

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-K**

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **December 31, 2011**

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 **0-2757**

**THE MONARCH CEMENT COMPANY**  
(Exact name of registrant as specified in its charter)

**Kansas**  
(State or other jurisdiction of  
incorporation or organization)

**48-0340590**  
(IRS employer identification no.)

**P.O. Box 1000, Humboldt, Kansas 66748-0900**  
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(620) 473-2222**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Title of Class: **Capital Stock, par value \$2.50 per share**  
**Class B Capital Stock, par value \$2.50 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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:

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter was \$82,436,544.

As of February 15, 2012, the registrant had outstanding 2,569,831 shares of Capital Stock, par value \$2.50 per share, and 1,443,803 shares of Class B Capital Stock, par value \$2.50 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated parts of this report: (1) the registrant's annual report to stockholders for the year ended December 31, 2011 - Parts I, II, and IV of Form 10-K and (2) the registrant's definitive proxy statement prepared in connection with the annual meeting of stockholders to be held on April 11, 2012 - Part III of Form 10-K.

## PART I

### ITEM 1. BUSINESS

Unless otherwise indicated by the context, we use the term Company to mean The Monarch Cement Company (Monarch) and its subsidiaries. Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the description of the Company's business, including information regarding lines of business, in The Monarch Cement Company's 2011 Annual Report to Stockholders (filed herewith as Exhibit 13) under the headings:

- Description of the Business;
- Lines of Business; and
- Note 9, Lines of Business, of Notes to Consolidated Financial Statements.

The Company did not introduce any new products nor begin to do business in a new industry segment during 2011.

The Company owns and operates quarries located near its Humboldt, Kansas plant. Such quarries contain all essential raw materials presently used by the Company's cement operations. The Company's total reserves, including these quarries and other property located near the plant, are estimated to be sufficient to maintain operations at the Humboldt plant's present capacity for more than 50 years, although not all reserves are currently accessible under existing governmental permits and approvals.

The Company's cement products are marketed under registered trademarks using the name "MONARCH". With the exception of these trademarks, the Company's operations are not materially dependent on any trademarks, franchises, patents or on any licenses relating to the use thereof.

Portland cement is the basic material used in the production of ready-mixed concrete that is used in highway, bridge and building construction. These construction activities are seasonal in nature. During winter months when the ground is frozen, groundwork preparation cannot be completed. Cold temperatures affect concrete set-time, strength and durability, limiting its use in winter months. Dry ground conditions are also required for construction activities to proceed. During the summer, winds and warmer temperatures tend to dry the ground quicker creating fewer delays in construction projects.

Variations in weather conditions from year-to-year significantly affect the demand for our products during any particular quarter; however, our Company's highest revenue and earnings historically occur in its second and third fiscal quarters, April through September.

It is necessary for the Company to invest a significant portion of its working capital in inventories. At December 31, 2011 the Company had inventories as follows:

- 1.

Cement	\$ 3,963,233
Work in process	1,353,361
Building products	4,236,266
Fuel, gypsum and other materials	6,416,618
Operating and maintenance supplies	11,892,887
Total	<u>\$ 27,862,365</u>

The Company is heavily dependent upon the construction industry and is directly affected by the level of activity in that industry. However, no customer accounted for 10% or more of the Company's consolidated net revenue during 2011, 2010 or 2009.

Backlog of customers' orders is not a material factor in the Company's business.

The Company has no contracts that are subject to renegotiation of profits or termination thereof at the election of the government.

The manufacture and sale of cement and ready-mixed concrete are extremely competitive enterprises. A number of producers, including several nationwide manufacturers, compete for business with the Company in its market area. The Company is not a significant factor in the nationwide portland cement or ready-mixed concrete business but does constitute a significant market factor for cement in its market area. Cement generally is produced to meet standard specifications and there is little differentiation between the products sold by the Company and its competitors. Accordingly, competition exists primarily in the areas of price and customer service.

The Company did not spend a material amount in the last three fiscal years on Company sponsored research and development. However, the Company is a member of the Portland Cement Association which conducts research for the cement industry.

The Company has, during the past several years, made substantial capital expenditures for pollution control equipment. The Company also incurs normal operating and maintenance expenditures in connection with its pollution control equipment. The Environmental Protection Agency (EPA) has published modifications to the National Emission Standard for Hazardous Air Pollutants (NESHAP) regulation in the Federal Register. The date for compliance with these modifications by all U.S. cement plants is September 9, 2013. Since the Company does not currently meet certain emission limitations included in latest regulations issued by the EPA, additional pollution control equipment expenditures in its Cement Business are planned over the next few years to comply with these new regulations. NESHAP regulations also require us to install analyzers capable of continuously monitoring certain pollutants. Analyzers capable of continuously monitoring these pollutants at the extremely low levels (i.e. emissions of particulate matter are limited to 3 parts per million) specified in the regulation do not currently exist. We are partnering with an analyzer manufacturer to assist in the development of the required technology. We refer to the "Capital Resources" section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2011 Annual Report to Stockholders for a more detailed description of the Company's capital resources and improvements under consideration. Such description is incorporated herein by reference.

At December 31, 2011, the Company and its subsidiaries employed approximately 615 employees including 475 hourly employees and 140 salaried employees, which included plant

supervisory personnel, sales and executive staff. Of the 615 total employees, approximately 31% are union employees covered by various collective bargaining agreements. Approximately 35% of those union employees (11% of our total employees) are covered by an agreement that expires in 2012. The Company believes it has a good working relationship with its employees and has been successful in negotiating multi-year union contracts without work stoppages.

All of the Company's operations and sales are in one geographic area consisting primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma.

The Monarch Cement Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed with or furnished to the Securities and Exchange Commission (SEC), are available free of charge through the "SEC Filings" link of the Company's website, <http://www.monarchcement.com>, as soon as reasonably practicable after filing with or furnished to the SEC. These reports are also available to read and copy at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

#### **ITEM 1A. RISK FACTORS**

We are identifying important risks and uncertainties that could affect the Company's results of operations, financial condition or business and that could cause them to differ materially from the Company's historical results of operations, financial condition or business, or those contemplated by forward-looking statements made herein or elsewhere, by, or on behalf of, the Company. Factors that could cause or contribute to such differences include, but are not limited to, those factors referred to below.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders in the "Capital Resources" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings:

- Accounting and Disclosure Rules Impact;
- Market Risks;
- Inflation; and
- Environmental Regulations.

**We depend on construction activity levels, which tend to be cyclical.** Our operating results depend on residential, commercial and governmental construction activity and spending levels which tend to be cyclical. Construction activity and spending levels are influenced by interest rates, inflation, environmental laws and regulations, employment levels and the availability of funds for construction projects. Economic downturns may lead to recessions in the construction industry, either in individual markets or nationally. These cyclical

downturns in construction activity in our market area, which we cannot control, significantly affect our business.

**Construction is dependent upon the overall U.S. economy which remains weak and could weaken further.** Commercial and residential construction levels generally move with economic cycles; when the economy is strong, construction levels rise and when the economy is weak, construction levels fall. The overall U.S. economy has been hurt by changes in the financial services sector and the resulting constraints on credit availability. The overall weakness in the economy and the uncertainty in the credit markets could cause commercial and residential construction to remain at low levels or weaken further, and thereby continue to adversely affect our sales volumes and earnings. A recessionary economy can also increase the likelihood we will not be able to collect on our accounts receivable from our customers.

**A decline in public sector construction and reductions in governmental funding could adversely affect our operations and results.** If spending on publicly funded construction is reduced significantly as a result of a loss of federal funding or a significant reduction in state or federal budgets, our earnings could be negatively affected.

**Competition in our industry could adversely affect our results of operations.** All of the markets we operate in are highly competitive. We compete with several other domestic suppliers of cement, concrete and concrete products, as well as with importers of foreign cement. Many factors affect the competitive environments we face in our markets. Among others, they include the number of competitors in the market, the pricing policies of those competitors, the financial strength of those competitors, the total production capacity serving the market, the barriers that potential competitors face to enter the market, the proximity of natural resources to the market, as well as economic conditions and product demand within the market. Such factors come together in our market in varying ways, sometimes in ways that adversely impact demand for and pricing of our products.

**Increased energy and fuel costs may have a material adverse effect on our results.** Our operations consume significant amounts of energy. The price and availability of energy are subject to political, economic and market factors that are generally outside our control. Energy and fuel costs have affected, and may continue to affect, our financial condition, results of operations and liquidity.

**Adverse weather lessens demand for our products, which is seasonal in our market.** Construction activity, and thus demand for our products, decreases substantially during periods of cold weather, when it snows or when heavy or sustained rains fall. Consequently, demand for our products is significantly lower during the winter, when winter weather significantly curtails construction activity. Our operations are seasonal, with sales generally peaking during the second and third quarters because of normally better weather conditions. However, high levels of rainfall can adversely impact our operations during these periods as well. Such adverse weather conditions can materially and adversely affect our results of operations and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual, especially during peak construction periods.

**Changes in legal requirements and governmental policies concerning zoning, land use, environmental and other areas of the law impact our business.** Our operations are

affected by numerous federal, state and local laws and regulations related to zoning, land use and environmental matters. Despite our compliance efforts, there is the inherent risk of liability in the operation of our business, especially from an environmental standpoint. These potential liabilities could have an adverse impact on our operations and profitability. Our operations require numerous governmental approvals and permits, which often require us to make significant capital and maintenance expenditures to comply with zoning and environmental laws and regulations. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede the expansion of our facilities.

**Climate change and climate change legislation or regulations may adversely impact our business.** In the past a number of governmental bodies have introduced or contemplated legislative and regulatory changes in response to the potential impacts of climate change that, if enacted, would have limited and reduced greenhouse gas emissions through a “cap and trade” system of allowances and credits, among other provisions. In addition, the EPA has required large emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions and has proposed a permitting process for large emitters. Any such “cap-and-trade” system or other limitations imposed on the emission of “greenhouse gases” could have a material adverse effect on our financial position, results of operation or cash flows.

**Litigation could affect our profitability.** The nature of our business exposes us to various litigation matters including product liability claims, employment, health and safety matters, environmental matters, regulatory and administrative proceedings, governmental investigations, tort claims and contract disputes. We contest these matters vigorously and file insurance claims where appropriate. However, litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome of existing or future litigation.

See Item 3, “Legal Proceedings” below for a discussion of the Company’s current material litigation matters.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

The Company’s corporate office and cement plant, including equipment and raw materials, are located at Humboldt, Kansas, approximately 110 miles southwest of Kansas City, Missouri. The Company owns approximately 5,000 acres of land on which the Humboldt plant, offices and all essential raw materials for the cement operations are located. Construction completed in 2006 increased our cement plant’s capacity allowing us to produce in excess of one million tons of cement per year. Producing at that level, raw material reserves are estimated to be sufficient to maintain operations at this plant for more than 50 years, although not all reserves are currently accessible under existing governmental permits and approvals. The Company believes that this plant and equipment are suitable and adequate for its current level of operations and provides for increases in market demand.

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 310 acres of this 400 acre tract have been quarried and the Company has contracted with a third party to quarry and sell the remaining rock. This quarry operation will not have a material effect on the Company's overall operations.

The Company owns various companies which sell ready-mixed concrete, concrete products and sundry building materials within the Humboldt cement plant's primary market. Various equipment and facility improvements in this line of business ensure these plants are suitable and adequate for their current level of operations and provide for increases in market demand. No single location has a material effect on the Company's overall operations.

### **ITEM 3. LEGAL PROCEEDINGS**

In 2007 Monarch self-reported potential violations pertaining to construction permitting requirements of the Kansas Department of Health and Environment (KDHE). As a result, the company has been negotiating an environmental settlement with the KDHE over the past few years. In the best interest of the KDHE and Monarch, both parties have recently agreed to the terms of a settlement. The alleged violations addressed within the agreement are procedural in nature and relate to permitting activities that accompanied facility modifications, all of which occurred in the 1990s. The alleged violations did not increase emission rates at the facility or harm the environment in any manner. The terms of the settlement required the company to pay a civil penalty of \$120,000 and submit an administratively complete construction permit modification, which established a combined nitrous oxide (NO<sub>x</sub>) limit on the company's kilns. The company has provided data to the KDHE for review, which demonstrates that Monarch has been in compliance with the new NO<sub>x</sub> emission limits over the past 12 calendar months. Once the KDHE concurs with Monarch's determination that 12 consecutive calendar months of NO<sub>x</sub> emission compliance have been achieved, the Consent Agreement and Final Order of the Secretary (CAO) will be closed. If the KDHE does not agree that Monarch has met the terms of the CAO, and furthermore, the company is unable to demonstrate that it can operate within the limits set forth in the "CAO Construction Permit" (which was required to make the terms of the CAO federally enforceable), the company will submit a proposal to the KDHE for the installation of control technology on the kilns to meet the NO<sub>x</sub> emission limitations included within the CAO Construction Permit. Nothing in the CAO shall be construed as an admission of any fact or an acknowledgement of any liability by any party. Monarch neither admits nor denies the Findings of Fact and Conclusions of Law contained in the CAO. The Company's manufacturing operations have always pursued excellence in environmental compliance and the health of our employees, and the Company will continue to strive to be a leader in environmental stewardship, and will remain focused on these core principles into the future.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Under Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and under the SEC's recently adopted Item 104 of Regulation S-K, each operator of a coal or other mine is required to include disclosures regarding certain mine safety results in its periodic reports filed with the SEC. The operation of the Company's quarries is subject to

regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977. The information required under Section 1503(a) and the newly adopted Item 104 of Regulation S-K regarding certain mining safety and health matters is presented in Exhibit 95 to this report.

#### EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of our Company are appointed by the Board of Directors and serve at the discretion of the Board. The following table sets forth certain information with respect to all executive officers of our Company.

Name	Age	Position
Walter H. Wulf, Jr.	67	Chairman of the Board and President
Robert M. Kissick	75	Vice President
Byron K. Radcliff	74	Vice Chairman of the Board, Secretary and Treasurer
Debra P. Roe	56	Chief Financial Officer, Assistant Secretary-Treasurer
Rick E. Rush	59	Vice President
N. Joan Perez	72	Vice President – Sales
Harvey D. Buckley	62	Vice President – Cement Manufacturing

The business experience of the executive officers of our Company during the last five years is as follows:

*Walter H. Wulf, Jr.* has served as our Chairman of the Board since 2001 and as our President since 1997. He began working in our plant as a teenager during summer vacations. After college, he served in the U.S. Army, attaining the rank of Captain. Following a tour of duty in Viet Nam, Mr. Wulf returned to our Company as a salesman and later became Vice President and then our President and Chairman of the Board. He is the father of Walter H. Wulf III, a member of our Board of Directors.

*Robert M. Kissick* is the retired former President of Hydraulic Power Systems, Inc., a manufacturer of construction equipment, and Chairman of the Board of that company. He has served as a Vice President of our Company since 1980, although he currently is not actively involved in the daily affairs of our Company.

*Byron K. "Kent" Radcliff* is the owner and manager of the 9,000 acre Radcliff Ranch, located near Dexter, Kansas. He has served as our Vice Chairman of the Board since 2001, as our Secretary since 1999 and as our Treasurer since 1976, although he currently is not actively involved in the daily affairs of our Company.

*Debra P. Roe* has served as Chief Financial Officer of our Company since 2003 and as Assistant Secretary-Treasurer since 1998.

*Rick E. Rush* has served as a Vice President of our Company since 2001.

*N. Joan Perez* has served as Vice President – Sales of our Company since 2005.

*Harvey D. Buckley* has served as Vice President – Cement Manufacturing of our Company since 2006.

There is no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was selected as an officer.

## PART II

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders under the heading "Stock Market and Dividend Data". In addition we submit the following information:

The Company's Board of Directors is responsible for determining the amount and timing of dividend payments. All dividends are discretionary and are based on past financial performance and availability of funds. For several years the Company has paid a dividend in January, March, June and September. For each of the four dividend payments in 2011, the Board of Directors declared a \$0.23 per share dividend. Under the terms and conditions of the loan agreement effective for 2011, the Company's ability to pay dividends was subject to its satisfaction of the requirements to maintain a tangible net worth of \$90.0 million and an adjusted tangible net worth, which is tangible net worth before accumulated other comprehensive income, of \$95.0 million. The Company was in compliance with these requirements at year end. Under the terms and conditions of our new credit agreement, the Company's ability to pay dividends is subject to its satisfaction of the requirements to maintain a minimum tangible net worth after accumulated other comprehensive income of \$85.0 million, maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million, and restrict cash dividends in any fiscal year to a maximum of \$3.8 million. The requirements could impact the Company's ability to pay and the size of dividends in the future.

The Company does not have any compensation plans or individual compensation arrangements under which equity securities of the registrant are authorized for issuance to employees or non-employees.

As previously disclosed, the Company issued 105,750 shares of Capital Stock in April 2011 as part of the consideration paid by the Company for the acquisition of Kay Concrete Materials Co. No shares were issued during 2010. Except as described above, the Company did not sell any of its Capital Stock during 2011 or 2010. No repurchases of Capital Stock or Class B Capital Stock were made by the Company during the fourth quarter in 2010. The Company repurchased 5,534 shares of its Capital Stock in isolated, open-market transactions during the fourth quarter of 2011. These repurchases were 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 Number of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning repurchase authority				188,800
October 1-31	-	-	-	188,800
November 1-30	4,000	\$ 23.68	4,000	184,800
December 1-31	1,534	\$ 23.56	1,534	183,266
Total	5,534	\$ 23.65	5,534	183,266

In 1996, our Board of Directors authorized the purchase, through open market transactions, of up to 400,000 shares of our Company's Capital Stock. On August 5, 2011, our Board of Directors authorized the purchase, through open market or private transactions, of 101,672 shares of our Company's Capital Stock in addition to the existing 98,328 shares remaining from the Board's 1996 authorization for a total repurchase authority of 200,000 shares. Management's authorization has no expiration. Management was given discretion to determine the number and pricing of the shares to be purchased, as well as, the timing of any such purchases. As of December 31, 2011, the Company continued to be authorized by the Board, exercisable in management's discretion, to purchase up to 183,266 shares of our Capital Stock. However, the Company's new credit agreement with BOKF, NA dba Bank of Oklahoma prohibits cash outlays for the purchase of the Company's Capital Stock through December 31, 2012.

#### **ITEM 6. SELECTED FINANCIAL DATA**

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item under the heading "Selected Financial Data – For the Five Years Ended December 31, 2011" of The Monarch Cement Company's 2011 Annual Report to Stockholders.

#### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". In addition we submit the following information:

The Company does not have any off-balance sheet arrangements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders in the "Capital Resources" section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Market Risks". In addition we submit the following information:

During 2011, Monarch's secured credit commitment with its lender, Bank of Oklahoma, N.A., consisted of a \$17.8 million term loan maturing December 31, 2014 and a \$15.0 million line of credit which matured December 31, 2011. The interest rates on the line of credit were variable and based on the lender's national prime rate less 0.50% with a 3.50% interest rate minimum or floor. Interest rates on the term loan were variable and based on the lender's national prime rate less 0.75% with a 3.00% interest rate minimum or floor. The agreement required Monarch to pledge its investment account to the lender as collateral for the term loan and revolving line of credit. The proceeds of the sale of any assets held in the investment account were to be paid to the Bank of Oklahoma, N.A. to be applied to the balance of the revolving line of credit then to the term loan, at the lender's discretion. The fair value of the investment account was \$16.9 million as of December 31, 2011. The loan agreement also contained a financial covenant requiring the Company, as of the end of any fiscal quarter, to maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million and a minimum tangible net worth after accumulated other comprehensive income of \$90.0 million. The Company was in compliance with these requirements at year end.

At December 31, 2011 and 2010, there was approximately \$4.8 million and \$0, respectively, borrowed against the line of credit. The balance available on the line of credit at December 31 was approximately \$10.2 million and \$15.0 million for 2011 and 2010, respectively. Interest on the line of credit varied with the lender's national prime rate less .50% with a 3.50% interest rate minimum or floor for 2011 and 2010. The annual weighted average interest rate we paid on the line of credit during 2011 and 2010 was 3.50%. The applicable interest rate was 3.50% at December 31, 2011 and 2010 and was payable quarterly.

As of December 31, 2011 and 2010, there was approximately \$9.0 million and \$11.9 million, respectively, borrowed on the term loan. Interest on the Company's term loan was variable and was based on the lender's national prime rate less 0.75% with a 3.00% interest rate minimum or floor for 2011 and 2010. The annual weighted average interest rate we paid on the term loan during 2011 and 2010 was 3.25%. The applicable interest rate was 3.25% at December 31, 2011 and 2010.

On December 31, 2011, Monarch entered into an amendment to the loan agreement with its current lender, BOKF, NA dba Bank of Oklahoma, to renew and modify the terms of Monarch's term loan and revolving line of credit. Interest rates on the line of credit and term loan remained unchanged from the prior agreement with the lender. The credit commitment consisted of a \$17.8 million term loan maturing December 31, 2014 and a \$15.0 million line of credit maturing February 3, 2012. In February 2012, the Company entered into a new credit agreement with its current lender, BOKF, NA dba Bank of Oklahoma, which amended and restated its existing credit agreement. The new agreement provides for a secured credit

commitment consisting of an approximately \$9.0 million term loan maturing December 31, 2014 and a line of credit which permits revolving borrowings and letters of credit up to an aggregate of \$15.0 million maturing December 31, 2012. Interest rates on the Company's line of credit are variable and are based on the lender's prime rate less 0.50% with a 3.50% interest rate minimum or floor. Interest rates on the Company's term loan are variable and based on the lender's prime rate less 0.75% with a 3.00% interest rate minimum or floor. The new agreement requires the Company to pledge its investment account, receivable accounts and inventory to BOKF, NA dba Bank of Oklahoma as collateral for the term loan and revolving line of credit. The fair value of receivables, inventory, and the investment account pledged as collateral was \$16.0 million, \$27.9 million, and \$16.9 million, respectively as of December 31, 2011. Withdrawal of the proceeds of the sale of any equity securities from the pledged investment account must be used to reduce the obligations of the Company to the lender. The agreement contains a financial covenant requiring the Company, as of the end of any fiscal quarter, to maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million and a minimum tangible net worth after accumulated other comprehensive income of \$85.0 million. In addition, the agreement prohibits cash outlays for business acquisitions and the purchase of the Company's Capital Stock and restricts cash dividends and capital expenditures in any fiscal year to a maximum of \$3.8 million and \$11.5 million, respectively. Additional financing with any banks or other financial institutions would be prohibited under our new credit agreement.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders under the headings:

- Report of Independent Registered Public Accounting Firm (BKD, LLP--related to financial statements);
- Consolidated Balance Sheets--December 31, 2011 and 2010;
- Consolidated Statements of Income--For the Years Ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Comprehensive Income--For the Years Ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Stockholders' Equity and Noncontrolling Interests--For the Years Ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Cash Flows--For the Years Ended December 31, 2011, 2010 and 2009; and
- Notes to Consolidated Financial Statements--December 31, 2011, 2010 and 2009.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

#### **ITEM 9A. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information

required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its President and Chairman of the Board of Directors and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this report, an evaluation was carried out by the Company's management, including its President and Chairman of the Board of Directors and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company's President and Chairman of the Board of Directors and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item with respect to internal control over financial reporting is incorporated herein by reference to the material responsive to this Item with respect to such information in The Monarch Cement Company's 2011 Annual Report to Stockholders under the following headings:

- Management's Report on Internal Control Over Financial Reporting; and
- Report of Independent Registered Public Accounting Firm (BKD, LLP--related to internal control over financial reporting).

