
**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, 2009**

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 is **000-4197**

UNITED STATES LIME & MINERALS, INC.

(Exact name of registrant as specified in its charter)

TEXAS

(State or other jurisdiction of
incorporation or organization)

75-0789226

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

5429 LBJ Freeway, Suite 230, Dallas, TX

(Address of principal executive offices)

75240

(Zip Code)

(972) 991-8400

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 30, 2009, 6,341,577 shares of common stock, \$0.10 par value, were outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes to Condensed Consolidated Financial Statements

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4T: CONTROLS AND PROCEDURES

PART II. OTHER INFORMATION

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 6: EXHIBITS

SIGNATURES

Index to Exhibits

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

PART I. FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

UNITED STATES LIME & MINERALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,705	\$ 836
Trade receivables, net	14,103	14,492
Inventories	10,107	12,297
Prepaid expenses and other current assets	815	1,336
Total current assets	<u>36,730</u>	<u>28,961</u>
Property, plant and equipment, at cost	221,911	219,065
Less accumulated depreciation	<u>(90,840)</u>	<u>(82,501)</u>
Property, plant and equipment, net	131,071	136,564
Other assets, net	468	604
Total assets	<u>\$ 168,269</u>	<u>\$ 166,129</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of debt	\$ 5,000	\$ 5,000
Accounts payable	5,572	6,972
Accrued expenses	<u>4,497</u>	<u>4,251</u>
Total current liabilities	15,069	16,223
Debt, excluding current installments	37,917	46,354
Deferred tax liabilities, net	5,256	3,688
Other liabilities	<u>3,509</u>	<u>5,417</u>
Total liabilities	61,751	71,682
Stockholders' equity:		
Common stock	639	635
Additional paid-in capital	15,392	14,853
Accumulated other comprehensive loss	(2,954)	(3,911)
Retained earnings	93,651	83,014
Less treasury stock, at cost	<u>(210)</u>	<u>(144)</u>
Total stockholders' equity	<u>106,518</u>	<u>94,447</u>
Total liabilities and stockholders' equity	<u>\$ 168,269</u>	<u>\$ 166,129</u>

See accompanying notes to condensed consolidated financial statements.

UNITED STATES LIME & MINERALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of dollars, except per share amounts)

(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
Revenues								
Lime and limestone operations	\$29,871	94.5%	\$33,602	86.3%	\$84,023	94.3%	\$100,603	88.8%
Natural gas interests	1,742	5.5%	5,324	13.7%	5,039	5.7%	12,741	11.2%
	<u>31,613</u>	<u>100.0%</u>	<u>38,926</u>	<u>100.0%</u>	<u>89,062</u>	<u>100.0%</u>	<u>113,344</u>	<u>100.0%</u>
Cost of revenues:								
Labor and other operating expenses	19,772	62.5%	26,591	68.3%	57,532	64.6%	76,756	67.7%
Depreciation, depletion and amortization	3,207	10.2%	3,397	8.7%	9,857	11.1%	9,721	8.6%
	<u>22,979</u>	<u>72.7%</u>	<u>29,988</u>	<u>77.0%</u>	<u>67,389</u>	<u>75.7%</u>	<u>86,477</u>	<u>76.3%</u>
Gross profit	8,634	27.3%	8,938	23.0%	21,673	24.3%	26,867	23.7%
Selling, general and administrative expenses	2,023	6.4%	2,031	5.2%	5,863	6.6%	5,945	5.2%
Operating profit	6,611	20.9%	6,907	17.8%	15,810	17.7%	20,922	18.5%
Other expense (income):								
Interest expense	707	2.3%	834	2.2%	2,188	2.5%	2,724	2.4%
Other, net	(49)	(0.2)%	160	0.4%	(157)	(0.2)%	77	0.1%
	<u>658</u>	<u>2.1%</u>	<u>994</u>	<u>2.6%</u>	<u>2,031</u>	<u>2.3%</u>	<u>2,801</u>	<u>2.5%</u>
Income before income taxes	5,953	18.8%	5,913	15.2%	13,779	15.4%	18,121	16.0%
Income tax expense	1,458	4.6%	1,438	3.7%	3,142	3.5%	4,746	4.2%
Net income	\$ 4,495	14.2%	\$ 4,475	11.5%	\$10,637	11.9%	\$ 13,375	11.8%
Income per share of common stock:								
Basic	<u>\$ 0.71</u>		<u>\$ 0.71</u>		<u>\$ 1.68</u>		<u>\$ 2.12</u>	
Diluted	<u>\$ 0.70</u>		<u>\$ 0.70</u>		<u>\$ 1.67</u>		<u>\$ 2.10</u>	

See accompanying notes to condensed consolidated financial statements.

