,387	\$ 42,460
Total allowances	(1,808)	(2,308)
Total receivables, net	\$ 37,579	\$ 40,152

Trade receivables are recorded net of credit memos issued during the normal course of business.

4. Inventories

Inventories consist of the following:

<i>(in thousands)</i>	As of September 30, 2015	As of December 31, 2014
Finished products	\$ 8,856	\$ 4,875
Raw materials	14,812	17,010
Supplies and other	7,993	7,679
Total inventories	\$ 31,661	\$ 29,564

[Table of Contents](#)**5. Property, Plant and Equipment**

Property, plant and equipment consist of the following:

<i>(in thousands)</i>	<u>As of September 30, 2015</u>	<u>As of December 31, 2014</u>
Land	\$ 12,926	\$ 12,930
Buildings	111,963	111,506
Plant machinery	270,770	269,633
Mobile equipment	3,518	3,448
Construction in progress	3,752	3,165
Property, plant and equipment, at cost	402,929	400,682
Accumulated depreciation	(73,473)	(47,030)
Total property, plant and equipment, net	\$ 329,456	\$ 353,652

Depreciation expense was \$8.7 million for the three months ended September 30, 2015, \$26.5 million for the nine months ended September 30, 2015, \$8.8 million for the three months ended September 30, 2014 and \$26.4 million for the nine months ended September 30, 2014.

6. Software and Other Intangibles

Customer relationships and other intangibles consist of the following:

<i>(in thousands)</i>	<u>As of September 30, 2015</u>	<u>As of December 31, 2014</u>
Customer relationships	\$ 116,282	\$ 117,243
Purchased and internally developed software	5,062	4,332
Trademarks	14,785	14,905
Customer relationships and other intangibles, at cost	136,129	136,480
Accumulated amortization	(37,840)	(25,671)
Customer relationships and other intangibles, net	\$ 98,289	\$ 110,809

Amortization expense was \$4.0 million for the three months ended September 30, 2015, \$12.4 million for the nine months ended September 30, 2015, \$4.7 million for the three months ended September 30, 2014 and \$14.9 million for the nine months ended September 30, 2014.

Customer relationships are amortized over a 15-year period using an accelerated method that reflects the expected future cash flows from the acquired customer-related intangible asset. Trademarks are amortized on a straight-line basis over the estimated useful life of 15 years. Customer relationships and trademarks amortization expense is recorded in cost of goods sold expense.

Amortization expense related to capitalized software was \$0.4 million and \$1.1 million for the three and nine months ended September 30, 2015, respectively, and \$0.01 million for the nine months ended September 30, 2014. Software development costs are amortized over a three-year life with the expense recorded in selling and administrative expense.

7. Accrued and Other Liabilities

Accrued and other liabilities consist of the following:

<i>(in thousands)</i>	<u>As of September 30, 2015</u>	<u>As of December 31, 2014</u>
Employee-related costs	\$ 5,908	\$ 7,945
Income taxes	1,310	—
Other taxes	765	1,220
Other	2,737	2,263
Total accrued and other liabilities	\$ 10,720	\$ 11,428

8. Income Taxes

The Company's annual estimated effective tax rate, before reporting the impact of foreign losses, is approximately 35%. The Company recognized discrete tax items of approximately \$0.2 million for the nine months ended September 30, 2015. At both September 30, 2015 and December 31, 2014, there was a valuation allowance of \$0.4 million related to the Company's Canadian operations.

The Company is subject to audit examinations at federal, state and local levels by tax authorities in those jurisdictions. In addition, the Canadian operations are subject to audit examinations at federal and provincial levels by tax authorities in those jurisdictions. The tax matters challenged by the tax authorities are typically complex; therefore, the ultimate outcome of these challenges is subject to uncertainty. The Company has not identified any issues that did not meet the recognition threshold or would be impacted by the measurement provisions of the uncertain tax position guidance.

9. Commitments and Contingencies

The Company leases certain buildings and equipment. The Company's facility and equipment leases may provide for escalations of rent or rent abatements and payment of pro rata portions of building operating expenses. Minimum lease payments are recognized on a straight-line basis over the minimum lease term. During the three months ended September 30, 2015, the nine months ended September 30, 2015, three months ended September 30, 2014, and nine months ended September 30, 2014, total expenses under operating leases were \$1.2 million, \$3.3 million, \$1.1 million, and \$3.6 million, respectively. The Company also has noncapital purchase commitments that primarily relate to gas, gypsum, paper and other raw materials.

The table below shows the future minimum lease payments due under non-cancelable operating leases and purchase commitments at September 30, 2015:

<i>(in thousands)</i>	Total	Remaining 2015	2016	2017	2018	2019	2020	Thereafter
Operating leases (1)	\$ 4,979	\$ 366	\$ 1,320	\$ 1,183	\$ 616	\$ 1,494	\$ —	\$ —
Purchase commitments	149,960	9,393	30,752	29,250	19,214	16,326	14,060	30,965
Total commitments	\$ 154,939	\$ 9,759	\$ 32,072	\$ 30,433	\$ 19,830	\$ 17,820	\$ 14,060	\$ 30,965

(1) Future minimum lease payments over the non-cancelable lease terms of the operating leases.

Under certain circumstances, the Company provides letters of credit related to its natural gas and other supply purchases. At September 30, 2015 and December 31, 2014, the Company had outstanding letters of credit of approximately \$3.6 million and \$4.8 million, respectively.

In the ordinary course of business, the Company executes contracts involving indemnifications standard in the industry. These indemnifications might 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; 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 materially adverse effect on the Company's financial condition, results of operations or liquidity.

In the ordinary course of business, the Company is involved in certain legal actions and claims, including proceedings under laws and regulations relating to environmental and other matters. Because such matters are subject to many uncertainties and the outcomes are not predictable with assurance, the total liability for these legal actions and claims cannot be determined with certainty. When the Company determines that it is probable that a liability for environmental matters, legal actions or other contingencies has been incurred and the amount of the loss is reasonably estimable, an estimate of the costs to be incurred is recorded as a liability in the financial statements. As of September 30, 2015 and December 31, 2014, such liabilities were not material to the Company's financial statements. While management believes its accruals for such liabilities are adequate, the Company may incur costs in excess of the amounts provided. Although the ultimate amount of liability that may result from these matters or actions is not ascertainable, the Company believes that any amounts exceeding the recorded accruals will not materially affect its financial condition.

In March 2015, a group of homebuilders commenced a lawsuit against the Company and other US wallboard manufacturers, which was amended in October 2015, alleging that such manufacturers had conspired to fix the price of wallboard in violation of antitrust and unfair competition laws. The complaint also alleges that the manufacturers agreed to abolish the use of "job quotes" and agreed to restrict the supply of wallboard in order to support the allegedly collusive price increases. The Company denies any wrongdoing of the type alleged in the complaint and believes that it has meritorious defenses to the allegations and will vigorously defend itself in this case. The case has been transferred to the Eastern District of Pennsylvania for coordinated and consolidated pretrial proceedings with existing antitrust litigation in that district. The Company does not believe the lawsuit will have a material adverse effect on its financial condition, results of operation or liquidity.

[Table of Contents](#)

In July 2015, the Company received a grand jury subpoena directing it to provide certain documents in connection with an investigation being conducted by the Department of Justice regarding antitrust matters in the gypsum drywall industry. The Company is cooperating fully with the Department of Justice in responding to the subpoena. The Company does not believe the investigation will have a material adverse effect on its financial condition, results of operations or liquidity.

10. Related Party Transactions

Since the Acquisition, the Company is no longer part of Lafarge N.A. but had a Transition Services Agreement to help with certain ongoing back-office functions. These functions included, among others, accounting, treasury, tax, and information technology services. The Company paid Lafarge N.A. a fee for these services of \$129,700 per month through September 2014. Thereafter, the Company reduced the services provided by Lafarge N.A. and the fees paid until the Agreement was terminated in December 2014.

On August 30, 2013, the Company entered into an asset advisory agreement with an affiliate of Lone Star to provide certain management oversight services to the Company, including assistance and advice on strategic plans, obtaining and maintaining certain legal documents, and communicating and coordinating with service providers. The Company paid 110% of actual costs for the services provided. No services were provided in 2014. The agreement was terminated upon the closing of the Initial Public Offering in the first quarter of 2014 and in connection therewith, the Company paid a termination fee of \$2.0 million that is included in non-operating expense.

In connection with the March, May and September 2015 secondary public offerings, certain executives of the Company earned incentive payments in the aggregate amount of approximately \$29.9 million. These payments were earned under the LSF8 Gypsum Holdings, L.P. Long Term Incentive Plan (the "LTIP"). Under the LTIP, certain of the Company's officers and the estate of the Company's former CEO are eligible to receive payments from LSF8 in the event of a monetization event, as further described in the 2014 10-K. LSF8 is responsible for funding any payments under the LTIP, including those paid in connection with the March, May and September 2015 secondary public offerings (See Note 1, Background and Nature of Operations). As these payments arose out of employment with the Company, the Company recognizes the payments made to the officers as an expense. The funding of the LTIP payments by LSF8 is recorded as additional paid-in capital. The \$29.9 million in LTIP payments related to the March, May and September 2015 secondary public offerings were recorded as an expense to the Company, that will also be tax deductible, and capital contributions by LSF8 in the first, second and third quarters of fiscal 2015.

11. Investment in Seven Hills

The Company is a party with an unaffiliated third-party to a paperboard liner venture named Seven Hills Paperboard, LLC ("Seven Hills") that provides the Company with a continuous supply of high-quality recycled paperboard liner to meet its ongoing production requirements.

The Company has evaluated the characteristics of its investment and determined that Seven Hills would be deemed a variable interest entity, but that it did not have the power to direct the principal activities most impacting the economic performance of Seven Hills, and is thus not the primary beneficiary. As such, the Company accounts for this investment in Seven Hills under the equity method of accounting.

Paperboard purchased from Seven Hills was \$11.8 million and \$12.3 million for the three months ended September 30, 2015 and September 30, 2014, respectively. Paperboard purchased from Seven Hills was \$34.2 million and \$37.3 million for the nine months ended September 30, 2015 and September 30, 2014, respectively. As of September 30, 2015, the Company has certain paper purchase commitments to Seven Hills totaling \$33.0 million through 2018.

12. Fair Value Measurements

U.S. GAAP provides a framework for measuring fair value, establishes a fair value hierarchy of the valuation techniques used to measure the fair value and requires certain disclosures relating to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in a market with sufficient activity.

The three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value is as follows:

- Level 1—Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities that a Company has the ability to access;
- Level 2—Inputs, other than the quoted market prices included in Level 1, which are observable for the asset or liability, either directly or indirectly; and
- Level 3—Unobservable inputs for the asset or liability which is typically based on an entity's own assumptions when there is little, if any, related market data available.

The Company evaluates assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level to classify them for each reporting period. This determination requires significant judgments to be made by the Company. The fair values of receivables, accounts payable, accrued costs and other current liabilities approximate the carrying values as a result of the short-term nature of these instruments.

[Table of Contents](#)

The Company estimates the fair value of its debt by discounting the future cash flows of each instrument using estimated market rates of debt instruments with similar maturities and credit profiles. These inputs are classified as Level 3 within the fair value hierarchy. As of September 30, 2015 and December 31, 2014, the carrying value reported in the consolidated balance sheet for the Company's notes payable approximated its fair value.

The only assets or liabilities the Company had at September 30, 2015 and December 31, 2014 that are recorded at fair value on a recurring basis are the interest rate cap that the Company entered into on March 31, 2014 that had zero fair value as of September 30, 2015 (see Note 13, Debt) and a fair value of \$0.03 million as of December 31, 2014, and natural gas hedges that had a negative fair value of \$0.1 million at September 30, 2015, net of tax amount of \$0.04 million, and \$0.9 million at December 31, 2014, net of tax amount of \$0.5 million. Both the interest rate cap and the natural gas hedges are classified within Level 2 of the fair value hierarchy as they are valued using third party pricing models which contain inputs that are derived from observable market data. Generally, the Company obtains its Level 2 pricing inputs from the counterparties. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Assets and liabilities that are measured at fair value on a non-recurring basis include intangible assets and goodwill. These items are recognized at fair value when they are considered to be impaired.

There were no fair value adjustments for assets and liabilities measured on a non-recurring basis. The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

13. Debt

Debt consists of the following:

<i>(in thousands)</i>	<u>As of</u> <u>September 30, 2015</u>	<u>As of</u> <u>December 31, 2014</u>
First Lien Credit Agreement maturing on August 28, 2020; interest rate of LIBOR (with a 1% floor) plus 3.00% at September 30, 2015 and December 31, 2014	\$ 316,988	\$ 351,988
Less: Original issue discount (net of amortization)	(2,489)	(2,863)
Total debt	314,499	349,125
Less: Current portion of long-term debt	—	—
Long-term debt	\$ 314,499	\$ 349,125

On August 30, 2013, the Company and its subsidiary Continental Building Products Operating Company, LLC ("OpCo") entered into a first lien credit agreement with Credit Suisse AG, as administrative agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and Royal Bank of Canada, as syndication agent (as amended on December 2, 2013, the "First Lien Credit Agreement"). The First Lien Credit Agreement provided OpCo a term loan facility at an initial amount of \$415.0 million and a U.S. dollar revolving loan facility of \$40.0 million and a Canadian dollar and/or U.S. dollar revolving facility of \$10.0 million (such aggregate \$50.0 million revolving facilities together, the "Revolver"), which may be borrowed by OpCo or by its subsidiary, Continental Building Products Canada Inc. in Canadian dollars or U.S. dollars.

On August 30, 2013, the Company and OpCo entered into a second lien credit agreement with Credit Suisse AG, as administrative agent, Credit Suisse Securities (USA) LLC and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and Royal Bank of Canada, as syndication agent (as amended on December 2, 2013, the "Second Lien Credit Agreement"). The Second Lien Credit Agreement provided OpCo a term loan facility of \$155.0 million (the "Second Lien Term Loan").