In addition, we submit the following information:

There has been no change in our Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

There was no information required to be disclosed, but not reported, in a report on Form 8-K during the fourth quarter of 2011.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in the Company's definitive proxy statement prepared in connection with its 2012 annual meeting of stockholders pursuant to Regulation 14A and filed with the Commission, which material is provided under the following headings of said proxy statement:

- “Item 1: Election of Directors--What is the structure of our Board and how often are directors elected?”
- “Item 1: Election of Directors--Who are this year’s nominees?”
- “Item 1: Election of Directors--What is the business experience of the nominees and of our continuing Board members and the basis for the conclusion that each such person should serve on our Board?”
- “Section 16(a) Beneficial Ownership Reporting Compliance”
- “Corporate Governance and Board Matters--Code of Ethics”
- “Corporate Governance and Board Matters--Consideration of Director Nominees”
- “Corporate Governance and Board Matters--Committees of the Board”

Pursuant to General Instruction G(3) to Form 10-K, the information regarding executive officers required by this Item is provided under the caption “Executive Officers of the Registrant” in Part I of this report.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item in the Company’s definitive proxy statement prepared in connection with its 2012 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission, which material is provided under the following headings of said proxy statement:

- “Executive Compensation and Related Matters”
- “Corporate Governance and Board Matters--Director Compensation”
- “Corporate Governance and Board Matters--Compensation Committee Interlocks and Insider Participation”

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item (other than that presented below) is incorporated herein by reference to the material responsive to this Item in the Company’s definitive proxy statement prepared in connection with its 2012 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission, which material is provided under the following heading of said proxy statement:

- Ownership of Company Securities

In addition we submit the following information:

The Company does not have any compensation plans or individual compensation arrangements under which equity securities of the registrant are authorized for issuance to employees or non-employees.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item in the Company's definitive proxy statement prepared in connection with its 2012 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission, which material is provided under the following headings of said proxy statement:

- "Related Party Transactions"
- "Item 1: Election of Directors--What is the structure of our Board and how often are directors elected?"
- "Corporate Governance and Board Matters--Committees of the Board"

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the material responsive to this Item in the Company's definitive proxy statement prepared in connection with its 2012 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission, which material is provided under the following heading of said proxy statement:

- Independent Auditor Fees and Services

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

**FINANCIAL STATEMENTS**

Pursuant to General Instruction G(2) to Form 10-K, the following is a list of the information required by this Item which is incorporated herein by reference to the material responsive to this Item in The Monarch Cement Company's 2011 Annual Report to Stockholders under the headings:

- Report of Independent Registered Public Accounting Firm (BKD, LLP--related to financial statements);
- Consolidated Balance Sheets--December 31, 2011 and 2010;
- Consolidated Statements of Income--For the Years Ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Comprehensive Income--For the Years Ended December 31, 2011, 2010 and 2009;
- Consolidated Statements of Stockholders' Equity and Noncontrolling Interests--For the Years Ended December 31, 2011, 2010 and 2009;

- Consolidated Statements of Cash Flows--For the Years Ended December 31, 2011, 2010 and 2009; and
- Notes to Consolidated Financial Statements--December 31, 2011, 2010 and 2009.

#### **FINANCIAL STATEMENT SCHEDULES**

##### Schedule II -- Valuation and Qualifying Accounts

Financial statement schedules (other than the schedule listed above) are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or in the notes described above in Financial Statements of Item 15, Exhibits, Financial Statement Schedules.

## EXHIBITS

Exhibit No.	Description	Filed with this Report	Incorporated by Reference			
			Form	Date of Report or Period Ending	Exhibit	Filing Date
3(i)	Articles of Incorporation	X				
3(ii)	By-Laws		8-K	4/12/2006	3(ii)	4/14/2006
10.2	Credit agreement dated February 3, 2012 between BOKF, NA dba Bank of Oklahoma and The Monarch Cement Company entered into on February 9, 2012		8-K	2/9/2012	10.2	2/15/2012
13	2011 Annual Report to Stockholders	X				
21	Subsidiaries of the Registrant	X				
31.1	Certificate of the President and Chairman of the Board pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934	X				
31.2	Certificate of the Chief Financial Officer pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934	X				
32.1	18 U.S.C. Section 1350 Certificate of the President and Chairman of the Board dated March 15, 2012	X				
32.2	18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated March 15, 2012	X				
95	Mine Safety Disclosure	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X				

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

THE MONARCH CEMENT COMPANY  
(Registrant)

By: /s/ Walter H. Wulf, Jr.  
Walter H. Wulf, Jr.  
President

Date: March 15, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Jack R. Callahan  
Jack R. Callahan  
Director

Date: March 15, 2012

By: /s/ Gayle C. McMillen  
Gayle C. McMillen  
Director

Date: March 15, 2012

By: /s/ Ronald E. Callaway  
Ronald E. Callaway  
Director

Date: March 15, 2012

By: /s/ Byron K. Radcliff  
Byron K. Radcliff  
Director

Date: March 15, 2012

By: /s/ David L. Deffner  
David L. Deffner  
Director

Date: March 15, 2012

By: /s/ Walter H. Wulf, Jr.  
Walter H. Wulf, Jr.  
President, Chairman of the Board and  
Director (principal executive officer)

Date: March 15, 2012

By: /s/ Robert M. Kissick  
Robert M. Kissick  
Director

Date: March 15, 2012

By: /s/ Debra P. Roe  
Debra P. Roe, CPA  
Chief Financial Officer and  
Assistant Secretary-Treasurer  
(principal financial officer and  
principal accounting officer)

Date: March 15, 2012

**Report of Independent Registered Public Accounting Firm on  
Financial Statement Schedules**

Audit Committee, Board of Directors and Stockholders  
The Monarch Cement Company  
Humboldt, Kansas

In connection with our audit of the consolidated financial statements of The Monarch Cement Company for each of the three years in the period ended December 31, 2011, we have also audited the following financial statement schedules. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits of the basic consolidated financial statements. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and are not a required part of the consolidated financial statements.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

*BKD, LLP*

Kansas City, Missouri  
March 15, 2012

experience **BKD**

*Praxity*  
MEMBER  
A CPA ALLIANCE BY  
INDEPENDENT FIRMS

**THE MONARCH CEMENT COMPANY AND SUBSIDIARIES**

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS  
FOR THE THREE YEARS ENDED DECEMBER 31, 2011

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deduction from Reserves (1)	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 2011:				
Reserve for doubtful accounts	<u>\$ 707,000</u>	<u>\$ 250,000</u>	<u>\$ 287,000</u>	<u>\$ 670,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2010:				
Reserve for doubtful accounts	<u>\$ 911,000</u>	<u>\$ 139,000</u>	<u>\$ 343,000</u>	<u>\$ 707,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2009:				
Reserve for doubtful accounts	<u>\$ 788,000</u>	<u>\$ 214,000</u>	<u>\$ 91,000</u>	<u>\$ 911,000</u>

(1) Write-off of uncollectible accounts, net of collections on accounts previously written off.

## EXHIBIT INDEX

Exhibit No.	Description
3(i)	Articles of Incorporation
13	2011 Annual Report to Stockholders
21	Subsidiaries of the Registrant
31.1	Certificate of the President and Chairman of the Board pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2	Certificate of the Chief Financial Officer pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1	18 U.S.C. Section 1350 Certificate of the President and Chairman of the Board dated March 15, 2012
32.2	18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated March 15, 2012
95	Mine Safety Disclosure
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

COMPOSITE OF THE  
CHARTER  
OF  
THE MONARCH CEMENT COMPANY

(As existing April 13, 1994)

The undersigned, citizens of the State of Kansas, do hereby voluntarily associate ourselves together for the purpose of forming a private corporation under the laws of the State of Kansas, and do hereby certify:

FIRST

That the name of this corporation shall be THE MONARCH CEMENT COMPANY.

SECOND

That this corporation is organized for profit, and that the purposes for which it is formed are the following:

(a) To manufacture, buy, sell, produce, import, export, or otherwise acquire, use, deal in and dispose of cement of all kinds, lime, limestone, plaster, natural and artificial stone, and all like and kindred products and all articles and products in the manufacture of which cement, lime, or any of the aforesaid products or any like or kindred product is a factor or ingredient, and all by-products of the manufacture thereof.

(b) To buy, lease or otherwise acquire, build, maintain and operate factories, kilns, ovens, smelters, mills, crushing works, warehouses, and depots for manufacturing and storing, buying, selling, and dealing in cement and other products; to purchase, lease or otherwise acquire, hold, own, maintain, operate, explore, develop, mortgage, lease, sell or otherwise dispose of mines or mining rights, quarries and quarry rights, of clays, limestone and other stone, rock, coal, shale, ores, metals, sand, gravel, and animal, vegetable, petroleum and mineral substances of all kinds; to mine, crush, quarry, smelt, calcine, refine, dress, amalgamate, manipulate and prepare for market limestone and other stone, rock, clay, oil, coal, shale, ores, metals, sand, gravel, and animal, vegetable, petroleum and mineral substances of all kinds and to purchase or otherwise acquire, use, deal in, sell or otherwise dispose of the same.

(c) To invest and deal with moneys of the corporation in any lawful manner, and to acquire by purchase, by the exchange of stock or other securities of the corporation, by subscription, or otherwise, and to invest in, to hold for investment or for any other purpose, and to deal in and use, sell, pledge or otherwise dispose of, and in general to deal in any interest with respect to or enter into any transaction with respect to (including "long" and "short" sales of) any stocks, bonds, notes, debentures, and other securities and obligations of any government, state, municipality, corporation, association, or other entity, including individuals and partnerships and, while owner thereof, to exercise all of the rights,

powers, and privileges of ownership, including among other things, the right to vote thereon for any and all purposes and to give consents with respect thereto.

(d) To apply for, obtain, purchase, lease, take licenses in respect of, or otherwise acquire, and to hold, own, use, operate, enjoy, turn to account, grant licenses in respect of, manufacture, introduce, sell, assign, mortgage, pledge or otherwise dispose of:

(i) any and all inventions, devices, processes and any improvements and modifications thereof;

(ii) any and all letters patent of the United States or of any other country, state or locality, and all rights connected therewith or appertaining thereto;

(iii) any and all copyrights granted by the United States or any other country, state or locality, as aforesaid;

(iv) any and all trade-marks, trade names, trade symbols and other indications of origin and ownership granted by or required under the laws of the United States or of any other country, state or locality as aforesaid; and

to conduct and carry on its business in any and all of its various premises under any trade name or trade names.

(e) To acquire, own, hold, establish, maintain, operate, manage, lease or sell or otherwise dispose of, stores, commercial establishments, handling and merchandising at retail or wholesale, commodities, goods, wares, merchandise, services, specialties and personal property of every class and description; and to purchase and acquire, as a going concern or otherwise, and to carry on, maintain, and operate all or any part of the property or business of any corporation, firm, association, entity, syndicate or persons whatsoever deemed to be of benefit to the corporation, or of use in any manner in connection with any of its objects or purposes; and to acquire, own, hold and use and dispose of upon such terms as may seem advisable to the corporation any and all property, real, personal or mixed, and any interest therein deemed necessary, useful or of benefit to the corporation in any manner in connection with any of its objects or purposes.

(f) To engage in, carry on, and conduct research, experiments, investigations, analyses, studies and laboratory work, for the purpose of discovering new products or to improve products, articles, and things, and to acquire, own, operate, maintain, and dispose of, whenever the corporation deems such action desirable, laboratories and similar facilities, plants and any and all other establishments, and to procure, own and hold all necessary equipment in respect thereof, for the purposes aforesaid.

(g) To enter into any lawful contract or contracts with persons, firms, corporations, governments or any agencies or subdivisions thereof, including guaranteeing the obligations of any person, firm or corporation.

(h) To purchase, hold, sell, and transfer the shares of its own capital stock provided that it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital or be in any manner prohibited by law; and, provided, further, that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

(i) To borrow or raise money for any purpose of the corporation and to secure the same and the interest accruing on any loan, indebtedness or obligation of the corporation, and for that or any other purpose to mortgage, pledge, hypothecate, or charge all or any part of the present or hereafter acquired property, rights and franchises of the corporation, real, personal, mixed or of any character whatever, subject only to limitations specifically imposed by law.

(j) To do any and all of the things hereinabove enumerated alone for its own account, or for the account of others, or as the agent for others, or in association with others or by or through others, and to enter into all lawful contracts and undertakings in respect thereof.

(k) To have one or more offices, to conduct its business, carry on its operations, and promote its objects within and without the State of Kansas, in other states, the District of Columbia, and territories, colonies and dependencies of the United States, and in foreign countries, without restriction as to place or amount, but subject to the laws of such state, district, territory, colony, dependency, or country; and to do any or all of the things herein set forth to the same extent as natural persons might or could do and in any part of the world, either alone or in company with others.

(l) In general, to carry on, transact, and engage in any and every lawful business or other lawful thing calculated to be of gain, profit or benefit to the corporation as fully and freely as a natural person might do, to the extent and in the manner, anywhere within and without the State of Kansas, as it may from time to time determine; and to have and exercise each and all of the powers and privileges, either direct or incidental, which are given and provided by or are available under the laws of the State of Kansas in respect of business corporations organized for profit thereunder; provided, however, that the corporation shall not engage in any activity for which a corporation may not be formed under the laws of the State of Kansas.

It is the intention that each of the purposes, specified in each of the paragraphs in this Article SECOND, shall be in no wise limited or restricted by reference to or inference from the terms of any other paragraphs, but that the purposes specified in each of the paragraphs of this Article SECOND, shall be regarded as independent objects, purposes and powers. The enumeration of the specific purposes of this Article SECOND shall not be construed to restrict in any manner the general terms and powers of this corporation, nor shall the expression of one thing be deemed to exclude another although it be of like nature. The enumeration of purposes herein shall not be deemed to exclude or in any way limit by inference any powers, objects, or purposes which this corporation has power to exercise, whether expressly or by force of the laws of the State of Kansas, now or hereafter in effect, or impliedly by any reasonable construction of such laws.

THIRD

That the place where its business is to be transacted is at Humboldt, Allen County, Kansas.

FOURTH

That the term for which this corporation is to exist is for a period of FIFTY YEARS from the 28th day of July, 1963.

FIFTH

That the number of directors of this corporation shall be eleven and the names and residences of those who are appointed for the first year are:

William A. Fair	Hutchinson, Kansas
W. H. Mavity	Tonkawa, Oklahoma
R. E. Smith	Kingman, Kansas
Miller Dobbin	Wichita, Kansas
Henry Entz	Wichita, Kansas
J. T. Giles	Wichita, Kansas
S. F. Helena	Wichita, Kansas
A. T. Rodgers	Wichita, Kansas
Robert Linfor	Wichita, Kansas
W. J. W. Kennedy	Fayetteville, Arkansas
J. C. Pierson	Wichita, Kansas

Except as otherwise specifically provided by applicable statute, or the Charter of the corporation, all powers of management, direction and control of the corporation shall be vested in the board of directors. Commencing with the annual meeting of stockholders in 1977, the board of directors shall be divided into three classes, Class I consisting of three directors, Class II consisting of four directors and Class III consisting of four directors. At the annual meeting of stockholders in 1977: directors of the first class (Class I) shall be elected to hold office for a term expiring at the next succeeding annual meeting of stockholders; directors of the second class (Class II) shall be elected to hold office for a term expiring at the second succeeding annual meeting of stockholders; and directors of the third class (Class III) shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders. At each annual meeting of stockholders subsequent to the annual meeting of stockholders in 1977, the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting. Each director shall hold office for the term for which he was elected and until his successor is elected and qualified or until his earlier resignation or removal. Any increase or decrease in the number of directors shall be apportioned by the board of directors among the classes so as to make all classes as nearly equal in number as possible. No decrease in the number of directors shall shorten the term of any incumbent director. A director who is chosen in the manner provided in the bylaws to fill a vacancy on the board or to fill a newly-created

directorship resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen and until his successor is elected and qualified or until his earlier resignation or removal. Directors of the corporation may be removed only for cause.

#### SIXTH

The total number of shares which the corporation shall have authority to issue is Twenty Million (20,000,000) shares, consisting of

(i) Ten Million (10,000,000) shares of Capital Stock of the par value of \$2.50 per share (hereinafter called "Capital Stock"), and

(ii) Ten Million (10,000,000) shares of Class B Capital Stock of the par value of \$2.50 per share (hereinafter called "Class B Capital Stock").

The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Capital Stock and the Class B Capital Stock are as follows:

(a) Subject to the provisions of these Articles of Incorporation and except as otherwise provided by law, the shares of stock of the corporation, regardless of class, may be issued for such consideration and for such corporate purposes as the board of directors may from time to time determine.

(b) Except as otherwise required by law or expressly provided in these Articles of Incorporation, the powers, preferences and rights of the Capital Stock and Class B Capital Stock, and the qualifications, limitations or restrictions thereof, shall be in all respects identical.

(c) With respect to all matters submitted to the vote or for the approval of the stockholders of the corporation, the following shall apply:

(i) Each holder of Capital Stock shall be entitled to one (1) vote for each share of Capital Stock standing in such holder's name on the stock transfer records of the corporation;

(ii) Each holder of Class B Capital Stock shall be entitled to ten (10) votes for each share of Class B Capital Stock standing in such holder's name on the stock transfer records of the corporation;

(iii) Except as set forth in clause (iv) below, all actions submitted to a vote of or for approval by the stockholders shall be

voted on by the holders of Capital Stock and Class B Capital Stock voting together as a single class;

(iv) The holders of Capital Stock and Class B Capital Stock shall vote separately as classes with respect to amendments to these Articles of Incorporation that alter or change the powers, preferences or special rights of their respective classes of stock so as to affect them adversely and with respect to such other matters as may require class votes under the applicable laws of Kansas;

(v) Every reference in these Articles of Incorporation to a majority or other proportion of shares of stock shall refer to such majority or other proportion of the votes of such shares of stock; and

(vi) No holder of Capital Stock or of Class B Capital Stock shall be entitled to exercise cumulative voting in the election of directors.

(d) Each share of Capital Stock and Class B Capital Stock shall be equal in respect of rights to dividends and other distributions in cash, stock or property of the corporation, including distributions upon liquidation of the corporation; provided, however, in the case of dividends or other distributions payable in stock of the corporation, including distributions pursuant to stock split-ups or divisions of stock of the corporation which occur after the date shares of Class B Capital Stock are first issued by the corporation, only shares of Capital Stock shall be distributed with respect to Capital Stock and only shares of Class B Capital Stock shall be distributed with respect to Class B Capital Stock.

(e) (1) No person holding shares of Class B Capital Stock (hereinafter called a "Class B Holder") may transfer, and the corporation shall not register the transfer of, such shares of Class B Capital Stock, whether by sale, assignment, gift, bequest, appointment or otherwise, except to a Permitted Transferee, which term shall have the following meanings:

(A) In the case of a Class B Holder who is a natural person holding record and beneficial ownership of the shares of Class B Capital Stock in question, "Permitted Transferee" means:

- (i) the spouse of such Class B Holder;
- (ii) a lineal descendant of a great grandparent of such Class B Holder;
- (iii) the trustee of a trust (including a voting trust) for the benefit of one or more of (I) such Class B Holder, (II) other lineal descendants of a great grandparent of such Class B Holder,

(III) the spouse of such Class B Holder, and (IV) an organization the contributions to which are deductible for federal income, estate or gift tax purposes (hereinafter called a "Charitable Organization"), and for the benefit of no other person, provided that such trust may grant a general or special power of appointment to such spouse and may permit trust assets to be used to pay taxes, legacies and other obligations of the trust or the estate of such Class B Holder payable by reason of the death of such Class B Holder and provided that such trust must prohibit transfer of shares of Class B Capital Stock to persons other than Permitted Transferees as defined in clause (B) of subparagraph (1) of this paragraph (e);

(iv) a Charitable Organization established at any time by such Class B Holder, such Class B Holder's spouse or a lineal ascendant or descendant of such Class B Holder; and

(v) a corporation all of the outstanding capital stock of which is owned by, or a partnership all of the partners of which are, one or more of such Class B Holders, other lineal descendants of a great grandparent of such Class B Holder, and the spouse of such Class B Holder, provided that if any share of capital stock of such a corporation (or of any survivor of a merger or consolidation of such a corporation), or any partnership interest in such a partnership, is acquired by any person who is not within such class of persons, all shares of Class B Capital Stock then held by such corporation or partnership, as the case may be, shall be deemed, without further act on anyone's part, to be converted into shares of Capital Stock, and stock certificates formerly representing such shares of Class B Capital Stock shall thereupon and thereafter be deemed to represent the same number of shares of Capital Stock.

(B) In the case of a Class B Holder holding the shares of Class B Capital Stock in question as trustee pursuant to a trust other than a trust described in clause (C) of subparagraph (1) of this paragraph (e), "Permitted Transferee" means (I) the person who established such trust, and (II) a Permitted Transferee of such person determined pursuant to clause (A) of subparagraph (1) of this paragraph (e).

(C) In the case of a Class B Holder holding the shares of Class B Capital Stock in question as trustee pursuant to a trust which was irrevocable on the record date (hereinafter in this paragraph (e) called the "Record Date") for determining the persons to whom the Class B Capital Stock is

first distributed by the corporation, "Permitted Transferee" means any person to whom or for whose benefit principal may be distributed either during or at the end of the term of such trust, whether by power of appointment or otherwise.

(D) In the case of a Class B Holder holding record (but not beneficial) ownership of the shares of Class B Capital Stock in question as nominee for the person who was the beneficial owner thereof on the Record Date, "Permitted Transferee" means such beneficial owner and a Permitted Transferee of such beneficial owner determined pursuant to clauses (A), (B), (C), (E) and (F), as the case may be, of subparagraph (1) of this paragraph (e).

(E) In the case of a Class B Holder which is a partnership holding record and beneficial ownership of the shares of Class B Capital Stock in question, "Permitted Transferee" means any partner of such partnership.

(F) In the case of a Class B Holder which is a corporation (other than a Charitable Organization described in subclause (iv) of clause (A) of subparagraph (1) of this paragraph (e)) holding record and beneficial ownership of the shares of Class B Capital Stock in question, "Permitted Transferee" means any stockholder of such corporation receiving shares of Class B Capital Stock through a dividend or through a distribution made upon liquidation of such corporation, and the survivor of a merger or consolidation of such corporation.

(G) In the case of a Class B Holder which is the estate of a deceased Class B Holder, or which is the estate of a bankrupt or insolvent Class B Holder, and provided such deceased, bankrupt or insolvent Class B Holder, as the case may be, held record and beneficial ownership of the shares of Class B Capital Stock in question, "Permitted Transferee" means a Permitted Transferee of such deceased, bankrupt or insolvent Class B Holder as determined pursuant to clauses (A), (E) or (F), as the case may be, of subparagraph (1) of this paragraph (e).

(H) In the case of any Class B Holder, "Permitted Transferee" means:

(i) the corporation; and

(ii) a qualified plan and trust under Sections 401(a) and 501(a) of the Internal Revenue Code from time to time in effect) established for the benefit of the corporation's employees.

(I) In the case of any Class B Holder which is a qualified plan and trust under Sections 401(a) and 501(a) of the Internal Revenue Code (or comparable Sections of the Internal Revenue Code from time to time in effect) established for the benefit of the corporation's employees, "Permitted Transferee" means a participant of such qualified plan and trust.