UNITED STATES LIME & MINERALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

(Unaudited)

	Nine Months Ended	
	September 30,	
	2009	2008
Operating Activities:		
Net income	\$ 10,637	\$ 13,375
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	10,253	10,015
Amortization of financing costs	16	123
Deferred income taxes	1,568	1,962
(Gain) loss on disposition of assets	(60)	7
Stock-based compensation	292	443
Changes in operating assets and liabilities:		
Trade receivables, net	389	(5,704)
Inventories	2,190	(1,930)
Prepaid expenses and other current assets	521	653
Other assets	(37)	(111)
Accounts payable and accrued expenses	(683)	856
Other liabilities	(951)	(16)
Net cash provided by operating activities	24,135	19,673
Investing Activities:		
Purchase of property, plant and equipment	(5,150)	(13,236)
Proceeds from sale of property, plant and equipment	134	8
Net cash used in investing activities	(5,016)	(13,228)
Financing Activities:		
Repayments of revolving credit facility, net	(4,687)	(3,580)
Repayments of term loans	(3,750)	(3,750)
Purchase of treasury shares	(66)	(54)
Proceeds from exercise of stock options	253	31
Tax benefit related to exercise of stock options	—	57
Net cash used in financing activities	(8,250)	(7,296)
Net increase (decrease) in cash and cash equivalents	10,869	(851)
Cash and cash equivalents at beginning of period	836	1,079
Cash and cash equivalents at end of period	<u>\$ 11,705</u>	<u>\$ 228</u>

See accompanying notes to condensed consolidated financial statements.

UNITED STATES LIME & MINERALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by the Company without independent audit. In the opinion of the Company's management, all adjustments of a normal and recurring nature necessary to present fairly the financial position, results of operations and cash flows for the periods presented have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. The Company's management evaluated for disclosure subsequent events that have occurred up to October 30, 2009, the date of issuance of these financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the period ended December 31, 2008. The results of operations for the three- and nine-month periods ended September 30, 2009 are not necessarily indicative of operating results for the full year.

2. Organization

The Company is headquartered in Dallas, Texas, and operates through two business segments. Through its lime and limestone operations, the Company is a manufacturer of lime and limestone products, supplying primarily the construction, steel, municipal sanitation and water treatment, aluminum, paper, glass, roof shingle and agriculture industries. The Company operates lime and limestone plants and distribution facilities in Arkansas, Colorado, Louisiana, Oklahoma and Texas through its wholly owned subsidiaries, Arkansas Lime Company, Colorado Lime Company, Texas Lime Company, U.S. Lime Company, U.S. Lime Company — Shreveport, U.S. Lime Company — St. Clair and U.S. Lime Company — Transportation.

In addition, through its wholly owned subsidiary, U.S. Lime Company — O & G, LLC ("U.S. Lime O & G"), under a lease agreement (the "Lease Agreement"), the Company has a 20% working interest and royalty interests ranging from 15.4% to 20%, resulting in an overall average revenue interest of 34.6%, with respect to oil and gas rights in wells drilled on the Company's approximately 3,800 acres of land located in Johnson County, Texas, in the Barnett Shale Formation. Through U.S. Lime O & G, the Company also has a drillsite and production facility lease agreement and subsurface easement (the "Drillsite Agreement") relating to approximately 538 acres of land contiguous to the Company's Johnson County, Texas property. Pursuant to the Drillsite Agreement, the Company receives a 3% royalty interest and a 12.5% working interest in any wells drilled from two pad sites located on the Company's property.

3. Accounting Policies

Revenue Recognition. The Company recognizes revenue for its lime and limestone operations in accordance with the terms of its purchase orders, contracts or purchase agreements, which are upon shipment, and when payment is considered probable. The Company's returns and allowances are minimal. Revenues include external freight billed to customers with related costs in cost of revenues. External freight included in 2009 and 2008 revenues was \$6.3 million and \$7.9 million for the three-month periods, and \$18.0 million and \$22.7 million for the nine-month periods, respectively, which approximates the amount of external freight included in cost of revenues. Sales taxes billed to customers are not included in revenues. For its natural gas interests, the Company recognizes revenue in the month of production and sale.

Successful-Efforts Method Used for Natural Gas Interests. The Company uses the successful-efforts method to account for oil and gas exploration and development expenditures. Under this method, drilling and completion costs for successful exploratory wells and all development well costs are capitalized and depleted using the units-of-production method. Any costs to drill exploratory wells that do not find proved reserves are expensed.

Fair Values of Financial Instruments. Under US GAAP, 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 at the measurement date.” US GAAP requires the Company to apply valuation techniques that (1) place greater reliance on observable inputs and less reliance on unobservable inputs and (2) are consistent with the market approach, the income approach, and/or the cost approach. The Company’s financial liabilities measured at fair value on a recurring basis are summarized below (in thousands):

Fair Value Measurements as of September 30, 2009					
	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Valuation Technique
Interest rate hedges liability	\$ (3,862)	—	(3,862)	—	Cash flows approach

The carrying values of cash and cash equivalents, trade receivables, accounts payable and accrued expenses approximate fair value due to the short maturity of these instruments. As the Company’s debt bears interest at floating rates, the Company estimates that the carrying values of its debt at September 30, 2009 and December 31, 2008 approximate fair value.

