

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, 2008**

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 X

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 X

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 X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. (Check one):

Large accelerated filer ___ Accelerated filer X
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 X

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 \$88,582,390.

As of March 4, 2009, the registrant had outstanding 2,523,014 shares of Capital Stock, par value \$2.50 per share, and 1,501,184 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, 2008 - 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 8, 2009 - Parts II and III of Form 10-K.

PART I

ITEM 1. BUSINESS

We refer to pages 1, 2, 34 and 35 of The Monarch Cement Company's 2008 Annual Report to Stockholders (filed herewith as Exhibit 13) for a description of the Company's business, including information regarding lines of business. Such description is hereby incorporated herein by reference. In addition, we submit the following information:

The Company did not introduce any new products nor begin to do business in a new industry segment during 2008.

The Company owns and operates quarries located near its Humboldt, Kansas plant. Such quarries contain all essential raw materials presently used by the Company. 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. While these raw materials are accessible to the Company, we have determined that additional capital expenditures will be needed to improve the movement of raw materials to our plant. We refer you to the disclosure under the heading "Capital Resources" in our 2008 Annual Report to Stockholders (filed herewith as Exhibit 13), which is incorporated herein by reference.

The Company's products are marketed under registered trademarks using the name "MONARCH". 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, 2008 the Company had inventories as follows:

Cement	\$ 4,507,180
Work in process.....	1,681,765
Building products	5,069,230
Fuel, gypsum and other materials	6,312,135
Operating and maintenance supplies	<u>10,943,746</u>
Total	<u>\$ 28,514,056</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 2008, 2007 or 2006.

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.

At December 31, 2008, the Company and its subsidiaries employed approximately 630 employees including 485 hourly employees and 145 salaried employees, which included plant supervisory personnel, sales and executive staff. Of the 630 total employees, approximately 36% are union employees. Approximately 26% of those union employees (9% of our total employees) are covered by contracts that expire in 2009. 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 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, 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 refer to pages 10 and 11 of The Monarch Cement Company's 2008 Annual Report to Stockholders (filed herewith as Exhibit 13) for a description of the Company's market risk. Such information is hereby incorporated herein by reference.

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 are located. Construction completed in 2006 increased our 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. 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 is installing a fuel handling system which is expected to be completed in the third quarter of 2009 at a cost of approximately \$4.0 million. Projects in the planning and design phases include an overland conveyor system to improve efficiencies in moving raw materials. We refer to page 9 of the Company's 2008 Annual Report to Stockholders (filed herewith as Exhibit 13) for a more detailed description of the Company's capital resources and improvements under consideration. Such information is hereby incorporated herein by reference.

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 300 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 in metropolitan areas 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. Individual locations do not have a material effect on the Company's overall operations.

ITEM 3. LEGAL PROCEEDINGS

The Company and Tulsa Dynaspan, Inc. (TDI) a subsidiary of the Company, are defendants in a case brought by David Markle, Richard Evilsizer, and five other named plaintiffs, filed in the District Court of Tulsa County, Oklahoma, on December 29, 2004 and amended on January 19,