(J) In the case of the corporation, "Permitted Transferee" means any person.

(2) Notwithstanding anything to the contrary set forth herein, any Class B Holder may pledge such Holder's shares of Class B Capital Stock to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares shall not be transferred to or registered in the name of the pledgee and shall remain subject to the provisions of this paragraph (e). In the event of foreclosure or other similar action by the pledgee, such pledged shares of Class B Capital Stock may only be transferred to a Permitted Transferee of the pledgor or converted into shares of Capital Stock, as the pledgee may elect.

(3) For purposes of this paragraph (e):

(A) The relationship of any person that is derived by or through legal adoption shall be considered a natural one;

(B) Each joint owner of shares of Class B Capital Stock shall be considered a "Class B Holder" of such shares;

(C) A minor for whom shares of Class B Capital Stock are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a Class B Holder of such shares; and

(D) Unless otherwise specified, the term "person" means both natural persons and legal entities.

(4) Any purported transfer of shares of Class B Capital Stock not permitted hereunder shall be void and of no effect, and the purported transferee shall have no rights as a stockholder of the corporation and no other rights against or with respect to the corporation. The corporation may, as a condition to the transfer or the registration of transfer of shares of Class B Capital Stock to a purported Permitted Transferee, require the furnishing of such affidavits or other proof as it deems necessary to establish that such transferee is a Permitted Transferee. The corporation may note on the certificates for shares of Class B Capital Stock the restrictions on transfer and registration of transfer imposed by this paragraph (e).

(5) When the number of outstanding shares of Class B Capital Stock falls below One Hundred Thousand (100,000), or such higher number as results

from adjustments for stock splits or stock dividends, the outstanding shares of Class B Capital Stock shall be deemed without further act on anyone's part to be converted into shares of Capital Stock, and stock certificates formerly representing outstanding shares of Class B Capital Stock shall thereupon and thereafter be deemed to represent the same number of shares of Capital Stock.

(f) (1) Each share of Class B Capital Stock may at any time be converted into one (1) fully paid and nonassessable share of Capital Stock. Such right shall be exercised by the surrender of the certificate representing such share of Class B Capital Stock to be converted to the corporation at any time during normal business hours at the principal executive offices of the corporation, accompanied by a written notice of the election by the holder thereof to convert and (if so required by the corporation) by instruments of transfer, in form satisfactory to the corporation, duly executed by such holder or his duly authorized attorney, and transfer tax stamps or funds therefor, if required pursuant to subparagraph (5) of this paragraph (f).

(2) As promptly as practicable after the surrender for conversion of a certificate representing shares of Class B Capital Stock in the manner provided in subparagraph (1) of this paragraph (f) and the payment in cash of any amount required by the provisions of subparagraphs (1) and (5) of this paragraph (f), the corporation shall deliver to the holder of such certificate, a certificate or certificates representing the number of full shares of Capital Stock issuable upon such conversion, issued in such name or names as such holder may direct. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of the certificate representing shares of Class B Capital Stock, and all rights of the holder of such shares as such holder shall cease at such time and the person or persons in whose name or names the certificate or certificates representing the shares of Capital Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Capital Stock at such time; provided, however, that any such surrender and payment on any date when the stock transfer books of the corporation shall be closed shall constitute the person or persons in whose name or names the certificate or certificates representing shares of Capital Stock are to be issued as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such stock transfer books are open.

(3) No adjustments in respect of dividends shall be made upon the conversion of any share of Class B Capital Stock, provided, however, that if a share shall be converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class B Capital Stock but prior to such payment, the registered holder of such share at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such share on such date notwithstanding the conversion thereof or the corporation's default in payment of the dividend due on such date.

(4) The corporation covenants that it will at all times reserve and keep available, solely for the purpose of issue upon conversion of the outstanding shares of Class B Capital Stock, such number of shares of Capital Stock as shall be issuable upon the conversion of all such outstanding shares, provided, that nothing contained herein shall be construed to preclude the corporation from satisfying its obligations in respect of the conversion of the outstanding shares of Class B Capital Stock by delivery of purchased shares of Capital Stock which are held in the treasury of the corporation. The corporation covenants that if any shares of Capital Stock, required to be reserved for purposes of conversion hereunder, require registration with or approval of any governmental authority under any federal or state law before such shares of Capital Stock may be issued upon conversion, the corporation will cause such shares to be duly registered or approved, as the case may be. The corporation will endeavor to list the shares of Capital Stock required to be delivered upon conversion prior to such delivery upon each national securities exchange upon which the outstanding Capital Stock is listed at the time of such delivery. The corporation covenants that all shares of Capital Stock which shall be issued upon conversion of the shares of Class B Capital Stock, will, upon issue, be fully paid and nonassessable and not subject to any preemptive rights.

(5) The issuance of certificates for shares of Capital Stock upon conversion of shares of Class B Capital Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class B Capital Stock converted, the person or persons requesting the issuance thereof shall pay to the corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the corporation that such tax has been paid.

(g) Except as otherwise permitted in paragraph (d) of this Article SIXTH with respect to dividends or other distributions, the corporation shall not issue additional shares of Class B Capital Stock after the date shares of Class B Capital Stock are first issued by the corporation, and all shares of Class B Capital Stock surrendered for conversion pursuant to paragraph (f) of this Article SIXTH shall be retired, unless otherwise approved by the affirmative vote of the holders of a majority of the outstanding shares of stock of the corporation entitled to vote. Except as otherwise provided in the immediately preceding sentence with respect to shares acquired in a conversion, all shares of Class B Capital Stock acquired by the corporation by purchase or in any other manner shall not be retired but shall be held in the treasury of the corporation, unless otherwise approved by the Board of Directors of the corporation, and upon authorization by the Board of Directors may be sold or transferred by the corporation. All shares of Capital Stock acquired by the corporation by purchase or in any other manner shall not be retired but shall be held in the treasury of the corporation, unless otherwise approved by the Board of Directors of the corporation.

(h) No holder of any shares of stock of the corporation of any class shall be entitled as such, as a matter of right, to purchase and subscribe for any shares of any class of stock of the corporation hereafter proposed to be issued by the corporation, whether now or hereafter authorized and whether issued for cash, property or services or as a dividend or otherwise, or to purchase or subscribe for any obligations, bonds, notes, debentures, other securities or stock convertible by their terms into shares of stock of the corporation of any class or carrying or evidencing any right to purchase shares of stock of any class.

#### SEVENTH

That the names and residences of the stockholders of said corporation, and the number of shares held by each, are as follows, to-wit:

Names	Residences	No. of Shares
William A. Fair	Hutchinson, Kansas	210
W. H. Mavity	Tonkawa, Oklahoma	90
R. E. Smith	Kingman, Kansas	167
Miller Dobbin	Wichita, Kansas	38
Henry Entz	Wichita, Kansas	162 3/4
J. T. Giles	Wichita, Kansas	100
S. F. Helena	Wichita, Kansas	90
A. T. Rodgers	Wichita, Kansas	150
Robert Linfor	Wichita, Kansas	51
W. J. W. Kennedy	Fayetteville, Arkansas	70
J. C. Pierson	Wichita, Kansas	110

#### EIGHTH

If a majority of the directors constituting the whole board have not approved or authorized (a) a merger or consolidation of the corporation into or with any other corporation, or (b) a sale, lease or exchange of all or substantially all of the assets of the corporation to or with any other corporation, person or other entity, or (c) a sale, lease or exchange to or with the corporation or any subsidiary thereof of any assets of any other corporation, person or entity, in exchange for shares of capital stock of the corporation, or (d) any amendment of this Charter, the affirmative vote of the holders of at least two-thirds of the outstanding shares of all classes of stock of the corporation normally entitled to vote in the election of directors, voting as one class, at an annual or special meeting of the stockholders (but not by written consent in lieu of a meeting) shall be required for approval or authorization thereof, unless the laws of Kansas require a greater vote of the stockholders and in that event such greater vote as so required shall be necessary. If a majority of the directors constituting the whole board have approved or authorized any of the foregoing matters no vote of the stockholders shall be required for approval or authorization thereof other than the stockholder vote, if any, required by the laws of Kansas.

## NINTH

In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to adopt, amend or repeal bylaws of the corporation from time to time by the affirmative vote of directors constituting a majority of the whole board; provided, however, that the stockholders at an annual or special meeting (but not by written consent in lieu of a meeting) may also adopt, amend or repeal bylaws of the corporation from time to time by the affirmative vote of the holders of at least two-thirds of the outstanding shares of all classes of stock of the corporation normally entitled to vote in the election of directors, voting as one class. Any adoption, amendment or repeal of a bylaw by the stockholders may from time to time thereafter be changed by the affirmative vote of directors constituting a majority of the whole board unless the stockholders shall have provided otherwise in adopting, amending or repealing such bylaw.

## TENTH

The corporation may agree to the terms and conditions upon which any director, officer, employee or agent accepts his office or position and in its bylaws or otherwise may agree to indemnify and protect any director, officer, employee or agent to the extent permitted by the law (including statutes, case law and principles of equity) of the State of Kansas.

Without limiting the generality of the foregoing provisions of this Article TENTH, to the fullest extent permitted or authorized by the laws of the State of Kansas, including without limitation the provisions of Section 17-6002(b)(8) of the Kansas Statutes Annotated as now in effect and as it may from time to time hereafter be amended, no director of the corporation shall be personally liable to the corporation or to its stockholders for monetary damages for breach of fiduciary duty as a director.

(End of Charter as presently in effect)

**2011**  
**Annual Report**





MANUFACTURERS OF PORTLAND CEMENTS



SINCE 1908

PHONE: (620) 473-2222  
FAX: (620) 473-2447

449 1200 STREET  
P O BOX 1000  
HUMBOLDT, KANSAS 66748-0900

March 15, 2012

## ANNUAL REPORT TO STOCKHOLDERS

The severe decline in demand for our products during the past several years has resulted in lower volumes, lower prices, higher production costs and lower operating margins. While net sales for 2011 increased slightly from \$121.2 million in 2010 to \$122.1 million in 2011, cost of sales increased from \$105.0 million to \$109.0 million, reducing our gross profit by \$3.1 million. Cement sales volume declined 3.8% during 2011 as compared to 2010 while our ready-mixed concrete sales volume increased 8.6% during the same time period. The decrease in gross profit is attributed to higher per unit cement production costs as production was curtailed to match the 3.8% decrease in volume of cement sold. The capital intensive nature of our business and the unique skills required to operate our manufacturing equipment limit our options to reduce costs during periods of lower sales. Other income for 2011 includes a loss on impairment of equity investments of \$0.4 million compared to \$0.9 million in 2010 and a gain on the sale of equity investments of \$5.1 million in 2011 compared to a loss on the sale of equity investments of \$0.1 million in 2010. Net income for 2011 totaled \$1.6 million compared to \$0.2 million for 2010.

The construction industry is arguably the hardest hit industry in the U.S. during this prolonged economic downturn. Although the market appears to have somewhat stabilized, forecasts point to a slow recovery. The Portland Cement Association (PCA) is predicting a modest gain of 0.5% in cement consumption during 2012 followed by a 7.4% gain in 2013, which is roughly half of their previous forecast. The residential sector continues to be plagued with foreclosures and oversupply. The PCA also expects nonresidential construction to remain low until 2013 and the lack of assured federal highway funding is expected to delay the recovery of the public sector until 2014.

Meeting new environmental standards during this economic downturn is another challenge faced by our industry. In 2010, the Environmental Protection Agency issued modifications to the National Emission Standard for Hazardous Air Pollutants (NESHAP). In order to meet the September 2013 compliance date, we anticipate spending most of our 2012 capital expenditure budget on NESHAP required equipment. Further expenditures will be required in 2013 to complete the installation and testing required by NESHAP. We anticipate our capital expenditures during 2012 will exceed our 2011 capital expenditures; however, we believe we can finance our planned capital expenditures with a mixture of cash from operations and our existing line of credit.

We are optimistic that we have seen the worst of the economic downturn. The mild winter has allowed us to begin 2012 with improved sales volumes. Whether they can be sustained through the balance of the year remains to be seen as it is impossible to predict the timing or extent of the recovery in our market area. With the help of our many loyal customers, devoted employees, steadfast stockholders and the blessings and support of our Heavenly Father, we will continue to strive to meet the challenges we face as we await the economic recovery. Thank you for your support and God Bless.

WALTER H. WULF, JR.  
President and Chairman of the Board

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**THE MONARCH CEMENT COMPANY AND SUBSIDIARIES**

**SELECTED FINANCIAL DATA**

**FOR THE FIVE YEARS ENDED DECEMBER 31, 2011**

(Dollar amounts in thousands except per share data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net sales	\$ 122,065	\$ 121,185	\$ 132,195	\$ 153,886	\$ 146,770
Net income	\$ 1,552	\$ 224	\$ 4,685	\$ 10,233	\$ 15,110
Net income per share	\$ 0.38	\$ 0.06	\$ 1.18	\$ 2.54	\$ 3.78
Total assets	\$ 173,655	\$ 174,099	\$ 176,998	\$ 174,765	\$ 167,488
Long-term debt obligations	\$ 7,303	\$ 9,154	\$ 12,097	\$ 17,752	\$ 20,206
Cash dividends declared per share	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.88
Stockholders' equity per share	\$ 24.44	\$ 25.32	\$ 25.65	\$ 24.98	\$ 24.92

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**DESCRIPTION OF THE BUSINESS**

The Monarch Cement Company (Monarch) was organized as a corporation under the laws of the State of Kansas in 1913. Since its inception, Monarch has been engaged in the manufacture and sale of portland cement.

The manufacture of portland cement by Monarch involves the quarrying of clay and limestone and the crushing, drying and blending of these raw materials into the proper chemical ratio. The raw materials are then heated in kilns to 2800° Fahrenheit at which time chemical reactions occur forming a new compound called clinker. After the addition of a small amount of gypsum, the clinker is ground into a very fine powder that is known as portland cement. The term "portland cement" is not a brand name but is a term that distinguishes cement manufactured by this chemical process from natural cement, which is no longer widely used. Portland cement is the basic material used in the production of ready-mixed concrete that is used in highway, bridge and building construction where strength and durability are primary requirements.

Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") are engaged in the ready-mixed concrete, concrete products and sundry building materials business. Ready-mixed concrete is manufactured by combining aggregates with portland cement, water and chemical admixtures in batch plants. It is then loaded into mixer trucks and mixed in transit to the construction site where it is delivered to the contractor. Concrete products primarily include pre-formed components produced by the Company that are ready for use in the construction of commercial buildings, institutional facilities and parking garages.

As used herein, "Cement Business" refers to our manufacture and sale of cement and "Ready-Mixed Concrete Business" refers to our ready-mixed concrete, concrete products and sundry building materials business.

## LINES OF BUSINESS

The Company is engaged in two lines of business – Cement Business and Ready-Mixed Concrete Business.

The marketing area for Monarch’s products, which is limited by the relatively high cost of transporting cement, consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Included within this area are the metropolitan markets of Des Moines, Iowa; Kansas City, Missouri; Springfield, Missouri; Wichita, Kansas; Omaha, Nebraska; Lincoln, Nebraska; Fayetteville, Arkansas and Tulsa, Oklahoma. Sales of cement are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Monarch cement is delivered either in bulk or in paper bags and is sold under the “MONARCH” brand name. The cement is distributed both by truck and rail, either common or private carrier.

Subsidiaries of Monarch sell ready-mixed concrete, concrete products and sundry building materials in Monarch’s primary market.

The following table sets forth for the Company’s last three fiscal years the percentage of total sales by the (1) Cement Business and (2) Ready-Mixed Concrete Business:

	Total Sales		
	December 31,		
	2011	2010	2009
Cement Business	38.3%	40.8%	42.1%
Ready-Mixed Concrete Business	61.7%	59.2%	57.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

Certain statements under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report, our Form 10-K report and our other reports filed with the Securities and Exchange Commission (SEC) constitute “forward-looking information”. Except for historical information, the statements made in this report are forward-looking statements that involve risks and uncertainties. You can identify these statements by forward-looking words such as “should”, “expect”, “anticipate”, “believe”, “intend”, “may”, “hope”, “forecast” or similar words. In particular, statements with respect to variations in future demand for our products in our market area or the future activity of federal and state highway programs and other major construction projects; the timing, scope, cost, benefits of, and source of funding for our proposed and recently completed capital improvements; our forecasted cement sales; the timing and source of funds for the repayment of our line of credit; our ability to pay dividends at the current level; the timing and/or collectability of retainage; our anticipated expenditures for benefit plans; our anticipated increase in solid fuels and electricity required to operate our facilities and equipment; and the impact of climate change on our business are all forward-looking statements. You should be aware that forward-looking statements involve known and unknown risks, uncertainties and other factors that may affect the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others:

- general economic and business conditions;
- competition;
- raw material and other operating costs;
- costs of capital equipment;
- changes in business strategy or expansion plans;
- demand for our Company's products;
- cyclical and seasonal nature of our business;
- the effect of weather on our business;
- the effect of environmental and other government regulations;
- the availability of credit at reasonable prices; and
- the effect of federal and state funding on demand for our products.

We have described under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 and in other reports that we file with the SEC from time to time, additional factors that could cause actual results to be materially different from those described in the forward-looking statements. Other factors that we have not identified in this report could also have this effect. You are cautioned not to put undue reliance on any forward-looking statement, which speak only as of the date they were made.

## RESULTS OF OPERATIONS

	Cement Business	Ready-Mixed Concrete Business	Consolidated
<b>For the Year Ended December 31, 2011</b>			
Sales to unaffiliated customers	\$46,801,814	\$ 75,263,070	\$ 122,064,884
Income (loss) from operations	1,502,909	(4,478,723)	(2,975,814)
<b>For the Year Ended December 31, 2010</b>			
Sales to unaffiliated customers	\$49,436,170	\$ 71,748,664	\$ 121,184,834
Income (loss) from operations	6,147,514	(6,005,382)	142,132
<b>For the Year Ended December 31, 2009</b>			
Sales to unaffiliated customers	\$55,687,700	\$ 76,506,842	\$ 132,194,542
Income (loss) from operations	7,019,307	(2,070,723)	4,948,584

See Note 9, Lines of Business, of Notes to Consolidated Financial Statements for further discussion of each of the Company's reportable operating lines of business.

**General**--The construction industry has been severely impacted by the ongoing economic downturn. The extended economic recession has resulted in a severe reduction in housing starts, high unemployment, state budget shortfalls, escalating energy prices and increased governmental regulation negatively impacting demand for our products. The substantial decline in demand for our products, which are used in residential, commercial and governmental construction, led to excess capacity resulting in intermittent shutdowns of our production facilities. Prior to the economic downturn, the Company spent substantial sums on major plant modifications designed to increase our cement production capacity to meet our customers' needs and to improve our production processes. We have postponed any further enhancement of our production processes other than those required to meet emission limitations included in the latest regulations issued by the Environmental Protection Agency (EPA).

The residential and commercial construction slowdown, which began during 2008 and continued through 2011, has resulted in a declining demand for cement and ready-mixed concrete. Recent economic forecasts from the Portland Cement Association (PCA) indicate the construction industry is likely to remain weak until 2013. They further indicate that the negative drag on construction activity is due to uncertainty regarding highway spending and government policy related to the debt crisis. This weakness in the industry is putting downward pressure on pricing of cement and ready-mixed concrete. The decline in volume and pricing pressure in the industry has adversely impacted our revenues, gross margins, and net profits. The impact of these adverse economic conditions was greater in 2011 than in 2010 or 2009.

Based on sales forecasts and inventory levels, the Company elected to reduce cement production in the first quarter of 2011, 2010 and 2009 to undertake plant repairs and maintenance, largely using our own production personnel. The Company normally performs repairs and maintenance every winter, but the decision to use employees or outside contractors is determined by anticipated sales demand, by whether we have the internal expertise and by our inventory target levels. During the remainder of the year, the Company evaluates inventory levels and sales forecasts to determine if reductions in cement production are warranted and can be scheduled around maintenance needs. In addition to costs that vary with the volume of production, our cost of sales includes certain fixed costs that do not vary with the volume of production. We have extremely limited ability to reduce these fixed costs in the short term. As a result, lower production levels which result from extended shutdowns generally have, and in 2011, 2010 and 2009 have had, a negative impact on our gross profit margins.

The Company shut down its cement production facility and laid off the majority of its cement production employees during the first quarter of 2012 due to the continued weakness in the construction industry. Mild weather during the layoff allowed some construction projects to continue through the winter, increasing cement sales, reducing inventory at a faster rate than projected and shortening the length of layoff. Following a three week layoff, the employees were recalled to begin approximately three weeks of equipment repairs prior to resuming production.

**2011 Compared to 2010**--Consolidated net sales for the year ended December 31, 2011 were approximately \$122.1 million, an increase of \$0.9 million as compared to the year ended December 31, 2010. Sales in our Cement Business were lower by \$2.6 million while sales in our Ready-Mixed Concrete Business increased \$3.5 million. Cement Business sales decreased \$1.9 million due to a 3.8% decrease in volume sold and \$0.7 million due to price decreases. Ready-mixed concrete sales increased \$4.5 million of which \$4.0 million is attributable to an 8.6% increase in cubic yards sold and \$0.5 million to price increases. These increases were partially offset by a \$1.0 million decrease in the sale of block, brick and other sundry items.

Consolidated cost of sales for 2011 were \$4.0 million higher than cost of sales for 2010. Cost of sales in our Cement Business was higher by \$1.9 million, while cost of sales in our Ready-Mixed Concrete Business was higher by \$2.1 million. Cement Business cost of sales decreased \$1.4 million due to the 3.8% decrease in volume sold and was more than offset by the \$3.3 million increase related to higher production costs resulting from the continuation of fixed costs during production shutdowns and the inefficiencies of lower production levels. Ready-Mixed Concrete Business cost of sales increased \$4.0 million due to the 8.6% increase in cubic yards of ready-mixed concrete sold partially offset by decreases in delivery costs and direct material costs of \$0.8 million. Ready-Mixed Concrete Business cost of sales declined \$0.6 million due to decreases in direct and indirect costs for construction contracts in 2011 even though construction contract sales remained virtually the same as those in 2010. The Ready-Mixed Concrete Business segment also realized a \$0.5 million decrease in block, brick and other sundry items cost of sales.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2011 was 10.7% compared to 13.4% for the year ended December 31, 2010. The decline was primarily due to the Cement Business in which the gross profit rate dropped from 27.5% for 2010 to 19.4% for 2011. The Ready-Mixed Concrete Business gross profit rate improved slightly from 3.6% for 2010 to 5.3% for 2011.

Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on equity investments and dividend income. Significant items in Other, net for 2011 include proceeds from scrap sales of approximately \$150,000. Significant items in Other, net for 2010 include farm income of approximately \$154,500, a gain of \$700,000 related to the sale of a nonoperating asset, and proceeds from scrap sales of approximately \$51,000.

During 2011, there was a \$0.4 million impairment loss recorded on equity investments due to impairments that were other-than-temporary while the Company realized a \$0.9 million impairment loss for 2010. See Note 2, Investments, of Notes to Consolidated Financial Statements for further discussion.

The effective tax rates for 2011 and 2010 were 13.4% and 394.3%, respectively. The Company's effective tax rate differs from the federal and state statutory income tax rate primarily due to the effects of percentage depletion. See the effective tax rate discussion in "2010 Compared to 2009" below for further information regarding 2010's effective tax rate. During 2011, percentage depletion decreased the effective tax rate by 15.1%. In 2010, percentage depletion increased the tax benefit and changed the effective tax rate by 725.6%.