New Accounting Pronouncements. In March 2008, the Financial Accounting Standards Board (the “FASB”) issued a new accounting standard for accounting for derivative instruments and hedging activities. This new standard expands disclosures to include information about the fair value of derivatives, related credit risks and a company’s strategies and objectives for using derivatives. This new standard was adopted by the Company on January 1, 2009 and had no effect on the Company’s financial statements.

Effective January 1, 2010, the Company will adopt the FASB’s new accounting standard for employers’ disclosures about post-retirement benefit plan assets, which was issued on December 30, 2008. The new standard will require the Company to consider the following objectives in providing more detailed disclosures about the plan assets of the Company’s defined benefit pension plan: (1) how investment decisions are made, (2) the major categories of plan assets, (3) the inputs and valuation techniques used to measure fair values of plan assets, (4) the effect on fair value measurements using Level 3 measurements on changes in plan assets for the period, and (5) significant concentrations of risk within plan assets.

4. Business Segments

The Company has two operating segments engaged in distinct business activities: lime and limestone operations and natural gas interests. All operations are in the United States. In evaluating the operating results of the Company’s segments, management primarily reviews revenues and gross profit. The Company does not allocate interest or public company costs to its business segments.

The following table sets forth operating results and certain other financial data for the Company's two business segments (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues				
Lime and limestone operations	\$ 29,871	33,602	\$ 84,023	100,603
Natural gas interests	1,742	5,324	5,039	12,741
Total revenues	<u>\$ 31,613</u>	<u>38,926</u>	<u>\$ 89,062</u>	<u>113,344</u>
Depreciation, depletion and amortization				
Lime and limestone operations	\$ 2,977	3,073	\$ 9,067	8,933
Natural gas interests	230	324	790	788
Total depreciation, depletion and amortization	<u>\$ 3,207</u>	<u>3,397</u>	<u>\$ 9,857</u>	<u>9,721</u>
Gross profit				
Lime and limestone operations	\$ 7,482	4,613	\$ 18,601	16,338
Natural gas interests	1,152	4,325	3,072	10,529
Total gross profit	<u>\$ 8,634</u>	<u>8,938</u>	<u>\$ 21,673</u>	<u>26,867</u>
Capital expenditures				
Lime and limestone operations	\$ 1,346	3,994	\$ 5,079	8,573
Natural gas interests	37	2,185	71	4,663
Total capital expenditures	<u>\$ 1,383</u>	<u>6,179</u>	<u>\$ 5,150</u>	<u>13,236</u>

5. Income Per Share of Common Stock

The following table sets forth the computation of basic and diluted income per common share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Numerator:				
Income for basic and diluted income per common share	<u>\$ 4,495</u>	<u>4,475</u>	<u>\$ 10,637</u>	<u>13,375</u>
Denominator:				
Weighted-average shares for basic income per share	6,364	6,307	6,345	6,300
Effect of dilutive securities:				
Restricted shares of stock	22	29	23	28
Employee and director stock options ⁽¹⁾	<u>17</u>	<u>37</u>	<u>21</u>	<u>35</u>
Adjusted weighted-average shares and assumed exercises for diluted income per share	<u>6,403</u>	<u>6,373</u>	<u>6,389</u>	<u>6,363</u>
Income per share of common stock:				
Basic	\$ 0.71	0.71	\$ 1.68	2.12
Diluted	\$ 0.70	0.70	\$ 1.67	2.10

⁽¹⁾ Options to acquire 2 shares of common stock were excluded from the calculation of dilutive securities for the 2009 periods because they were anti-dilutive.

6. Accumulated Other Comprehensive Loss

The following table presents the components of comprehensive income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	\$ 4,495	4,475	\$ 10,637	13,375
Reclassification to interest expense	476	356	1,288	748
Deferred tax credit (expense)	144	99	(549)	71
Change in fair value of interest rate hedge	(873)	(628)	218	(944)
Comprehensive income	\$ 4,242	4,302	\$ 11,594	13,250

Amounts reclassified to interest expense were for payments made by the Company pursuant to the Company's interest rate hedges.

Accumulated other comprehensive loss consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Mark-to-market for interest rate hedges, net of tax benefit	\$ (2,458)	\$ (3,415)
Minimum pension liability adjustment, net of tax benefit	(496)	(496)
Accumulated other comprehensive loss	\$ (2,954)	\$ (3,911)

7. Inventories

Inventories are valued at the lower of cost, determined using the average cost method, or market. Costs for finished goods include materials, labor, and production overhead. Inventories consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Lime and limestone inventories:		
Raw materials	\$ 3,986	\$ 5,314
Finished goods	1,294	1,956
	5,280	7,270
Service parts inventories	4,827	5,027
Total inventories	\$ 10,107	\$ 12,297

8. Banking Facilities

The Company's credit agreement includes a ten-year \$40 million term loan (the "Term Loan"), a ten-year \$20 million multiple draw term loan (the "Draw Term Loan") and a \$30 million revolving credit facility (the "Revolving Facility") (collectively, the "Credit Facilities"). At September 30, 2009, the Company had \$322 thousand of letters of credit issued, which count as draws under the Revolving Facility.