On February 10, 2014, the Company completed the Initial Public Offering and used \$152 million of net proceeds from the Initial Public Offering and cash on hand of \$6.1 million to repay the \$155 million Second Lien Term Loan in full along with a prepayment premium of \$3.1 million. The \$3.1 million prepayment premium was recorded in other (expense) income. The prepayment of the Second Lien Term Loan also resulted in the write-off of \$6.9 million in original issue discount and deferred financing fees that were recorded in interest expense.

Interest under the First Lien Credit Agreement is floating. The interest rate spread over LIBOR, which has a 1% floor, was reduced by 50 basis points on May 14, 2014, from 3.75% to 3.25%, as a result of the Company achieving a total leverage ratio of less than four times net debt to the trailing twelve months adjusted earnings before interest, depreciation and amortization, as of March 31, 2014, as calculated pursuant to the First Lien Credit Agreement. This reduced interest rate for the First Lien Credit Agreement will be in effect for as long as the leverage ratio, as calculated pursuant to the First Lien Credit Agreement, remains below four. The margin applicable to the borrowing was further reduced on August 26, 2014 by 25 basis points to 3.00% after the Company achieved a B2 rating with a stable outlook by Moody's and will remain in effect as long as this rating and outlook are maintained or better.

[Table of Contents](#)

The First Lien Credit Agreement is secured by the underlying property and equipment of the Company. During the three and nine months ended September 30, 2015, the Company pre-paid \$15.0 million and \$35.0 million of principal payments, respectively, and no further quarterly mandatory principal payments are required until the final payment of \$317 million due on August 28, 2020. The annual effective interest rate on the First Lien Credit Agreement including original issue discount and amortization of debt issuance costs was 4.6 % at September 30, 2015.

There were no amounts outstanding under the Revolver as of September 30, 2015. The interest rate on amounts outstanding under the Revolver is floating, based on LIBOR (with a floor of 1%), plus 225 basis points. In addition, CBP pays a facility fee of 50 basis points per annum on the total Revolver. Availability under the Revolver, based on draws and outstanding letters of credit and non-existence of violations of covenants, was \$46.4 million at September 30, 2015.

Total cash interest paid for the three and nine months ended September 30, 2015 was \$3.4 million and \$10.4 million, respectively. Total cash interest paid for the three and nine months ended September 30, 2014 was \$4.2 million and \$15.6 million, respectively.

The table below shows the future minimum principal payments due under the First Lien Credit Agreement.

<i>(in thousands)</i>	<u>Amount Due</u>
2015	—
2016	—
2017	—
2018	—
2019	—
Thereafter	\$ 316,988

Under the terms of the First Lien Credit Agreement, the Company is required to comply with certain covenants, including among others, a limitation of indebtedness, limitation on liens, and limitations on certain cash distributions. One single financial covenant governs all of the Company's debt and applies only if the outstanding borrowings of the Revolver plus outstanding letters of credit are greater than \$12.5 million as of the end of the quarter. The financial covenant is a total leverage ratio calculation, in which total debt less outstanding cash is divided by adjusted earnings before interest, depreciation and amortization. If the financial covenant were applicable, it would require a leverage ratio below 6.0 as of September 30, 2015. As the sum of outstanding borrowings under the Revolver and outstanding letters of credit were less than \$12.5 million at September 30, 2015, the financial covenant was not applicable for the quarter.

14. Derivative Instruments

The Company uses derivative instruments to manage selected commodity price and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes, and typically does not hedge beyond two years. Cash flows from derivative instruments are included in net cash provided by operating activities in the consolidated statements of cash flows.

Commodity Derivative Instruments

As of September 30, 2015, the Company had 100 thousand millions of British Thermal Units ("mmBTUs") in aggregate notional amount outstanding natural gas swap contracts to manage natural gas price exposures. All of these contracts mature by October 31, 2015. The Company elected to designate these derivative instruments as cash flow hedges in accordance with FASB Accounting Standards Codification ("ASC") 815-20, *Derivatives - Hedging*. For derivative contracts designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded to accumulated other comprehensive income, and is reclassified to earnings when the underlying forecasted transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recorded in cost of goods sold. The net unrealized loss that remained in accumulated other comprehensive income (loss) as of September 30, 2015 was \$0.1 million, net of tax of \$0.04 million. No ineffectiveness was recorded on these contracts during the fiscal year 2014 and the nine months ended September 30, 2015. Gains and losses on these contracts that are designated as cash flow hedges are reclassified into earnings when the underlying forecasted transactions affect earnings. The Company reassesses the probability of the underlying forecasted transactions occurring on a quarterly basis.

Approximately \$0.3 million and \$0.8 million of gains, net of tax, were recognized in other comprehensive income for the commodity contracts for the three and nine months ended September 30, 2015, respectively. For the same periods, the amount of gain reclassified from accumulated other comprehensive income into income was nominal. As of September 30, 2015, \$0.1 million was recorded in other current liabilities.

In October 2015, the Company entered into two new gas swap contracts in the aggregate notional amount of 1,280 thousand mmBTUs covering approximately 25% of its gas needs. One of these contracts matures by March 31, 2016 and one matures by October 31, 2016. Both contracts are effective as of November 1, 2015. The Company elected to designate these derivative instruments as cash flow hedges in accordance with FASB Accounting Standards Codification ("ASC") 815-20, *Derivatives - Hedging*.

Interest Rate Derivative Instrument

At September 30, 2015, the Company had an interest rate cap on three month U.S. Dollar LIBOR of 2% for a notional amount of \$203.4 million, representing 64.2% of the principal amount outstanding under the First Lien Credit Agreement as of September 30, 2015. The notional amount of the interest rate cap declines by \$0.5 million each quarter through December 31, 2015. The objective of the hedge is to protect the cash flows from adverse extreme market interest rate changes for a portion of the First Lien Credit Agreement through September 30, 2016. Changes in the fair value of the interest rate cap are expected to be perfectly effective in offsetting the changes in cash flow of interest payments attributable to fluctuations for three month U.S. Dollar LIBOR interest rates above 2%. The hedge is being accounted for as a cash flow hedge.

Changes in the time value of the interest rate cap are reflected directly in earnings through “other income / expense” in non-operating income. CBP recorded \$0.03 million loss for the nine months ended September 30, 2015. No loss was recorded for the three months ended September 30, 2015 and the fair value of the time value of the interest rate cap was \$0 as of September 30, 2015.

Counterparty Risk

The Company is exposed to credit losses in the event of nonperformance by the counterparties to the Company’s derivative instruments. As of September 30, 2015, the Company’s derivatives were in a \$0.1 million net liability position. All of the Company’s counterparties have investment grade credit ratings; accordingly, the Company anticipates that the counterparties will be able to fully satisfy their obligations under the contracts. The Company’s agreements outline the conditions upon which it or the counterparties are required to post collateral. As of September 30, 2015, the Company had no collateral posted with its counterparties related to the derivatives.

15. Segment Reporting

Segment information is presented in accordance with ASC 280, *Segment Reporting*, which establishes standards for reporting information about operating segments. It also establishes standards for related disclosures about products and geographic areas. The Company’s primary reportable segment is wallboard which represented approximately 97% of the Company’s revenues for the three and nine months ended September 30, 2015, and approximately 97% and 96% of the Company’s revenues for the three and nine months ended September 30, 2014, respectively. This segment produces wallboard for the commercial and residential construction sectors. The Company also operates other business activities, primarily finishing products, which complement the Company’s full range of wallboard products.

Revenues from the major products sold to external customers include gypsum wallboard and finishing products.

The Company’s two geographic areas consist of the United States and Canada for which it reports net sales, fixed assets and total assets.

The Company evaluates operating performance based on profit or loss from operations before certain adjustments as shown below. Revenues are attributed to geographic areas based on the location of the customer. The Company did not provide asset information by segment as the Company’s Chief Operating Decision Maker does not use such information for purposes of allocating resources and assessing segment performance.

[Table of Contents](#)

Reportable segment information consists of the following:

<i>(in thousands)</i>	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Sales:				
Wallboard	104,624	110,072	300,936	292,212
Other	3,526	3,732	10,386	11,480
Total net sales	<u>108,150</u>	<u>113,804</u>	<u>311,322</u>	<u>303,692</u>
Operating income (loss):				
Wallboard	11,122	20,479	23,318	39,819
Other	(64)	(270)	(83)	(527)
Total operating income (loss)	<u>11,058</u>	<u>20,209</u>	<u>23,235</u>	<u>39,292</u>
Adjustments:				
Interest Expense	(4,154)	(4,945)	(12,559)	(24,518)
Gain (loss) from Equity Investment	(278)	(20)	(530)	(257)
Other non-operating expenses	(283)	(131)	(700)	(5,461)
Income (loss) before income tax benefit	<u>6,343</u>	<u>15,113</u>	<u>9,446</u>	<u>9,056</u>
Depreciation and Amortization				
Wallboard	12,376	13,211	38,058	40,423
Other	285	300	873	901
Total depreciation and amortization	<u>12,661</u>	<u>13,511</u>	<u>38,931</u>	<u>41,324</u>

16. Share Repurchase

On May 15, 2015, the Company repurchased 913,200 shares of its common stock from LSF8 in a private transaction at a price per share of \$21.90, or an aggregate of approximately \$20.0 million, pursuant to a stock purchase agreement dated May 11, 2015. On September 16, 2015, the Company repurchased an additional 1,007,500 shares of its common stock from LSF8 in a private transaction at a price per share of \$19.85, or an aggregate of approximately \$20.0 million, pursuant to a stock purchase agreement dated September 10, 2015. The repurchased shares are held in treasury and the effect thereof reduces the number of shares of common stock outstanding is reflected in the Company's earnings per share calculation.

17. Share-Based Compensation

In conjunction with the Initial Public Offering, the Company granted certain employees and independent members of the Board of Directors an aggregate of 142,000 stock options and 75,000 shares of restricted stock ("RSAs") that vest over four years. The fair value of stock options was determined using the Black Scholes option pricing model with the following assumptions: (a) a risk free interest rate assumption of 2.15%, based on the U.S. Treasury yield curve in effect at the time of the grant; (b) a dividend yield of 0% as the Company currently has no plans to pay a dividend; (c) a volatility assumption of 50.34%, based on historical volatilities of comparable publicly traded companies, and (d) an expected life of 6.25 years based on the assumption that the options will be exercised evenly from time of vesting to the expiration date.

On March 2, 2015, the Company granted certain employees and independent members of the Board of Directors 62,070 Restricted Stock Units ("RSUs") and 40,050 RSUs that are subject to certain performance conditions ("PRSUs"). Of the 62,070 RSUs granted in March, 7,581 fully vest after one year, and 54,489 vest ratably over four years. On May 5, 2015, the Company granted certain employees an additional 9,205 RSUs and 6,280 PRSUs which vest ratably over four years. The PRSUs vest on December 31, 2017, with the exact number of PRSUs vested subject to the achievement of certain performance conditions through December 31, 2016. The number of PRSUs earned will vary from 0% to 200% of the number of PRSUs awarded, depending on the Company's performance relative to a cumulative two year EBITDA target for fiscal years 2015 and 2016. The fair value of each RSU and PRSU is equal to the market price of the Company's common stock at the date of the grant.

The following table summarizes RSAs, RSUs and PRSUs activity for the nine months ending September 30, 2015:

	Number of RSAs	Number of RSUs	Number of PRSUs	Weighted Average Grant Date Value
Non-Vested, December 31, 2014	55,000	—	—	\$ 14.00
Granted	—	71,275	46,330	\$ 21.19
Cancelled/Forfeited	(3,619)	(1,103)	—	\$ 14.00
Vested	(13,750)	—	—	\$ 14.00
Non-Vested, September 30, 2015	37,631	70,172	46,330	\$ 19.49

As of September 30, 2015, there was \$2.1 million of unrecognized compensation expense related to non-vested restricted stock. This expense is subject to future adjustments for vesting and forfeitures and is being recognized on a straight-line basis.

The following table summarizes stock option activity for the nine months ending September 30, 2015:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in Years)
Outstanding, January 1, 2015	142,000	\$ 14.00		
Granted	—	—		
Forfeited	(2,300)	\$ 14.00		
Exercised	(2,331)	14.00		
Outstanding, September 30, 2015	137,369	\$ 14.00	\$898,393	8.36
Exercisable, September 30, 2015	79,131	\$ 14.00	\$517,517	8.36
Vested and Expected to Vest, September 30, 2015	137,369	\$ 14.00	\$898,393	8.36

[Table of Contents](#)

Unearned compensation related to stock options as of September 30, 2015 of \$0.3 million will be recognized over a weighted average remaining period of approximately three years. Compensation expense of \$0.2 million and \$0.6 million was recorded for share-based awards for the three and nine months ended September 30, 2015, respectively. Compensation expense of \$0.1 million and \$0.3 million was recorded for share-based awards for the three and nine months ended September 30, 2014, respectively.

Employee Stock Purchase Plan

On February 18, 2015, subject to approval by the Company's stockholders, the Company adopted an Employee Stock Purchase Plan ("ESPP") enabling employees to purchase the Company's shares at a discount. On May 20, 2015, the Company's stockholders approved the ESPP at the Company's 2015 annual meeting. The ESPP authorizes the issuance of up to 600,000 shares of the Company's common stock, but actual shares issued will depend on plan participation. Shares issued under the ESPP will reduce, on a share-for-share basis, the number of shares of the Company's common stock already available for issuance pursuant to the Company's 2014 Stock Incentive Plan. Employees contribute to the ESPP through payroll deductions over a twelve month offering period and are limited to the lower of 10% of the employee's salary or \$10,000 per employee. The purchase price of the shares is equal to the lower of 85 percent of the closing price of our common stock on either the first or last trading day of a given offering period. The first offering period commenced on May 1, 2015.

18. Earnings Per Share

Basic earnings (loss) per share is based on the weighted average number of shares of common stock outstanding assuming the 32,304 for one stock split occurred as of January 1, 2014 and taking into account the issuance of 11,765,000 new shares on February 10, 2014 in connection with the Initial Public Offering. Diluted earnings and loss per share is based on the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding restricted stock, restricted stock units and stock options.