2005, January 6, 2006, August 18, 2006, and January 12, 2007. Prior to the August 18, 2006 amendment, Plaintiffs dismissed claims they had previously asserted for defamation and various business torts, derivative claims brought on behalf of the Company, and claims to ownership of an invention relating to parking garage construction. Markle and Evilsizer remain as Plaintiffs; the five other original Plaintiffs remain in the action only as counterclaim defendants. Plaintiffs seek an award of actual and exemplary damages from the Company, one of its directors and four of TDI's directors for alleged breach of fiduciary duties owed to TDI, based upon derivative and breach of contract claims. The Company has asserted a counterclaim based upon breach of contract against Markle and TDI has asserted counterclaims based upon breach of fiduciary duty, misappropriation, violations of the Computer Fraud and Abuse Act and the Oklahoma Trade Secrets Act, unjust enrichment, and various business torts against all of the original plaintiffs. Plaintiffs also seek an order from the Court that the Company purchase Plaintiffs' shares of TDI stock for fair value. On April 10, 2007, the Court heard arguments on various motions and subsequently entered the following orders: Monarch and the individual directors' motion for summary judgment dismissing all of Plaintiffs' claims was granted; Monarch's motion for summary judgment on its pre-termination competition claim against Markle was granted; TDI's motion for summary judgment against Plaintiffs for unjust enrichment and breach of fiduciary duty was granted; Markle's motion for partial summary judgment on the non-compete agreement executed by the parties was denied. Additional hearings to establish TDI's and Monarch's damages will be necessary; all of Plaintiffs' claims have now been dismissed. Because of the failure of certain plaintiffs to participate in a pretrial conference the proceedings are now bifurcated. Markle and Evilsizer have filed bankruptcy. Complaints to collect damages from Markle and Evilsizer have been filed in the Bankruptcy courts. Monarch claims against Markle in bankruptcy were dismissed as duplicative; TDI's claim against Markle and Monarch's claim against Evilsizer remain pending. A hearing on actual and punitive damages against Parking Builders, GBS and ENCO was held on February 1, 2008. On February 29, 2008, TDI was awarded \$3,117,574 in actual damages and an additional \$3,117,574 in punitive damages against GBS and ENCO; TDI was awarded \$1,614,720 in actual damages and an additional \$1,614,720 in punitive damages against Parking Builders. No assurances can be given as to the collectability of these damage awards. TDI has settled its claims against Martin and Bobbitt.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matter to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2008.

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 is incorporated herein by reference to the material responsive to this Item on pages 11 and 12 of the Company's 2008 Annual Report to Stockholders. In addition we submit the following information:

The Company's Board of Directors is responsible for determining the amount and timing of dividend payments. For several years the Company paid a \$.20 per share dividend in January, March, June and September. Beginning with the April 2006 Board of Directors' meeting, the Board elected to increase these dividends to \$.21 per share; at the April 2007 Board of Directors' meeting, the Board increased the dividend to \$.22 per share; and at the April 2008 Board of Directors' meeting, the Board increased the dividend to \$.23 per share. All dividends are discretionary and are based on past financial performance and availability of funds. The Company is not restricted regarding payment of dividends, but does have a financial covenant which requires the Company to maintain a tangible net worth of \$90 million and an adjusted tangible net worth, which is tangible net worth before other comprehensive income, of \$95 million. The minimum net worth requirements could impact the Company's ability to pay dividends in the future. The Company was in compliance these requirements at year end.

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.

The Company did not sell any of its equity securities during 2008. The Company repurchased 2,760 shares of its equity securities in isolated, open-market transactions during the fourth quarter of 2008. 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	Maximum Number of Shares that May Yet Be Purchased Under the Plans
October 1-31	-	-	-	-
November 1-30	2,060	\$23.54	-	-
December 1-31	700	\$25.48	-	-
Total	2,760	\$24.03	-	-

* In 1996, our Board of Directors authorized the purchase, through open market transactions, of up to 400,000 shares of our Company's common stock. 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. After taking into account the 2,760 shares purchased during the fourth quarter of 2008, our Company continues to have authority to purchase 124,332 shares of our common stock at management's discretion.

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 on page 1 of the Company's 2008 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 is incorporated herein by reference to the material responsive to this Item on pages 2 through 11 of the Company's 2008 Annual Report to Stockholders. 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 is incorporated herein by reference to the materials responsive to this Item on pages 10 and 11 of the Company's 2008 Annual Report to Stockholders. In addition we submit the following information:

In December 2008, Monarch renewed and modified the loan agreement with its current lender, Bank of Oklahoma, N.A., under similar terms as the prior agreement. Monarch's current unsecured credit commitment consists of a \$25.0 million term loan maturing December 31, 2014 and a \$15.0 million line of credit maturing December 31, 2009. The Company has \$17,241,547 of bank loans as of December 31, 2008. Under the new loan agreement, interest rates on the Company's term loan are variable and are based on the lender's national prime rate less .75% with a 3.00% interest rate minimum or floor. Interest rates on the Company's line of credit are variable and are based on the lender's national prime rate less 1.25% with a 2.50% interest rate minimum or floor. Prior to the renewal, interest on the Company's term loan was variable and was based on the JP Morgan Chase prime rate less .75%. Interest on the line of credit varied with the lender's National Prime rate less 1.25% for 2008 and 1.00% for 2007.