**2010 Compared to 2009**--Consolidated net sales for the year ended December 31, 2010 were approximately \$121.2 million, a decrease of \$11.0 million as compared to the year ended December 31, 2009. Sales in our Cement Business were lower by \$6.3 million while sales in our Ready-Mixed Concrete Business decreased \$4.7 million. Cement Business sales decreased \$5.5 million due to a 9.9% decrease in volume sold and \$0.8 million due to price decreases. Decreases in construction contract sales of \$9.0 million more than offset the increases in sales of other products in the Ready-Mixed Concrete Business. Ready-mixed concrete sales increased \$3.8 million primarily due to an 8.0% increase in cubic yards sold. Sales of block, brick and other sundry items increased \$0.5 million.

Consolidated cost of sales for 2010 were \$5.7 million less than cost of sales for 2009. Cost of sales in our Cement Business was lower by \$4.9 million, while cost of sales in our Ready-Mixed Concrete Business was lower by \$0.8 million. Cement Business cost of sales decreased \$4.0 million due to the 9.9% decrease in volume sold. The remaining \$0.9 million decrease was due to reduced contract labor expenses. Ready-Mixed Concrete Business cost of sales increased \$3.5 million due to the 8.0% increase in cubic yards of ready-mixed concrete sold and \$0.5 million due to increases in direct material costs. Ready-Mixed Concrete Business cost of sales increases were offset by a \$5.2 million decrease in cost of sales for construction contracts which resulted from the \$9.0 million decrease in construction contract sales. With the reduction in contract sales, the Company had fewer projects over which to allocate its indirect costs resulting in a significantly smaller reduction in cost of goods sold compared to the \$9.0 million reduction in sales. The remaining \$0.4 million increase in the Ready-Mixed Concrete Business segment was due to increases in the block, brick and other sundry items cost of sales.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2010 was 13.4% compared to 16.3% for the year ended December 31, 2009. The decline was primarily due to the Ready-Mixed Concrete Business in which the gross profit rate dropped from 8.6% for 2009 to 3.6% for 2010. The segment's gross profit rate decline was largely due to the deterioration of the gross profit margin in construction contract sales mentioned above. The Cement Business gross profit rate improved slightly from 26.9% for 2009 to 27.5% for 2010.

Selling, general and administrative expenses decreased by \$0.5 million or 3.2% for the year ended December 31, 2010 as compared to the year ended December 31, 2009. These costs are normally considered fixed costs that do not vary significantly with changes in sales volume.

Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on equity investments and dividend income. Significant items in Other, net for 2010 include farm income of approximately \$154,500, a gain of \$700,000 related to the sale of a nonoperating asset, and proceeds from scrap sales of approximately \$51,000. Significant items in Other, net for 2009 include income from oil properties of approximately \$180,000, farm income of approximately \$90,000, proceeds from an insurance policy of approximately \$429,000 and proceeds related to the settlement of a lawsuit of approximately \$424,000.

During 2010, there was a \$0.9 million impairment loss recorded on equity investments due to impairments that were other-than-temporary while the Company realized a \$0.5 million impairment loss for 2009. See Note 2, Investments, of Notes to Consolidated Financial Statements for further discussion.

The effective tax rates for 2010 and 2009 were 394.3% (a tax benefit of \$300,000 on a book loss of \$76,078) and 13.0%, respectively. The Company's effective tax rate for 2010 differed from the federal and state statutory income tax rate primarily due to the effects of percentage depletion and domestic production activities deduction. For the year 2010, the Company incurred a book loss before taxes of \$(76,078) while its taxable income was approximately \$2.5 million before percentage depletion and the domestic production activities deduction. The differences between the book loss before taxes and taxable income before percentage depletion and the domestic production activities deduction were primarily timing differences resulting in an increase in the Company's deferred tax asset. For example, in 2010, the Company's net periodic post-retirement benefit cost expensed on the books was \$3.1 million; however, the Company's tax deduction was limited to its actual contributions of \$1.3 million as reported in Note 6, Postretirement Benefits, of Notes to Consolidated Financial Statements. The difference of \$1.8 million is a timing difference between book and taxable income which increased our deferred tax asset by approximately \$0.8 million. As the Company's net income decreased, the permanent differences between book and taxable income for percentage depletion and domestic production activities did not decrease proportionately resulting in a reduction in our effective tax rate. The tax deductions for percentage depletion and domestic production activities are permanent book tax differences that resulted in a reduction in taxable income from approximately \$2.5 million to \$0.8 million. During 2010, percentage depletion increased the tax benefit and changed the effective tax rate by 725.6%. In 2009, percentage depletion decreased the effective tax rate by 12.6%.

The change in the effective tax rate for 2010 as compared with 2009 was also affected by an income tax charge of \$685,000 recorded during the first quarter of 2010 as a result of the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act of 2010. As a result of this legislation, beginning in 2013, we will no longer be able to claim an income tax deduction for prescription drug benefits provided to retirees that were subsequently reimbursed under the Medicare Part D retiree drug subsidy. During 2010, the income tax charges related to postretirement benefits decreased our tax benefit which changed the effective tax rate by 900.4%.

## LIQUIDITY

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted primarily of money market investments and repurchase agreements with various banks. At December 31, 2011, the Company had

\$0.8 million in sweep arrangement accounts that were not covered by FDIC's general deposit insurance. See Note 1(e), Cash Equivalents, of Notes to Consolidated Financial Statements for further discussion.

We are able to meet our cash needs primarily from a combination of cash from operations, sale of equity investments and bank loans.

Net cash provided by operating activities totaled \$7.0 million for 2011, a \$6.9 million decrease from 2010. The positive cash flow from operating activities generated during 2011 was primarily driven by the \$1.6 million net income and favorable changes in inventories partially offset by unfavorable changes in receivables. Net income for 2011 includes realized gains of \$5.1 million from the disposal of available-for-sale equity securities and is not indicative of the operating margins for the period. The favorable change in inventories is a result of the \$1.7 million decrease in finished cement, the \$0.7 million decrease in work in process inventories, and the \$0.5 million decrease in building products which was partially offset by an unfavorable \$0.6 million increase in fuel, gypsum, paper sacks and other inventory. The unfavorable \$3.6 million increase in cash used for receivables is primarily a result of higher sales in December 2011 compared to December 2010.

Net cash provided by operating activities totaled \$13.9 million for 2010, a \$4.8 million decrease from 2009. The positive cash flow from operating activities generated during 2010 was primarily driven by the \$0.2 million net income and favorable changes in inventories and postretirement benefits and pension expense partially offset by unfavorable changes in accounts payable and accrued liabilities. Net income for 2010 reflects the decline in overall sales volume combined with some decline in gross profit margins. Net income also includes realized losses of \$0.9 million on the impairment of available-for-sale equity securities. Cash was provided by the \$1.8 million decrease in fuel, gypsum, paper sacks and other inventories primarily resulting from the consumption of coal and petroleum coke in the production process exceeding purchases. The \$2.4 million favorable change in postretirement benefits and pension expense was primarily due to the \$2.6 million change related to postretirement benefits. Accounts payable and accrued liabilities declined approximately \$2.3 million in 2010 from 2009 levels primarily due to a decline in prepayments held on account in accrued liabilities.

Net cash provided by operating activities totaled \$18.7 million for 2009. The positive cash flow from operating activities generated during 2009 was primarily driven by the \$4.7 million net income and favorable changes in receivables, postretirement benefits and pension expense partially offset by unfavorable changes in inventories. The \$2.9 million decrease in receivables is primarily the result of lower sales in December 2009 in comparison to sales in December 2008. The favorable change in postretirement benefits and pension expense was primarily driven by the \$1.8 million change related to postretirement benefits. The \$3.0 million unfavorable change in inventories was primarily due to increases in fuel, gypsum, paper sacks and other inventory which increased \$1.3 million as a result of purchases of coal and petroleum coke exceeding amounts consumed in the production process. Smaller unfavorable increases also occurred in finished cement, work in process, and operating and maintenance supplies of \$0.8 million, \$0.4 million, and \$0.6 million, respectively.

Net cash used for investing activities totaled \$3.3 million in 2011. The cash used for investing activities during 2011 was primarily for the acquisition of \$7.9 million of property, plant and equipment and \$3.5 million of available-for-sale equity securities partially offset by cash inflows from the sale of \$8.3 million of available-for-sale equity investments.

Net cash used for investing activities totaled \$6.0 million in 2010. The cash used for investing activities during 2010 was primarily for the acquisition of \$6.2 million of property, plant and equipment and \$1.0 million of available-for-sale equity securities partially offset by the cash inflow from the sale of \$0.7 million in nonoperating assets.

Net cash used for investing activities totaled \$12.9 million in 2009. The cash used for investing activities during 2009 was primarily for the acquisition of \$9.8 million of property, plant and equipment, \$5.2 million of available-for-sale equity securities, and \$1.7 million for acquisition of a business which were partially offset by cash inflows from the sale of \$1.6 million of available-for-sale equity investments and \$2.1 million from the redemption of short-term investments.

Net cash used for financing activities totaled \$5.3 million, \$7.3 million, and \$6.8 million for 2011, 2010, and 2009, respectively. The differences were primarily due to the purchases of \$2.6 million of capital stock in 2011 and changes in the line of credit balance each year. The line of credit was used to cover operating expenses and for capital expenditures.

See Note 4, Line of Credit and Long-Term Debt, of Notes to Consolidated Financial Statements for a discussion of the Company's credit agreements. The term loan, which originated in 2000, was used to help finance the expansion project at our cement manufacturing facility. The line of credit is used to cover operating expenses primarily during the first half of the year when we build inventory due to the seasonality of our business and for capital expenditures. Our Board of Directors has given management the authority to borrow a maximum of \$50 million. We have not discussed additional financing with any banks or other financial institutions and any such financing would be prohibited under our credit agreement; therefore, no assurances can be given that we will be able to obtain this additional borrowing on favorable terms, if at all, or that our current lender would consent to such borrowing.

Contractual obligations at December 31, 2011, consisting of maturities on long-term debt, line of credit, estimated interest payments on debt, pension, postretirement benefit obligations and open purchase orders are as follows:

	2012	2013	2014	2015	2016	Thereafter
Long-term debt	\$ 3,369,008	\$ 3,372,749	\$ 3,474,180	\$ 376,072	\$ 69,285	\$ 10,851
Line of credit	4,844,469	-	-	-	-	-
Interest payments	342,176	229,939	105,660	20,764	723	-
Pension	3,510,000	-	-	-	-	-
Postretirement benefit obligations	1,597,780	1,719,484	1,845,311	1,940,413	1,977,948	10,567,167
Open purchase orders	3,876,453	1,715,687	-	-	-	-
Total	<u>\$17,539,886</u>	<u>\$ 7,037,859</u>	<u>\$ 5,425,151</u>	<u>\$ 2,337,249</u>	<u>\$ 2,047,956</u>	<u>\$10,578,018</u>

The long-term debt obligation consists of a note related to the acquisition of Kay Concrete (see Note 1(b), Principles of Consolidation, of Notes to Consolidated Financial Statements) and the short and long-term portions of noncompete payment obligations and the Company's term loan which is assumed to be paid off at maturity. The interest payments are for the term loan based on interest rates in the current credit agreement.

The Company has been required to make a pension contribution each of the past three years. In 2011, 2010, and 2009, the Company contributed approximately \$3.2 million, \$2.3 million, and \$2.1 million, respectively, to the pension fund. No estimates of required pension payments have been asked for or scheduled beyond 2012. Based on the pension laws currently in effect, any resulting increases in minimum funding requirements could cause a negative impact to our liquidity. See Pension Plans in Note 6, Pension and Other Postretirement Benefits, of Notes to Consolidated Financial Statements for disclosures about 2011 pension contributions.

Each segment of the cement manufacturing process requires significant investment in major pieces of equipment. Once installed, this equipment, if properly maintained, can function for many years. Generally we spend several million dollars each year on preventive maintenance and equipment repairs; however,

capital expenditures vary from year to year. A piece of equipment that costs \$25 - \$30 million may remain in service for fifty years. After a period of time, this equipment may be modified to incorporate the latest technology, increasing its efficiency and production capacity and extending its useful life. Modifications may also be required to comply with environmental regulations. In the years Monarch invests in major equipment replacements or enhancements, current operations do not generate enough cash to pay for the improvements, requiring us to use our cash on hand or bank financing. As projects are completed, we seek to reduce the amount needed for major capital expenditures, allowing us to pay off any outstanding bank loans and accumulate cash for the next major plant improvement.

The Company has projects in the planning and design phases in addition to projects already in progress. For discussion of these projects, see "Capital Resources" below. We anticipate 2012 capital expenditures will exceed 2011 levels, but we do not anticipate the need for bank financing in addition to that available under the existing line of credit.

For several years the Company has paid a dividend in January, March, June and September. For each of the four dividend payments of 2011, the Board of Directors declared a \$0.23 per share dividend. Under the terms and conditions of the loan agreement effective for 2011, the Company's ability to pay dividends was subject to its satisfaction of the requirements to maintain a tangible net worth of \$90.0 million and an adjusted tangible net worth, which is tangible net worth before accumulated other comprehensive income, of \$95.0 million. The Company was in compliance with these requirements at year end. Under the terms and conditions of our new credit agreement, the Company's ability to pay dividends is subject to its satisfaction of the requirements to maintain a minimum tangible net worth after accumulated other comprehensive income of \$85.0 million, maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million, and restrict cash dividends in any fiscal year to a maximum of \$3.8 million. The requirements could impact the Company's ability to pay and the size of dividends in the future. Although dividends are declared at the Board's discretion and could be impacted by the requirements of the Company's loan agreement, we project future earnings will support the continued payment of dividends at the current level.

## **FINANCIAL CONDITION**

Total assets as of December 31, 2011 were \$173.7 million, a decrease of \$0.4 million since December 31, 2010. The acquisition of Kay Concrete plus higher sales in December 2011 compared to December 2010 led to a \$4.0 million increase in receivables. Total inventories decreased approximately \$2.2 million primarily due to a \$1.7 million decrease in finished cement and a \$0.7 million decrease in work in process inventories. These decreases were primarily due to lower production levels and resulted in liquidation of higher cost last-in, first-out (LIFO) layers out of finished cement inventory and work in process inventory. See Note 1(h), Inventories, of Notes to Consolidated Financial Statements for further discussion. Prepaid expenses increased \$0.5 million primarily due to insurance refunds related to retro adjustments. Investments decreased \$4.0 million primarily due to the \$4.8 million sale, net of purchases, of available-for-sale equity securities and also due to decreases in the fair value of the remaining equities held. The \$1.5 million increase in other assets was primarily a result of the Kay Concrete acquisition which added \$0.6 million and \$0.9 million to goodwill and noncompete payment obligations, respectively. Property, plant and equipment, net of approximately \$11.4 million in depreciation and depletion, increased \$1.8 million primarily due to routine expenditures of approximately \$8.0 million plus the acquisition of Kay Concrete which increased property, plant and equipment by approximately \$5.2 million.

Indebtedness increased about \$3.3 million during 2011 primarily due to increased utilization of our line of credit to fund the increase in receivables and approximately \$7.9 million in cash expenditures for property, plant and equipment.

During 2011, we adjusted the pension liability, resulting in an increase in long-term accrued pension expense of \$1.0 million and a decrease in stockholders' equity of \$1.4 million. The decrease in stockholders' equity was due to a current year actuarial loss. We also adjusted the postretirement liability, resulting in a decrease in accrued postretirement expense of \$1.5 million and an increase in stockholders' equity of \$2.1 million. The increase in stockholders' equity was due to a current year actuarial gain. Actuarial gains (losses) are a measure of the difference between actual experience and that expected based upon the actuarial assumptions between two measurement dates. The gains (losses) are directly calculated and are amortized over average expected future service, to the extent that such gains (losses) are greater than 10% of the greater of the Accrued Postretirement Benefit Obligation and the Plan's assets.

Stockholders' equity decreased \$3.6 million (3.5%) during 2011 primarily as a result of dividends and the changes in accumulated other comprehensive income related to unrealized appreciation on available-for-sale equity securities and pension which were partially offset by net income, the issuance of capital stock net of purchases, and the change in postretirement in accumulated other comprehensive income. The Kay Concrete acquisition on April 15, 2011 resulted in Additional paid-in-capital of \$2.5 million from the issuance of 105,750 shares of the Company's capital stock with a market value on that date of \$26.00 per share compared to a \$2.50 per share par value. Basic earnings were \$0.38 per share and cash dividends declared were \$0.92 per share for 2011.

## **CAPITAL RESOURCES**

The Company historically invests \$10 million to \$12 million per year on capital expenditures to keep its equipment and facilities in good operating condition. Property, plant and equipment expenditures for the year 2011 totaled \$8.0 million. These expenditures were for routine equipment purchases and were almost equally divided between the Cement Business and Ready-Mixed Concrete Business. Cash expenditures for property, plant and equipment for 2011 totaled approximately \$7.9 million, excluding the amounts that are included in accounts payable.

The Company does not currently meet certain emission limitations included in the latest regulations issued by the EPA. For discussion on the regulations, see NESHAP discussed below under "Environmental Regulations". To comply with these new regulations, the Company will need to install additional pollution control equipment in its Cement Business. There is no proven technology that enables us to give 100% assurance that we can reach the limits required by the new regulations; however, we feel compliance is possible at our modern facility through the installation of additional pollution control equipment. We plan to use a step approach, beginning with the installation of additional dust collectors on one of our two kilns. Once they are installed, we will test for compliance to determine if other pollution control equipment is needed. If we are not in compliance, we will continue to install pollution control equipment, testing for compliance after each installation, until our emissions are within limits. Once we have successfully modified one kiln to meet the new emission standards, we will proceed with our second kiln. We have also initiated plans to modify our roller mill and related equipment at an estimated cost of \$6.5 million dollars. Supplemental equipment (and estimated cost) which may be required includes additional dust collectors on both kilns (\$3.7 million), upgraded dust collectors on both clinker coolers (\$3.6 million), hydrated lime injection system (\$0.4 million), and a chloride by-pass system (\$7.0 million). To date, we have expended \$3.9 million towards these projects related to NESHAP compliance. Cost estimates will be updated as the modifications are engineered and priced for our facility. We are hopeful that we can comply with the new regulations without having to install a chloride by-pass system. We have until September 2013 to comply and may be able to get a one year extension if we have shown continuous progress toward becoming compliant. Various court challenges and legislative actions are pending against the NESHAP regulations issued by the EPA. If any of these court challenges or legislative actions are successful in delaying or overruling the regulation, we will evaluate whether or not to complete the projects currently in process.

NESHAP regulations also require us to install analyzers capable of continuously monitoring certain pollutants. Analyzers capable of continuously monitoring these pollutants at the extremely low levels (i.e. emissions of particulate matter are limited to 3 parts per million) specified in the regulation do not currently exist. We are partnering with an analyzer manufacturer to assist in the development of the required technology and estimate we will spend approximately \$1.0 million for these analyzers.

The Company plans to invest in other miscellaneous equipment and facility improvements in both the Cement Business and Ready-Mixed Concrete Business in 2012. These expenditures, plus the ones discussed in the above paragraphs related to NESHAP compliance, are expected to reach approximately \$11.0 million during 2012 and will be funded with a mixture of cash from operations and temporary bank loans. We do not anticipate the need for additional bank financing beyond the amount available through our existing revolving line of credit.

**Accounting Policies**--The critical accounting policies with respect to the Company are those related to pension benefits, postretirement benefits, and long-lived assets.

Monarch has defined benefit pension plans covering substantially all permanent employees in the Cement Business. Plans covering staff (salaried) employees provide pension benefits that are based on years of service and the employee's last sixty calendar months of earnings or the highest five consecutive calendar years of earnings out of the last ten calendar years of service, whichever is greater. Plans covering production (hourly) employees provide benefits of stated amounts for each year of service. Generally, Monarch's funding policy is to contribute annually an amount within the minimum/maximum range of tax deductible contributions. Contributions are intended to provide for benefits attributed to service to date and for those expected to be earned in the future. Monarch expects 2012 cash expenditures for these plans to be approximately \$3.5 million.

Monarch also provides other postretirement employee benefits including health care and life insurance benefits to all retired employees in the Cement Business who, as of their retirement date, have completed ten or more years of credited service under the pension plans and retire with an immediate pension. These benefits are self-insured by Monarch and are paid out of Monarch's general assets. Monarch expects 2012 cash expenditures for postretirement benefits to be approximately \$1.6 million.

We account for our pension plans in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715-30, "Defined Benefit Plans - Pension" and our postretirement benefits in accordance with FASB ASC 715-60, "Defined Benefit Plans - Other Postretirement". ASC 715-30 and 715-60 require us to make various estimates and assumptions, including discount rates used to value liabilities, expected rates of return on plan assets, salary increases, employee turnover rates, anticipated employee mortality rates and expected future healthcare costs. The estimates we used are based on our historical experience as well as current facts and circumstances and are updated at least annually. These sections of the ASC also require us to recognize the entire overfunded or underfunded status of our defined benefit and postretirement plans as assets or liabilities in the statement of financial position and to recognize changes, net of taxes, in that funded status in the year in which the changes occur through comprehensive income.

The Company continually evaluates whether events or changes in circumstances have occurred that would indicate that the carrying amount of long-lived assets may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Examples of events or circumstances that could trigger a review could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset or asset group, technological advances in equipment, accumulated costs related to the

construction of production equipment or facilities that are significantly higher than originally expected and a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset including an adverse action or assessment by a regulator. Various factors that the Company considers in its review include changes in expected use of the assets, changes in technology, changes in operating performance and changes in expected future cash flows. No asset impairment was recognized during the years ended December 31, 2011 or 2010.

The following are some additional accounting standards recently adopted by the Company:

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, "Improving Disclosures About Fair Value Measurements", which amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. Reporting entities must make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The ASU also provides additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. ASU 2010-06 was effective for the Company beginning January 1, 2010 except for Level 3 reconciliation disclosures which were effective for the Company beginning January 1, 2011. The adoption of the Level 3 reconciliation disclosures did not have a material impact on our disclosures or our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, "Intangibles - Goodwill and Other (Topic 350)" which amends Subtopic 350-20 with modifications to Step 1 of the goodwill impairment test for those reporting units with zero or negative carrying amounts so that an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not, based on an assessment of qualitative indicators, that a goodwill impairment exists. ASU 2010-28 was effective for the Company beginning January 1, 2011. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, "Business Combinations (Topic 805)" which requires public entities that present comparative financial statements to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred at the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. These amendments were effective for the Company beginning January 1, 2011. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment" which allows entities to first assess qualitative factors to determine whether events and circumstances lead to the conclusion that it is necessary to perform the two-step goodwill impairment test currently required under Topic 350, Intangible - Goodwill and Other. Currently, Topic 350 requires entities to test goodwill on an annual basis by comparing the fair value of a reporting unit to its carrying value including goodwill (Step 1). The second part of the test must be performed to measure the amount of impairment. Under ASU No. 2011-08, entities are not required to calculate the fair value of a reporting unit unless they conclude that it is more likely than not that the unit's carrying value is greater than its fair value based on an assessment of events and circumstances. Entities may bypass the qualitative assessment during any reporting period. The ASU is effective for fiscal years beginning after December 15, 2011. Since early adoption of ASU No. 2011-08 is permitted for interim or annual reports that have not been

issued, the Company elected to early adopt prior to the normal effective date of January 1, 2012. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-09, "Compensation - Retirement Benefits - Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan". This amendment, effective for the Company for the year ending December 31, 2011, requires registrants to provide additional disclosures about an employer's participation in a multiemployer pension plan. The guidelines are designed to enable the assessment of the potential impact of participating in multiemployer plans on the participants' future cash flow and to disclose the financial health of all of the significant plans in which an employer participates. The amendment also applies to nongovernmental entities participating in multiemployer plans and multiemployer plans that provide postretirement benefits other than pensions. See Pension Plans for the additional disclosures required by this ASU in Note 6, Pension and Other Postretirement Benefits, of Notes to Consolidated Financial Statements.