Earnings Per Share

<i>(in thousands, except per share data)</i>	Three Months	Three Months	Nine Months	Nine Months
	Ended September 30, 2015	Ended September 30, 2014	Ended September 30, 2015	Ended September 30, 2014
Net income per common share:	\$ 4,239	\$ 9,486	\$ 6,133	\$ 5,530
Weighted average shares outstanding - basic	43,000	44,069	43,557	42,561
Dilutive impact of RSAs	13	12	11	8
Dilutive impact of PRSUs	5	—	—	—
Dilutive impact of RSUs	10	—	1	—
Dilutive impact of Stock Options	30	—	28	—
Weighted average shares outstanding - diluted	43,058	44,081	43,597	42,569
Net income per common share:				
Basic	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13
Diluted	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13

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

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with "Risk Factors," "Forward-Looking Statements," "Selected Historical Financial and Operating Data," and our financial statements and related notes included in our Annual Report on Form 10-K for fiscal year 2014 filed with the Securities and Exchange Commission on February 25, 2015 (the "2014 10-K") and elsewhere in this Quarterly Report on Form 10-Q, as applicable.

Overview

We are a leading manufacturer of gypsum wallboard and complementary finishing products in the eastern United States and eastern Canada. We operate highly efficient and automated manufacturing facilities that produce a full range of gypsum wallboard products for our diversified customer base. We sell our products in the new residential, repair and remodel ("R&R") and commercial construction markets. We believe our operating efficiencies, favorable plant locations, manufacturing expertise and focus on delivering superior customer service position us to benefit from an anticipated increase in gypsum wallboard demand as the housing market recovers from historic lows.

Our primary reportable segment is wallboard, which accounted for approximately 97% of our net sales in each of the three and nine months ended September 30, 2015 and 97% and 96% in the three and nine months ended September 30, 2014, respectively. We also operate other business activities, primarily finishing products, which complement our full range of wallboard products. See Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 15, Segment Reporting.

Due to our limited history as a stand-alone company and changes in connection with our Initial Public Offering, the historical financial information included in this Quarterly Report on Form 10-Q is not necessarily indicative of our financial position, results of operations and cash flows in the future.

Paper and synthetic gypsum are our principal wallboard raw materials. Paper constitutes our most significant input cost and the most significant driver of our variable manufacturing costs. Energy costs, consisting of natural gas and electricity, are the other key input costs. In total, manufacturing cash costs represented 61% of our costs of goods sold for each of the nine months ended September 30, 2015 and September 30, 2014. Depreciation and amortization represented 16% and 17% of our costs of goods sold for the nine months ended September 30, 2015 and September 30, 2014, respectively. Distribution costs to deliver product to our customers represented the remaining portion of our costs of goods sold, or approximately 23% and 22% of our costs of goods sold for the nine months ended September 30, 2015 and September 30, 2014, respectively.

Variable manufacturing costs, including inputs such as paper, gypsum, natural gas, and other raw materials, represented 67% and 70% of our manufacturing cash costs for the nine months ended September 30, 2015 and September 30, 2014, respectively. Fixed production costs excluding depreciation and amortization consisted of labor, maintenance, and other costs that represented 33% and 30% of manufacturing cash costs for the nine months ended September 30, 2015 and September 30, 2014, respectively.

We currently purchase substantially all of our paperboard liner from Seven Hills, a joint venture between the Company and West-Rock Company, formerly known as RockTenn Company ("WestRock"). Under the agreement with Seven Hills, the price of paper adjusts based on changes in the underlying costs of production of the paperboard liner, of which the two most significant are recovered waste paper and natural gas. The largest waste paper source used by the operation is old cardboard containers (known as OCC). Seven Hills has the capacity to supply us with approximately 75% of our paper needs at our full capacity utilization and substantially all of our needs at current capacity utilization on market-based pricing terms that we consider favorable. We believe we can also purchase additional paper on the spot market at competitive prices. See Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 11, Investment in Seven Hills.

[Table of Contents](#)**Results of Operations**

The table below highlights our results of operations for the three and nine months ended September 30, 2015 and the three and nine months ended September 30, 2014 (*in thousands, except per share data and mill net sales price*):

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net Sales	\$ 108,150	\$ 113,804	\$ 311,322	\$ 303,692
Costs, expenses and other income:				
Cost of goods sold	78,151	85,821	231,342	241,042
Selling and administrative	9,008	7,774	26,799	23,358
Long Term Incentive Plan funded by Lone Star	9,933	—	29,946	—
Total costs and operating expenses	97,092	93,595	288,087	264,400
Operating income (loss)	11,058	20,209	23,235	39,292
Other income (expense), net	(283)	(131)	(700)	(5,461)
Interest expense, net	(4,154)	(4,945)	(12,559)	(24,518)
Income (loss) before loss on equity method investment and income tax	6,621	15,133	9,976	9,313
Loss from equity method investment	(278)	(20)	(530)	(257)
Income (loss) before income tax	6,343	15,113	9,446	9,056
Income tax benefit (expense)	(2,104)	(5,627)	(3,313)	(3,526)
Net income (loss)	\$ 4,239	\$ 9,486	\$ 6,133	\$ 5,530
Net income (loss) per common share:				
Basic	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13
Diluted	\$ 0.10	\$ 0.22	\$ 0.14	\$ 0.13
Weighted average shares outstanding:				
Basic	43,000	44,069	43,557	42,561
Diluted	43,058	44,081	43,597	42,569
Other Financial and Operating Data:				
EBITDA (1)	\$ 23,719	\$ 33,720	\$ 62,166	\$ 80,616
Adjusted EBITDA (1)	\$ 33,652	\$ 33,720	\$ 92,112	\$ 80,616
Capital expenditures and software purchased or developed	\$ 1,444	\$ 3,219	\$ 3,731	\$ 6,090
Wallboard sales volume (MSF)	567	590	1,603	1,552
Mill net sales price (2)	\$ 153.05	\$ 154.10	\$ 155.68	\$ 155.57

- (1) EBITDA and Adjusted EBITDA are non-GAAP measures. See “Reconciliation of Non-GAAP Measures” below for how we calculate and define EBITDA and Adjusted EBITDA as non-GAAP measures, reconciliations thereof to operating income, the most directly comparable GAAP measure, and a description as to why we believe these measures are important.
- (2) Mill net sales price represents average selling price per thousand square feet net of freight and delivery costs.

Three and Nine Months Ended September 30, 2015 Compared to Three and Nine Months Ended September 30, 2014

Net Sales. Net sales decreased by \$5.7 million, down 5.0% from \$113.8 million for the three months ended September 30, 2014, to \$108.2 million for the three months ended September 30, 2015. The decrease was primarily attributable to lower volume, which had approximately \$4.3 million unfavorable impact on net sales. Total volume decreased 3.9% compared to the prior year period, driven by a U.S. volume decrease of 5.1%. Foreign exchange rates and lower sales of our other products reduced net sales by an additional \$1.7 million and \$0.2 million, respectively. The increase in the average net selling price for gypsum wallboard at constant exchange rates had a \$0.5 million favorable impact on net sales.

Net sales increased by \$7.6 million, up 2.5% from \$303.7 million for the nine months ended September 30, 2014, to \$311.3 million for the nine months ended September 30, 2015. The increase was primarily attributable to the increase in volume, which contributed approximately \$9.5 million of additional net sales. Total volume increased 3.3% compared to the prior year period, driven by a U.S. volume increase of 2.4% and improved Canadian volumes. The decrease in the average net selling price for gypsum wallboard at constant exchange rates had a \$3.2 million favorable impact on net sales. An unfavorable \$4.0 million impact of foreign currency and \$1.1 million in lower sales of our other products contributed to the remaining difference.

Cost of Goods Sold. Cost of goods sold decreased \$7.7 million, down 8.9% from \$85.8 million for the three months ended September 30, 2014, to \$78.2 million for the three months ended September 30, 2015. Approximately \$2.5 million of the decrease in cost of goods sold was due to lower manufacturing and freight costs, primarily helped by lower energy prices. Lower wallboard and non-wallboard sales volumes reduced cost of goods sold by \$2.1 million and \$0.3 million, respectively. A favorable \$1.5 million impact of foreign exchange rates and \$1.3 million in lower amortization contributed to the remaining difference.

Cost of goods sold decreased \$9.7 million, down 4.0% from \$241.0 million for the nine months ended September 30, 2014, to \$231.3 million for the nine months ended September 30, 2015. Approximately \$6.1 million of the decrease in cost of goods sold was due to lower manufacturing costs, primarily helped by lower energy prices. Lower amortization and favorable foreign exchange rates reduced costs by an additional \$3.6 million and \$3.7 million, respectively. Lower sales volumes of our non-wallboard products reduced cost of goods sold by \$1.2 million. Higher wallboard volumes increased costs by \$4.8 million and higher freight to customers increased costs by \$0.1 million.

Selling and Administrative Expense. Selling and administrative expense increased \$1.2 million, up 15.9% to \$9.0 million for the three months ended September 30, 2015 compared to \$7.8 million for the three months ended September 30, 2014. This increase was primarily driven by \$0.4 million higher amortization for the recently implemented information technology system, \$0.2 million in professional fees for the secondary public offering in the third quarter of 2015 and \$0.6 million related to additional costs of being a standalone company.

Selling and administrative expense increased \$3.4 million, up 14.7% to \$26.8 million for the nine months ended September 30, 2015 compared to \$23.4 million for the nine months ended September 30, 2014. This increase was primarily driven by \$1.3 million higher amortization for the recently implemented information technology system, \$0.9 million in professional fees for the secondary public offerings in the first nine months of 2015, \$0.9 million related to additional costs of being a standalone company and \$0.3 million in Delaware franchise tax.

Long Term Incentive Plan Funded by Lone Star. Under the LSF8 Gypsum Holdings, LP. Long Term Incentive Plan (the "LTIP"), certain of our officers and the estate of our former CEO are eligible to receive payments from LSF8 Gypsum Holdings, L.P., an affiliate of Lone Star Funds ("LSF8"), in the event of a monetization event, as further described in our 2014 10-K. LSF8 is responsible for funding any payments under the LTIP. The secondary public offering in March 2015 triggered a monetization event for the first time and resulted in aggregate payments of \$4.2 million, and the secondary public offerings in May and September 2015 resulted in aggregate payments of \$15.8 million and \$9.9 million, respectively. As these payments arose out of employment with the Company, the \$9.9 million and \$29.9 million expenses were recorded on the Company's books for the three and nine months ended September 30, 2015, respectively, and will also be deductible for tax purposes. The funding of LTIP is recorded as capital contributions from LSF8 in the statement of cash flows under financing activities.

Operating (Loss) Income. Operating income of \$11.1 million for the three months ended September 30, 2015 decreased by \$9.2 million from operating income of \$20.2 million for the three months ended September 30, 2014. The difference was driven mostly by the \$9.9 million LTIP expense, \$5.7 million lower net sales and \$1.2 million higher selling and administrative expense, partially offset by \$7.7 million lower cost of goods sold.

Operating income of \$23.3 million for the nine months ended September 30, 2015 decreased by \$16.1 million from operating income of \$39.3 million for the nine months ended September 30, 2014. The difference was driven mostly by the \$29.9 million LTIP expense and \$3.4 million higher selling and administrative expense, partially offset by \$7.6 million higher net sales and \$9.7 million lower cost of goods sold.

Other Income (Expense), Net. Other income (expense), net, was a net expense of \$0.3 million for the three months ended September 30, 2015, slightly higher than other expense of \$0.1 million in the prior year period.

For the nine months ended September 30, 2015, other income (expense), net, was a net expense of \$0.7 million, a decrease from the \$5.5 million other expense in the prior year period. The decrease is primarily due to non-recurring costs incurred in the first quarter 2014, including the prepayment premium of \$3.1 million for the repayment of the Second Lien Term Loan and \$2.0 million for the payment of termination fees to affiliates of Lone Star.

[Table of Contents](#)

Interest Expense, Net. Interest expense, net, was \$4.2 million for the three months ended September 30, 2015, compared to \$4.9 million for the prior year period, and relates to the First Lien Credit Agreement. This decrease was driven by lower borrowings during the third quarter of 2015 and a reduced interest rate on the First Lien Term Loan. During the third quarter of 2015, the Company prepaid \$15.0 million of the First Lien Term Loan.

Interest expense was \$12.6 million for the nine months ended September 30, 2015, a decrease from \$24.5 million for the nine months ended September 30, 2014, reflecting lower borrowings during the nine months ended September 30, 2015, a reduced interest rate on the First Lien Term Loan and non-recurring costs that occurred in 2014 and not in 2015. The non-recurring costs include a write-off of the original issue discount and deferred financing fees associated with the early repayment of the Second Lien Term Loan on February 10, 2014.

The Company prepaid \$59.9 million in the course of 2014 and \$35 million during the first nine months of 2015, in each case under the First Lien Credit Agreement. In May 2014, the interest rate on the First Lien Credit Agreement was reduced by 0.5% due to the Company reaching lower leverage ratios as outlined in the First Lien Credit Agreement. In August 2014, the interest rate on the First Lien Credit Agreement was further reduced by 0.25% due to a ratings upgrade by Moody's (See Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 13). As a result, the effective interest rate on the First Lien Credit Agreement as of September 30, 2015 was 4.77% and the effective interest rate on the Revolver was 3.25%.

Income Tax Benefit (Expense). Income tax expense was \$2.1 million for the three months ended September 30, 2015, compared to an income tax expense of \$5.6 million in the prior year period.

Income tax expense was \$3.3 million for the nine months ended September 30, 2015, compared to an income tax expense of \$3.5 million in the prior year period.

Net Income (Loss) . Net income for the three months ended September 30, 2015 was \$4.2 million, compared to a net income of \$9.5 million in the prior year period. The decrease was primarily driven by the \$9.9 million LTIP expense, \$5.6 million lower net sales and \$1.2 higher selling, general and administrative expense, partly offset by \$3.5 million lower income tax expense and \$7.7 million lower cost of goods sold.