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 on pages 16 through 38 of the Company's 2008 Annual Report to Stockholders.

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 on pages 13 through 15 of the Company's 2008 Annual Report to Stockholders. 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, 2008 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 2008.

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 is incorporated herein by reference to the material responsive to this Item on pages 2 through 8, 14 and 15 of the Company's definitive proxy statement prepared in connection with its 2009 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission. In addition we submit the following information:

The Company has adopted an Ethics Policy for directors, corporate officers and corporate staff employees including, our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. This Ethics Code is posted on our internet website (<http://www.monarchcement.com>) under "About Us, Ethics Policy" and is available for your examination. Any substantive amendment to, or waiver from, a provision of this Code that applies to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions will be disclosed in a report on Form 8-K.

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 on pages 8 through 13 of the Company's definitive proxy statement prepared in connection with its 2009 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

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 is incorporated herein by reference to the material responsive to this Item on pages 7 and 8 of the Company's definitive proxy statement prepared in connection with its 2009 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission. 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 on pages 2, 9 and 10 of the Company's definitive proxy statement prepared in connection with its 2009 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

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 on pages 13 and 14 of the Company's definitive proxy statement prepared in connection with its 2009 annual meeting of stockholders pursuant to Regulation 14A and previously filed with the Commission.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

The report of Independent Registered Public Accounting Firm--BKD, LLP; the Consolidated Balance Sheets--December 31, 2008 and 2007; the Consolidated Statements of Income for the Years Ended December 31, 2008, 2007 and 2006; the Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2008, 2007 and 2006; the Consolidated Statements of Stockholders' Investment for the Years Ended December 31, 2008, 2007 and 2006;

the Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2007 and 2006; and the Notes to Consolidated Financial Statements are incorporated by reference in Item 8 to this report from the Company's 2008 Annual Report to Stockholders on pages 16 through 38.

SUPPORTING SCHEDULES

Schedule II -- Valuation and Qualifying Accounts

EXHIBITS

- 3(i) Articles of Incorporation. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-2757) as Exhibit 3(i) and incorporated herein by reference.)
- 3(ii) By-laws. (Filed with the Company's Current Report on Form 8-K dated April 12, 2006 (File No. 0-2757) as Exhibit 3(ii) and incorporated herein by reference.)
- 10.1 Loan agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 0-2757) as Exhibit 10.1 and incorporated herein by reference.)
 - 10.1(a) First amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-2757) as Exhibit 10.1(a) and incorporated herein by reference.)
 - 10.1(b) Second amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 0-2757) as Exhibit 10.1(b) and incorporated herein by reference.)
 - 10.1(c) Third amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002 and second amendment dated December 31, 2003. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 0-2757) as Exhibit 10.1(c) and incorporated herein by reference.)

- 10.1(d) Fourth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003 and third amendment dated December 31, 2004. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 0-2757) as Exhibit 10.1(d) and incorporated herein by reference.)
- 10.1(e) Fifth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment dated December 31, 2004 and fourth amendment dated January 1, 2006. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 0-2757) as Exhibit 10.1(e) and incorporated herein by reference.)
- 10.1(f) Sixth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment dated December 31, 2004, fourth amendment dated January 1, 2006 and fifth amendment dated December 31, 2006. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 0-2757) as Exhibit 10.1(f) and incorporated herein by reference.)
- 10.1(g) Seventh amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment dated December 31, 2004, fourth amendment dated January 1, 2006, fifth amendment dated December 31, 2006, and sixth amendment dated December 31, 2007.
- 13 2008 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 16, 2009.
- 32.2 18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated March 16, 2009.

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 16, 2009

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 16, 2009

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

Date: March 16, 2009

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

Date: March 16, 2009

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

Date: March 16, 2009

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

Date: March 16, 2009

By: /s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President, Principal Executive
Officer and Director

Date: March 16, 2009

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

Date: March 16, 2009

By: /s/ Debra P. Roe
Debra P. Roe, CPA
Chief Financial Officer

Date: March 16, 2009

**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, 2008, 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 11, 2009