The Term Loan requires quarterly principal payments of \$833 thousand, which began on March 31, 2006, equating to a 12-year amortization, with a final principal payment of \$7.5 million due on December 31, 2015. The Draw Term Loan requires quarterly principal payments of \$417 thousand, based on a 12-year amortization, which began on March 31, 2007, with a final principal payment on December 31, 2015 equal to any remaining principal then outstanding. The Revolving Facility is scheduled to mature on April 2, 2012. The maturity of the Term Loan, the Draw Term Loan and the Revolving Facility can be accelerated if any event of default, as defined under the Credit Facilities, occurs.

The Credit Facilities bear interest, at the Company's option, at either LIBOR plus a margin of 1.125% to 2.125%, or the Lender's Prime Rate plus a margin of minus 0.625% to plus 0.375%. The margins are determined quarterly in accordance with a pricing grid based upon the ratio of the Company's total funded senior indebtedness to earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") for the 12 months ended on the last day of the most recent calendar quarter (the "Cash Flow Leverage Ratio"). Since July 30, 2008, based on the Company's quarterly Cash Flow Leverage Ratios, the LIBOR margin and the Lender's Prime Rate margin have been, and continue to be, plus 1.125% and minus 0.625%, respectively.

The Company has a hedge that fixes LIBOR at 4.695% on the outstanding balance of the Term Loan for the period December 30, 2005 through its maturity date, resulting in an interest rate of 5.82% based on the current LIBOR margin of 1.125%. Effective December 30, 2005, the Company also entered into a hedge that fixes LIBOR at 4.875% on 75% of the outstanding balance on the Draw Term Loan through its maturity date, resulting in an interest rate of 6.00% based on the current LIBOR margin of 1.125%. Effective June 30, 2006, the Company entered into a third hedge that fixes LIBOR at 5.50% on the remaining 25% of the outstanding balance of the Draw Term Loan through its maturity date, resulting in an interest rate of 6.625% based on the current LIBOR margin of 1.125%. The hedges have been effective as defined under applicable accounting rules. Therefore, changes in fair value of the interest rate hedges are reflected in comprehensive income (loss). The Company will be exposed to credit losses in the event of non-performance by the counterparty, Wells Fargo Bank, N.A., to the hedges. Due to interest rate declines, the Company marked its interest rate hedges to market at September 30, 2009 and December 31, 2008, resulting in liabilities of \$3.9 million and \$5.4 million, respectively, that are included in accrued expenses (\$1.8 million and \$1.6 million, respectively) and other liabilities (\$2.1 million and \$3.8 million, respectively) on the Company's balance sheets.

A summary of outstanding debt at the dates indicated is as follows (in thousands):

	September 30, 2009	December 31, 2008
Term Loan	\$ 27,500	\$ 30,000
Draw Term Loan	15,417	16,667
Revolving Facility ⁽¹⁾	—	4,687
Subtotal	42,917	51,354
Less current installments	5,000	5,000
Debt, excluding current installments	<u>\$ 37,917</u>	<u>\$ 46,354</u>

⁽¹⁾ The Company had letters of credit totaling \$322 thousand issued on the Revolving Facility at September 30, 2009.

9. Income Taxes

The Company has estimated its effective income tax rate for 2009 will be approximately 22.8%. As in prior periods, the primary reason for the effective rate being below the federal statutory rate is due to statutory depletion, which is allowed for income tax purposes and is a permanent difference between net income for financial reporting purposes and taxable income.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements. Any statements contained in this Report that are not statements of historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this Report, including without limitation statements relating to the Company's plans, strategies, objectives, expectations, intentions, and adequacy of resources, are identified by such words as "will," "could," "should," "would," "believe," "expect," "intend," "plan," "schedule," "estimate," "anticipate," and "project." The Company undertakes no obligation to publicly update or revise any forward-looking statements. The Company cautions that forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from expectations, including without limitation the following: (i) the Company's plans, strategies, objectives, expectations, and intentions are subject to change at any time at the Company's discretion; (ii) the Company's plans and results of operations will be affected by its ability to maintain and manage its growth; (iii) the Company's ability to meet short-term and long-term liquidity demands, including servicing the Company's debt, conditions in the credit markets, volatility in the equity markets, and changes in interest rates on the Company's debt, including the ability of the counterparty to the Company's interest rate hedges to meet its obligations; (iv) inclement weather conditions; (v) increased fuel, electricity, transportation and freight costs; (vi) unanticipated delays, difficulties in financing, or cost overruns in completing construction projects; (vii) the Company's ability to expand its Lime and Limestone Operations through acquisitions, including obtaining financing for such acquisitions, and to successfully integrate acquired operations; (viii) inadequate demand and/or prices for the Company's lime and limestone products due to the state of the U.S. economy, recessionary pressures in particular industries, including construction and steel, and inability to continue to increase prices for the Company's products; (ix) the uncertainties of development, production and prices with respect to the Company's Natural Gas Interests, including reduced drilling activities pursuant to the Company's Lease Agreement and Drillsite Agreement, unitization of existing wells, inability to explore for new reserves and declines in production rates; (x) on-going and possible new environmental and other regulatory costs, taxes and limitations on operations, including those related to climate change; and (xi) other risks and uncertainties set forth in this Report or indicated from time to time in the Company's filings with the Securities and Exchange Commission, including the Company's Form 10-K for the fiscal year ended December 31, 2008.