Net income for the nine months ended September 30, 2015 was \$6.1 million, compared to a net income of \$5.5 million in the prior year period. The increase was primarily driven by \$7.6 million higher net sales, \$9.7 million lower cost of goods sold, \$12.0 million lower interest expense and \$4.8 million lower other expense, partly offset by the \$29.9 million LTIP expense and \$3.4 million higher selling, general and administrative expense.

[Table of Contents](#)**Reconciliation of Non-GAAP Measures**

EBITDA and Adjusted EBITDA have been presented in this Quarterly Report on Form 10-Q as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We have presented EBITDA and Adjusted EBITDA as supplemental performance measures because we believe that they facilitate a comparative assessment of our operating performance relative to our performance based on our results under GAAP while isolating the effects of some items that vary from period to period without any correlation to core operating performance and eliminate certain charges that we believe do not reflect our operations and underlying operational performance. Management also believes that EBITDA and Adjusted EBITDA are useful to investors because they present a better reflection of our performance as an independent company following the Acquisition and allow investors to view our business through the eyes of management and the Board of Directors, facilitating comparison of results across historical periods.

EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate EBITDA and Adjusted EBITDA in the same manner as we do. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered in isolation or as alternatives to operating income determined in accordance with GAAP or any other financial statement data presented as indicators of financial performance or liquidity, each as calculated and presented in accordance with GAAP.

The following table reconciles the non-GAAP measures to GAAP measures:

<i>(in thousands)</i>	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Income - GAAP Measure	\$ 11,058	\$ 20,209	\$ 23,235	\$ 39,292
Adjustments:				
Depreciation and amortization	12,661	13,511	38,931	41,324
EBITDA—Non-GAAP Measure	23,719	33,720	62,166	80,616
Long Term Incentive Plan funded by Lone Star <i>(a)</i>	9,933	—	29,946	—
Adjusted EBITDA—Non-GAAP Measure	\$ 33,652	\$ 33,720	\$ 92,112	\$ 80,616

(a) Represents expense recognized pursuant to the LTIP funded by LSF8, an affiliate of Lone Star.

Liquidity and Capital Resources

Since the Acquisition, our primary sources of liquidity are cash on hand, cash from operations, and borrowings under the debt financing arrangements that we entered into in connection with the Acquisition. We believe these sources will be sufficient to fund our planned operations and capital expenditures. See Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 13, Debt, and the 2014 10-K for a more detailed discussion of our debt financing arrangements.

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the Company for the nine months ended September 30, 2015 and September 30, 2014:

<i>(in thousands)</i>	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net cash provided by operating activities	\$ 50,844	\$ 45,708
Net cash used in investing activities	(2,938)	(4,336)
Net cash used in financing activities	(45,285)	(40,621)
Effect of foreign exchange rates on cash and cash equivalents	(990)	(417)
Net change in cash and cash equivalents	\$ 1,631	\$ 334

Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$50.8 million for the nine months ended September 30, 2015. Net cash provided by operating activities for the nine months ended September 30, 2014 was \$45.7 million. This improvement was primarily due to an increase in net working capital.

Net Cash Used In Investing Activities

Net cash used in investing activities was \$2.9 million and \$4.3 million for the nine months ended September 30, 2015 and September 30, 2014, respectively. Net cash used in investing activities for the nine months ended September 30, 2015 reflects an aggregate of \$3.7 million in capital expenditures and software purchased or developed, partially offset by \$0.8 million in distributions received from our equity investment in Seven Hills. The decrease in cash used for investing activity in for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014 was primarily due to lower expenditures for software purchased or developed as we implemented a new information technology system in 2014. Lower capital expenditures were offset by lower distributions received from our equity investment in Seven Hills.

Net Cash Used In Financing Activities

Net cash used in financing activities was \$45.3 million for the nine months ended September 30, 2015. Net cash used in financing activities was \$40.6 million for the nine months ended September 30, 2014. In May 2015, the Company repurchased 913,200 shares of its common stock from LSF8 for an aggregate amount of approximately \$20.0 million. In September 2015, the Company repurchased an additional 1,007,500 shares of its common stock from LSF8 for an aggregate amount of approximately \$20.0 million. The Company made voluntary prepayments of \$35.0 million on the First Lien Credit Agreement in the nine months ended September 30, 2015. The next required mandatory principal payment on the First Lien Credit Agreement is the amount due at maturity on August 28, 2020. In addition, the Company received \$29.8 million of LTIP funding from Lone Star.

In the first quarter 2014, net proceeds of \$151.4 million from the Initial Public Offering were used to repay a portion of the Second Lien Credit Agreement of \$155 million.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the periods presented. Our 2014 10-K includes a summary of the critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenues or expenses during the first nine months of 2015.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements.” These forward-looking statements are included throughout this Quarterly Report on Form 10-Q, and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will” and similar terms and phrases to identify forward-looking statements in this Quarterly Report on Form 10-Q. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- cyclicity in our markets, especially the new residential construction market;
- the highly competitive nature of our industry and the substitutability of competitors’ products;
- disruptions in our supply of synthetic gypsum due to regulatory changes or coal-fired power plants switching to natural gas;
- changes to environmental and safety laws and regulations requiring modifications to our manufacturing systems;
- disruptions to our supply of paperboard liner;
- potential losses of customers;
- changes in affordability of energy and transportation costs;
- material disruptions at our facilities or the facilities of our suppliers;
- changes in, cost of compliance with or the failure or inability to comply with governmental laws and regulations, in particular environmental regulations;
- our involvement in legal and regulatory proceedings;
- our ability to attract and retain key management employees;

[Table of Contents](#)

- disruptions in our information technology systems;
- labor disruptions;
- seasonal nature of our business;
- the effectiveness of our internal control over financial reporting;
- increased costs and demands on management as a public company;
- our limited public company operating experience;
- our relationship, and actual and potential conflicts of interest, with Lone Star; and
- additional factors discussed under the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” in our 2014 10-K, as applicable.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on historical performance and management’s current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include those described in “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates, and commodity price risk associated with our input costs. We use derivative instruments to manage certain commodity price and interest rate exposures. We do not use derivative instruments for speculative trading purposes, and we typically do not hedge beyond two years. See Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 14, Derivative Instruments, for additional information regarding our financial exposures.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our outstanding debt, and cash and cash equivalents. As of September 30, 2015, we had \$17.3 million in cash and cash equivalents. The interest expense associated with First Lien Credit Agreement and any loans under the Revolver will vary with market rates.

Our exposure to market risk for changes in interest rates related to our outstanding debt is somewhat mitigated as the First Lien Term Loan and the Revolver have a LIBOR floor of 1%. A rise of current interest rate levels to above the 1% floor would be required to increase our interest expense and a reduction in interest rates would have no impact on our interest expense. As of September 30, 2015, we elected to use three month LIBOR with a rate of 0.25%. A hypothetical 1% increase in interest rates would have increased interest expense by approximately \$0.3 million for the three months ended September 30, 2015.

At March 31, 2014, the Company entered into an interest rate cap on three months US Dollar LIBOR of 2% for a notional amount of \$206.5 million, which represented one-half of the principal amount due under our First Lien Credit Agreement at March 31, 2014. The notional amount of the interest rate cap declines by approximately \$0.5 million each quarter through December 31, 2015, and was \$203.4 million as of September 30, 2015. The objective of the hedge is to protect our cash flows for a portion of the First Lien Credit Agreement from adverse extreme market interest rate changes through September 30, 2016. As U.S. Dollar LIBOR interest rates remain below 2%, the contract had a fair value of \$0 at September 30, 2015.

The return on our cash equivalents balance was less than one percent. Therefore, although investment interest rates may further decrease in the future, the corresponding impact to our interest income, and likewise to our income and cash flow, would not be material.

Foreign Currency Risk

Approximately 8% and 9% of our sales for the three and nine months ended September 30, 2015, respectively, and 7 % and 9% of our sales for the three and nine months ended September 30, 2014, respectively, were in Canada. As a result, we are exposed to movements in foreign exchange rates between the U.S. dollar and Canadian dollar. We estimate that a 1% change in the exchange rate between the U.S. and Canadian currencies would impact net sales by approximately \$0.1 million and \$0.3 million based on 2015 results for the three and nine months ended September 30, 2015, respectively. This may differ from actual results depending on the level of sales volumes in Canada. During the reported periods we did not use foreign currency hedges to manage this risk.

Commodity Price Risk

Some of our key production inputs, such as paper and natural gas, are commodities whose prices are determined by the market's supply and demand for such products. Price fluctuations on our key input costs have a significant effect on our financial performance. The markets for most of these commodities are cyclical and are affected by factors such as global economic conditions, changes in or disruptions to industry production capacity, changes in inventory levels and other factors beyond our control.

We use natural gas swap contracts to manage our exposure to fluctuations in commodity prices associated with anticipated purchases of natural gas. Currently, a portion of our anticipated purchases of natural gas for 2015 is hedged. The aggregate notional amount of these hedge contracts in place as of September 30, 2015 was 100 thousand mmBTUs. We review our positions regularly and make adjustments as market and business conditions warrant. The fair value of the outstanding quarter-end contracts was an unrealized loss of \$0.1 million as of September 30, 2015. In October 2015, the Company entered into two new gas swap contracts in the aggregate notional amount of 1,280 thousand mmBTUs covering approximately 25% of its gas needs. One of these contracts matures by March 31, 2016 and one matures by October 31, 2016. Both contracts are effective as of November 1, 2015.

Seasonality

Sales of our wallboard products are, similar to many building products, seasonal in that sales are generally slightly higher from spring through autumn when construction activity is greatest in our markets.

Item 4. Controls and Procedures**Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

We have been from time to time, and may in the future become, party to litigation or other legal proceedings that we consider to be part of the ordinary course of our business. We are not currently involved in any legal proceedings that could be reasonably expected to have a material adverse effect on our business or our results of operations. We may become involved in material legal proceedings in the future.

For a description of our legal proceedings, see Part I, Item 1, Financial Information – Notes to Consolidated Financial Statements, Note 9, Commitments and Contingencies, which is incorporated herein by reference.

Item 1A. Risk Factors

We are subject to risks and uncertainties that could cause our actual results to differ materially from the expectations expressed in the forward looking statements. Factors that could cause our actual results to differ from expectations are described under Item 1A. Risk Factors in the 2014 10-K, as supplemented by the update in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, to which there were no material changes during the period covered by this Quarterly Report on Form 10-Q.

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

Effective August 4, 2015, our Board of Directors and Audit Committee approved the repurchase of up to \$20.0 million of our common stock from LSF8 in connection with a future secondary public offering by LSF8. On September 10, 2015, we entered into a stock purchase agreement with LSF8 pursuant to which we agreed to repurchase, in a private, non-underwritten transaction, a number of shares of our common stock held by LSF8 with an aggregate value of \$20.0 million, at a price per share equal to the per share price paid by the underwriter to LSF8 in the related secondary public offering, rounded down to the nearest 100 shares. The repurchase transaction closed along with the offering on September 16, 2015. There is no remaining capacity under this repurchase authorization.

Common stock repurchase activity during the fiscal quarter ended September 30, 2015 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value That May Yet Be Purchased Under the Plans or Programs
July 1 - July 31, 2015	—	\$ —	—	\$ —
August 1 - August 31, 2015	—	\$ —	—	\$ —
September 1 - September 31, 2015	1,007,500	\$ 19.85	—	\$ —
Total	1,007,500	\$ 19.85	—	\$ —

Item 5. Other Information**Stock Repurchase Program**

On November 3, 2015, our Board of Directors approved a stock repurchase program authorizing the repurchase of up to \$50.0 million of our common stock at such times and prices as determined by management as market conditions warrant. The stock repurchase authorization expires on December 31, 2016. The repurchase program does not obligate us to repurchase any dollar amount or number of shares.

Share Ownership Guidelines

On November 3, 2015, our Board of Directors formally approved share ownership guidelines previously recommended by the Compensation Committee pursuant to which our executive officers are expected to establish and maintain ownership of a specified amount of our common stock. Pursuant to the guidelines, the Chief Executive Officer is expected to hold common stock with a value of five times salary, the Chief Financial Officer is expected to hold common stock with a value of two and one-half times salary and all other executive officers are expected to hold common stock with a value equal to such executive officer's salary, in each case based on compensation levels as of the time the executive officer became subject to the applicable guideline. Executive officers have five years from the date of becoming subject to the applicable guideline to reach the requisite ownership level. Shares of common stock held outright and in retirement accounts as well as the after-tax value of unvested shares of restricted stock and unvested but earned performance shares are counted towards attaining the requisite ownership level.

Executive Severance and Change in Control Plan

On November 3, 2015, our Board of Directors approved the Continental Building Products, Inc. Executive Severance and Change in Control Plan (the “Plan”), which has an initial term of two years. The Plan provides benefits to a total of seven officers of the Company, including our Chief Executive Officer, other Named Executive Officers and certain other executive officers of the Company, both (i) in the event of a termination of employment in connection with a Change in Control (as defined in the Plan) of the Company and (ii) in certain circumstances in connection with the termination of employment not in anticipation of a Change in Control. In both cases, in the event of a termination of employment, plan participants would receive earned salary, accrued but unpaid bonus and accrued but unpaid vacation time (the “Accrued Obligations”).

In the event of a termination of employment in connection with a Change of Control (as defined in the Plan), in addition to the Accrued Obligations, plan participants would receive (i) a severance payment equal to the participant’s Benefit Multiplier (as defined in the Plan) and the sum of the participant’s base salary and target bonus opportunity, plus (ii) a pro-rata portion of the participant’s bonus based on the number of days of employment during the bonus plan year in which the termination occurs, and based on actual performance, plus (iii) all life, disability, medical, dental and/or vision insurance programs in which the participant or family members were participating, for a period of twenty four months for the Company’s CEO and a period of twelve months for all other plan participants. The “Benefit Multiplier” under the Plan is two for the Company’s CEO and one for each other plan participant. In the event of a termination in connection with a Change in Control, outstanding equity awards are generally treated as follows: (i) outstanding and unvested stock options immediately vest and are exercisable for a period of ninety (90) days; (ii) restrictions on outstanding shares of restricted stock and restricted stock units lapse and they become non-forfeitable; and (iii) unearned performance share units shall be deemed to have earned and paid out in full assuming achievement of 100% of target level performance.