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 2008

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deduction from Reserves (1)</u>	<u>Balance at End of Period</u>
FOR THE YEAR ENDED DECEMBER 31, 2008:				
Reserve for doubtful accounts	<u>\$ 640,000</u>	<u>\$ 428,000</u>	<u>\$ 280,000</u>	<u>\$ 788,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2007:				
Reserve for doubtful accounts	<u>\$ 641,000</u>	<u>\$290,000</u>	<u>\$ 291,000</u>	<u>\$ 640,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2006:				
Reserve for doubtful accounts	<u>\$ 602,000</u>	<u>\$ 277,000</u>	<u>\$ 238,000</u>	<u>\$ 641,000</u>

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

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3(i)	Articles of Incorporation. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 0-2757) as Exhibit 3(i) and incorporated herein by reference.)
3(ii)	By-laws. (Filed with the Company's Current Report on Form 8-K dated April 12, 2006 (File No. 0-2757) as Exhibit 3(ii) and incorporated herein by reference.)
10.1	Loan agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 0-2757) as Exhibit 10.1 and incorporated herein by reference.)
10.1(a)	First amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-2757) as Exhibit 10.1(a) and incorporated herein by reference.)
10.1(b)	Second amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company, as amended by first amendment dated December 31, 2002. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 0-2757) as Exhibit 10.1(b) and incorporated herein by reference.)
10.1(c)	Third amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002 and second amendment dated December 31, 2003. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 0-2757) as Exhibit 10.1(c) and incorporated herein by reference.)
10.1(d)	Fourth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003 and third amendment dated December 31, 2004. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 0-2757) as Exhibit 10.1(d) and incorporated herein by reference.)
10.1(e)	Fifth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment

dated December 31, 2004 and fourth amendment dated January 1, 2006. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 0-2757) as Exhibit 10.1(e) and incorporated herein by reference.)

- 10.1(f) Sixth amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment dated December 31, 2004, fourth amendment dated January 1, 2006 and fifth amendment dated December 31, 2006. (Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 0-2757) as Exhibit 10.1(f) and incorporated herein by reference.)
- 10.1(g) Seventh amendment to agreement dated January 1, 2001, between the Bank of Oklahoma N.A. and The Monarch Cement Company as amended by first amendment dated December 31, 2002, second amendment dated December 31, 2003, third amendment dated December 31, 2004, fourth amendment dated January 1, 2006, fifth amendment dated December 31, 2006, and sixth amendment dated December 31, 2007.
- 13 2008 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 16, 2009.
- 32.2 18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated March 16, 2009.

Exhibit 10.1(g)

Sarah N. Reavis
Vice President
918-588-6867
FAX: 918-295-0400
sreavis@bokf.com

December 31, 2008

Ms. Debra Roe
Chief Financial Officer
The Monarch Cement Company
449 1200 Street
Humboldt, KS 66748

RE: Seventh Amendment to Agreement dated January 1, 2001 between The Monarch Cement Company (“Borrower”) and Bank of Oklahoma, N.A. (“Lender”) in the aggregate amount of \$35,000,000 (the “Loan Agreement”), as amended by First Amendment dated December 31, 2002, Second Amendment dated December 31, 2003, Third Amendment dated December 31, 2004, Fourth Amendment dated January 1, 2006, Fifth Amendment dated December 31, 2006 and Sixth Amendment dated December 31, 2007.

Dear Debbie:

Bank of Oklahoma, N.A. (“Lender”) is pleased to renew and modify the Loan Agreement subject to the terms of this letter agreement (“Seventh Amendment”). Subject to the terms of the Loan Agreement, as amended, and this Seventh Amendment, the Commitment will be: 1) a \$17,825,569.45 Term Loan (“Term Loan”) that is a renewal of the outstanding balance of the \$25,000,000 Term Loan dated December 31, 2004 and 2) \$15,000,000 Revolving Line of Credit (“Revolving Line”) that is a renewal of the \$15,000,000 Revolving Line subject to the terms of this letter amendment (“Seventh Amendment”).