See Note 12, Future Change in Accounting Principles, of Notes to Consolidated Financial Statements for information concerning the accounting pronouncements issued by the Financial Accounting Standards Board that will be effective in future periods.

**Accounting and Disclosure Rules Impact**--Generally accepted accounting principles and accompanying accounting pronouncements, implementation guidelines, and interpretations for many areas of our business, such as revenue recognition, accounting for investments, fair value estimates, and accounting for pension and postretirement, are very complex and involve significant and sometimes subjective judgments. Changes in these rules or their interpretation could significantly impact our reported earnings and operating income and could add significant volatility to those measurements in the future, without a corresponding change in cash flows.

**Market Risks**--Market risks relating to the Company's operations result primarily from changes in demand for our products. Construction activity has been adversely impacted by the global financial crisis even though interest rates are at historically low levels. A continuation of the financial crisis, including a scarcity of credit, or a significant increase in interest rates could lead to a further reduction in construction activities in both the residential and commercial market. Budget shortfalls during economic slowdowns could cause money to be diverted away from highway projects, schools, detention facilities and other governmental construction projects. Reduction in construction activity lowers the demand for cement, ready-mixed concrete, concrete products and sundry building materials. As demand decreases, competition to retain sales volume could create downward pressure on sales prices. The manufacture of cement requires a significant investment in property, plant and equipment and a trained workforce to operate and maintain this equipment. These costs do not materially vary with the level of production. As a result, by operating at or near capacity, regardless of demand, companies can reduce per unit production costs. The continual need to control production costs encourages overproduction during periods of reduced demand. See Note 7, Significant Estimates and Certain Concentrations, of Notes to Consolidated Financial Statements for further discussion.

The Company invests in equity investments which are subject to market fluctuations. The Company had \$20.0 million of equity securities, primarily of publicly traded entities, as of December 31, 2011. The aggregate amount of securities carried at cost, for which the Company has not elected the fair value option, was \$2.6 million as of December 31, 2011. The remaining \$17.4 million in equity investments, which are stated at fair value, are not hedged and are exposed to the risk of changing market prices. The Company classifies all securities as "available-for-sale" for accounting purposes and marks them to market on the balance sheet at the end of each period unless they are securities for which the Company has not elected the fair value option. Securities carried at cost are adjusted for impairment, if conditions warrant. Management estimates that its publicly traded investments will generally be consistent with trends and movements of the

overall stock market excluding any unusual situations. An immediate 10% change in the market price of our equity securities carried at fair value would have a \$1.0 million effect on comprehensive income. At December 31, 2011, the Company evaluated all of its equity investments for impairment. The results of those evaluations are discussed in Note 2, Investments, of Notes to Consolidated Financial Statements.

Interest rates on the Company's term loan and line of credit for 2011 are variable, subject to interest rate minimums or floors, and are based on the lender's national prime rate less 0.75% and lender's national prime rate less 0.50%, respectively. See Note 4, Line of Credit and Long-Term Debt, of Notes to Consolidated Financial Statements.

**Inflation**--Inflation directly affects the Company's operating costs. The manufacture of cement requires the use of a significant amount of energy. The Company burns primarily solid fuels, such as coal and petroleum coke, and to a lesser extent natural gas, in its kilns. Increases above the rate of inflation in the cost of these solid fuels, natural gas, or in the electricity required to operate our cement manufacturing equipment could adversely affect our operating profits. Prices of the specialized replacement parts and equipment the Company must continually purchase tend to increase directly with the rate of inflation with the exception of equipment and replacement parts containing large amounts of steel. In recent years, steel prices have tended not to follow inflationary trends, but rather have been influenced by worldwide demand. Prices for diesel fuel used in the transportation of our raw materials and finished products also vary based on supply and demand and in some years exceed the rate of inflation adversely affecting our operating profits.

**Environmental Regulations**--The Company's cement plant emissions are regulated by the Kansas Department of Health and Environment (KDHE) and the EPA. KDHE is responsible for the administration and enforcement of Kansas environmental regulations, which typically mirror national regulations.

A recent ruling promulgated by the EPA in 2009 required us to install carbon dioxide (CO<sub>2</sub>) Continuous Emission Monitors (CEMs) to track various aspects of the production process to effectively establish a Greenhouse Gas (GHG) inventory for our cement manufacturing facility.

The EPA Administrator has made two important findings clearing the way for EPA to regulate greenhouse gases under the Clean Air Act. The "Endangerment Finding" clarifies EPA's belief that current and projected concentrations of six key greenhouse gases in the atmosphere pose a threat to human health and welfare. Further, the "Cause or Contribute Finding," associates the emissions of the six named GHGs with the threat to public health and welfare. At this time it is difficult to determine if the EPA will act on the "Endangerment Finding", what that action may involve and when it might be put into place.

We are currently not aware of any proposed or pending climate change regulations. There are many variables making it difficult to predict the overall cost of carbon legislation. It is equally difficult to determine when those costs will be realized, or even the feasibility of legislation being passed. There is consensus in the industry that the costs of CO<sub>2</sub> limits required through regulation or legislation could be substantial enough to fundamentally adversely change the cement manufacturing business.

On September 9, 2010, the EPA published modifications to the National Emission Standard for Hazardous Air Pollutants (NESHAP) regulation in the Federal Register. The compliance date for all U.S. cement plants is September 9, 2013. The final rule differs from the proposed rule by requiring more stringent emission limitations on mercury (Hg), total hydrocarbons (THC), hydrochloric acid (HCL), and particulate matter less than 10 microns in diameter (PM 10). Our current emission levels are below the proposed limitations for mercury and THC so additional control equipment is not required for these pollutants; however, we expect to incur increased costs for control equipment for PM 10 & HCL. There will also be additional costs for monitoring, testing, and increased maintenance labor. Initial costs to comply are discussed above under "Capital Resources".

On October 6, 2011, The Cement Sector Regulatory Relief Act of 2011 was passed by the House of Representatives. In summary, the bill would force a review of the current NESHAP rule to be completed within 15 months, and it would extend the compliance date two years making the new date September 9, 2015. A companion bill, S 1610, has been introduced in the Senate, but PCA staff based in Washington indicate that there are not enough votes for passage.

On December 9, 2011 the D. C. District Circuit Court of Appeals issued its ruling on the Portland Cement Association's (PCA's) legal challenge to the NESHAP ruling. Although the court, in its decision, expressed strong dissatisfaction with how EPA drafted the rule, it did not stay the rule. The court requires the EPA to review and repropose the NESHAP rule, but it doesn't set a deadline. Management has elected to proceed with equipment modifications as discussed in "Capital Resources" above rather than risk non-compliance with NESHAP should legislative or judicial relief not materialize. However, management will continue to evaluate whether to complete the modifications.

On September 9, 2010 the EPA published New Source Performance Standards (NSPS) for nitrous oxide (NO<sub>x</sub>), sulphur dioxide (SO<sub>2</sub>), and particulate matter (PM 10). The rule applies to new or modified sources. At this time, management does not anticipate that modifications necessitated to comply with NESHAP will trigger application of NSPS.

Although we are not aware of any proposed or pending climate change regulations, climate change regulation could result in (1) increased energy costs, (2) a shift toward carbon neutral fuels or carbon neutral offset strategies, and (3) increased labor costs to acquire the specialized technical expertise needed to comply with the environmental regulations. Demand for our products could decrease due to increased pollution control costs reflected in the price of our products. Conversely, demand could increase as others try to meet their government environmental mandates by using concrete products known for their sustainability benefits and energy efficiency.

In management's opinion, the physical impact of a warmer climate in our market area would increase the number of days with weather conducive for work to proceed on construction projects which in turn would create the potential for greater profitability. Conversely, legislation and regulatory attempts to interfere with a natural warming cycle will, if successful, have an adverse effect on profitability. In addition, differences in environmental regulations in the United States from those of other cement producing countries could affect our ability to continue to compete with the cost of cement imported from other countries.

#### **STOCK MARKET AND DIVIDEND DATA**

On February 16, 2012, Monarch's Capital Stock and Class B Capital Stock was held by approximately 560 and 400 record holders, respectively. Monarch is the transfer agent for Monarch's stock which is traded on the over-the-counter market under the trading symbol "MCEM.OB". Over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Following is a schedule of the range of the low and high bid quotations for Monarch's stock as reported by Yahoo! at <http://finance.yahoo.com/>, and of the dividends declared on Monarch's stock, for each quarter of our two latest fiscal years:

Quarter	2011			2010		
	Price		Dividends	Price		Dividends
	Low	High	Declared	Low	High	Declared
First	\$ 22.00	\$ 25.00	\$ -	\$ 28.50	\$ 30.56	\$ -
Second	\$ 22.00	\$ 25.25	\$ 0.23	\$ 25.67	\$ 29.05	\$ 0.23
Third	\$ 15.00	\$ 24.80	\$ 0.23	\$ 23.37	\$ 26.17	\$ 0.23
Fourth	\$ 20.01	\$ 20.01	\$ 0.46*	\$ 22.00	\$ 25.00	\$ 0.46*

\*Reflects declaration of two \$0.23 dividends payable in the first quarter of 2012 and 2011.

For additional information concerning the Company's payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity". The Company's loan agreement contains a financial covenant that requires the Company to maintain a minimum net worth which it was in compliance with at year end. The loan agreement also restricts cash dividends in any fiscal year to a maximum of \$3.8 million. The financial covenants of the loan agreement could adversely impact the payment of future dividends. See Note 4, Line of Credit and Long-Term Debt, of Notes to Consolidated Financial Statements.

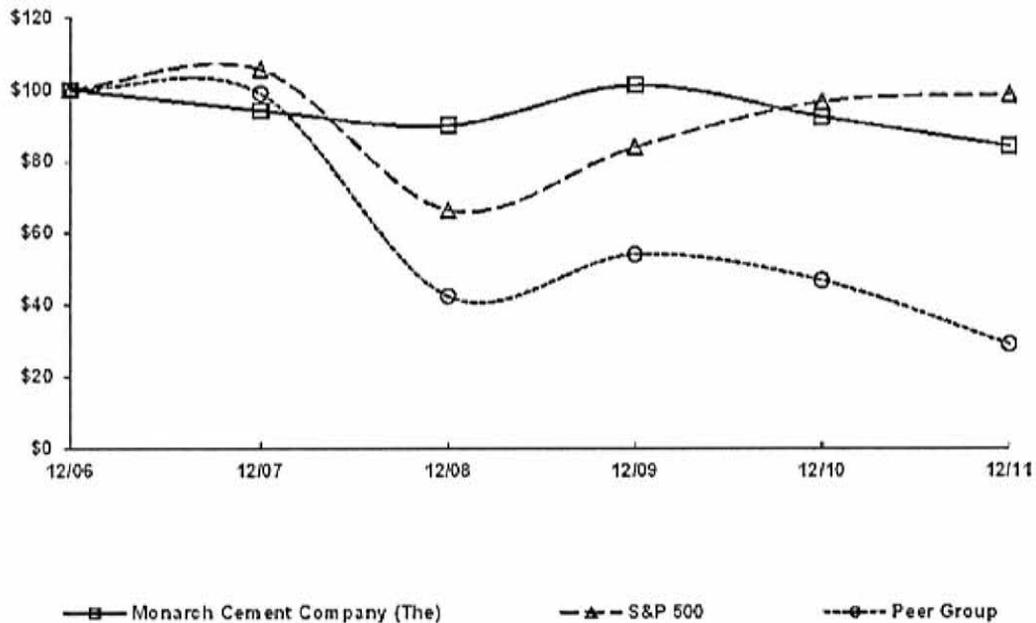
The following performance graph and table show a five-year comparison of cumulative total returns for the Company, the S&P 500 composite index and an index of a peer group of companies selected by the Company.

The cumulative total return on investment for each of the periods for the Company, the S&P 500 and the peer group is based on the stock price or composite index at December 31, 2006. The performance graph assumes that the value of an investment in the Company's capital stock and each index was \$100 at December 31, 2006 and that all dividends were reinvested. The information presented in the performance graph is historical in nature and is not intended to represent or guarantee future returns.

The performance graph compares the performance of the Company with that of the S&P 500 composite index and an index of a peer group of companies in the Company's industry in which the returns are weighted according to each company's market capitalization. The peer group consists of Cemex Sab De CV, Eagle Materials, Inc., Lafarge S.A., Texas Industries, Inc., and Vulcan Materials Company. Ready Mix, Inc. is no longer included in the peer group because it sold substantially all its assets in 2010.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Monarch Cement Company (The), the S&P 500 Index, and a Peer Group



\*\$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31

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	12/06	12/07	12/08	12/09	12/10	12/11
Monarch Cement Company (The)	\$ 100.00	\$ 94.23	\$ 90.14	\$ 101.26	\$ 92.54	\$ 84.39
S&P 500	100.00	105.49	66.46	84.05	96.71	98.75
Peer Group	100.00	98.88	42.36	54.07	46.76	29.07

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## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the framework and criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2011.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by BKD, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

THE MONARCH CEMENT COMPANY

## Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders  
The Monarch Cement Company  
Humboldt, Kansas

We have audited The Monarch Cement Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Monarch Cement Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of The Monarch Cement Company and our report dated March 15, 2012, expressed an unqualified opinion thereon.

*BKD, LLP*

Kansas City, Missouri  
March 15, 2012

### Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders  
The Monarch Cement Company  
Humboldt, Kansas

We have audited the accompanying consolidated balance sheets of The Monarch Cement Company as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and noncontrolling interests, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2011. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Monarch Cement Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Monarch Cement Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 15, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

Kansas City, Missouri  
March 15, 2012

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2011 AND 2010

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,123,870	\$ 2,695,267
Receivables, less allowances of \$670,000 in 2011 and \$707,000 in 2010 for doubtful accounts	15,970,034	12,016,919
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 3,963,233	\$ 5,665,411
Work in process	1,353,361	2,095,963
Building products	4,236,266	4,692,327
Fuel, gypsum, paper sacks and other	6,416,618	5,838,637
Operating and maintenance supplies	11,892,887	11,751,562
Total inventories	<u>\$ 27,862,365</u>	<u>\$ 30,043,900</u>
Refundable federal and state income taxes	353,199	-
Deferred income taxes	750,000	735,000
Prepaid expenses	631,461	125,787
<b>Total current assets</b>	<b><u>\$ 46,690,929</u></b>	<b><u>\$ 45,616,873</u></b>
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$182,427,598 in 2011 and \$173,656,095 in 2010	86,719,411	84,912,099
DEFERRED INCOME TAXES	18,416,410	19,254,393
INVESTMENTS	20,026,704	23,984,320
OTHER ASSETS	1,801,356	331,143
	<b><u>\$173,654,810</u></b>	<b><u>\$174,098,828</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,451,853	\$ 5,054,236
Line of credit payable	4,844,469	-
Current portion of term loan	2,920,023	2,823,648
Current portion of other long-term debt	175,000	-
Accrued liabilities-		
Dividends	1,846,272	1,845,988
Compensation and benefits	3,232,168	3,259,188
Federal and state income taxes	-	135,470
Miscellaneous taxes	594,715	744,126
Other	2,210,549	1,947,343
<b>Total current liabilities</b>	<b><u>\$ 21,275,049</u></b>	<b><u>\$ 15,809,999</u></b>
LONG-TERM DEBT	7,303,137	9,154,087
ACCRUED POSTRETIREMENT BENEFITS	33,327,243	34,782,978
ACCRUED PENSION EXPENSE	13,676,003	12,723,073
<b>STOCKHOLDERS' EQUITY:</b>		
Capital Stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,569,831 shares at December 31, 2011 and 2,532,328 shares at December 31, 2010	\$ 6,424,578	\$ 6,330,820
Class B Capital Stock, par value \$2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,443,803 shares at December 31, 2011 and 1,480,690 shares at December 31, 2010	3,609,507	3,701,725
Additional paid-in-capital	2,485,125	-
Retained earnings	97,751,202	102,270,564
Accumulated other comprehensive loss	(12,197,034)	(10,674,418)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>\$ 98,073,378</u></b>	<b><u>\$101,628,691</u></b>
	<b><u>\$173,654,810</u></b>	<b><u>\$174,098,828</u></b>

See accompanying Notes to the Consolidated Financial Statements  
21.

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	2011	2010	2009
NET SALES	\$122,064,884	\$121,184,834	\$132,194,542
COST OF SALES	<u>108,962,580</u>	<u>104,977,712</u>	<u>110,646,807</u>
<b>Gross profit from operations</b>	<b>\$ 13,102,304</b>	<b>\$ 16,207,122</b>	<b>\$ 21,547,735</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>16,078,118</u>	<u>16,064,990</u>	<u>16,599,151</u>
<b>Income (loss) from operations</b>	<b>\$ (2,975,814)</b>	<b>\$ 142,132</b>	<b>\$ 4,948,584</b>
OTHER INCOME (EXPENSE)			
Interest income	\$ 90,716	\$ 120,071	\$ 74,624
Interest expense	(502,546)	(540,439)	(631,600)
Loss on impairment of equity investments	(415,287)	(858,787)	(524,188)
Gain (loss) on sale of equity investments	5,051,406	(79,793)	136,853
Dividend income	285,283	249,929	186,752
Other, net	<u>258,550</u>	<u>890,809</u>	<u>1,193,594</u>
	<u>\$ 4,768,122</u>	<u>\$ (218,210)</u>	<u>\$ 436,035</u>
<b>INCOME (LOSS) BEFORE PROVISION FOR (BENEFIT FROM) INCOME TAXES</b>	<b>\$ 1,792,308</b>	<b>\$ (76,078)</b>	<b>\$ 5,384,619</b>
PROVISION FOR (BENEFIT FROM) INCOME TAXES	<u>240,000</u>	<u>(300,000)</u>	<u>700,000</u>
<b>NET INCOME</b>	<b>\$ 1,552,308</b>	<b>\$ 223,922</b>	<b>\$ 4,684,619</b>
Less: Net loss attributable to noncontrolling interest	<u>-</u>	<u>-</u>	<u>(48,799)</u>
<b>NET INCOME ATTRIBUTABLE TO COMPANY</b>	<b>\$ 1,552,308</b>	<b>\$ 223,922</b>	<b>\$ 4,733,418</b>
<b>Basic earnings per share</b>	<b>\$ 0.38</b>	<b>\$ 0.06</b>	<b>\$ 1.18</b>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	2011	2010	2009
<b>NET INCOME</b>	<b>\$ 1,552,308</b>	<b>\$ 223,922</b>	<b>\$ 4,684,619</b>
UNREALIZED APPRECIATION ON AVAILABLE FOR SALE SECURITIES (Net of deferred tax expense of \$352,000, \$1,972,000, and \$816,000 for 2011, 2010, and 2009, respectively)	524,119	2,959,420	1,226,665
RECLASSIFICATION ADJUSTMENT FOR REALIZED (GAINS) LOSSES INCLUDED IN NET INCOME (Net of deferred tax (benefit) expense of \$1,856,000, \$(376,000), and \$(156,000) for 2011, 2010, and 2009, respectively)	(2,780,119)	562,580	231,335
MINIMUM PENSION LIABILITY (Net of deferred tax (benefit) expense of \$(910,000), \$(300,000), and \$1,070,000 for 2011, 2010, and 2009, respectively)	(1,366,399)	(453,765)	1,616,189
POSTRETIREMENT LIABILITY (Net of deferred tax (benefit) expense of \$1,400,000, \$(1,050,000), and \$(945,000) for 2011, 2010, and 2009, respectively)	<u>2,099,783</u>	<u>(908,310)</u>	<u>(1,399,409)</u>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 29,692</b>	<b>\$ 2,383,847</b>	<b>\$ 6,359,399</b>

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND NONCONTROLLING INTERESTS  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	Company Stockholders							Non-Controlling Interest	Total
	Capital Stock	Class B Capital Stock	Additional Paid-In-Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			
<b>Balance</b>									
<b>January 01, 2009</b>	<b>\$6,296,645</b>	<b>\$3,763,850</b>	<b>\$ -</b>	<b>\$104,958,556</b>	<b>\$ -</b>	<b>\$(14,509,123)</b>	<b>\$ 708,864</b>	<b>\$101,218,792</b>	
Net income	-	-	-	4,733,418	-	-	(48,799)	4,684,619	
Dividends declared (\$0.92 per share)	-	-	-	(3,702,262)	-	-	-	(3,702,262)	
Transfer of shares	34,513	(34,513)	-	-	-	-	-	-	
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	1,458,000	-	1,458,000	
Adjustment to recognize minimum pension liability	-	-	-	-	-	1,616,189	-	1,616,189	
Adjustment to recognize postretirement liability	-	-	-	-	-	(1,399,409)	-	(1,399,409)	
Increase (decrease) in noncontrolling interest	-	-	-	-	-	-	(660,065)	(660,065)	
<b>Balance</b>									
<b>December 31, 2009</b>	<b>\$6,331,158</b>	<b>\$3,729,337</b>	<b>\$ -</b>	<b>\$105,989,712</b>	<b>\$ -</b>	<b>\$(12,834,343)</b>	<b>\$ -</b>	<b>\$103,215,864</b>	
Net income	-	-	-	223,922	-	-	-	223,922	
Dividends declared (\$0.92 per share)	-	-	-	(3,697,119)	-	-	-	(3,697,119)	
Transfer of shares	27,612	(27,612)	-	-	-	-	-	-	
Purchase of capital stock	-	-	-	-	(273,901)	-	-	(273,901)	
Retirement of treasury stock	(27,950)	-	-	(245,951)	273,901	-	-	-	
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	3,522,000	-	3,522,000	
Adjustment to recognize minimum pension liability	-	-	-	-	-	(453,765)	-	(453,765)	
Adjustment to recognize postretirement liability	-	-	-	-	-	(908,310)	-	(908,310)	
<b>Balance</b>									
<b>December 31, 2010</b>	<b>\$6,330,820</b>	<b>\$3,701,725</b>	<b>\$ -</b>	<b>\$102,270,564</b>	<b>\$ -</b>	<b>\$(10,674,418)</b>	<b>\$ -</b>	<b>\$101,628,691</b>	
Net income	-	-	-	1,552,308	-	-	-	1,552,308	
Dividends declared (\$0.92 per share)	-	-	-	(3,720,573)	-	-	-	(3,720,573)	
Transfer of shares	92,218	(92,218)	-	-	-	-	-	-	
Purchase of capital stock	-	-	-	-	(2,613,932)	-	-	(2,613,932)	
Retirement of treasury stock	(262,835)	-	-	(2,351,097)	2,613,932	-	-	-	
Issuance of 105,750 shares with market value \$23.50 per share over par	264,375	-	2,485,125	-	-	-	-	2,749,500	
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	(2,256,000)	-	(2,256,000)	
Adjustment to recognize minimum pension liability	-	-	-	-	-	(1,366,399)	-	(1,366,399)	
Adjustment to recognize postretirement liability	-	-	-	-	-	2,099,783	-	2,099,783	
<b>Balance</b>									
<b>December 31, 2011</b>	<b>\$6,424,578</b>	<b>\$3,609,507</b>	<b>\$2,485,125</b>	<b>\$ 97,751,202</b>	<b>\$ -</b>	<b>\$(12,197,034)</b>	<b>\$ -</b>	<b>\$ 98,073,378</b>	