In the event, not in connection with a Change in Control, a participant is terminated without Cause (as defined in the Plan) or the participant terminates for Good Reason (as defined in the Plan), in addition to the Accrued Obligations, plan participants would receive (i) a severance payment equal to the product of the Benefit Multiplier and the participant’s base salary, plus (ii) a pro-rata portion of the participant’s bonus based on the number of days of employment during the bonus plan year in which the termination occurs, and based on actual performance, plus (iii) all life, disability, medical, dental and/or vision insurance programs in which the participant or family members were participating, for a period of twenty four months for the Company’s CEO and a period of twelve months for all other plan participants. In the event of such a termination without Cause or for Good Reason, outstanding equity awards are generally treated as follows: (i) outstanding and unvested stock options immediately vest on a pro-rata basis based on the number of days the participant was employed through the date of termination and are exercisable for a period of ninety (90) days; (ii) all unvested shares of restricted stock and restricted stock units are forfeited back to the Company, and (iii) unearned performance share units are deemed to have been earned and paid out on a pro-rata basis based on the number of days the participant was employed through the termination, measuring actual performance achieved as of the completion of the applicable performance cycle.

Item 6. Exhibits

10.1	Stock Purchase Agreement dated September 10, 2015 between Continental Building Products, Inc. and LSF8 Gypsum Holdings, L.P.
10.2#	Continental Building Products, Inc. Executive Severance and Change in Control Plan
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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 Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Denotes management 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.

Continental Building Products, Inc.

By: /s/ James Bachmann
Name: James Bachmann
Title: President and Chief Executive Officer

By: /s/ Dennis Schemm
Name: Dennis Schemm
Title: Senior Vice President, Chief Financial Officer

Date: November 5, 2015

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement, dated September 10, 2015 (the “Agreement”), is entered into by and between Continental Building Products, Inc., a Delaware corporation (the “Company”), and LSF8 Gypsum Holdings, L.P., a Delaware limited partnership (the “Selling Stockholder”).

WHEREAS, the Selling Stockholder owns 11,614,303 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), and wishes to sell a certain number of the Shares to the Company;

WHEREAS, it is expected that the Selling Stockholder will effect an underwritten secondary public offering of a certain number of the Shares (the “Offering”) pursuant to the Company’s shelf registration statement on Form S-3 (File No. 333-202400), as amended, no later than September 16, 2015;

WHEREAS, in connection with the Offering, the Company wishes to purchase the aggregate amount of Shares specified herein from the Selling Stockholder, and the Selling Stockholder wishes to sell such aggregate amount of Shares to the Company, in the manner, for the consideration and subject to the terms and conditions set forth in this Agreement; and

WHEREAS, the transactions contemplated by this Agreement were approved by the Company’s Board of Directors and the Company’s Audit Committee.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants hereinafter contained, the parties hereby agree as follows:

1. TERMS OF PURCHASE AND SALE OF THE SHARES

(a) *Shares to Be Purchased.* On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined below), the Selling Stockholder shall sell, transfer and deliver to the Company, free and clear of all liens, charges or encumbrances of any nature whatsoever, and the Company shall purchase from the Selling Stockholder, all of the Selling Stockholder’s right, title and interest in and to a number of Shares equal to Twenty Million Dollars (\$20,000,000.00) divided by the Per Share Purchase Price (as defined below), rounded down to the nearest hundred Shares (the “Purchased Shares”).

(b) *Purchase Price.* The purchase price per Purchased Share (the “Per Share Purchase Price”) shall be an amount equal to the net proceeds per Share to be received by the Selling Stockholder in the Offering. At the Closing, the Company shall pay to the Selling Stockholder by wire transfer of immediately available funds an amount equal to the Per Share Purchase Price multiplied by the number of Purchased Shares (the “Purchase Price”).

(c) *Closing Deliveries.* Upon receipt of the Purchase Price from the Company, the Selling Stockholder shall direct the Company’s registrar and transfer agent to deliver to the Company the Purchased Shares, by book entry transfer or other method agreed upon by the Company and the Selling Stockholder, accompanied by a duly executed stock power transferring said Purchased Shares to the Company.

(d) *Closing Date and Place.* The consummation of the purchase and sale of the Purchased Shares (the “Closing”) shall take place on the date of the closing of the Offering at the offices of Gibson, Dunn & Crutcher LLP, 2100 McKinney Avenue, Suite 1100, Dallas, Texas 75206 or at such other place as agreed upon by the Company and the Selling Stockholder.

The Selling Stockholder hereby represents and warrants to the Company as follows:

(a) *All Action Necessary.* The Selling Stockholder has taken all action necessary to enter into this Agreement and to carry out and consummate the transactions contemplated hereby, and this Agreement has been duly executed and delivered by or on behalf of the Selling Stockholder.

(b) *Title.* The Selling Stockholder is the record and beneficial owner of the Purchased Shares, free and clear of all liens, encumbrances, equities and claims, and has duly endorsed such Purchased Shares in blank, and has full power and authority to sell its interest in the Purchased Shares. Upon payment for the Purchased Shares pursuant to this Agreement and delivery of such Purchased Shares, (A) the Company shall be a “protected purchaser” of such Purchased Shares within the meaning of Section 8-303 of the New York Uniform Commercial Code (the “UCC”), (B) under Section 8-501 of the UCC, the Company will acquire a valid security entitlement in respect of such Purchased Shares and (C) no action based on any “adverse claim,” within the meaning of Section 8-102 of the UCC, to such Purchased Shares may be asserted against the Company with respect to such security entitlement. For purposes of this representation, the Selling Stockholder may assume that when such payment, delivery and crediting occur, such Purchased Shares will have been registered in the name of the Company, retired or treated as treasury shares, in each case on the Company’s share registry in accordance with its certificate of incorporation, bylaws and applicable law.

(c) *No Conflicts.* Neither the sale of the Purchased Shares nor the consummation of any other of the transactions herein contemplated by the Selling Stockholder or the fulfillment of the terms hereof by the Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under any law or the organizational documents of the Selling Stockholder or the terms of any indenture or other agreement or instrument to which the Selling Stockholder or any of its subsidiaries is a party or bound, or any judgment, order or decree applicable to the Selling Stockholder or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Selling Stockholder or any of its subsidiaries, except as would not reasonably be expected to materially and adversely affect the ability of the Selling Stockholder to perform its obligations hereunder.

The Company represents and warrants to the Selling Stockholder as follows:

(a) *Power and Authority.* The Company has full corporate power and authority and has taken all action necessary to enter into this Agreement and to carry out and consummate the transactions contemplated hereby, and this Agreement has been duly executed and delivered by the Company.

(b) *No Conflicts.* Neither the purchase of the Purchased Shares nor the consummation of any other of the transactions herein contemplated by the Company or the fulfillment of the terms hereof by the Company will conflict with, or result in a breach or violation of, or an imposition of any lien, charge or encumbrance upon any property or assets of the Company or constitute a default under any law or the organizational documents of the Company or the terms of any indenture or other agreement or instrument to which the Company or any of its subsidiaries is a party or bound, or any judgment, order or decree applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company or any of its subsidiaries, except as would not reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations hereunder.

4. CONDITION TO CLOSING

The obligations of the parties hereunder are subject to and conditioned upon, and the transactions contemplated hereby will occur concurrent with, the closing of the Offering.

5. TERMINATION

Notwithstanding anything else set forth in this Agreement to the contrary, this Agreement shall terminate, be null and void and of no further force or effect if:

(a) based on the pricing of the Offering, the Per Share Purchase Price exceeds \$25.00; or

(b) the Offering has not been consummated on or prior to September 30, 2015.

6. MISCELLANEOUS

(a) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) *Paragraph and Section Headings.* The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof.

(c) *Entire Agreement; Amendment and Waiver.* This Agreement constitutes the entire understanding of the parties hereto and supersedes all prior understandings among such parties. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of each of the parties hereto.

(e) *Execution.* This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed by facsimile or electronic signature, which for all purposes hereunder shall have the same force and effect as an original.

[Signature page follows.]

Continental Building Products, Inc.

By: /s/ Timothy Power

Name: Timothy Power

Title: SVP & General Counsel

LSF8 Gypsum Holdings, L.P.

By: LSF8 GenPar, LLC, its general partner

By: /s/ Kyle Volluz

Name: Kyle Volluz

Title: President

CONTINENTAL BUILDING PRODUCTS, INC.

EXECUTIVE SEVERANCE AND CHANGE IN CONTROL PLAN

Article 1 — Introduction

1.1 Purpose of Plan. Continental Building Products, Inc. (and, together with its Subsidiaries, the “Company”) considers it essential and in the best interests of the Company and its stockholders to promote and preserve the continuous employment of key management personnel. The Compensation Committee recognizes that, as is the case with many publicly held corporations, a Change in Control, and the uncertainty and questions that it may raise among management may result in departure or distraction of key management personnel to the detriment of the Company and its stockholders. Therefore, the Compensation Committee has adopted the Continental Building Products, Inc. Executive Severance and Change in Control Plan (the “Plan”) to enable certain key management personnel to devote their full and continued attention to the Company’s business affairs during the crucial (and often tumultuous) period preceding and immediately following a Change in Control. The Plan is also intended to provide for severance payments to a Participant whose employment is terminated under certain circumstances not involving a Change in Control. This Plan document is also the summary plan description of the Plan.

1.2 Initial Term. This Plan will commence on the Effective Date and shall continue in effect for a period of two (2) years (the “Initial Term”).

1.3 Successive Periods. The term of this Plan shall automatically be extended for one (1) additional year at the end of the Initial Term, and then again after each successive one (1) year period thereafter (each such one (1) year period following the Initial Term is referred to as a “Successive Period”) on the same terms and conditions, unless the Plan is either terminated or amended by the Compensation Committee in its sole discretion at the end of the Initial Term or a Successive Period, in which case the Plan will either terminate at the end of the applicable term or continue under the new terms approved by the Compensation Committee.

Article 2 — Definitions

Whenever used herein, the following terms have the following meanings unless a different meaning is clearly intended:

2.1 “Accounting Firm” means the public accounting firm designated in Section 5.3(b).

2.2 “Accrued Obligations” means: (a) Base Salary and other benefits earned by a Participant through the Date of Termination that remains unpaid, (b) any bonus earned with respect to any period which ended prior to the Date of Termination, which remains unpaid, (c) any reimbursement or payment due to the Participant on or prior to the date of Termination, which remains unpaid, and (d) the value of any unused vacation or other paid-time off determined under the Company’s personnel policy. These amounts will be paid no later than 30 days after the Participant’s Date of Termination and where applicable will be based on the rate of compensation and value of benefits in effect on the Participant’s Date of Termination

2.3 “Administrator” means the Compensation Committee, or such other person or committee as may be appointed from time to time by the Board or Compensation Committee to supervise administration of the Plan.

2.4 “Applicable Severance Period” means (a) with respect to a Tier I Executive, twenty-four (24) months for purposes of Section 5.1(d), Section 6.1(d), Section 6.2, and Section 8.3; and (b) with respect to a Tier II Executive, twelve (12) months for purposes of Section 5.1(d), Section 6.1(d), Section 6.2, and Section 8.3.

2.5 “Base Salary” means the Participant’s annual rate of base salary in effect as of the Date of Termination.

2.6 “Benefit Multiplier” means (a) with respect to a Tier I Executive, two (2) for purposes of Section 5.1(b) and Section 6.1(b); and (b) with respect to a Tier II Executive, one (1) for purposes of Section 5.1(b) and Section 6.1(b).

2.7 “Board” means the Company’s Board of Directors.

2.8 “Bonus Amount” means the Participant’s annual bonus target opportunity in effect during the year of the Participant’s termination.

2.9 “Cause” means the Participant’s (a) willful and continued failure to substantially perform assigned duties for the Company (other than any such failure resulting from the Participant’s disability) if such failure to perform is not fully cured by the Participant within ten (10) days after he or she receives written notice of such failure from the Company; (b) gross misconduct which is materially and demonstrably injurious to the Company; (c) willful violation of any of the covenants contained in Article 8 of this Plan; (d) conviction of, or plea of nolo contendere, to (i) a felony or (ii) any other crime which, in the reasonable opinion of the Company, could adversely affect the business or reputation of the Company; (e) commission of an act of misappropriation, fraud, embezzlement, or material breach of fiduciary duty to the Company; or (f) a material violation of the Company’s code of conduct or any other policy of the Company that applies to the Participant.

2.10 “Change in Control” means an event that shall be deemed to have occurred on any of the following:

(a) at any time during a period of twelve (12) consecutive months, the Incumbent Directors cease for any reason other than death to constitute at least a majority of the members of the Board; provided however, that any individual becoming a director after the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the then Incumbent Directors shall also be treated as an Incumbent Director;

(b) the acquisition by any person or group (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than the

Company or any employee benefit plan (or related trust) sponsored or maintained by the Company, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of 35% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company provided, however, that the provisions of this paragraph (b) shall not include the acquisition of voting securities by any entity or person with respect to which that acquirer has filed SEC Schedule 13G (or any successor form or filing) indicating that the voting securities were not acquired and are not held for the purpose of or with the effect of changing or influencing, directly or indirectly, the Company's management or policies, unless and until that entity or person indicates that its intent has changed by filing SEC Schedule 13D (or any successor form or filing);

(c) the consummation of a merger, consolidation or other business combination of the Company with or into another entity, or the acquisition by the Company of assets or shares or equity interests of another entity, as a result of which the stockholders of the Company immediately prior to such merger, consolidation, other business combination or acquisition, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the entity resulting from such merger, consolidation or other business combination of the Company;

(d) the sale or other disposition of all or substantially all of the assets of the Company; or

(e) the liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to any amount payable under this Plan that is subject to Code Section 409A (and for which no exception applies), a Change in Control shall not be deemed to have occurred unless the events or circumstances constituting a Change in Control also constitute a "change in control event" within the meaning of Code Section 409A and the Treasury Regulations promulgated thereunder.