Section 1 of the Loan Agreement is hereby deleted and replaced with the following:

1. **The Term Loan.** Lender agrees to renew the remaining \$17,825,569.45 balance of the \$25,000,000 Term Loan dated December 31, 2004 to Borrower as evidenced by a promissory note in the form attached hereto as Exhibit A, maturing on December 31, 2014 (which, together with any extensions, renewals and changes in form thereof, is hereinafter referred to as the “Term Note”).
 - 1.1 The Term Note will be payable in equal quarterly installments of principal and interest in an amount to equate to a 6-year amortization, with such payments calculated using the interest rate in effect on December 31, 2008,

provided however, that either Lender or Borrower may elect to recalculate the payment installments on the 12-month anniversary of this Seventh Amendment based on the outstanding principal balance on that date, the current floating interest rate on that date, and the number of quarters remaining in the 6-year amortization. All outstanding principal and interest will be due and payable on December 31, 2014.

- 1.2 Interest shall accrue and be payable quarterly as set forth in the Term Note at a floating interest rate of BOKF National Prime less .75%. Under no circumstances will the rate on the Term Loan be less than 3.00%
- 1.3 Borrower may prepay the Term Note in whole or part at any time without penalty.

Section 2 of the Loan Agreement is hereby deleted and replaced with the following:

2. **The Revolving Line.** Lender agrees to loan Borrower up to \$15,000,000 as Borrower may from time to time request as evidenced by a promissory note in the form attached as Exhibit B, maturing on December 31, 2009 (which together with any extensions, renewals and changes in form thereof, is hereinafter referred to as the "Line Note"). Advances under the Line Note shall be used for working capital and general corporate purposes, including issuance of letters of credit.

- 2.1 Provided there is no Event of Default, Borrower may advance, pay down, and re-advance funds on the Line Note.
- 2.2 Letters of Credit shall be issued pursuant to Lender's standard procedure, upon receipt by Lender of an application; provided that (a) no event of default has occurred and is continuing, and (b) the requested letter of credit will not expire after the maturity date of the Line Note. Borrower shall pay all standard fees and costs charged by Lender in connection with the issuance of Letters of Credit. Lender shall be reimbursed for drawings under the Letters of Credit either by Borrower or by an advance on the Line Note.
- 2.3 Borrower may repay the Revolving Line in whole or part at any time without penalty.
- 2.4 Interest shall accrue and be payable quarterly as set forth in the Line Note at a floating interest rate of BOKF National Prime less 1.25%. Under no circumstances will the rate on the Revolving Line be less than 2.50%. The outstanding principal balance plus accrued interest shall be payable at maturity date of December 31, 2009.

TERMS AND CONDITIONS: Unless otherwise agreed to in writing by Lender:

1. **Financial Statements:** Borrower will provide annual audited financial statements within 120 days of the end of each fiscal year and quarterly unaudited financial statements within 60 days after the end of each quarter. Along with quarterly financial statements, Borrower will provide Lender with its internally-prepared analysis of cash

sources and uses for the four-quarter period then ended, in form and content to be determined by Borrower and Lender as mutually acceptable.

2. **Capital Budget:** Borrower will provide to Lender, prior to the beginning of Borrower's fiscal year and with quarterly updates thereafter, its capital spending budget in form and content determined by Borrower and Lender as mutually acceptable. Upon reasonable request by Lender, Borrower will furnish copies of other information related to planned capital projects.
3. **Minimum Net Worth:** Borrower's tangible net worth will be determined on the last day of any fiscal quarter commencing with the quarter ending 12/31/08, as defined below:
 - a. **Tangible Net Worth:** Borrower will maintain a minimum Tangible Net Worth (in accordance with generally accepted accounting principles) of \$90,000,000.
 - b. **Adjusted Tangible Net Worth:** Borrower will maintain a minimum Adjusted Tangible Net Worth of \$95,000,000. Adjusted Tangible Net Worth is defined as Tangible Net Worth before Other Comprehensive Income. For purposes of the Adjusted Tangible Net Worth calculation, Other Comprehensive Income will be the same as "Accumulated other comprehensive income (loss)" as presented in the audited financial statements of the Borrower.
4. **Sale or Merger:** Borrower will not sell to, merge or consolidate with any person or entity or permit any such merger or consolidation with the Borrower, **except for:**
 - a. mergers between Borrower and any of its subsidiaries or between any of its subsidiaries, and
 - b. mergers in which Borrower is the surviving entity.
5. **Creation or Existence of Liens:** Borrower will not create or permit to exist any mortgage, pledge, lien or other encumbrance on any of its property, personal or real, tangible or intangible, other than purchase money liens up to \$1,000,000 in the aggregate related to the acquisition of assets of Borrower in the ordinary course of business.
6. **Limitation on Indebtedness:** No limitation, other than Borrower will not create, assume or incur:
 - a. Secured debt in the aggregate in excess of \$1,000,000; and
 - b. Unsecured debt (other than the Commitment herein) in the aggregate in excess of \$2,000,000.
7. **Change in Ownership:** Borrower will not permit the sale or transfer of capital stock that results in a change in control of Borrower. A change in control (as defined in Borrower's proxy statement) is any merger, consolidation or disposition of all or substantially all of the assets of Borrower or any acquisition by any person or group of