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	2011	2010	2009
<b>OPERATING ACTIVITIES:</b>			
Net income	\$ 1,552,308	\$ 223,922	\$ 4,684,619
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	11,677,640	11,742,667	12,588,799
Deferred income taxes	1,983	(1,118,615)	(782,238)
Gain on disposal of assets	(279,562)	(58,335)	(69,668)
Realized (gain) loss on sale of equity investments	(5,051,406)	79,793	(136,853)
Realized loss on impairment of equity investments	415,287	858,787	524,188
Gain on disposal of other assets	-	(700,000)	-
Postretirement benefits and pension expense	545,579	2,362,328	2,057,067
Change in assets and liabilities:			
Receivables, net	(3,589,869)	541,937	2,940,782
Inventories	2,470,155	1,741,560	(2,987,972)
Refundable income taxes	(353,199)	310,795	(283,693)
Prepaid expenses	(505,674)	199,057	183,480
Other assets	(7,406)	2,442	20,447
Accounts payable and accrued liabilities	105,027	(2,281,418)	4,764
Net cash provided by operating activities	<u>\$ 6,980,863</u>	<u>\$ 13,904,920</u>	<u>\$ 18,743,722</u>
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment	\$ (7,909,389)	\$ (6,205,837)	\$ (9,830,150)
Proceeds from disposals of property, plant and equipment	317,102	120,176	130,442
Proceeds from disposals of other assets	-	700,000	-
Payment for acquisition of business, net of cash acquired	(534,392)	-	(1,696,840)
Payment for purchases of equity investments	(3,453,447)	(1,046,224)	(5,225,374)
Proceeds from disposals of equity investments	8,287,182	412,532	1,589,076
Decrease in short-term investments, net	-	-	2,100,000
Net cash used for investing activities	<u>\$ (3,292,944)</u>	<u>\$ (6,019,353)</u>	<u>\$ (12,932,846)</u>
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in line of credit, net	\$ 4,844,469	\$ (511,944)	\$ 511,944
Payments on bank loan	(2,952,328)	(2,731,213)	(2,644,316)
Payments on other long-term debt	(817,236)	(120,377)	(278,289)
Cash dividends paid	(3,720,289)	(3,702,262)	(3,702,262)
Purchases of noncontrolling interests	-	-	(660,065)
Purchase of capital stock	(2,613,932)	(273,901)	-
Net cash used for financing activities	<u>\$ (5,259,316)</u>	<u>\$ (7,339,697)</u>	<u>\$ (6,772,988)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,571,397)</b>	<b>\$ 545,870</b>	<b>\$ (962,112)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>2,695,267</u></b>	<b><u>2,149,397</u></b>	<b><u>3,111,509</u></b>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 1,123,870</u></b>	<b><u>\$ 2,695,267</u></b>	<b><u>\$ 2,149,397</u></b>
<b>Supplemental disclosures:</b>			
Interest paid, net of amount capitalized	\$ 502,546	\$ 545,034	\$ 635,939
Income taxes paid, net of refunds	\$ 721,938	\$ (303,996)	\$ 1,764,563
Capital equipment additions included in accounts payable	\$ 86,264	\$ 12,495	\$ 748,479
<b>Non-cash investing activities:</b>			
Acquisition of business included in accrued liabilities	\$ -	\$ -	\$ 400,000
Issuance of 105,750 shares of capital stock related to acquisition of business	\$ 2,749,500	\$ -	\$ -
Note payable related to acquisition of business	\$ 927,443	\$ -	\$ -

See accompanying Notes to the Consolidated Financial Statements

(1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Nature of Operations**--The Monarch Cement Company (Monarch) is principally engaged in the manufacture and sale of portland cement. The marketing area for Monarch's products consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Sales are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") sell ready-mixed concrete, concrete products and sundry building materials within Monarch's marketing area.

(b) **Principles of Consolidation**--Monarch has direct control of certain operating companies that have been deemed to be subsidiaries within the meaning of accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission. Accordingly, the financial statements of such companies have been consolidated with Monarch's financial statements. All significant intercompany transactions have been eliminated in consolidation.

As a result of FASB Accounting Standards Update (ASU) 2010-29 which modified "Business Combinations (Topic 805)", public entities that present comparative financial statements are required to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred at the beginning of the comparable prior annual reporting period only. The amendment, which was effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, also expanded the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of this standard did not have a material impact on our consolidated financial statements or disclosures.

Pursuant to a Stock Purchase Agreement between the Company and the owners of Kay Concrete Materials Co. (Kay Concrete), on April 15, 2011, the Company acquired all of the issued and outstanding shares of common stock of Kay Concrete, a ready-mixed concrete company located in southwest Missouri. The purpose of the acquisition was to expand our ready-mixed concrete business in the region. The aggregate consideration paid by the Company at closing was approximately \$5.0 million consisting of \$1.4 million cash, 105,750 shares of the Company's capital stock valued at \$2.7 million based on the April 15, 2011 price per share of \$26.00, and a note payable of \$0.9 million.

In accordance with Accounting Standards Codification (ASC) 805, the Company determined the assets and liabilities acquired constituted a business and applied purchase accounting to the assets acquired and the liabilities assumed. Since Kay Concrete is not a substantial subsidiary, pro forma information is not provided for the combined entity. The following table summarizes the consideration paid for acquisition of the assets acquired and the liabilities assumed at the acquisition date as well as the fair value at the acquisition date:

Consideration:			
Cash paid, gross		\$	1,360,000
Fair value of Monarch stock given			
105,750 shares at \$26.00 per share			2,749,500
Note payable			927,443
		\$	<u>5,036,943</u>
Fair Value of assets acquired and liabilities assumed:			
Assets			
	Cash	\$	825,608
	Accounts receivable		363,246
	Inventories		288,620
	Property, plant and equipment		5,255,986
	Goodwill/noncompetes		1,565,443
	Other assets		180,712
Liabilities			
	Accounts payable		(120,735)
	Current portion of long-term debt		(175,000)
	Accrued liabilities		(56,937)
	Long-term debt		(1,255,000)
	Deferred taxes		(1,835,000)
Total		\$	<u>5,036,943</u>

The amount of Kay Concrete's revenue and earnings included in the Company's consolidated income statement for the year ended December 31, 2011 is \$3.0 million and \$(0.5) million, respectively.

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

(d) **Reclassifications**--Certain reclassifications have been made to the 2009 financial statements to conform to the current year presentation. These reclassifications had no material effect on net earnings.

(e) **Cash Equivalents**--The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted primarily of money market investments and repurchase agreements with various banks.

The FDIC, through the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), has permanently raised the standard maximum deposit insurance amount (SMDIA) to fully guarantee all deposit accounts up to \$250,000. In addition, the FDIC has adopted Section 343 of the Dodd-Frank Act, effective December 31, 2010, which provides for unlimited deposit insurance for noninterest-bearing transaction accounts for two years starting December 31, 2010. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

At December 31, 2011, the Company had \$0.8 million in sweep arrangement accounts that were not covered by FDIC's general deposit insurance.

(f) **Investments**--Equity securities for which the Company has no immediate plan to sell but that may be sold in the future are classified as available for sale. If the fair value of the equity security is readily determinable, it is carried at fair value and unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Realized gains and losses, based on the specifically identified cost of the

security, are included in net income. Equity securities whose fair value is not readily determinable are carried at cost unless the Company is aware of significant adverse effects which have impaired the investments.

The Company does not participate in hedging activities and does not use derivative instruments.

(g) **Receivables**--Accounts receivable are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

(h) **Inventories**--Inventories of finished cement and work in process are recorded at the lower of cost or market on a last-in, first-out (LIFO) basis. Total inventories reported under LIFO amounted to \$5.3 million and \$7.8 million as of December 31, 2011 and 2010, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been \$3.8 million, \$4.4 million, and \$4.1 million higher than those reported at December 31, 2011, 2010 and 2009, respectively. The cost of manufactured items includes all material, labor, factory overhead and production-related administrative overhead required in their production.

We incurred a permanent reduction in the LIFO layers of work in process and cement inventories resulting in liquidation gains of \$0.5 and \$0.2 million for the years 2011 and 2009, respectively. The liquidation gains were recognized as reductions of cost of sales. We did not incur any material liquidation gains in the LIFO layers for the year 2010.

Other inventories are purchased from outside suppliers. Fuel and other materials are priced by the first-in, first-out (FIFO) method while operating and maintenance supplies are recorded using the average cost method.

Inventories of fuel, gypsum, paper sacks and other are used in the manufacture of cement. The operating and maintenance supplies consist primarily of spare parts for our cement manufacturing equipment.

(i) **Property, Plant and Equipment**--Property, plant and equipment are stated at cost of acquisition or construction. The Company capitalizes the cost of interest on borrowed funds used to finance the construction of property, plant and equipment. During 2011, 2010, and 2009, the Company capitalized approximately \$86,500, \$121,700, and \$111,000, respectively, of interest expense related to current construction projects.

As of December 31, 2011 and 2010, the amount of accounts payable related to property, plant and equipment was \$86,264 and \$12,495, respectively.

The Company records depreciation, depletion and amortization related to manufacturing operations in Cost of Sales; those related to general operations are recorded in Selling, General and Administrative Expenses; and those related to non-operational activities are in Other, net on the Consolidated Statements of Income. The approximate amounts included in each line item as of December 31, 2011, 2010, and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cost of Sales	\$11,000,000	\$10,900,000	\$11,700,000
Selling, General and Administrative	300,000	300,000	400,000
Other, net	400,000	500,000	500,000
Total	<u>\$11,700,000</u>	<u>\$11,700,000</u>	<u>\$12,600,000</u>

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Depreciation of property, plant and equipment is provided by charges to operations over the estimated useful lives of the assets using accelerated methods. The majority of the Company's buildings, machinery and equipment are depreciated using 200% (double) declining balance depreciation. Some of the assets used in the Cement Business manufacturing process are depreciated using 150% declining balance depreciation. The Company switches to straight line depreciation once it exceeds the amount computed under the declining balance method being used until the asset is fully depreciated. The Company does not depreciate construction in process. Depletion rates for quarry lands are designed to amortize the cost over the estimated recoverable reserves. Expenditures for improvements that significantly increase the assets' useful lives are capitalized while maintenance and repairs are charged to expense as incurred.

The Company continually evaluates whether events or changes in circumstances have occurred that would indicate that the carrying amount of long-lived assets may not be recoverable. An impairment loss would be recognized and the asset cost would be adjusted to fair value when undiscounted estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The impairment loss would be the amount by which the carrying amount of a long-lived asset exceeds its fair value. Various factors that the Company considers in its review include changes in expected use of the assets, changes in technology, changes in operating performance and changes in expected future cash flows. No asset impairment was recognized during the years ended December 31, 2011 and 2010.

(j) **Other Current Liabilities**--Accrued liabilities-Other contains approximately \$1.2 million and \$1.3 million related to prepayments held on account in 2011 and 2010, respectively.

(k) **Income Taxes**--Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

(l) **Revenue Recognition**--The Company records revenue from the sale of cement, ready-mixed concrete, concrete products and sundry building materials following delivery of the products to customers. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered.

Our Ready-Mixed Concrete Business includes precast concrete construction which involves short-term and long-term contracts. Short-term contracts for specific projects are generally of three to six months in duration. Long-term contracts relate to specific projects with terms in excess of one year from the contract date. Revenues for these contracts are recognized on the percentage-of-completion method based on the ratio of contract costs incurred to date to total estimated costs. Full provision is made for any anticipated losses. The majority of the long-term contracts will allow only scheduled billings and contain retainage provisions under which 5% to 10% of the contract invoicing may be withheld by the customer pending project completion. As of December 31, 2011, the amount of billed retainage which is included in accounts receivable was approximately \$129,000, all of which is expected to be collected within one year. The amount of billed retainage which was included in accounts receivable at December 31, 2010 was approximately \$120,000. The amount of unbilled revenue in accounts receivable was approximately \$802,000 and \$380,000 at December 31, 2011 and 2010, respectively. Unbilled revenue contained approximately \$125,000 and \$43,000 of not-currently-billable retainage at December 31, 2011 and 2010, respectively, which is expected to be collected within one year.

(m) **Cost of Sales**--The Company considers all production and shipping costs, (gain) loss on disposal of operating assets, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs and internal transfer costs as cost of sales.

(n) **Selling, General and Administrative Expenses**--Selling, general and administrative expenses consist of sales personnel salaries and expenses, promotional costs, accounting personnel salaries and expenses, director and administrative officer salaries and expenses, legal and professional expenses, and other expenses related to overall corporate costs.

(o) **Other, net**--Other, net contains miscellaneous nonoperating income (expense) items excluding interest income, interest expense, gains (losses) on sale of equity investments, realized loss on impairment of equity investments, and dividend income. Significant items in Other, net for 2011 include proceeds from scrap sales of approximately \$150,000. Significant items in Other, net for 2010 include farm income of approximately \$154,500, a gain of \$700,000 related to the sale of a nonoperating asset, and proceeds from scrap sales of approximately \$51,000. Significant items in Other, net for 2009 include income from oil properties of approximately \$180,000, farm income of approximately \$90,000, proceeds from an insurance policy of approximately \$429,000 and proceeds related to the settlement of a lawsuit of approximately \$424,000.

(p) **Earnings per Share**--Basic earnings per share is based on the weighted average common shares outstanding during each year. Diluted earnings per share are based on the weighted average common and common equivalent shares outstanding each year. Monarch has no common stock equivalents and therefore does not report diluted earnings per share. The weighted average number of shares outstanding was 4,033,817 in 2011, 4,020,411 in 2010, and 4,024,198 in 2009.

(q) **Taxes Collected from Customers and Remitted to Governmental Authorities**--Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of income on a net basis.

(r) **Self Insurance**--The Company has elected to self-insure certain costs related to employee and retiree health and accident benefits programs. Costs resulting from self-insured losses are charged to income when incurred. Health and accident benefits provided to employees and retirees in the Cement Business are totally self-insured. Health benefits provided to employees in the Ready-Mixed Concrete Business are also self-insured but were subject to a \$75,000 individual stop loss and an aggregate stop loss of 115% of expected claims. For 2012, the individual stop loss is \$100,000 and \$200,000 for the Ready-Mixed Concrete Business and the Cement Business, respectively, with an aggregate stop loss of 120% for both lines of business.

(s) **Disclosure about Fair Value of Financial Instruments**--Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. Investment fair values equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities. If it is not practicable to estimate the fair value of an investment, the investment is recorded at cost and evaluated quarterly for events that may adversely impact its fair value.

(t) **Intangibles - Goodwill and Other**--In December 2010, the FASB issued ASU 2010-28, "Intangibles - Goodwill and Other (Topic 350)", which amended Subtopic 350-20 with modifications to Step 1 of the goodwill impairment test for those reporting units with zero or negative carrying amounts so that an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not, based on an assessment of qualitative indicators, that a goodwill impairment exists. ASU 2010-28 was effective for the Company beginning January 1, 2011. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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In September 2011, the FASB issued ASU No. 2011-08, “Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment” which allows entities to first assess qualitative factors to determine whether events and circumstances lead to the conclusion that it is necessary to perform the two-step goodwill impairment test currently required under Topic 350, Intangible - Goodwill and Other. Currently, Topic 350 requires entities to test goodwill on an annual basis by comparing the fair value of a reporting unit to its carrying value including goodwill (Step 1). The second part of the test must be performed to measure the amount of impairment. Under ASU No. 2011-08, entities are not required to calculate the fair value of a reporting unit unless they conclude that it is more likely than not that the unit’s carrying value is greater than its fair value based on an assessment of events and circumstances. Entities may bypass the qualitative assessment during any reporting period. The ASU is effective for fiscal years beginning after December 15, 2011. Since early adoption of ASU No. 2011-08 is permitted for interim or annual reports that have not been issued, the Company elected to early adopt prior to the normal effective date of January 1, 2012. The Company performed a qualitative assessment of its goodwill during the fourth quarter of 2011 and the results of that assessment led to the conclusion that it was not necessary to perform the two-step goodwill impairment test.

## (2) INVESTMENTS

Realized gains (losses) on equity investments are computed using the specific identification method. The Company defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company measures fair value using the following fair value hierarchy which is based on three levels of inputs intended to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The aggregate amount of equity securities carried at cost, for which the Company has not elected the fair value option, was \$2.6 million and \$2.4 million at December 31, 2011 and 2010, respectively. The remaining \$17.4 million and \$21.6 million in equity security investments at December 31, 2011 and 2010, respectively, are stated at fair value. The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet at December 31, 2011 and 2010:

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		Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets:</u>	<u>12/31/2011</u>			
Available-for-sale equity securities				
Cement industry	\$ 8,750,156	\$ 8,750,156	\$ -	\$ -
General building materials industry	4,583,882	4,583,882	-	-
Oil and gas refining and marketing industry	3,631,747	3,631,747	-	-
Residential construction industry	442,015	442,015	-	-
Total assets measured at fair value	<u>\$17,407,800</u>	<u>\$ 17,407,800</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Assets:</u>	<u>12/31/2010</u>			
Available-for-sale equity securities				
Cement industry	\$ 9,499,615	\$ 9,499,615	\$ -	\$ -
General building materials industry	3,623,769	3,623,769	-	-
Oil and gas refining and marketing industry	7,545,978	7,545,978	-	-
Residential construction industry	896,346	896,346	-	-
Total assets measured at fair value	<u>\$21,565,708</u>	<u>\$ 21,565,708</u>	<u>\$ -</u>	<u>\$ -</u>

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures About Fair Value Measurements", which amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. Reporting entities must make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The ASU was effective for the Company beginning January 1, 2010 except for Level 3 reconciliation disclosures which were effective for the Company beginning January 1, 2011. The adoption of the Level 3 related portion of the ASU did not have a material impact on our disclosures. No Level 3 disclosures are presented since the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during any of the periods reported in the table above.

The Company has no liabilities in either year requiring remeasurement to fair value on a recurring basis in the balance sheet. The Company has no additional assets or liabilities in either year requiring remeasurement to fair value on a non-recurring basis in the balance sheet.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual trade lots of securities have been in a continuous unrealized loss position at December 31, 2011 and 2010:

Available-for-sale equity securities	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2011</b>						
Cement industry	\$ 517,188	\$ 53,352	\$ 12,900	\$ 5,216	\$ 530,088	\$ 58,568
Residential construction industry	-	-	6,310	4,413	6,310	4,413
Total	<u>\$ 517,188</u>	<u>\$ 53,352</u>	<u>\$ 19,210</u>	<u>\$ 9,629</u>	<u>\$ 536,398</u>	<u>\$ 62,981</u>
<b>December 31, 2010</b>						
Cement industry	\$ -	\$ -	\$ 16,400	\$ 1,716	\$ 16,400	\$ 1,716
Residential construction industry	488,379	86,054	-	-	488,379	86,054
Total	<u>\$ 488,379</u>	<u>\$ 86,054</u>	<u>\$ 16,400</u>	<u>\$ 1,716</u>	<u>\$ 504,779</u>	<u>\$ 87,770</u>

### Impairment Analysis

The Company owns stock in two privately-owned companies accounted for by the cost method; one in the brick industry and the other in the ethanol production industry. These investments were evaluated at December 31, 2011 and 2010 for impairment. The evaluations of the ethanol production industry investment for each period's impairment analysis were based on the specific identification of shares held and quoted prices in markets that are not active and no impairments were identified. Since there is not an active market for the brick industry investment, the Company relied on a discounted future net cash flow valuation of the investee for each period's impairment analysis to determine if the average cost of shares were impaired and no impairment was identified. As a result of those evaluations, the Company does not consider these cost-method investments to be impaired at December 31, 2011 or 2010.

**December 31, 2011**--The Company's investments in marketable equity securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company identified a \$0.4 million other-than-temporary impairment for the third quarter in its general building materials industry investments resulting in a recognized loss on equity investments. The fair value of those investments then became the new cost basis.

In its fourth quarter evaluation, the Company identified some specific purchases of marketable equity securities it believes are temporarily impaired resulting in unrealized losses (see 2011 information in table above). These unrealized losses relate to investments in the common stock of four companies, one in the residential construction industry and three in the cement industry. When the Company evaluated the impairments by comparing the specifically identified cost of each purchase to market price as of January 17, 2012, the residential construction industry securities had recovered approximately 34% of their December 31, 2011 temporary impairment. The investments in one company in the cement industry remained virtually unchanged while the equity securities of the other two cement industry companies recovered approximately 93% and 60% of their December 31, 2011 temporary impairments. Based on that evaluation, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011.

**December 31, 2010**--The Company's investments in marketable equity securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each purchase to market price. As a result of these evaluations, the Company identified a \$0.9 million other-than-temporary impairment for the third quarter in its general building materials industry investments resulting in a recognized loss on equity investments. The fair value of those investments then became the new cost basis.

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In its fourth quarter evaluation, the Company identified some specific purchases of marketable equity securities it believes are temporarily impaired resulting in unrealized losses (see 2010 information in table above). These unrealized losses relate to investments in the common stock of two companies, one in the residential construction industry and another in the cement industry. When the Company evaluated the impairments by comparing the specifically identified cost of each purchase to market price as of February 14, 2011, the residential construction industry securities had recovered approximately \$8,400 (9.8%) of their December 31, 2010 temporary impairments. The cement industry securities slightly increased their temporary impairments. The Company evaluated the near-term prospects of all of the issuers in relation to the severity of the impairments (fair value was approximately 15% less than cost in the residential construction industry investment and approximately 9% less than cost in the cement industry investment as of December 31, 2010) and the duration of the impairments (approximately 6 months in the residential construction industry investment and 12 months in the cement industry investment). Based on that evaluation, the Company did not consider these investments to be other-than-temporarily impaired at December 31, 2010.