Overview

The Company has two business segments: Lime and Limestone Operations and Natural Gas Interests.

Through its Lime and Limestone Operations, the Company is a manufacturer of lime and limestone products, supplying primarily the construction, steel, municipal sanitation and water treatment, aluminum, paper, glass, roof shingle and agriculture industries. The Company operates lime and limestone plants and distribution facilities in Arkansas, Colorado, Louisiana, Oklahoma and Texas through its wholly owned subsidiaries, Arkansas Lime Company, Colorado Lime Company, Texas Lime Company, U.S. Lime Company, U.S. Lime Company — Shreveport, U.S. Lime Company — St. Clair, and U.S. Lime Company — Transportation. The Lime and Limestone Operations represent the Company's principal business.

The Company's Natural Gas Interests are held through its wholly owned subsidiary, U.S. Lime Company — O & G, LLC, and consist of royalty and working interests under a Lease Agreement and a Drillsite Agreement, with two separate operators, related to the Company's Johnson County, Texas property, located in the Barnett Shale Formation, on which Texas Lime Company conducts its lime and limestone operations. The Company reported its first revenues and gross profit for natural gas production from its Natural Gas Interests in the first quarter 2006.

During the first nine months 2009, sales volumes of the Company's lime products decreased as compared to the previous year period as a result of significantly reduced demand for the Company's lime products, principally from its construction and steel and other industrial customers, due to the weakened economy. The reduction in revenues from reduced lime sales volumes was partially offset by average lime and limestone product price increases of 9.4%. Because of the weakening economy, the Company initiated steps to reduce its operating expenses beginning in the fourth quarter 2008. Due to the continuing weak demand, during 2009 the Company further reduced costs, including additional employee layoffs. The price increases for the Company's lime and limestone products and the reduced costs resulted in improved gross profit and gross profit margins in the 2009 periods compared to 2008 for its Lime and Limestone Operations. While the Company's costs for solid fuels remain high, management continues to seek to mitigate these costs by varying the mixes of fuel used in the kilns as well as idling several kilns that are not needed to meet current levels of demand. The drastic slowdown in the U.S. economy continues to present challenges for the Company's Lime and Limestone Operations. Although the Company does not expect to see improvements in the near term, it continues to believe that demand for its lime and limestone products used in construction and steel and other industrial production could increase in the future spurred by the effects of the government's stimulus efforts, the increasing reliance on toll roads and, hopefully, improved economic conditions, most of which is not within the Company's control. During the slowdown, management continues to strive to control costs, introduce additional efficiencies, pay down debt and position the Company for the hoped-for recovery.

Revenues and gross profit from the Company's Natural Gas Interests decreased significantly in the first nine months 2009, principally due to the drastic decline in natural gas prices and, to a lesser extent, the lower production volumes. The number of producing wells was 30 in both the first nine months 2009 and 2008. During the first half 2009, the Company was notified that 11 of its wells under the Lease Agreement, which were completed in 2007 and 2008, had been unitized as the operator determined that these wells included production from oil and gas interests that were, or potentially were, partially owned by the state of Texas or others. The unitizations reduced the Company's royalty interests in the 11 wells, reducing the Company's revenue interests in these wells to an average of 32.7% from 36% and resulting in an overall average revenue interest of 34.6% in all 26 wells under the Lease Agreement. Based on discussions with the Lease Agreement operator, eight potential additional wells have been sited on the Company's property. The operator began drilling the first of these wells in October and has informed the Company that it plans to drill the remaining seven wells during the fourth quarter 2009 and first quarter 2010, but not complete any of them until late 2010. The Company cannot predict the number of wells that ultimately will be drilled or their results.

Liquidity and Capital Resources

In addition to repaying \$8.4 million of debt in the first nine months of 2009, the Company's cash and cash equivalents at September 30, 2009 increased \$10.9 million to \$11.7 million from \$836 thousand at December 31, 2008.