persons acting in concert who after such acquisition would own more than 30% of the Borrower's outstanding voting stock.

8. **Reimbursement of Expenses:** Borrower will pay all reasonable and customary out-of-pocket expenses incurred as part of the Loan Agreement, including but not limited to reasonable attorney's fees; **however, there will be no costs to Borrower for preparation of this Seventh Amendment, absent material modifications or extended negotiations.**
9. **General Terms:** Borrower agrees to maintain its properties, maintain insurance in amounts and against risks customary for Borrower's business, maintain all licenses and permits necessary to conduct Borrower's business, comply with laws including but not limited to environmental laws and maintain its corporate existence in good standing.

EVENTS OF DEFAULT: Borrower shall be in default under this Agreement upon the occurrence of any one or more of the following events or conditions, herein called "Default":

1. Any payment required under any Note or obligation of Borrower to Lender is not made within ten days of the due date.
2. Borrower fails to perform or comply with any covenant, obligation, warranty or provision in this Agreement or in any note or obligation of Borrower to Lender, and such default continues uncured for thirty days or more from date of occurrence.
3. Any warranty, representation, financial information or statement made or furnished to Lender by or on behalf of Borrower proves to have been false in any material respect when made or furnished.
4. The condemnation, seizure or appropriation of substantially all, or such as in Lender's reasonable opinion constitutes a material portion of the assets of the Borrower.
5. The rendering against Borrower of one or more final judgments, decrees or orders for payment not covered by insurance, and the continuance of such judgment or order unsatisfied and in effect for any period of thirty consecutive days without a stay of execution.
6. Dissolution or termination of existence of Borrower.
7. Appointment of a receiver over any part of the property of Borrower, the assignment of property of Borrower for the benefit of creditors or the commencement of any proceedings under any bankruptcy or insolvency laws by or against Borrower.

Upon the occurrence or the existence of a Default, Lender may, at its option and without notice or demand to Borrower, immediately declare due and payable all liabilities and

obligations of Borrower to Lender and exercise all rights and remedies possessed by Lender.

GENERAL PROVISIONS:

Unless otherwise specified herein, all terms and conditions, representations, and warranties of Borrower in the Loan Agreement remain in full force and effect. In addition to the terms of the Loan Agreement, as modified by this Seventh Amendment, Borrower consents to the provisions of the Term Note and the Line Note; provided however, that to the extent any conflict exists between the Loan Agreement and the Notes, then the Loan Agreement shall be controlling.

LENDER:

Bank of Oklahoma, N.A.

By: /s/ Sarah N. Reavis
Sarah N. Reavis
Vice President

BORROWER:

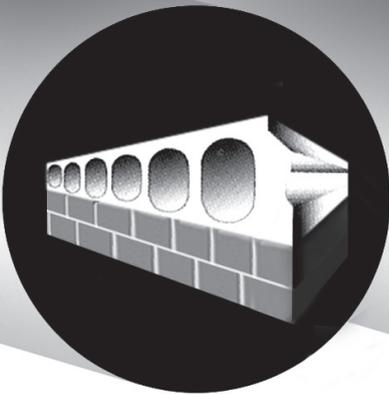
The Monarch Cement Company

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

2008 Annual Report

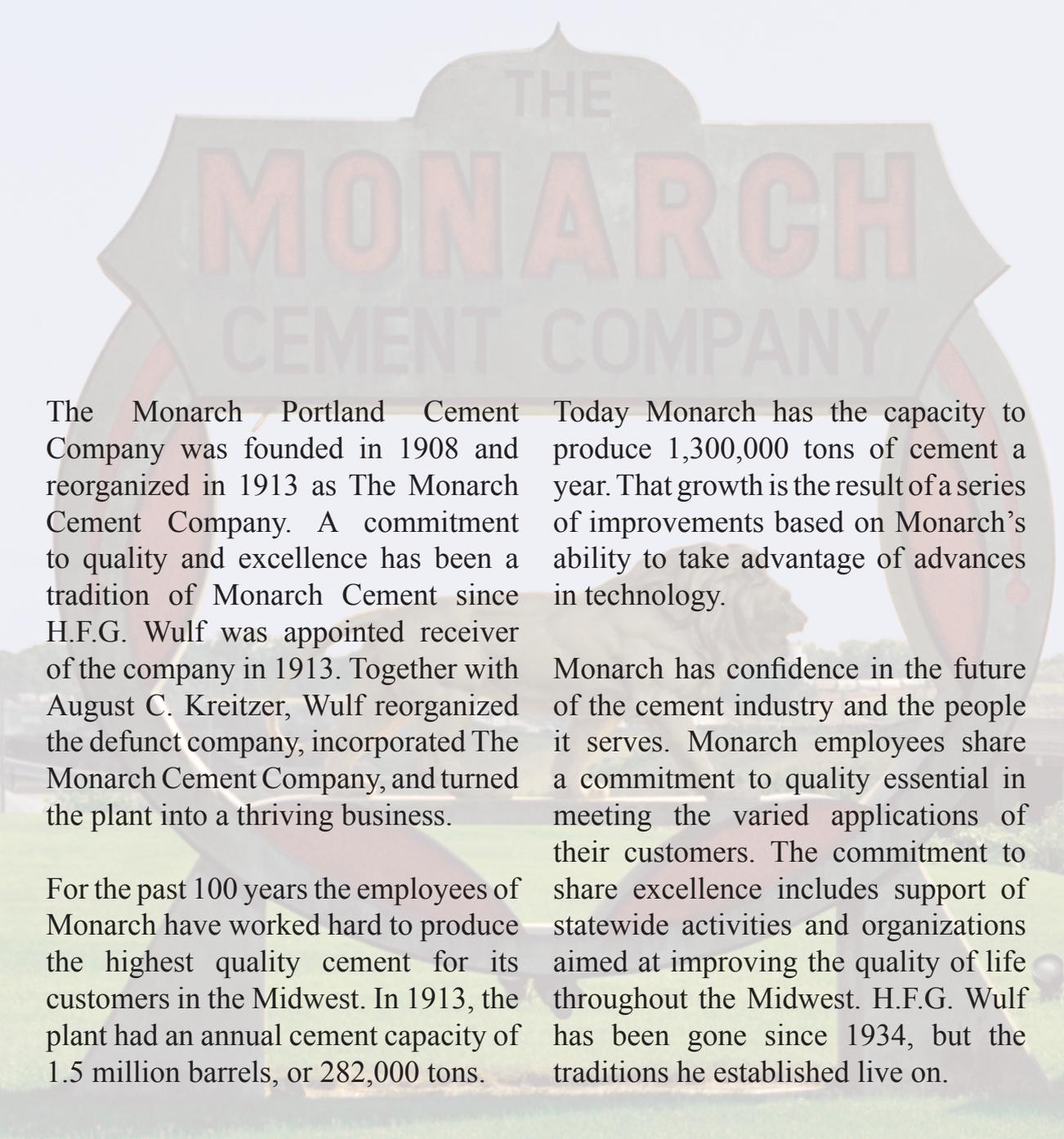
THE

MONARCH
CEMENT



100TH ANNIVERSARY - 1908-2008

COMPANY



THE MONARCH CEMENT COMPANY

The Monarch Portland Cement Company was founded in 1908 and reorganized in 1913 as The Monarch Cement Company. A commitment to quality and excellence has been a tradition of Monarch Cement since H.F.G. Wulf was appointed receiver of the company in 1913. Together with August C. Kreitzer, Wulf reorganized the defunct company, incorporated The Monarch Cement Company, and turned the plant into a thriving business.

For the past 100 years the employees of Monarch have worked hard to produce the highest quality cement for its customers in the Midwest. In 1913, the plant had an annual cement capacity of 1.5 million barrels, or 282,000 tons.