2.11 "CIC Participant" means a Participant who the Compensation Committee has designated as an individual eligible for the additional change in control benefits set forth in Article 5. Exhibit A sets forth the list of CIC Participants as of the Effective Date. Exhibit A may be amended by the Compensation Committee as indicated in Section 10.2.

2.12 "Code" means the Internal Revenue Code of 1986, as amended.

2.13 "Company" means Continental Building Products, Inc., a Delaware corporation, and any successor entity thereto.

2.14 "Compensation Committee" means the compensation committee of the Board.

2.15 "Confidential Information" means any and all confidential, proprietary or trade secret information of the Company or an affiliate not within the public domain, whether disclosed, directly or indirectly, verbally, in writing (including electronically) or by any other means in tangible or intangible form, including that which is conceived or developed by the Participant applicable to or in any way related to: (i) the present or future business of the Company or its affiliates; (ii) the research and development of the Company or its affiliates; or (iii) the business of any client or vendor of the Company or its affiliates. Such Confidential Information includes the following property or information of the Company or its affiliates, by way of example and without limitation, trade secrets, processes, formulas, data, program documentation, customer lists, designs, drawings, algorithms, source code, object code, know-how, improvements, inventions, licenses, techniques, all plans or strategies for marketing, development and pricing, business plans, financial statements, profit margins and all information concerning existing or potential clients, suppliers or vendors. Confidential Information of the Company also means all similar information disclosed to any member of the Company by third parties that is subject to confidentiality obligations. The Company shall not be required to advise the Participant specifically of the confidential nature of any such information, nor shall the Company be required to affix a designation of confidentiality to any tangible item, in order to establish and maintain its confidential nature. Notwithstanding the preceding to the contrary, Confidential Information shall not include general industry information or information that is publicly available or readily discernable from publicly available product or literature; information that the Participant lawfully acquires from a source other than the Company or its affiliates or any client or vendor of any member of the Company or its affiliates (provided that such source is not bound by a confidentiality agreement with any member of the Company or its affiliates); information that is required to be disclosed pursuant to any law, regulation, rule of any governmental body or authority, or stock exchange, or court order; or information that reflects employee's own skills, knowledge, know-how and experience gained prior to employment or service and outside of any connection to or relationship with the Company or any of its affiliates.

2.16 "Date of Termination" means the date of the Participant's Termination for purposes of receiving benefits under the terms of this Plan.

2.17 "Effective Date" means the effective date of this Plan, November 5th, 2015

2.18 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules, regulations and guidance thereunder. Any reference to a provision in ERISA shall include any successor provision thereto.

2.19 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.20 "Excise Tax" means the excise tax imposed by Code Section 4999, together with any interest or penalties imposed with respect to such tax.

2.21 "Good Reason" means any of the following to which a Participant has not consented in writing: (a) a material diminution in the Participant's Base Salary; (b) a material diminution in the Participant's authority, duties, or responsibilities; (c) the relocation of the Participant to a facility or a location more than fifty (50) or more miles from the Participant's principal business location at which the Participant must perform services for the Company; or (d) any other action or inaction that constitutes a material breach of the terms of this Plan; provided

however, that such events shall not constitute grounds for Good Reason termination unless such Participant has provided notice to the Compensation Committee of the existence of the one or more of the above conditions within ninety (90) days of its initial existence, the Company has been provided thirty (30) days to remedy the condition, and such Participant terminates his or her employment with the Company within ninety (90) days following the expiration of such cure period to the extent the condition remains uncured.

2.22 “**Incumbent Director**” means the members of the Board on the Effective Date.

2.23 “**Participant**” means any full-time employee of the Company designated by the Compensation Committee to participate in this Plan, whether as a Severance Participant and/or a CIC Participant, including any beneficiary of either.

2.24 “**Plan**” means Continental Building Products, Inc. Executive Severance and Change in Control Plan, as evidenced by this document, and any amendments thereto.

2.25 “**Protected Period**” means the period beginning on the date that is six (6) months preceding the date of a Change in Control and ending on the date that is twenty-four (24) months following the effective date of the Change in Control.

For the avoidance of doubt, no enhanced benefits payable to a CIC Participant due to a Termination occurring during the Protected Period (that is, benefits in excess of the benefits due upon a Termination outside the Protected Period) shall be paid prior to the effective date of a Change in Control.

2.26 “**Recoupment Policy**” means the Company’s executive compensation recoupment policy, as in effect on the Effective Date, or subsequently adopted thereafter, and any amendments thereto.

2.27 “**Severance Participant**” means a Participant who the Compensation Committee has designated as an individual eligible for the benefits set forth in Article 6. Exhibit A sets forth the list of Severance Participants as of the Effective Date. Exhibit A may be amended by the Compensation Committee as indicated in Section 10.2.

2.28 “**Safe Harbor Cap**” has the meaning set forth in Section 5.3(a).

2.29 “**Specified Employee**” means any Participant who is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof), as determined by the Company in accordance with its uniform policy with respect to all arrangements subject to Code Section 409A, based upon the 12 month period ending on each December 31st (such 12 month period is referred to below as the “identification period”). All Participants who are determined to be key employees under Code Section 416(i) (without regard to paragraph (5) thereof) during the identification period shall be treated as Specified Employees for purposes of the Plan during the 12 month period that begins on the first day of the fourth month following the close of such identification period.

2.30 “**Subsidiary**” or “**Subsidiaries**” means any corporation, partnership, venture or other entity in which the Company holds, directly or indirectly, a 50% or greater ownership interest. The Compensation Committee may, at its sole discretion, designate, on such terms and conditions as the Compensation Committee shall determine, any other corporation, partnership, limited liability company, venture or other entity a Subsidiary for purposes of this Plan.

2.31 “**Termination**” or “**Terminates**” means a “separation from service” from the Company within the meaning of Treasury Regulation Section 1.409A-1(h).

2.32 “**Tier I Executive**” means any Participant designated as a Tier I Executive.

2.33 “**Tier II Executive**” means any Participant designated as a Tier II Executive.

Article 3 — Eligibility to Participate

3.1 Participation. The Plan Administrator shall provide each Participant with a notice in writing indicating that such Participant has been selected for participation in the Plan as a Severance Participant and/or CIC Participant, and the specific level (Tier I or Tier II) at which such Participant shall participate, as of the date designated by the Compensation Committee. The written notice may include such other provisions deemed necessary or appropriate by the Plan Administrator that are not inconsistent with the provisions of the Plan.

3.2 Duration of Participation. A Participant shall cease to be a Participant in the Plan if (a) the Participant Terminates employment with the Company under circumstances not entitling him or her to benefits under the Plan; (b) the Participant breaches his or her obligations under Article 8, as described in Section 8.5; or (c) the amounts and benefits payable under the Plan to a Participant who is entitled to receive benefits under Article 4 of the Plan have been paid or provided to the Participant in full. The Compensation Committee in its sole discretion may remove any Severance Participant or CIC Participant from participation in the Plan, provided that no individual may be so removed from participation in the Plan as a CIC Participant in connection with or in anticipation of a Change in Control that actually occurs.

Article 4 — Eligibility for Benefits

4.1 Termination in Anticipation of or Following a Change in Control. If in anticipation of or following a Change in Control (a) (i) the Company Terminates a CIC Participant without Cause, or (ii) a CIC Participant Terminates for Good Reason by delivering to the Company a

written notice that specifies in reasonable detail the facts and circumstances claimed to provide a basis upon which the CIC Participant believes that Good Reason has arisen; provided that the Company does not cure such Good Reason event within 30 days after the notice is delivered, or the Company does not contest that Good Reason exists; and (b) the date of Termination is within the Protected Period, then the Company will pay or provide to the CIC Participant the payments and benefits described in Article 5.

4.2 Termination Not In Anticipation of or Connected with Change in Control. If the Company Terminates a Participant (a) without Cause, or (b) a Participant Terminates for Good Reason by delivering to the Company a written notice that specifies in reasonable detail the facts and circumstances claimed to provide a basis upon which the Participant believes that Good Reason has arisen; provided that the Company does not cure such Good Reason event within 30 days after the notice is delivered, or the Company does not contest that Good Reason exists; and (c) such Termination is either (i) not connected with a Change in Control or (ii) connected with a Change in Control but not within the Protected Period, then the Company will pay or provide to the Participant the payments and benefits described in Article 6.

4.3 Termination for Any Other Reason. If the Participant Terminates for any reason other than those described in either Section 4.1 or 4.2, including, but not limited to, death, disability, voluntary retirement, termination by the Company for Cause, or voluntary resignation, no payments or benefits will be paid or due to or on behalf of the Participant under this Plan at any time. Notwithstanding this Section 4.3, a Participant may be entitled to benefits under other plans maintained by the Company if the terms of such plans provide such benefits.

4.4 Effect of Employment Agreement. If, at any time a Participant is employed by the Company pursuant to an employment agreement (“Employment Agreement”), the following rules of application will be applied:

(a) If a term is defined in the Plan and in the Employment Agreement and those definitions are not identical, the definition contained in the Employment Agreement will supersede and replace the definition contained in the Plan for purposes of applying that term under both the Plan and the Employment Agreement; and

(b) If an event or a series of related events entitle a Participant to payments under both the Employment Agreement and Article 5 or Article 6 of the Plan, the Participant will be entitled to the payments due under Article 5 or Article 6 reduced by the amounts (if any) received under the Employment Agreement before the payments become due under the Plan and no further payments will be due under the Employment Agreement.

Article 5 — Change in Control Payments and Benefits

5.1 Calculation of Change in Control Payments. If a CIC Participant is eligible for payments and benefits under Section 4.1, the Company will:

(a) Pay the Accrued Obligations (as defined herein);

(b) Make a severance payment to the CIC Participant equal to the product of (i) the Benefit Multiplier (as defined herein) and (ii) the sum of such CIC Participant’s Base Salary and Bonus Amount;

(c) Pay the actual bonus that would have been payable to the CIC Participant for the calendar year that includes the Date of Termination based on actual performance as if the CIC Participant had remained employed through the end of such calendar year; provided, however, that such amount shall be adjusted on a pro rata basis based on the number of days the CIC Participant was actually employed during the bonus plan year in which the Date of Termination occurs;

(d) Continue for the Applicable Severance Period after the CIC Participant’s Date of Termination, to provide for the CIC Participant’s continued benefit (and that of all family members and other dependents who were enrolled in the programs on the CIC Participant’s Date of Termination) all life, disability, medical, dental and/or vision insurance programs in which the CIC Participant (or members of the CIC Participant’s family or other dependents) was participating or was covered immediately before the CIC Participant’s Date of Termination. If the terms of any of the programs just described do not allow the continued participation described in the preceding sentence, the Company will (i) provide benefits that are substantially similar (including eligibility conditions, conditions on benefits, the value of benefits and the scope of coverage) to those provided by the life, disability, medical, dental and/or vision insurance programs in which the CIC Participant (or members of the CIC Participant’s family or other dependents) was participating immediately before the CIC Participant’s Date of Termination and (ii) ensure that any eligibility or other conditions on benefits under these programs, including deductibles and co-payments, will be administered by applying the CIC Participant’s experience under any predecessor program in which the CIC Participant (or members of the CIC Participant’s family or other dependents) was participating immediately before the CIC Participant’s Date of Termination. Notwithstanding the foregoing provisions of this Section 5(d), in the event the Company is unable to provide any of the above promised benefits under its benefit plans, the Company will reimburse the CIC Participant for amounts necessary to enable the CIC Participant to obtain similar benefits substantially equal to what was provided to the CIC Participant immediately prior to the CIC Participant’s Date of Termination taking into account the amount of co-payment required by the CIC Participant; provided, that any such reimbursement shall be subject to the following: (A) the benefits or payments provided during any taxable year of the CIC Participant will not affect the benefits or payments to be provided to the CIC Participant in any other taxable year; (B) reimbursement of any eligible expense must be made on or before the last day of the CIC Participant’s taxable year following the taxable year in which the expense was incurred; and (C) the right to such benefits or payments is not subject to liquidation or exchange for another benefit or payment. To the extent that any benefit extended under this Section 5.1(d) would result in taxable compensation for the CIC Participant, the CIC Participant shall be solely responsible for any such taxes. Notwithstanding the foregoing, in the event a CIC Participant becomes reemployed with another employer and becomes eligible to receive group health plan coverage from such employer, the Company’s obligations under this Section 5.1(d) shall cease as of the date such CIC Participant commences such new employment. The CIC Participant shall promptly notify the Company of any such new employment;

(e) Outstanding equity awards shall be treated as follows: (i) all outstanding and unvested stock options and stock appreciation rights shall immediately vest and (along with all other outstanding and vested stock options and SARs) shall remain exercisable for a period of ninety (90) days from the Date of Termination or the last day of the stock option or SAR term, whichever occurs first, and all restrictions on unvested shares of restricted stock and unvested restricted stock units shall immediately lapse, with such shares and units becoming nonforfeitable except to the extent that an award meeting the requirements of a Replacement Award as defined hereof, is provided to the CIC Participant holding such award to replace or adjust such outstanding award (a "Replaced Award"). An award shall qualify as a Replacement Award if: (a) it has a value at least equal to the value of the Replaced Award as determined by the Committee in its sole discretion; (b) it relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control; and (c) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change of Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of the Replacement Award are satisfied shall be made by the Committee, as constituted immediately before the Change of Control, in its sole discretion; and (ii) any unearned performance shares and unearned performance units shall be deemed to have been earned and paid out in full assuming achievement of one-hundred (100) percent of target level performance as defined in the applicable award agreement. Upon a termination of a CIC Participant's employment pursuant to Section 4.1 the Replacement Awards shall become fully vested, exercisable, and free of restrictions. In the event that the scheduled expiration date of an option or SAR shall fall within a blackout period that has been declared by the Company and that applies to the CIC Participant, then the expiration date shall automatically be extended until such time as fifteen (15) consecutive business days have elapsed after the scheduled expiration date without interruption by any applicable blackout period. Subject to the foregoing, each such equity award shall be subject to the terms of the equity plan and any award agreement pursuant to which such award was granted. If there is inconsistency between the treatment of outstanding equity awards under the terms of this Plan and the terms of the equity plan and award agreement pursuant to which such award was granted, this Plan's terms shall supersede and replace the conflicting terms of the equity plan and underlying award agreement; provided, that the terms of any equity plan and award agreements granted in the calendar year 2014 shall supersede and replace any conflicting terms of this Plan; and

(f) In addition to the payments and benefits described above, the CIC Participant shall receive any other change in control benefits to which the CIC Participant is entitled under any other plan, program or agreement with the Company. Such benefits shall be provided in accordance with the terms and conditions of the applicable plan, program or agreement.