Net cash provided by operating activities was \$24.1 million in the nine months ended September 30, 2009, compared to \$19.7 million in the comparable 2008 period, an increase of \$4.5 million, or 22.7%. Net cash provided by operating activities is composed of net income, depreciation, depletion and amortization ("DD&A"), deferred income taxes and other non-cash items included in net income, and changes in working capital. In the first nine months 2009, cash provided by operating activities was principally composed of \$10.6 million net income, \$10.3 million DD&A and \$1.6 million deferred income taxes, compared to \$13.4 million net income, \$10.0 million DD&A and \$2.0 million deferred income taxes in the first nine months 2008. The most significant change in working capital items during the 2009 period was a net decrease in inventories of \$2.2 million, primarily resulting from the Company's reduced lime production and sales volumes. The most significant changes in working capital in the first nine months 2008 were net increases in trade receivables and inventories of \$5.7 million and \$1.9 million, respectively. The net increase in trade receivables in 2008 primarily resulted from an increase in revenues in the third quarter 2008, compared to the fourth quarter 2007.

The Company invested \$5.2 million in capital expenditures in the first nine months 2009, compared to \$13.2 million in the comparable period last year. The first nine months 2009 and 2008 included \$1.3 million and \$3.0 million, respectively, for the quarry project at the Company's Arkansas facilities. Included in capital expenditures during the first nine months 2009 and 2008 were \$71 thousand and \$4.7 million, respectively, for drilling, completion and well workover costs for the Company's working interests in natural gas wells.

Net cash used in financing activities was \$8.3 million in the first nine months 2009, including repayment of \$3.8 million of the Company's term loans and \$4.7 million of the Company's revolving credit facility. Net cash used in financing activities was \$7.3 million in the 2008 comparable period, including \$3.8 million for repayment of term loans and \$3.6 million of the Company's revolving credit facility.

The Company's credit agreement includes a ten-year \$40 million term loan (the "Term Loan"), a ten-year \$20 million multiple draw term loan (the "Draw Term Loan") and a \$30 million revolving credit facility (the "Revolving Facility") (collectively, the "Credit Facilities"). At September 30, 2009, the Company had \$322 thousand of letters of credit issued, which count as draws under the Revolving Facility.

The Term Loan requires quarterly principal payments of \$833 thousand, which began on March 31, 2006, equating to a 12-year amortization, with a final principal payment of \$7.5 million due on December 31, 2015. The Draw Term Loan requires quarterly principal payments of \$417 thousand, based on a 12-year amortization, which began on March 31, 2007, with a final principal payment on December 31, 2015 equal to any remaining principal then outstanding. The Revolving Facility is scheduled to mature on April 2, 2012. The maturity of the Term Loan, the Draw Term Loan and the Revolving Facility can be accelerated if any event of default, as defined under the Credit Facilities, occurs.

The Credit Facilities bear interest, at the Company's option, at either LIBOR plus a margin of 1.125% to 2.125%, or the Lender's Prime Rate plus a margin of minus 0.625% to plus 0.375%. The margins are determined quarterly in accordance with a pricing grid based upon the ratio of the Company's total funded senior indebtedness to earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") for the 12 months ended on the last day of the most recent calendar quarter (the "Cash Flow Leverage Ratio"). Since July 30, 2008, based on the Company's quarterly Cash Flow Leverage Ratios, the LIBOR margin and the Lender's Prime Rate margin have been, and continue to be, plus 1.125% and minus 0.625%, respectively.

The Company has a hedge that fixes LIBOR at 4.695% on the outstanding balance of the Term Loan for the period December 30, 2005 through its maturity date, resulting in an interest rate of 5.82% based on the current LIBOR margin of 1.125%. Effective December 30, 2005, the Company also entered into a hedge that fixes LIBOR at 4.875% on 75% of the outstanding balance on the Draw Term Loan through its maturity date, resulting in an interest rate of 6.00% based on the current LIBOR margin of 1.125%. Effective June 30, 2006, the Company entered into a third hedge that fixes LIBOR at 5.50% on the remaining 25% of the outstanding balance of the Draw Term Loan through its maturity date, resulting in an interest rate of 6.625% based on the current LIBOR margin of 1.125%. The hedges have been effective as defined under applicable accounting rules. Therefore, changes in fair value of the interest rate hedges are reflected in comprehensive income (loss). The Company will be exposed to credit losses in the event of non-performance by the counterparty, Wells Fargo Bank, N.A., to the hedges. Due to interest rate declines, the Company marked its interest rate hedges to market at September 30, 2009 and December 31, 2008, resulting in liabilities of \$3.9 million and \$5.4 million, respectively, that are included in accrued expenses (\$1.8 million and \$1.6 million, respectively) and other liabilities (\$2.1 million and \$3.8 million, respectively) on the Company's balance sheets. Pursuant to the interest rate hedges, the Company made payments of \$476 thousand and \$356 thousand in the third quarter 2009 and 2008, respectively, and \$1.3 million and \$748 thousand in the first nine months 2009 and 2008, respectively.