**Investment Results**--The investment results for the years ended December 31, 2011 and 2010 are as follows for available for sale equity securities carried at fair value:

December 31, 2011	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available for sale equity securities				
Cement industry	\$ 5,985,000	\$ 2,765,000	\$ -	\$ 8,750,000
General building materials industry	3,819,000	765,000	-	4,584,000
Oil and gas refining and marketing industry	782,000	2,850,000	-	3,632,000
Residential construction industry	302,000	140,000	-	442,000
Total available for sale equity securities	<u>\$ 10,888,000</u>	<u>\$ 6,520,000</u>	<u>\$ -</u>	<u>\$ 17,408,000</u>
Less: Deferred taxes on unrealized holding gains		2,608,000		
Unrealized gains recorded in equity, net of deferred tax		<u>\$ 3,912,000</u>		

December 31, 2010	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available for sale equity securities				
Cement industry	\$ 4,971,000	\$ 4,529,000	\$ -	\$ 9,500,000
General building materials industry	2,866,000	758,000	-	3,624,000
Oil and gas refining and marketing industry	2,600,000	4,946,000	-	7,546,000
Residential construction industry	849,000	47,000	-	896,000
Total available for sale equity securities	<u>\$ 11,286,000</u>	<u>\$ 10,280,000</u>	<u>\$ -</u>	<u>\$ 21,566,000</u>
Less: Deferred taxes on unrealized holding gains		4,112,000		
Unrealized gains recorded in equity, net of deferred tax		<u>\$ 6,168,000</u>		

Investment-related cash flow information for December 31, 2011, 2010, and 2009 are as follows:

	2011	2010	2009
Proceeds from sale of equity securities	\$ 8,287,182	\$ 412,532	\$ 1,589,076
Realized gain/(loss) on equity securities	\$ 5,051,406	\$ (79,793)	\$ 136,853
Realized losses due to other-than-temporary impairment of equity securities	\$ (415,287)	\$ (858,787)	\$ (524,188)

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(3) **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and their estimated useful lives at December 31, 2011 and 2010 consisted of:

	Lives (Years)	2011	2010
Quarry land		\$ 2,004,549	\$ 2,004,549
Other land		8,611,090	7,906,086
Buildings and improvements	15 – 39	32,308,167	31,042,385
Cement manufacturing equipment	15 – 25	125,998,453	122,435,381
Ancillary equipment	5 – 10	13,279,851	12,964,237
Ready-mix and concrete production machinery and equipment	5 – 15	35,550,946	33,220,392
Transportation and mobile equipment	3 – 7	43,355,665	40,689,339
Office machinery, equipment, furniture and fixtures	3 – 10	2,897,792	2,872,920
Construction in process		5,140,496	5,432,905
		<u>\$269,147,009</u>	<u>\$258,568,194</u>
Less--Accumulated depreciation and depletion		<u>182,427,598</u>	<u>173,656,095</u>
		<u>\$ 86,719,411</u>	<u>\$ 84,912,099</u>

(4) **LINE OF CREDIT AND LONG-TERM DEBT**

During 2011, Monarch's secured credit commitment with its lender, Bank of Oklahoma, N.A., consisted of a \$17.8 million term loan maturing December 31, 2014 and a \$15.0 million line of credit which matured December 31, 2011. The interest rates on the line of credit were variable and based on the lender's national prime rate less 0.50% with a 3.50% interest rate minimum or floor. Interest rates on the term loan were variable and based on the lender's national prime rate less 0.75% with a 3.00% interest rate minimum or floor. The agreement required Monarch to pledge its investment account to the lender as collateral for the term loan and revolving line of credit. The proceeds of the sale of any assets held in the investment account were to be paid to the Bank of Oklahoma, N.A. to be applied to the balance of the revolving line of credit then to the term loan, at the lender's discretion. The fair value of the investment account was \$16.9 million as of December 31, 2011. The loan agreement also contained a financial covenant requiring the Company, as of the end of any fiscal quarter, to maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million and a minimum tangible net worth after accumulated other comprehensive income of \$90.0 million. The Company was in compliance with these requirements at year end. The Company owed \$9.0 million on the term loan and \$4.8 million on the revolving line of credit as of December 31, 2011. The balance available on the line of credit at December 31, 2011 was approximately \$10.2 million.

The average outstanding balance on the line of credit during 2011 and 2010 was approximately \$4.3 million and \$5.3 million, respectively. At December 31, 2011 and 2010, there was approximately \$4.8 million and \$0, respectively, borrowed against the line of credit. Interest on the line of credit varied with the lender's national prime rate less .50% with a 3.50% interest rate minimum or floor for 2011 and 2010. The annual weighted average interest rate we paid on the line of credit during 2011 and 2010 was 3.50%. The applicable interest rate was 3.50% at December 31, 2011 and 2010 and was payable quarterly.

As of December 31, 2011 and 2010, there was approximately \$9.0 million and \$11.9 million, respectively, borrowed on the term loan. Interest on the Company's term loan was variable and was based on the lender's national prime rate less 0.75% with a 3.00% interest rate minimum or floor for 2011 and 2010. The annual weighted average interest rate we paid on the term loan during 2011 and 2010 was 3.25%. The applicable interest rate was 3.25% at December 31, 2011 and 2010.

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The \$1.2 million in Other long-term debt in the table below is comprised of a \$0.5 million note related to the acquisition of Kay Concrete and \$0.7 million of noncompete payment obligations.

	<u>2011</u>	<u>2010</u>
Note payable, bank <sup>(a)</sup>	\$ 9,043,690	\$ 11,866,018
Other	1,179,470	111,717
	<u>\$ 10,223,160</u>	<u>\$ 11,977,735</u>
Less current maturity of bank note payable	<u>2,920,023</u>	<u>2,823,648</u>
Total long-term debt	<u>\$ 7,303,137</u>	<u>\$ 9,154,087</u>

(a) Due December 31, 2014; payable \$794,611 quarterly including interest.

Aggregate annual maturities of long-term debt as of December 31, 2011 are:

2012	\$ 2,920,023
2013	3,372,749
2014	3,474,180
2015	376,072
2016	69,285
Thereafter	<u>10,851</u>
	<u>\$ 10,223,160</u>

On December 31, 2011, Monarch entered into an amendment to the loan agreement with its current lender, BOKF, NA dba Bank of Oklahoma, to renew and modify the terms of Monarch's term loan and revolving line of credit. Interest rates on the line of credit and term loan remained unchanged from the prior agreement with the lender. The credit commitment consisted of a \$17.8 million term loan maturing December 31, 2014 and a \$15.0 million line of credit maturing February 3, 2012. In February 2012, the Company entered into a new credit agreement with its current lender, BOKF, NA dba Bank of Oklahoma, which amended and restated its existing credit agreement. The new agreement provides for a secured credit commitment consisting of an approximately \$9.0 million term loan maturing December 31, 2014 and a line of credit which permits revolving borrowings and letters of credit up to an aggregate of \$15.0 million maturing December 31, 2012. Interest rates on the Company's line of credit are variable and are based on the lender's prime rate less 0.50% with a 3.50% interest rate minimum or floor. Interest rates on the Company's term loan are variable and based on the lender's prime rate less 0.75% with a 3.00% interest rate minimum or floor. The new agreement requires the Company to pledge its investment account, receivable accounts and inventory to BOKF, NA dba Bank of Oklahoma as collateral for the term loan and revolving line of credit. The fair value of receivables, inventory, and the investment account pledged as collateral was \$16.0 million, \$27.9 million, and \$16.9 million, respectively as of December 31, 2011. Withdrawal of the proceeds of the sale of any equity securities from the pledged investment account must be used to reduce the obligations of the Company to the lender. The agreement contains a financial covenant requiring the Company, as of the end of any fiscal quarter, to maintain a minimum tangible net worth before accumulated other comprehensive income of \$95.0 million and a minimum tangible net worth after accumulated other comprehensive income of \$85.0 million. In addition, the agreement prohibits cash outlays for business acquisitions and the purchase of the Company's capital stock and restricts cash dividends and capital expenditures in any fiscal year to a maximum of \$3.8 million and \$11.5 million, respectively.

(5) **INCOME TAXES**

The components of the provision for federal and state income taxes in the accompanying consolidated statements of income are as follows:

	2011	2010	2009
Taxes currently payable	\$ 238,000	\$ 134,000	\$ 1,482,000
Deferred income taxes	2,000	(434,000)	(782,000)
Provision for (benefit from) income taxes	<u>\$ 240,000</u>	<u>\$ (300,000)</u>	<u>\$ 700,000</u>

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense (benefit) is as follows:

	2011	2010	2009
Computed at statutory rate (34%; over \$10 million-35%)	\$ 609,000	\$ (25,000)	\$ 1,831,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit (expense)	(90,000)	(244,000)	(40,000)
Percentage depletion	(271,000)	(552,000)	(675,000)
Valuation allowance	15,000	-	(110,000)
Domestic production activities deduction	(28,000)	(26,000)	(91,000)
Life insurance proceeds	-	-	(146,000)
Adjustment for Medicare drug subsidy	-	685,000	-
Dividends received deduction	(40,000)	(43,000)	(44,000)
Other	45,000	(95,000)	(25,000)
Provision for (benefit from) income taxes	<u>\$ 240,000</u>	<u>\$ (300,000)</u>	<u>\$ 700,000</u>

The tax effects of significant temporary differences relating to deferred taxes, net of valuation allowances, on the balance sheets were:

	2011	2010
Current:		
Allowance for doubtful accounts	\$ 265,000	\$ 285,000
Accrued vacation	485,000	450,000
Net current deferred tax assets	<u>\$ 750,000</u>	<u>\$ 735,000</u>
Noncurrent:		
Depreciation	\$ (1,659,000)	\$ (44,000)
Postretirement benefits	13,439,000	14,121,000
Pension liability	5,517,000	5,122,000
Unrealized holding gains	(2,608,000)	(4,112,000)
Tax carryforwards	1,435,000	1,412,000
Alternative minimum tax credit	470,000	373,000
Impairment on investments	941,000	1,624,000
Other, net	881,410	758,393
Net long-term deferred tax assets*	<u>\$ 18,416,410</u>	<u>\$ 19,254,393</u>

\*net of valuation allowances of \$1,905,000 and \$1,890,000 for 2011 and 2010, respectively.

Some of the Company's subsidiaries file separate state income tax returns resulting in net operating loss carryforwards. In addition, some subsidiaries separately filed federal income tax returns in prior years which also resulted in net operating loss carryforwards. The provision (benefit) for income taxes and income tax liabilities recorded in the financial statements include those separate calculations. The deferred taxes resulting from these and other tax carryforwards are included in the above table net of valuation allowances. The valuation allowance has been used to reduce the tax benefit associated with the tax carryforwards. The following table presents the expiration dates of the Company's carryforwards, net of valuation allowances, for tax purposes as of December 31, 2011:

Expiration Date	Tax Carryforwards
2015	\$ 41,000
2016	39,000
2024	21,000
2025	685,000
2026	380,000
2027	19,000
2028	136,000
2029	114,000
	<u>\$ 1,435,000</u>

The Company uses a recognition threshold of “more likely than not” that a tax position would be sustained upon examination before any part of the benefit of that position is recognized in the Company’s financial statements.

The Company or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations for years before 2008. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any interest expenses recognized during the years ended December 31, 2011, 2010 and 2009.

**(6) PENSION AND OTHER POSTRETIREMENT BENEFITS**

**Postretirement Benefits**

Monarch provides certain postretirement health care and life insurance benefits to all retired employees in the Cement Business who, as of their retirement date, meet the eligibility requirements. These benefits are self-insured by Monarch and are paid out of Monarch’s general assets. Monarch expects 2012 cash expenditures for this plan to be approximately \$1,600,000 which is equal to the net expected benefit payments for the year.

Monarch uses a December 31 measurement date for the plans. At December 31, 2011 and 2010, the current portion of the accrued benefit cost of approximately \$1,600,000 and \$1,775,000, respectively, is recorded in compensation and benefits. Information about the plans’ funded status and postretirement cost follows:

	2011	2010
Change in benefit obligation		
Beginning of year	\$ 36,557,978	\$ 31,956,610
Service cost	614,264	545,569
Interest cost	1,744,912	1,868,486
Actuarial (gain)/loss	(2,869,661)	3,364,218
Benefits and expenses paid*	(1,120,250)	(1,176,905)
Benefit obligation at end of year	<u>\$ 34,927,243</u>	<u>\$ 36,557,978</u>
Change in fair value of plan assets		
Beginning of year	\$ -	\$ -
Employer contributions*	1,120,250	1,176,905
Benefits paid and expenses*	(1,120,250)	(1,176,905)
Fair value of plan asset at end of year	<u>\$ -</u>	<u>\$ -</u>

\*Amounts are net of retiree prescription drug subsidy received during the fiscal year.

Weighted Average Assumptions used to determine benefit obligations

Discount Rate	5.00%	5.50%
Trend Rate	9% for fiscal 2011 decreasing 1%/yr. to 5%	9% for fiscal 2010 decreasing 1%/yr. to 5%

Funded status = year-end benefit liability    \$ (34,927,243)    \$ (36,557,978)

Accrued Postretirement Benefits represents the accumulated difference between actual contributions and actual expenses from past years. It is updated from the prior year as follows:

	2011	2010
A. Accrued postretirement benefits at beginning of year	\$ (21,560,001)	\$ (19,601,943)
B. Net periodic postretirement benefit cost	2,989,298	3,134,963
C. Employer contributions	1,186,222	1,329,046
D. Retiree drug subsidy	65,972	152,141
E. Accrued postretirement benefits at end of year	<u>\$ (23,429,049)</u>	<u>\$ (21,560,001)</u>
(A) - (B) + (C) - (D)		

Following are the components of net periodic benefit cost:

	2011	2010	2009
Components of net periodic benefit cost			
Service cost	\$ 614,264	\$ 545,569	\$ 523,914
Interest cost	1,744,912	1,868,486	1,822,318
Amortization of prior service cost	(50,752)	(50,752)	-
Unrecognized net loss	680,874	771,660	848,128
Net periodic benefit cost	<u>\$ 2,989,298</u>	<u>\$ 3,134,963</u>	<u>\$ 3,194,360</u>

Weighted Average Assumptions used to determine net periodic postretirement benefit cost

Discount rate	5.50%	6.00%	6.00%
Trend rate	9% for fiscal 2011 decreasing 1%/yr. to 5%	9% for fiscal 2010 decreasing 1%/yr. to 5%	9% for fiscal 2009 decreasing 1%/yr. to 5%

Amounts recognized in the balance sheets consist of:

	2011	2010
Current liability	\$ (1,600,000)	\$ (1,775,000)
Noncurrent liability	(33,327,243)	(34,782,978)
Net amount recognized	<u>\$ (34,927,243)</u>	<u>\$ (36,557,978)</u>

Amounts recognized in accumulated other comprehensive income consist of:

	2011	2010
Net actuarial loss	\$ 11,665,673	\$ 15,216,208
Prior service credit	(167,479)	(218,231)
	<u>\$ 11,498,194</u>	<u>\$ 14,997,977</u>

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

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	2011	2010	2009
Current year actuarial (gain)/loss	\$ (2,869,661)	\$ 3,364,218	\$ 3,461,520
Amortization of actuarial loss	(680,874)	(771,660)	(848,128)
Current year prior service credit	-	-	(268,983)
Amortization of prior service credit	50,752	50,752	-
Total recognized in other comprehensive income	<u>\$ (3,499,783)</u>	<u>\$ 2,643,310</u>	<u>\$ 2,344,409</u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost in 2012:

Actuarial loss	\$ 752,493
Prior service credit	(50,752)
Total	<u>\$ 701,741</u>

The amortization schedule for prior service costs is as follows:

Description	Date Established	Initial Amount	Initial Period	12/31/2011 Outstanding Balance	2011 Annual Amortization
Lifetime Maximums	12/31/09	\$ (268,983)	5.3 years	\$ (167,479)	\$ (50,752)

ASC Topic 715 requires the disclosure of the impact on certain items of a percentage point increase and decrease in the medical trend rates. These amounts are illustrated as follows:

	1% Increase	1% Decrease
Interest cost and service cost for 2011		
Amount prior to change	\$ 2,359,175	\$ 2,359,175
Amount after 1 percentage point change	2,735,747	1,993,297
Increase (decrease)	376,572	(365,878)
Accumulated postretirement benefit obligation at December 31, 2011		
Amount prior to change	34,927,243	34,927,243
Amount after 1 percentage point change	40,203,032	30,606,027
Increase (decrease)	5,275,789	(4,321,216)

On December 8, 2003, the Medicare Prescription Drug Improvement Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy of sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has concluded that the benefits provided to most of our retirees are actuarially equivalent to Medicare Part D under the Act.

The accumulated postretirement benefit obligation as of December 31, 2011 is shown below:

Assuming Medicare Part D Subsidy receipts	\$ 34,927,243
Assuming no Medicare Part D Subsidy receipts	37,156,304

Expected benefit payments and expenses (net of employee contributions), shown separately for the next five fiscal years, and in the aggregate for the subsequent five-year period are presented below:

December 31, 2012	\$	1,597,780
December 31, 2013		1,719,484
December 31, 2014		1,845,311
December 31, 2015		1,940,413
December 31, 2016		1,977,948
Five fiscal years ending December 31, 2021		10,567,167

## Pension Plans

Monarch has noncontributory defined benefit pension plans covering substantially all employees in the Cement Business who meet the eligibility requirements. Monarch's funding policy is to contribute annually an amount within the minimum/maximum range of tax deductible contributions. Monarch expects to contribute approximately \$3,510,000 to the plans in 2012.

Monarch uses a December 31 measurement date for the plans. Information about the Plans' funded status and pension cost follows:

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 37,258,642	\$ 34,200,588
Service cost	751,666	668,980
Interest cost	2,020,706	2,063,316
Actuarial loss	1,605,833	2,238,159
Benefits paid and expenses	(1,877,398)	(1,912,401)
Benefit obligation at end of year	<u>\$ 39,759,449</u>	<u>\$ 37,258,642</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 24,535,569	\$ 21,950,550
Actual return on plan assets	243,568	2,231,098
Employer contribution	3,181,707	2,266,322
Benefits paid and expenses	(1,877,398)	(1,912,401)
Fair value of plan assets at end of year	<u>\$ 26,083,446</u>	<u>\$ 24,535,569</u>
Funded status, end of year		
Fair value of plan assets	\$ 26,083,446	\$ 24,535,569
Benefit obligation	<u>39,759,449</u>	<u>37,258,642</u>
Funded status = pension liability, end of year	<u>\$ (13,676,003)</u>	<u>\$ (12,723,073)</u>

The actuarial formula used to calculate the projected benefit obligation takes into account future increases in pension contributions that would take place as the employee's salary increases. The accumulated benefit obligation uses an actuarial formula to calculate the projected benefit obligation which assumes that the employees cease to work for the Company at the time the estimation is made. The Plans' accumulated benefit obligation follows:

Accumulated benefit obligation, end of year	\$	38,228,400	\$	35,538,166
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Amounts recognized in the balance sheets consist of:

	2011	2010
Current liability	\$ -	\$ -
Noncurrent liability	(13,676,003)	(12,723,073)
Net amount recognized	<u>\$ (13,676,003)</u>	<u>\$ (12,723,073)</u>

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic benefit cost consist of:

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	2011	2010
Net actuarial loss	\$ 15,657,138	\$ 13,270,761
Prior service cost	838,702	948,680
	<u>\$ 16,495,840</u>	<u>\$ 14,219,441</u>
Less: Deferred tax	6,600,000	5,690,000
Additional pension liability, net of deferred tax	<u>\$ 9,895,840</u>	<u>\$ 8,529,441</u>

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	2011	2010	2009
Current year actuarial (gain)/loss	\$ 3,299,366	\$ 1,732,397	\$ (1,586,733)
Amortization of actuarial loss	(912,989)	(868,654)	(1,020,563)
Current year prior service loss	-	-	55,026
Amortization of prior service cost	(109,978)	(109,978)	(133,919)
	<u>\$ 2,276,399</u>	<u>\$ 753,765</u>	<u>\$ (2,686,189)</u>
Less: Deferred tax	910,000	300,000	(1,070,000)
Minimum pension liability, net of deferred tax	<u>\$ 1,366,399</u>	<u>\$ 453,765</u>	<u>\$ (1,616,189)</u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2012:

Actuarial loss	\$ 1,228,000
Prior service cost	109,000
Total to be amortized	<u>\$ 1,337,000</u>

The amortization schedule for prior service costs is as follows:

Description	Established Dec. 31 of:	Initial Amount	Initial Period	12/31/2011 Outstanding Balance	2011 Annual Amortization
Unrecognized Prior Service Cost	1996	\$ 162,785	15.881 Years	\$ 9,035	\$ 10,250
	1999	37,715	16.530 Years	10,331	2,282
	2001	409,804	15.745 Years	149,524	26,028
	2003	22,267	13.230 Years	8,803	1,683
	2007	876,119	13.410 Years	614,787	65,333
	2009	55,026	12.500 Years	46,222	4,402
				<u>\$ 838,702</u>	<u>\$ 109,978</u>

Cumulative employer contributions in excess of net periodic pension cost are as follows:

	2011	2010
A. Cumulative balance at beginning of year	\$ 1,496,368	\$ 1,215,638
B. Net periodic pension cost	1,858,238	1,985,592
C. Contributions	3,181,707	2,266,322
D. Cumulative balance at end of year	<u>\$ 2,819,837</u>	<u>\$ 1,496,368</u>
(A) - (B) + (C)		

The weighted average assumptions used to determine net pension cost and benefit obligations as of December 31, 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Benefit obligation:			
Discount rate	5.00%	5.50%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase (Staff plan only)	3.50%	4.00%	4.50%

	2011	2010	2009
Pension cost:			
Discount rate	5.50%	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase (Staff plan only)	4.00%	4.50%	4.50%

The following table presents the components of net periodic pension cost as of December 31, 2011, 2010 and 2009:

	2011	2010	2009
Service cost	\$ 751,666	\$ 668,980	\$ 606,644
Interest cost	2,020,706	2,063,316	1,905,750
Expected return on plan assets	(1,937,101)	(1,725,336)	(1,355,628)
Amortization of prior service cost	109,978	109,978	133,919
Recognized net actuarial loss	912,989	868,654	1,020,563
Net periodic pension expense	<u>\$ 1,858,238</u>	<u>\$ 1,985,592</u>	<u>\$ 2,311,248</u>

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets as well as current facts and circumstances.

Plan assets are held by a trustee bank. A fund manager has been retained to make investment decisions within guidelines specified by Monarch. The guidelines permit investment in both equities and fixed income securities including common stocks, corporate bonds and debentures and U.S. Government securities. An investment committee appointed by the Board also invests a portion of the funds in equity securities. Asset allocation is primarily based on a strategy to provide stable earnings through investing in interest-generating or fixed income investments while still permitting the plan to recognize potentially higher returns through investment in equity securities. Focusing on balancing the risks and rewards of each broad asset class, the percentage of allocation between fixed income and equity investments for 2011 and 2010 are as follows:

Equities	60%
Fixed Income	40%

The pension investment guidelines strive for diversification of equity securities among the various market sectors and do not permit participation in higher risk investment strategies involving hedging activities and the use of derivative instruments.

The Plan allows a 5% fluctuation before assets are rebalanced. During periods of extreme market volatility, the fluctuation may exceed 5% before rebalancing is complete. At December 31, 2011 and 2010, plan assets by category were as follows:

	2011	2010
Equities	59%	57%
Debt securities	33%	38%
Other	8%	5%

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Fair value prices for all securities in the pension plan portfolio are provided by our trustee bank which utilizes an internationally recognized independent pricing service. Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities which were priced at the market close. Level 2 assets have observable inputs other than Level 1 prices. We maintain documentation as to the methodology and summary of inputs used by the pricing service for the various types of securities, and note that the servicer maximizes the use of relevant

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observable inputs and minimizes the use of unobservable inputs. We do not have access to all of the individual specific assumptions and inputs used for each security. Based on our review of the methodology and summary of inputs used, we have concluded these assets are properly classified as Level 2 assets. The market inputs (Standard Inputs) that the pricing service may use for evaluations of securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. For certain security types, additional inputs may be used, or some of the Standard Inputs may not be applicable. Not all inputs listed are available for use in the evaluation process for each security evaluation on any given day. The pricing service also monitors market indicators, industry and economic events, which might trigger them to acquire further corroborating market data. The pricing service will discontinue evaluating a security if they do not have sufficient objectively verifiable information to continue to support a security's valuation. We do not hold any securities in which the evaluation was discontinued. Level 2 plan assets include fixed income securities such as corporate bonds, U.S. Government obligations and government issues. Plan assets are classified within Level 3 of the hierarchy when relevant observable inputs for a security are not available. The Plan was not invested in any Level 3 securities at December 31, 2011 or 2010.