5.2 Form and Timing of Change in Control Payments . For all CIC Participants, unless a payment delay is required under Section 7.4, the change in control severance payments described in: (a) Sections 5.1(a), (b) and (f) shall be made in a single lump sum no later than thirty (30) days after the CIC Participant's Date of Termination (or, if later, the date of the occurrence of the Change in Control) and (b) Section 5.1(c) shall be made in a single lump sum at the same time as annual bonuses are paid to other senior executives of the Company but not later than March 15th next following the Date of Termination.

5.3 Treatment Under Code Section 280G .

(a) Anything in the Plan to the contrary notwithstanding, in the event it shall be determined that any payment or benefit provided under this Plan, when combined with payments and benefits under all other plans, programs or agreements with the Company, would be subject to an Excise Tax, then the amounts payable to the CIC Participant under the Plan shall be either (i) provided to the CIC Participant in full, or (ii) provided to the CIC Participant but reduced (but not below zero) to the maximum amount that could be paid to the CIC Participant without giving rise to an Excise Tax (the "Safe Harbor Cap"), whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by the CIC Participant, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. The reduction of the amounts payable hereunder, if applicable, shall occur in the following order: (i) any cash severance payable to the CIC Participant, (ii) any other cash amount payable to the CIC Participant, (iii) any benefit valued as a "parachute payment," (iv) the acceleration of vesting of any equity-based awards that are subject to performance vesting, and (v) the acceleration of vesting of any equity-based awards that are not subject to performance vesting. In the case of the reductions to be made pursuant to each of the above-mentioned clauses, the payment and/or benefit amounts to be reduced, and the acceleration of vesting to be cancelled, shall be reduced or cancelled in the inverse order of their originally scheduled dates of payment or vesting, as applicable, and shall be so reduced (x) only to the extent that the payment and/or benefit otherwise to be paid, or the vesting of the award that otherwise would be accelerated, would be treated as a "parachute payment" within the meaning of Code Section 280G and (y) only to the extent necessary to achieve the Safe Harbor Cap.

(b) All determinations required to be made under this Section 5.3 shall be made by a public accounting firm that is retained by the Company to provide tax advice as of the date immediately prior to the Change in Control (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the CIC Participant within 30 business days of the receipt of notice from the Company or the CIC Participant that there has been a payment, or such earlier time as is requested by the Company. For purposes of making the calculations required by this Section 5.3, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. The Company and the applicable CIC Participant shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination under this Section 5.3. Notwithstanding the foregoing, in the event (i) the Compensation Committee shall determine prior to the Change in Control that the Accounting Firm is precluded from performing such services under applicable auditor independence rules or (ii) the Audit Committee of the Board determines that it does not want the Accounting Firm to perform such services

because of auditor independence concerns or (iii) the Accounting Firm is serving as accountant or auditor for the individual, entity or group ~~PUBLIC~~ the Change in Control, the Audit Committee shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All reasonable fees, costs and expenses incurred by the Accounting Firm in connection with any calculations contemplated by this Section 5.3 shall be borne by the Company.

(c) If any good faith dispute arises regarding the determination of a payment of an Excise Tax, then the Company shall pay any and all of the CIC Participant's professional fees and expenses relating to such dispute, including but not limited to the CIC Participant's reasonable attorney's fees.

Article 6 — Severance Benefits

6.1 Severance Payments. If a Severance Participant is eligible for payments and benefits under Section 4.2, the Company shall:

(a) Pay the Accrued Obligations (as defined herein);

(b) Make a severance payment to the Severance Participant equal to the product of (i) the Benefit Multiplier (as defined herein) and (ii) the Severance Participant's Base Salary;

(c) Pay the actual bonus that would have been payable to the Severance Participant for the calendar year that includes the Date of Termination based on actual performance as if the Severance Participant had remained employed through the end of such calendar year; provided, however, that such amount shall be adjusted on a pro rata basis based on the number of days the Severance Participant was actually employed during the bonus plan year in which the Date of Termination occurs;

(d) Continue for the Applicable Severance Period after the Severance Participant's Date of Termination, to provide for the Severance Participant's continued benefit (and that of all family members and other dependents who were enrolled in the programs on the Severance Participant's Date of Termination) all life, disability, medical, dental and/or vision insurance programs in which the Severance Participant (or members of the Severance Participant's family or other dependents) was participating or was covered immediately before the Severance Participant's Date of Termination. If the terms of any of the programs just described do not allow the continued participation described in the preceding sentence, the Company will (i) provide benefits that are substantially similar (including eligibility conditions, conditions on benefits, the value of benefits and the scope of coverage) to those provided by the life, disability, medical, dental and/or vision insurance programs in which the Severance Participant (or members of the Severance Participant's family or other dependents) was participating immediately before the Severance Participant's Date of Termination and (ii) ensure that any eligibility or other conditions on benefits under these programs, including deductibles and co-payments, will be administered by applying the Severance Participant's experience under any predecessor program in which the Severance Participant (or members of the Severance Participant's family or other dependents) was participating immediately before the Severance Participant's Date of Termination. Notwithstanding the foregoing provisions of this Section 6(d), in the event the Company is unable to provide any of the above promised benefits under its benefit plans, the Company will reimburse the Severance Participant for amounts necessary to enable the Severance Participant to obtain similar benefits substantially equal to what was provided to the Severance Participant immediately prior to the Severance Participant's Date of Termination taking into account the amount of co-payment required by the Severance Participant; provided, that any such reimbursement shall be subject to the following: (A) the benefits or payments provided during any taxable year of the Severance Participant will not affect the benefits or payments to be provided to the Severance Participant in any other taxable year; (B) reimbursement of any eligible expense must be made on or before the last day of the Severance Participant's taxable year following the taxable year in which the expense was incurred; and (C) the right to such benefits or payments is not subject to liquidation or exchange for another benefit or payment. To the extent that any benefit extended under this Section 6.1(d) would result in taxable compensation for the Severance Participant, the Severance Participant shall be solely responsible for any such taxes. Notwithstanding the foregoing, in the event a Severance Participant becomes reemployed with another employer and becomes eligible to receive group health plan coverage from such employer, the Company's obligations under this Section 6.1(d) shall cease as of the date such Severance Participant commences such new employment. The Severance Participant shall promptly notify the Company of any such new employment; and

(e) Outstanding equity awards shall be treated as follows: (i) all outstanding and unvested stock options and stock appreciation right ("SARs") shall immediately vest on a pro rata basis based on the number of days the Participant was actually employed during the vesting period up through the Date of Termination over the total number of days in the vesting period, and (along with all other outstanding vested stock options and SARs) shall remain exercisable for a period of ninety (90) days from the Date of Termination or the last day of the stock option or SAR term, whichever occurs first; (ii) all unvested shares of restricted stock and unvested restricted stock units shall immediately be forfeited back to the Company; and (iii) any unearned performance shares and unearned performance units shall be deemed to have been earned and paid out on a pro rata basis based on the number of days the Severance Participant was actually employed during the applicable performance period up through the Date of Termination over the total number of days in the performance period, and measuring actual performance achieved as of the completion of the applicable performance cycle. In the event that the scheduled expiration date of an option or SAR shall fall within a blackout period that has been declared by the Company and that applies to the Severance Participant, then the expiration date shall automatically be extended until such time as fifteen (15) consecutive business days have elapsed after the scheduled expiration date without interruption by any applicable blackout period. Subject to the foregoing, each such equity award shall be subject to the terms of the equity plan and any award agreement pursuant to which such award was granted. If there is inconsistency between the treatment of outstanding equity awards under the terms of this Plan and the terms of the equity plan and award agreement pursuant to which such award was granted, this Plan's terms shall supersede and replace the conflicting terms of the equity plan and underlying award agreement; provided, that the terms of any equity plan and award agreements granted in the calendar year 2014 shall supersede and replace any conflicting terms of this Plan.

6.2 Form and Timing of Severance Payments . For all Severance Participants, unless a payment delay is required under Section 7.4, the ~~Public~~ in control severance payments described in: (a) Section 6.1 (a) shall be made in a single lump sum no later than thirty (30) days after the Severance Participant's Date of Termination, (b) Section 6.1(b) shall be payable in equal installments in accordance with the Company's normal payroll practices over the Applicable Severance Period, and (c) Section 6.1(c) shall be made in a single lump sum at the same time as annual bonuses are paid to other senior executives of the Company but not later than March 15th next following the Date of Termination.

Article 7 — Conditions Affecting Payments

7.1 Other Benefits . Except as expressly provided in this Plan, a Participant's right to receive the payments and benefits described in Article 5 or Article 6 will not decrease the amount of, or otherwise adversely affect, any other benefits payable to the Participant under any plan, program or agreement between the Participant and the Company.

7.2 No Mitigation . Subject to Section 5.1(d) and Section 6.1(d) the Participant is not required to mitigate the amount of any payment described in this Plan by seeking other employment or otherwise, nor will the amount of any payment or benefit provided for in Article 5 or Article 6 be reduced by any compensation the Participant earns in any capacity after Termination or by reason of the Participant's receipt of or right to receive any retirement or other benefits on or after Termination.

7.3 Withholding . The amount of any payment made under this Plan will be reduced by amounts the Company is required to withhold with respect to any income, wage or employment taxes imposed on the payment.

7.4 Payment Delay Required By Code Section 409A . Notwithstanding anything in the Plan to the contrary, if a Participant is a Specified Employee on the Date of Termination and the Participant is entitled to a payment and/or a benefit under the Plan that is required to be delayed pursuant to Code Section 409A(a)(2)(B)(i), then such payment or benefit, as the case may be, shall not be paid or provided (or begin to be paid or provided) until the first business day of the seventh month following the Date of Termination or, if earlier, the date of the Participant's death. The first payment that can be made to the Participant following such postponement period shall include the cumulative amount of any payments or benefits that could not be paid or provided during such postponement period due to the application of Code Section 409A(a)(2)(B)(i).

7.5 Limit on Number of Changes in Control . Regardless of any provision of this Plan, if more than one Change in Control (whether or not related) occurs while this Plan is in effect, the total amount payable under this Plan for any one Participant will be the largest amount calculated for that Participant with respect to any single Change in Control occurring during the Plan's effective period.

Article 8 — Separation Agreement and Participant Obligations

8.1 Separation Agreement . The obligations of the Company to pay or provide the payments and benefits described in Article 5 or Article 6 are contingent on the Participant's (for him/herself, his/her heirs, legal representatives and assigns) agreement to execute a separation or like agreement in the form and substance to be provided by Company, containing a general release of the Company and their officers, directors, agents and employees from any claims or causes of action of any kind that the Participant might have, regarding his/her employment or the termination of that employment and shall require that the Participant acknowledge and agree to be subject to the Participant obligations set forth in Article 8 of the Plan, including specifically the obligation to repay Plan benefits pursuant to Section 8.5 of the Plan. The Participant understands that the release portion of the agreement will apply to the maximum extent permitted by law to all claim(s) he or she might have under any federal, state or local statute or ordinance, or the common law, for employment discrimination, wrongful discharge, breach of contract, violations of Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act, or the Family and Medical Leave Act, and all other claims related in any way to the Participant's employment or the termination of that employment.

8.2 Confidential Information . Except as otherwise required by applicable law, a Participant expressly agrees to keep and maintain Confidential Information confidential and not, at any time during or subsequent to the Participant's employment with the Company, to use any Confidential Information for the Participant's own benefit or to divulge, disclose or communicate any Confidential Information to any person or entity in any manner except (a) to employees or agents of the Company that need the Confidential Information to perform their duties on behalf of the Company or (b) in the performance of the Participant's duties to the Company. The Participant also agrees to notify the Company promptly of any circumstance the Participant believes may legally compel the disclosure of Confidential Information and to give this notice before disclosing any Confidential Information.

8.3 Non-Competition; Non-Solicitation and Intellectual Property .

(a) The Participant acknowledges that the Company has spent significant time, effort and resources protecting its Confidential Information and customer goodwill. The Participant further acknowledges that the Confidential Information is of significant competitive value to the Company the industry in which it competes, and that the use or disclosure, even if inadvertent, of such Confidential Information for the benefit of a competitor would cause significant damage to the legitimate business interests of the Company. Accordingly, in order to protect the legitimate business and customer goodwill interests of the Company, to protect that Confidential Information against inappropriate use or disclosure, and in consideration for the Participant's employment and the benefits provided to the Participant (including, without limitation, the

benefits payable to the Participant pursuant to this Agreement, the Participant agrees that that during the Applicable Severance Period following the Participant's Termination, the Participant shall not, without the prior written consent of the Administrator, directly or indirectly, as an employee, employer, consultant, agent, principal, partner, shareholder, officer, director, member, manager or through any other kind of ownership (other than ownership of securities of publicly held corporations of which the Participant owns less than five percent of any class of outstanding securities), membership, affiliation, association, or in any other representative or individual capacity, compete with the Company or any subsidiary or affiliate of the Company (collectively, the "Company Group") within any state, province or region in any country in which the Company Group conducts business as of the Date of Termination. For the purposes of this Section 5(c), the business of the Company Group shall include any business in any state, province or region in any country in which the Company Group conducts business as of the Date of Termination that manufactures and/or sells (i) wallboard for interior and exterior applications, (ii) joint compounds and/or (iii) other related products. The foregoing, however, shall not prevent the Participant's passive ownership of up to five percent (5%) or less of the equity securities of any publicly traded company. During the Applicable Severance Period following the Participant's Termination, the Participant may request, in writing, the approval of the Administrator to provide services to a Competing Business in a capacity that is unrelated to the business and products of the Company and that will not result in the unauthorized use or disclosure of Confidential Information to which the Participant had access by virtue of his or her employment with the Company. The Participant agrees to provide any information the Administrator deems necessary to make this determination, and the Administrator shall not unreasonably withhold its approval. Notwithstanding any other provision to the contrary in this Plan, for the purposes of this Section 8.3 only, the term Applicable Severance Period with respect to Tier I Executives shall mean twelve (12) months.