The Company is not contractually committed to any planned capital expenditures for its Lime and Limestone Operations until actual orders are placed for equipment. Under the Company's oil and gas Lease Agreement, and pursuant to the Company's subsequent elections to participate as a 20% working interest owner, unless, within five days after receiving an AFE (authorization for expenditures) for a proposed well, the Company provides notice otherwise, the Company is deemed to have elected to participate as a 20% working interest owner. As a 20% working interest owner, the Company is responsible for 20% of the costs to drill and complete the well. Pursuant to the Drillsite Agreement, the Company, as a 12.5% working interest owner, is responsible for 12.5% of the costs to drill and complete each well. As of September 30, 2009, the Company had no material open orders or commitments that are not included in current liabilities on the September 30, 2009 Condensed Consolidated Balance Sheet.

As of September 30, 2009, the Company had \$42.9 million in total debt outstanding, compared to \$51.4 million as of December 31, 2008.

Results of Operations

Revenues decreased to \$31.6 million in the third quarter 2009 from \$38.9 million in the third quarter 2008, a decrease of \$7.3 million, or 18.8%. Revenues from the Company's Lime and Limestone Operations decreased \$3.7 million, or 11.1%, to \$29.9 million in the third quarter 2009, compared to the Company's third quarter 2008 level of \$33.6 million, while revenues from its Natural Gas Interests decreased \$3.6 million, or 67.3%, to \$1.7 million in the third quarter 2009 from \$5.3 million in the comparable 2008 quarter. For the nine months ended September 30, 2009, revenues decreased to \$89.1 million from \$113.3 million for the comparable 2008 period, a decrease of \$24.3 million, or 21.4%. Revenues from the Company's Lime and Limestone Operations decreased \$16.6 million, or 16.5%, to \$84.0 million in the first nine months 2009, compared to \$100.6 million in the comparable 2008 period, while revenues from its Natural Gas Interests decreased \$7.7 million, or 60.5%, to \$5.0 million in the first nine months 2009 from \$12.7 million in the comparable 2008 period. The decreases in lime and limestone revenues primarily resulted from decreased lime sales volumes, partially offset by average price increases for the Company's lime and limestone products of approximately 11.0% and 9.4% in the third quarter and first nine months 2009, respectively, compared to the comparable 2008 periods.

The Company's gross profit was \$8.6 million for the third quarter 2009, compared to \$8.9 million for the comparable 2008 quarter, a decrease of \$304 thousand, or 3.4%. Gross profit for the first nine months 2009 was \$21.7 million, a decrease of \$5.2 million, or 19.3%, from \$26.9 million for the first nine months 2008. Included in gross profit for the third quarter and first nine months 2009 were \$7.5 million and \$18.6 million, respectively, from the Company's Lime and Limestone Operations, compared to \$4.6 million and \$16.3 million, respectively, in the comparable 2008 periods. The improved gross profit and gross profit margins for the Company's Lime and Limestone Operations in the 2009 periods compared to the comparable 2008 periods were due to price increases for the Company's lime and limestone products and reduced costs, partially offset by continuing reduced construction and steel and other industrial demand for the Company's lime products. The improvements in the Company's Lime and Limestone operations resulted in increased overall gross profit margins for the 2009 periods compared to the prior year periods.

Gross profit from the Company's Natural Gas Interests declined to \$1.2 million and \$3.1 million for the third quarter and first nine months 2009, respectively, from \$4.3 million and \$10.5 million, respectively, in the comparable 2008 periods, primarily due to the drastic decline in natural gas prices and lower production volumes. Production volumes from the Company's Natural Gas Interests for the third quarter 2009 totaled 302 thousand MCF, sold at an average price of \$5.84 per MCF, compared to 448 thousand MCF, sold at an average price of \$11.90 per MCF, in the comparable 2008 quarter. Production volumes for the first nine months 2009 from Natural Gas Interests totaled 1.0 BCF sold at an average price of \$4.99 per MCF, compared to the first nine months 2008 when 1.1 BCF was produced and sold at an average price of \$11.93 per MCF.

Selling, general and administrative expenses (“SG&A”) was \$2.0 million for the third quarters of both 2009 and 2008, and \$5.9 million in the first nine months of both 2009 and 2008. As a percentage of revenues, SG&A increased to 6.4% in the third quarter 2009, compared to 5.2% in the third quarter 2008, and 6.6% in the first nine months 2009, compared to 5.2% in the comparable 2008 period. The increases in SG&A as a percentage of revenues were due to the decreases in revenues in the 2009 periods compared to the comparable 2008 periods.