We have established control procedures in which we independently assess the pricing obtained from the trustee bank which utilizes the pricing service. These internal processes include obtaining and reviewing available reports on controls at the trustee bank and pricing service, evaluating the prices for reasonableness given market changes, investigating anomalies and confirming determinations through discussions with the trustee bank.

The fair value of Monarch's pension plan assets by asset category at December 31, 2011 and 2010 are as follows:

	2011	Total	Fair Value Measurements Using:		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents		\$ 2,178,779	\$ 2,178,779	\$ -	\$ -
Equity securities:					
Materials		968,780	968,780	-	-
Industrials		1,337,053	1,337,053	-	-
Telecommunication		1,047,271	1,047,271	-	-
Consumer discretion		1,586,710	1,586,710	-	-
Consumer staples		1,243,017	1,243,017	-	-
Energy		2,193,419	2,193,419	-	-
Financials		2,531,761	2,531,761	-	-
Healthcare		2,291,527	2,291,527	-	-
Information technology		1,012,703	1,012,703	-	-
Utilities		1,230,939	1,230,939	-	-
Fixed income securities:					
Corporate bonds		2,018,801	-	2,018,801	-
Foreign obligations		349,143	-	349,143	-
U.S. government obligations		6,093,543	-	6,093,543	-
Total		<u>\$26,083,446</u>	<u>\$ 17,621,959</u>	<u>\$ 8,461,487</u>	<u>\$ -</u>

2010	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,347,066	\$ 1,347,066	\$ -	\$ -
Equity securities:				
Materials	862,935	862,935	-	-
Industrials	1,692,974	1,692,974	-	-
Telecommunication	1,061,276	1,061,276	-	-
Consumer discretion	1,747,794	1,747,794	-	-
Consumer staples	1,274,340	1,274,340	-	-
Energy	1,857,015	1,857,015	-	-
Financials	2,135,305	2,135,305	-	-
Healthcare	1,706,118	1,706,118	-	-
Information technology	875,584	875,584	-	-
Utilities	727,869	727,869	-	-
Fixed income securities:				
Corporate bonds	3,209,469	-	3,209,469	-
Foreign obligations	530,320	-	530,320	-
U.S. government obligations	5,507,504	-	5,507,504	-
Total	<u>\$24,535,569</u>	<u>\$ 15,288,276</u>	<u>\$ 9,247,293</u>	<u>\$ -</u>

The Plan's expected benefit payments as of December 31, 2011, shown separately for the next five fiscal years and in the aggregate for the subsequent five-year period, are presented below:

2012	\$ 2,166,955
2013	2,278,701
2014	2,311,161
2015	2,419,499
2016	2,583,564
Five fiscal years ending December 31, 2021	13,592,737

The Company has defined contribution plans covering substantially all permanent employees of the Ready-Mixed Concrete Business. These plans allow the Company, at its discretion, to match the employee's contributions. For the 2011, 2010 and 2009 plan years, the Company matched 25% of the first 6% of the employee's compensation up to a maximum match of \$2,500. The Company contributed \$64,533, \$61,361, and \$58,859 to these plans for the years 2011, 2010, and 2009, respectively. The Company expects to contribute approximately \$65,000 to these plans in 2012.

In September 2011, the FASB issued ASU No. 2011-09, "Compensation - Retirement Benefits - Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan". This amendment, effective for the Company for the year ending December 31, 2011, requires registrants to provide additional disclosures about an employer's participation in a multiemployer pension plan. The guidelines are designed to enable the assessment of the potential impact of participating in multiemployer plans on the participants' future cash flow and to disclose the financial health of all of the significant plans in which an employer participates. The amendment also applies to nongovernmental entities participating in multiemployer plans and multiemployer plans that provide postretirement benefits other than pensions. The additional disclosures required by this ASU are below.

The Company contributes to multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c) If the Company chooses to stop participating in one of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the annual period ended December 31, 2011, is outlined in the table below. The Company considers only one plan it contributes to under collective bargaining agreements to be significant. The "EIN/Pension Plan Number" column provides the plan's Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2011 and 2010 is for the plan's year-end at December 31, 2010 and 2009, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plan is subject. There have been no significant changes that affect the comparability of 2011, 2010, and 2009 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions by Company			Sur-charge Imposed	Expiration Date of Collective Bargaining Agreement
		2011	2010		2011	2010	2009		
Central States, Southeast & Southwest Areas Pension Plan	36-6044243/001	Red	Red	Yes	\$ 222,748	\$ 241,585	\$ 198,586	Yes	3/31/2012 & 4/30/2012 <sup>(a)</sup>
Other funds					30,656	34,018	29,680		
<b>Total contributions:</b>					<u>\$ 253,404</u>	<u>\$ 275,603</u>	<u>\$ 228,266</u>		

(a) The Company is party to two collective bargaining agreements that require contributions to Central States, Southeast & Southwest Areas Pension Plan. In 2011, 66% of the Company's contributions were required by a collective bargaining agreement that expires 3/31/2012 and 34% were required by an agreement that expires 4/30/2012.

The Company was not listed in any of its multiemployer plans' Forms 5500 as providing more than 5% of the total contributions. Forms 5500 were not available for the plan years ending in 2011.

**(7) SIGNIFICANT ESTIMATES AND CERTAIN CONCENTRATIONS**

Thirty one percent (31%) of the Company's employees are covered by various collective bargaining agreements. Approximately 35% of those union employees (11% of our total employees) are covered by a

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contract that expires in 2012. The Company believes it has a good working relationship with its employees and has been successful in negotiating multi-year union contracts without work stoppages.

The Company has a noncontributory defined benefit pension plan and a postretirement health care plan that provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to services rendered prior to the valuation date based on the Entry Age Actuarial Cost Method and the Projected Unit Credit Actuarial Cost Method, respectively. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term.

The current protracted economic decline continues to present companies with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Company.

Current economic and financial market conditions could adversely affect our results of operations in future periods. The current instability in the financial markets may make it difficult for certain of our customers to obtain financing, which may significantly impact the volume of future sales and adversely impact the Company's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values (including defined benefit pension plan investments), allowances for accounts, net realizable value of inventory, and realization of deferred tax assets that could negatively impact the Company's ability to meet debt covenants or maintain sufficient liquidity.

In 2007 Monarch self-reported potential violations pertaining to construction permitting requirements of the Kansas Department of Health and Environment (KDHE). As a result, the company has been negotiating an environmental settlement with the KDHE over the past few years. In the best interest of the KDHE and Monarch, both parties have recently agreed to the terms of a settlement. The alleged violations contained within the agreement are procedural in nature and relate to permitting activities that accompanied facility modifications, all of which occurred in the 1990s. The alleged violations did not increase emission rates at the facility or harm the environment in any manner. The terms of the settlement required the company to pay a civil penalty of \$120,000 and submit an administratively complete construction permit modification, which established a combined NO<sub>x</sub> limit on the company's kilns. The company has provided data to the KDHE for review, which demonstrates that Monarch has been in compliance with the new NO<sub>x</sub> emission limits over the past 12 calendar months. Once the KDHE concurs with Monarch's determination that 12 consecutive calendar months of NO<sub>x</sub> emission compliance have been achieved, the Consent Agreement and Final Order of the Secretary (CAO) will be closed. If the KDHE does not agree that Monarch has met the terms of the CAO, and furthermore, the company is unable to demonstrate that it can operate within the limits set forth in the "CAO Construction Permit" (which was required to make the terms of the CAO federally enforceable), the company will submit a proposal to the KDHE for the installation of control technology on the kilns to meet the NO<sub>x</sub> emission limitations included within the CAO Construction Permit. Nothing in the CAO shall be construed as an admission of any fact or an acknowledgement of any liability by any party. Monarch neither admits nor denies the Findings of Fact and Conclusions of Law contained in the CAO. The Company's manufacturing operations have always pursued excellence in environmental compliance and the health of our employees, and the Company will continue to strive to be a leader in environmental stewardship, and will remain focused on these core principles into the future.

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
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DECEMBER 31, 2011, 2010 AND 2009

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

The Company invests in various equity securities which are exposed to market risks. Due to the level of risk associated with certain equity securities, it is at least reasonably possible that changes in the values of equity securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet.

(8) STOCKHOLDERS' EQUITY

Capital Stock and Class B Capital Stock have the same rights except as follows: Class B Capital Stock has voting rights of ten votes per share and restricted transferability; Class B Capital Stock is convertible at all times into Capital Stock on a share-for-share basis; and Capital Stock has one vote per share and is freely transferable.

(9) LINES OF BUSINESS

The Company groups its operations into two lines of business - Cement Business and Ready-Mixed Concrete Business. The Company's business lines are separate business units that offer different products. The accounting policies for each line are the same as those described in the summary of significant accounting policies. Corporate assets include cash and cash equivalents, deferred income taxes, investments and other assets for 2011, 2010, and 2009. Corporate assets also include refundable federal and state income taxes for 2011 and 2009.

Following is information for each line for the years ended December 31, 2011, 2010 and 2009:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Year Ended December 31, 2011</b>				
Sales to unaffiliated customers	\$ 46,801,814	\$ 75,263,070	\$ -	\$ 122,064,884
Intersegment sales	15,342,831	42,383	(15,385,214)	-
Total net sales	<u>\$ 62,144,645</u>	<u>\$ 75,305,453</u>	<u>\$ (15,385,214)</u>	<u>\$ 122,064,884</u>
Income (loss) from operations	<u>\$ 1,502,909</u>	<u>\$ (4,478,723)</u>		\$ (2,975,814)
Other income, net				4,768,122
Income before income taxes				<u>\$ 1,792,308</u>
Identifiable assets at December 31, 2011	<u>\$ 84,843,017</u>	<u>\$ 46,340,254</u>		\$ 131,183,271
Corporate assets				42,471,539
Total assets at December 31, 2011				<u>\$ 173,654,810</u>
<b>For the Year Ended December 31, 2010</b>				
Sales to unaffiliated customers	\$ 49,436,170	\$ 71,748,664	\$ -	\$ 121,184,834
Intersegment sales	14,846,799	14,667	(14,861,466)	-
Total net sales	<u>\$ 64,282,969</u>	<u>\$ 71,763,331</u>	<u>\$ (14,861,466)</u>	<u>\$ 121,184,834</u>
Income (loss) from operations	<u>\$ 6,147,514</u>	<u>\$ (6,005,382)</u>		\$ 142,132
Other loss, net				(218,210)
Loss before income taxes				<u>\$ (76,078)</u>
Identifiable assets at December 31, 2010	<u>\$ 89,992,392</u>	<u>\$ 37,106,313</u>		\$ 127,098,705
Corporate assets				47,000,123
Total assets at December 31, 2010				<u>\$ 174,098,828</u>

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Year Ended December 31, 2009</b>				
Sales to unaffiliated customers	\$ 55,687,700	\$ 76,506,842	\$ -	\$ 132,194,542
Intersegment sales	12,478,688	-	(12,478,688)	-
Total net sales	<u>\$ 68,166,388</u>	<u>\$ 76,506,842</u>	<u>\$ (12,478,688)</u>	<u>\$ 132,194,542</u>
Income (loss) from operations	<u>\$ 7,019,307</u>	<u>\$ (2,070,723)</u>		\$ 4,948,584
Other income, net				436,035
Income before income taxes				<u>\$ 5,384,619</u>
Identifiable assets at December 31, 2009	<u>\$ 95,490,586</u>	<u>\$ 39,995,968</u>		\$ 135,486,554
Corporate assets				41,511,123
Total assets at December 31, 2009				<u>\$ 176,997,677</u>

Total sales by line of business before adjustments and eliminations include both sales to unaffiliated customers (as reported in the Company's consolidated statements of income, comprehensive income and stockholders' equity and noncontrolling interests) and intersegment sales. Intersegment sales are accounted for by the same method as sales to unaffiliated customers.

Income from operations is total net sales less operating expenses. In computing income from operations, none of the following items have been added or deducted: general corporate income and expenses; interest expense; and income taxes. Depreciation and depletion for the Cement Business and Ready-Mixed Concrete Business, respectively, was approximately: \$7,150,000 and \$4,250,000 in 2011; \$7,400,000 and \$3,900,000 in 2010; and \$7,600,000 and \$4,500,000 in 2009. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: \$4,162,430 and \$3,820,728 in 2011; \$2,549,023 and \$2,920,830 in 2010; and \$6,911,591 and \$3,445,124 in 2009. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

During 2011, 2010, and 2009, there were no sales to any one customer in excess of 10% of consolidated net sales.

#### (10) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$ 17,410,715	\$ 31,384,137	\$ 38,565,133	\$ 34,704,899
Gross profit (loss) from operations	(3,653,415)	4,155,964	5,859,620	6,740,135
Income (loss) from operations	(7,484,719)	132,568	1,994,572	2,381,765
Net income (loss)	(4,065,777)	2,675,264	1,068,656	1,874,165
Basic earnings (loss) per share	\$ (1.01)	\$ 0.66	\$ 0.26	\$ 0.47
Loss on impairment of equity investments	\$ -	\$ -	\$ (415,287)	\$ -
<b>2010</b>				
Net sales	\$ 18,194,726	\$ 34,073,747	\$ 37,123,469	\$ 31,792,892
Gross profit (loss) from operations	(2,464,272)	7,511,514	6,466,840	4,693,040
Income (loss) from operations	(6,351,790)	3,649,746	2,616,147	228,029
Net income (loss)	(4,697,326)	2,511,966	1,228,351	1,180,931
Basic earnings (loss) per share	\$ (1.17)	\$ 0.62	\$ 0.31	\$ 0.30
Loss on impairment of equity investments	\$ -	\$ -	\$ (858,787)	\$ -

#### (11) OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income (loss) included in the balance sheet at December 31 is as follows:

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011, 2010 AND 2009

	2010	Change	2011
Unrealized appreciation on available-for-sale securities	\$ 6,168,000	\$ (2,256,000)	\$ 3,912,000
Pension liability adjustment	(8,529,441)	(1,366,399)	(9,895,840)
Postretirement liability adjustment	(8,312,977)	2,099,783	(6,213,194)
	<u>\$ (10,674,418)</u>	<u>\$ (1,522,616)</u>	<u>\$ (12,197,034)</u>

	2009	Change	2010
Unrealized appreciation on available-for-sale securities	\$ 2,646,000	\$ 3,522,000	\$ 6,168,000
Pension liability adjustment	(8,075,676)	(453,765)	(8,529,441)
Postretirement liability adjustment	(7,404,667)	(908,310)	(8,312,977)
	<u>\$ (12,834,343)</u>	<u>\$ 2,159,925</u>	<u>\$ (10,674,418)</u>

(12) **FUTURE CHANGE IN ACCOUNTING PRINCIPLES**

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS", which updated the guidance in ASC Topic 820. The amendments in this ASU result in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. The ASU also provides for certain changes in current GAAP disclosure requirements, for example with respect to the measurement of Level 3 assets and for measuring the fair value of an instrument classified in a reporting entity's shareholders' equity. The amendments in this update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011, and early application is not permitted. This guidance will become effective for the Company beginning January 1, 2012 and is not anticipated to have a material impact on our consolidated financial statements.

## CORPORATE INFORMATION

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### CORPORATE OFFICE

449 1200 Street  
P.O. Box 1000  
Humboldt, KS 66748  
Phone: (620) 473-2222  
Fax: (620) 473-2447

### AUDITORS

BKD, LLP  
Kansas City, Missouri

### ANNUAL MEETING

The annual meeting of the stockholders of The Monarch Cement Company is held the second Wednesday in April of each year at the Company's corporate offices.

### TRANSFER AGENT AND REGISTRAR

The Monarch Cement Company  
P.O. Box 1000  
Humboldt, KS 66748-0900  
[shareholder.relations@monarchcement.com](mailto:shareholder.relations@monarchcement.com)

### STOCK TRADING INFORMATION

Trading Symbol: MCEM  
Over-the-Counter Market

### INVESTOR RELATIONS

Inquiries may be directed to Debra P. Roe, Chief Financial Officer and Assistant Secretary-Treasurer, at the corporate address shown above.

### FORM 10-K

The Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available upon request by writing to Debra P. Roe at the corporate address shown above. The Form 10-K, without exhibits, will be provided at no charge, and also is available on the Company's website, <http://www.monarchcement.com>.

The Company's financial information is also available from the SEC at their EDGAR internet address, <http://www.sec.gov>.

### ETHICS POLICY

The Company's ethics policy is available on the About Us link of the Company's website, <http://www.monarchcement.com>.

### DIRECTORS

Jack R. Callahan  
Retired President, The Monarch Cement Company  
Ronald E. Callaway  
Retired feed yard manager  
David L. Deffner  
Director of Music, Davis Community Church  
Robert M. Kissick  
Chairman, Hydraulic Power Systems, Inc.  
Gayle C. McMillen  
Adjunct Professor, Kansas Wesleyan University  
Richard N. Nixon  
Retired partner, Stinson Morrison Hecker LLP law firm  
Byron J. Radcliff  
Rancher  
Byron K. Radcliff  
Owner/Manager, Radcliff Ranch  
Michael R. Wachter  
Vice President, Civil Engineer and Director of Operations, Concrete Technology Corp.  
Walter H. Wulf, Jr.  
President and Chairman of the Board  
Walter H. Wulf, III  
District Sales Manager, General Motors Corporation

### OFFICERS

Walter H. Wulf, Jr.  
President and Chairman of the Board  
  
\*Byron K. Radcliff  
Vice Chairman of the Board, Secretary and Treasurer  
  
\*Robert M. Kissick  
Vice President  
  
Rick E. Rush  
Vice President  
  
Debra P. Roe  
Chief Financial Officer and  
Assistant Secretary-Treasurer  
  
Lisa J. Fontaine  
Assistant Secretary  
  
Harvey D. Buckley  
Vice President - Cement Manufacturing  
  
N. Joan Perez  
Vice President - Sales

\*Not actively involved in the daily affairs of the Company.

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**THE MONARCH CEMENT COMPANY**  
P.O. Box 1100  
Humboldt, KS 66748-0100

### SUBSIDIARIES OF THE REGISTRANT

<u>Name of Subsidiaries</u>	<u>State of Incorporation</u>	<u>Names Under Which They do Business</u>
Beaver Lake Concrete, Inc.	Arkansas	Beaver Lake Concrete, Inc.
Capitol Concrete Products Co., Inc.	Kansas	Capitol Concrete Products Co., Inc.
City Wide Construction Products Co.	Missouri	City Wide Construction Products Co.
Concrete Enterprises, Inc.	Kansas	Concrete Enterprises, Inc. Concrete Enterprises South
Concrete Materials, Inc.	Kansas	Concrete Materials, Inc.
Dodge City Concrete, Inc.	Kansas	Dodge City Concrete, Inc. Concrete Industries
Joplin Concrete Company, Inc.	Missouri	Joplin Concrete Company, Inc.
Kay Concrete Materials Co.	Missouri	Kay Concrete Materials Co.
Kansas Sand and Concrete, Inc.	Kansas	Kansas Sand and Concrete, Inc.
Monarch Cement of Iowa, Inc.	Iowa	Monarch Cement of Iowa, Inc.
Salina Concrete Products, Inc.	Kansas	Kansas Building Products Salina Concrete Products, Inc.
Springfield Ready Mix Co.	Missouri	Springfield Ready Mix Co.
Tulsa Dynaspan, Inc.	Oklahoma	Arrow Concrete Company Tulsa Dynaspan, Inc.

**THE MONARCH CEMENT COMPANY**  
**SECTION 13a-14(a)/15d-14(a) CERTIFICATIONS**

I, Walter H. Wulf, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of The Monarch Cement Company;
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.

Date: March 15, 2012

/s/ Walter H. Wulf, Jr.  
Walter H. Wulf, Jr.  
President and Chairman of the Board  
(principal executive officer)

**THE MONARCH CEMENT COMPANY**  
**SECTION 13a-14(a)/15d-14(a) CERTIFICATIONS**

I, Debra P. Roe., certify that:

1. I have reviewed this Annual Report on Form 10-K of The Monarch Cement Company;
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.

Date: March 15, 2012

/s/ Debra P. Roe \_\_\_\_\_  
Debra P. Roe, CPA  
Chief Financial Officer and  
Assistant Secretary-Treasurer  
(principal financial officer and  
principal accounting officer)

**THE MONARCH CEMENT COMPANY  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906  
OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Monarch Cement Company (the "Company") on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to The Monarch Cement Company and will be retained by The Monarch Cement Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 15, 2012

/s/ Walter H. Wulf, Jr.  
Walter H. Wulf, Jr.  
President and  
Chairman of the Board  
(principal executive officer)

**THE MONARCH CEMENT COMPANY  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906  
OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Monarch Cement Company (the "Company") on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to The Monarch Cement Company and will be retained by The Monarch Cement Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 15, 2012

/s/ Debra P. Roe  
Debra P. Roe, CPA  
Chief Financial Officer and  
Assistant Secretary-Treasurer  
(principal financial officer and  
principal accounting officer)

## THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

### MINE SAFETY DISCLOSURES

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and under the Securities and Exchange Commission's recently adopted Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). The operations of The Monarch Cement Company and two of its subsidiaries (herein referred to as the "Company") are subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Mine Act.

Whenever the MSHA believes that a violation of the Mine Act, any health or safety standard, or any regulation has occurred, it may issue a citation or order which describes the violation and fixes a time within which the operator must abate the violation. In some situations, such as when the MSHA believes that conditions pose a hazard to miners, MSHA may issue an order requiring cessation of operations, or removal of miners from the area of the mine, affected by the condition until the hazards are corrected. Whenever MSHA issues a citation or order, it has authority to propose a civil penalty or fine, as a result of the violation, that the operator is ordered to pay.

The table that follows reflects citations, orders, violations and proposed assessments issued to the Company by MSHA during the year ended December 31, 2011 for each of the three mines subject to the Mine Act that are operated by the Company and all pending legal actions as of December 31, 2011. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by MSHA at [www.MSHA.gov](http://www.MSHA.gov).

Mine or operating name (MSHA ID)	For the year ended December 31, 2011		
	The Monarch Cement Company (1400124)	Valencia Sand Pit #1 (1400503)	Pratt Sand (1401712)
Total number of significant and substantial violations under Mine Act §104	6	0	1
Total number of orders under Mine Act §104(b)	0	0	0
Total number of unwarrantable compliance failure citations and orders under Mine Act §104(d)	0	0	0
Total number of flagrant violations under Mine Act §110(b)(2)	0	0	0
Total number of imminent danger orders under Mine Act §107(a)	0	0	0
Total dollar value of MSHA assessments proposed	\$7,295	\$100	\$300
Total number of mining related fatalities	0	0	0
Received notice of Pattern of Violations under §104(e) (yes/no)?	no	no	no
Received notice of Potential to Have Pattern under §104(e) (yes/no)?	no	no	no
Number of legal actions pending as of last day of period	6	0	0
Number of legal actions initiated during period	6	0	0
Number of legal actions resolved during period	30	0	0

Citations and orders can be contested before the Federal Mine Safety and Health Review Commission (the "Commission"), and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The Commission is an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act. These cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA. The Company's 6 legal actions pending as of December 31, 2011 were contests of citations or orders issued under section 104 of the Mine Act.