(b) The Participant agrees that during the Applicable Severance Period following the Participant's Termination, the Participant shall not, either directly or indirectly, on his or her own behalf or in the service or on behalf of others, solicit, recruit or hire any person who either currently is, or as of the Date of Termination is, an employee of the Company or an affiliate for purposes of providing Competitive Services (provided, however, that the foregoing provision shall not prohibit solicitations made by the Participant to the general public or general solicitations to persons employed in the building products business). For purposes of this Agreement, "Competitive Services" means products and services of the manner and kind provided by the Company to any customer during the one-year period preceding Participant's termination of employment with the Company.

(c) The Participant agrees that, during the Applicable Severance Period, the Participant will not directly or indirectly, for the purposes of providing Competitive Services, (i) solicit or encourage any client, customer, bona fide prospective client or customer, supplier, licensee, licensor, landlord or other business relation of the Company and/or any of its subsidiaries (each a "Business Contact") to terminate or diminish its relationship with them; or (ii) seek to persuade any such Business Contact to conduct with anyone else any business or activity conducted or, to the Participant's knowledge, under consideration by the Company and/or any of its subsidiaries as of the Date of Termination that such Business Contact conducts or could conduct with the Company and/or any of its subsidiaries.

(d) The Participant hereby assigns to the Company all rights, including, without limitation, copyrights, patents, trade secret rights, and other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, works of authorship, Confidential Information or trade secrets (i) developed or created by the Participant, solely or jointly with others, during the course of performing work for or on behalf of the Company or any subsidiary of the Company, whether as an employee or independent contractor, at any time during the Participant employment with the Company, (ii) that the Participant conceives, develops, discovers or makes in whole or in part during the Participant's employment by the Company that relate to the business of the Company or any subsidiary of the Company or the actual or demonstrably anticipated research or development of the Company or any subsidiary of the Company, (iii) that the Participant conceives, develops, discovers or makes in whole or in part during or after the Participant's employment by the Company that are made through the use of any of the equipment, facilities, supplies, trade secrets or time of the Company or any subsidiary of the Company, or that result from any work the Participant performs for the Company or any subsidiary of the Company or (iv) developed or created by the Participant, solely or jointly with others, at any time before the Participant's employment with the Company, that relate to or involve the Company's businesses (including, but not limited to, the business of the Company (collectively, the "Work Product"). Without limiting the foregoing, to the extent possible, all software, compilations and other original works of authorship included in the Work Product will be considered a "work made for hire" as that term is defined in Title 17 of the United States Code. If, notwithstanding the foregoing, the Participant for any reason retains any right, title or interest in or relating to any Work Product, the Participant agrees promptly to assign, in writing and without any requirement of further consideration, all such right, title, and interest to the Company. Upon request of the Company at any time during or after the Participant's employment with the Company, the Participant will take such further actions, including execution and delivery of instruments of conveyance, as may be appropriate to evidence, perfect, record or otherwise give full and proper effect to any assignments of rights under or pursuant to this Agreement. The Participant will promptly disclose to the Company any such Work Product in writing.

8.4 Non-Disparagement. The Participant agrees that he or she shall not make or publish any statement (orally or in writing) that becomes or reasonably could be expected to become publicly known or otherwise impact the Company's business, or instigate, assist or participate in the making or publication of any such statement, which would libel, slander or disparage (whether or not such disparagement legally constitutes libel or slander) the Company or its officers, directors and employees, or any person affiliated with the Company, or the reputations of any of its past or present shareholders, officers, directors, agents, representatives and employees unless compelled to do so by valid subpoena or other court order, and in such case only after first notifying the Company in advance of such subpoena or court order.

(a) If that breach occurs prior to the Participant's Termination, his or her participation in this Plan shall terminate as of the date of the breach, even if the fact of the breach becomes apparent at a later date, and no amounts will be due under this Plan; or

(b) If that breach occurs or becomes apparent after the Participant's Termination, no amounts will be due under this Plan and the Participant must repay any amounts paid under either Article 5 or Article 6 of this Plan, plus interest calculated at the prime rate of interest quoted in the *Wall Street Journal*, over the period beginning on the date of the payment to the Participant under the Plan and ending on the date of repayment.

8.6 Recoupment. In addition to the recovery right described in Section 8.5, if the Company is required to prepare an accounting restatement that would trigger recoupment under the Company's Recoupment Policy, any amount to be repaid by a Participant under the Recoupment Policy may be withheld by the Company from amounts otherwise payable by the Company to the Participant under this Plan.

8.6 Enforceability. To the extent any provision of this Article 8 shall be invalid or unenforceable, it shall be considered deleted and the remainder of such provision shall be unaffected and shall continue in full force and effect. In furtherance and not in limitation of the foregoing, should the duration or geographical extent of, or business activities covered by any provision of this Article 8 be in excess of that which is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, extent or activities which may validly and enforceably be covered. The Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Article 8 shall be given the construction that renders the provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

Article 9 — Administration of the Plan

9.1 Administrator. The administration of the Plan shall be under the supervision of the Administrator. The Administrator shall have the discretionary authority to make eligibility determinations, all necessary factual determinations and to construe terms under this Plan. The Administrator shall have the discretionary authority to delegate its authority to any committee or individual and to hire such accountants, counsel, actuaries, consultants or other experts it determines necessary for the administration of this Plan.

9.2 Reliance on Tables, Etc. In administering the Plan, the Administrator will be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by, or in accordance with the instructions or recommendations of accountants, counsel, actuaries, consultants or other experts employed or engaged by the Administrator.

9.3 Claims and Review Procedure.

(a) **Claims Procedure.** Any person who believes he or she is being denied any rights or benefits under the Plan may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within ninety (90) days after the claim is received by the Administrator (or within one hundred eighty (180)) days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances are given to such person within the initial ninety (90) day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period, and such person may request a review of his or her claim.

(b) **Review Procedure.** Within sixty (60) days after the date on which a person receives a written notice of a denied claim (or, if applicable, within sixty (60) days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Administrator for the review of the denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific reference to pertinent Plan provisions. The decision on review will be made within sixty (60) days after the request for review is received by the Administrator (or within one hundred (120) days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances are given to such person within the initial sixty (60) day period). If the decision on review is not made within such period, the claim will be considered denied.

9.4 Indemnification of Administrator. The Company agrees to indemnify and to defend to the fullest extent permitted by law any member of the Compensation Committee serving as the Administrator and any employee assisting the Administrator in connection with its duties (including any individual who formerly served as a member of the Compensation Committee or who assisted the Administrator), against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Compensation Committee) incurred by the Administrator or such employee in connection with the administration of this Plan, including but not limited to the application of the Claims and Reviews Procedures set forth herein.

9.5 Named Fiduciary. For purposes of ERISA, the named fiduciary of the Plan shall be the Company.

10.1 Duration. This Plan shall remain in effect until terminated as provided in Section 10.2. Notwithstanding the foregoing, if a Change in Control occurs, this Plan shall continue in full force and effect and shall not terminate or expire until the later of (a) the date on which all Participants who become entitled to any payments or benefits hereunder shall have received such payments and benefits in full or (b) twenty-four (24) consecutive calendar months have elapsed after the Change in Control.

10.2 Amendment and Termination .

(a) Unless a Change in Control has previously occurred, the Plan, including but not limited to any individual Participant's participation in the Plan as identified in Exhibit A, may be terminated or amended in any respect by resolution adopted by the Compensation Committee. Termination of this Plan entirely or termination of any individual Participant's participation in the Plan shall occur at the end of the Initial Term or at the end of any Successive Period thereafter, by giving all Participants (or select Participants, if terminating select Participants' participation in the Plan) written notice of intent not to renew, delivered at least thirty (30) days prior to the end of such Initial Term or Successive Period. If such notice is properly delivered by the Company, this Plan, along with all corresponding rights, duties, and covenants, shall automatically expire at the end of the Initial Term or Successive Period then in progress. However, after the Compensation Committee has knowledge of a possible transaction or event that if consummated would constitute a Change in Control, this Plan may not be terminated or amended in any manner which would adversely affect the rights or potential rights of Participants, unless and until the Compensation Committee has determined that all transactions or events that, if consummated, would constitute a Change in Control have been abandoned and will not be consummated, and, provided that, the Compensation Committee does not have knowledge of other transactions or events that, if consummated, would constitute a Change in Control. If a Change in Control occurs, the Plan shall no longer be subject to amendment, change, substitution, deletion, revocation or termination in any respect that adversely affects the rights of Participants, and no Participant shall be removed from Plan participation.

(b) The Compensation Committee in its sole discretion may add or remove any Severance Participant or CIC Participant from participation in the Plan as of any date specified by the Compensation Committee, provided that no CIC Participant may be so removed from participation in the Plan as a CIC Participant in connection with or in anticipation of a Change in Control that actually occurs. At the time that the Compensation Committee adds or removes any Severance Participant or CIC Participant from participation in the Plan the Compensation Committee should also amend Exhibit A to the Plan. In the event of a conflict between the official record of proceedings of the Compensation Committee and the Plan and Exhibit A, the official record of proceedings of the Compensation Committee shall control.

Article 11 — Successors; Binding Agreement

11.1 Successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to unconditionally assume all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such succession shall constitute Good Reason hereunder and shall entitle the CIC Participants to payments and benefits in the same amount and on the same terms as such CIC Participants would be entitled hereunder if they had satisfied the requirements of Section 4.1, except that for purposes of implementing the foregoing, the date on which any succession becomes effective shall be deemed the Date of Termination.

11.2 Binding Agreement . The benefits provided under this Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Participant shall die while any amounts would be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts or, if no person is so appointed, to the Participant's estate.

Article 12 — Miscellaneous

12.1 Elections and Notices . Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind under this Plan shall be made on forms prepared by the Company or shall be made in such other manner as permitted or required by the Company, including through electronic means, over the internet or otherwise. An election shall be deemed made when received by the Company (or its designated agent, but only in cases where the designated agent has been appointed for the purpose of receiving such election), which may waive any defects in form.

If not otherwise specified by this Plan or the Company, any notice or filing required or permitted to be given to the Company under the Plan shall be delivered to the principal office of the Company, directed to the attention of the General Counsel for the Company or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of the Company or, at the option of the Company, to the Participant's e-mail address as shown on the records of the Company. It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of the Company. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

12.2 Governing Law; Validity . To the extent not preempted by Federal law, the Plan, and all benefits and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

12.3 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken thereunder shall be construed as giving any Participant **PUBLIC** right to be retained in the employ of the Company.

12.4 Funding. Benefits are paid from the Company's general assets.

12.5 Invalidity. In the event any provision of this Plan is held to be illegal or invalid, the remaining provisions of the Plan shall not be affected thereby.

12.6 Code Section 409A. The Plan shall be interpreted, construed and operated to reflect the intent of the Company that all aspects of the Plan shall be interpreted either to be exempt from the provisions of Code Section 409A or, to the extent subject to Code Section 409A, comply with Code Section 409A and any regulations and other guidance thereunder. Notwithstanding anything to the contrary in Article 10, this Plan may be amended at any time, without the consent of any Participant, to avoid the application of Code Section 409A in a particular circumstance or to the extent determined necessary or desirable to satisfy any of the requirements under Code Section 409A, but the Company shall not be under any obligation to make any such amendment. Nothing in the Plan shall provide a basis for any person to take action against the Company based on matters covered by Code Section 409A, including the tax treatment of any award made under the Plan, and the Company shall not under any circumstances have any liability to any Participant or other person for any taxes, penalties or interest due on amounts paid or payable under the Plan, including taxes, penalties or interest imposed under Code Section 409A.

Severance Participant:

Tier I Executives

James Bachmann, President and CEO

Tier II Executives

Dennis Schemm, Chief Financial Officer

Timothy Power, SVP General Counsel and Secretary

David Obergefell, SVP Manufacturing

Muhammad Shahbaz Malik SVP Sales, Marketing & Supply Chain

Dennis Romps, SVP Chief Accounting Officer

Isabelle Shiffrin, VP Human Resources

CIC Participant:

Tier I Executives

James Bachmann, President and CEO

Tier II Executives

Dennis Schemm, Chief Financial Officer

Timothy Power, SVP General Counsel and Secretary

David Obergefell, SVP Manufacturing

Muhammad Shahbaz Malik, SVP Sales, Marketing & Supply Chain

Dennis Romps SVP Chief Accounting Officer

Isabelle Shiffrin, VP Human Resources

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, James Bachmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Continental Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ James Bachmann

James Bachmann
President and Chief Executive Officer
(*Principal Executive Officer*)

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Dennis Schemm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Continental Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ Dennis Schemm

Dennis Schemm

Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

In connection with the Quarterly Report of Continental Building Products, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, James Bachmann, President and Chief Executive Officer of the Company, and Dennis Schemm, Senior Vice President, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2015

/s/ James Bachmann

James Bachmann
President and Chief Executive Officer
(*Principal Executive Officer*)

/s/ Dennis Schemm

Dennis Schemm
Senior Vice President, Chief Financial Officer
(*Principal Financial Officer*)