Interest expense in the third quarter 2009 decreased \$127 thousand, or 15.2%, to \$707 thousand, compared to \$834 thousand in the third quarter 2008. Interest expense in the first nine months 2009 decreased to \$2.2 million from \$2.7 million in the first nine months 2008, a decrease of \$536 thousand, or 19.7%. The decrease in interest expense in the 2009 periods primarily resulted from a decrease in average outstanding debt due to the repayment of \$8.8 million of debt since September 30, 2008.

Other, net in the 2008 periods included approximately \$200 thousand for damages to equipment and railcars located at a trans-loading site in Galveston, caused by Hurricane Ike.

Income tax expense was \$1.5 million in the third quarters of both 2009 and 2008. For the first nine months 2009, income tax expense decreased to \$3.1 million from \$4.7 million in the comparable 2008 period, a decrease of \$1.6 million, or 33.8%. The decrease in income taxes in the first nine months 2009 compared to the comparable 2008 period was primarily due to the decrease in income before income taxes.

The Company’s net income was \$4.5 million (\$0.70 per share diluted) in both the third quarter 2009 and 2008. Net income for the first nine months 2009 was \$10.6 million (\$1.67 per share diluted), a decrease of \$2.7 million, or 20.5%, compared to the first nine months 2008 net income of \$13.4 million (\$2.10 per share diluted).

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk.

The Company is exposed to changes in interest rates, primarily as a result of floating interest rates on the Revolving Facility. At September 30, 2009, the Company had \$42.9 million of indebtedness outstanding under floating rate debt. The Company has entered into interest rate hedge agreements to swap floating rates for fixed LIBOR rates at 4.695%, plus the applicable margin, through maturity on the Term Loan balance of \$27.5 million, 4.875%, plus the applicable margin, on \$11.6 million of the Draw Term Loan balance and 5.50%, plus the applicable margin, on the remaining \$3.8 million of the Draw Term Loan balance. There was no outstanding balance on the Revolving Facility subject to interest rate risk at September 30, 2009. Any future borrowings under the Revolving Facility would be subject to interest rate risk. See Note 8 of Notes to Condensed Consolidated Financial Statements.

ITEM 4T: CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness the Company’s disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures as of the end of the period covered by this Report were effective.

No change in the Company’s internal control over financial reporting occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company's Amended and Restated 2001 Long-Term Incentive Plan allows employees and directors to pay the exercise price for stock options and the tax withholding liability for the lapse of restrictions on restricted stock by payment in cash and/or delivery of shares of the Company's common stock. In the third quarter 2009, pursuant to these provisions the Company received a total of 68 shares of its common stock in payment to exercise stock options. The 68 shares were valued at \$46.78 per share, the fair market value of one share of the Company's common stock on the date they were tendered to the Company.

ITEM 6: EXHIBITS

- | | |
|------|--|
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer. |
| 32.1 | Section 1350 Certification by the Chief Executive Officer. |
| 32.2 | Section 1350 Certification by the Chief Financial Officer. |

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.

UNITED STATES LIME & MINERALS, INC.

October 30, 2009

By: /s/ Timothy W. Byrne
Timothy W. Byrne
President and Chief Executive Officer
(Principal Executive Officer)

October 30, 2009

By: /s/ M. Michael Owens
M. Michael Owens
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

UNITED STATES LIME & MINERALS, INC.

Quarterly Report on Form 10-Q
Quarter Ended
September 30, 2009

Index to Exhibits

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer.
32.1	Section 1350 Certification by the Chief Executive Officer.
32.2	Section 1350 Certification by the Chief Financial Officer.

RULE 13a-14(a)/15d-14(a) CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Timothy W. Byrne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United States Lime & Minerals, 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 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 control over financial reporting, or caused such internal control 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; and
5. The registrant's other certifying officer 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.

Dated: October 30, 2009

/s/ Timothy W. Byrne
Timothy W. Byrne
President and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

I, M. Michael Owens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United States Lime & Minerals, 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 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 control over financial reporting, or caused such internal control 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; and
5. The registrant's other certifying officer 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.

Dated: October 30, 2009

/s/ M. Michael Owens
M. Michael Owens
Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Timothy W. Byrne, Chief Executive Officer of United States Lime & Minerals, Inc. (the “Company”), hereby certify that, to my knowledge:

- (1) The Company’s periodic report on Form 10-Q for the quarterly period ended September 30, 2009 (the “Form 10-Q”) 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 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2009

/s/ Timothy W. Byrne
Timothy W. Byrne
President and Chief Executive Officer

SECTION 1350 CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

I, M. Michael Owens, Chief Financial Officer of United States Lime & Minerals, Inc. (the "Company"), hereby certify that to my knowledge:

- (1) The Company's periodic report on Form 10-Q for the quarterly period ended September 30, 2009 (the "Form 10-Q") 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 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2009

/s/ M. Michael Owens
M. Michael Owens
Vice President and Chief Financial Officer