Today Monarch has the capacity to produce 1,300,000 tons of cement a year. That growth is the result of a series of improvements based on Monarch's ability to take advantage of advances in technology.

Monarch has confidence in the future of the cement industry and the people it serves. Monarch employees share a commitment to quality essential in meeting the varied applications of their customers. The commitment to share excellence includes support of statewide activities and organizations aimed at improving the quality of life throughout the Midwest. H.F.G. Wulf has been gone since 1934, but the traditions he established live on.



MANUFACTURERS OF PORTLAND CEMENTS

SINCE 1908

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

P.O. BOX 1000
HUMBOLDT, KANSAS 66748-0900

March 16, 2009

ANNUAL REPORT TO STOCKHOLDERS

As we reflect on the year 2008, we note with pride the milestone of our 100th year in operation in what appears to be the beginning of one of the most challenging periods in recent history. Continual news of foreclosures, bankruptcies, layoffs and the woes of Wall Street, along with the significant swings in energy costs, challenge us daily to maintain our Company's solid foundation as we embark on our next century of operations.

A reduction in cement sales, and accordingly ready-mix concrete sales, was projected by the Portland Cement Association for 2008. Thus far, the decrease appears to have been more severe in other areas of the country than in most of our market area. Net sales for 2008 were \$153.9 million compared to \$146.8 million for 2007 largely due to increased sales of block, brick, retaining wall block and pavers for commercial and institutional construction projects. Improved farm and oil prices and more traditional credit practices benefited rural areas, such as Western Kansas, resulting in increased sales which helped offset the decline in urban market areas that were affected by the slowdown in residential construction. Higher material and delivery costs, largely the result of higher energy costs, and lower production volumes in the early part of the year, contributed to the increase in cost of sales resulting in a decrease in gross profit from operations from \$34.1 million in 2007 to \$33.0 million in 2008. Net income was further impacted by the recognition of a \$4.2 million impairment loss on our equity investments in 2008 as compared to the \$2.5 million gain on the sale of equity investments realized in 2007. Net income for 2008 totaled \$10.2 million compared to \$15.2 million for 2007.

We continue to be strong believers in investing capital in our facilities to operate more efficiently and to better serve our customers. The next major expenditure planned for our facilities is the installation of an overland conveyor system to facilitate transporting raw materials from our quarry operations to our plant. Current economic conditions may also provide opportunities to replace or add to equipment at more favorable prices. We anticipate capital expenditures for 2009 will be higher than 2008 levels; however, we believe we can finance these expenditures with a mixture of cash from operations and our existing line of credit.

As we look forward to this year's challenges and opportunities, we cannot stress enough the importance of our many loyal customers, our devoted employees and our steadfast stockholders. Thank you for your continued support and confidence in our Company. Most importantly, we thank our Heavenly Father for His blessings throughout the past 100 years and ask His continued support in meeting the challenges and uncertainties we face in the current global financial crisis.

We wish to invite you, our stockholders, to attend Monarch's annual meeting to be held at 2:00 p.m. on April 8, 2009 in our corporate office at 449 1200 Street, Humboldt, Kansas. Thank you for your support throughout the years and God Bless.

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

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

SELECTED FINANCIAL DATA

FOR THE FIVE YEARS ENDED DECEMBER 31, 2008

(Dollar amounts in thousands except per share data)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net sales	\$ 153,886	\$ 146,770	\$ 154,213	\$ 141,320	\$ 145,077
Net income	\$ 10,233	\$ 15,234	\$ 13,215	\$ 9,658	\$ 2,569
Net income per share	\$2.54	\$3.78	\$3.28	\$2.40	\$.64
Total assets	\$ 174,765	\$ 167,488	\$ 162,504	\$ 144,055	\$ 135,200
Long-term debt obligations.....	\$ 17,752	\$ 20,206	\$ 22,083	\$ 24,087	\$ 26,141
Cash dividends declared per share.....	\$.92	\$.88	\$.84	\$.80	\$.80
Stockholders' investment per share	\$24.98	\$24.92	\$22.84	\$22.27	\$20.86

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 herewith 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, the “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:

	<u>Total Sales</u>		
	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cement Business	45.3%	46.1%	47.2%
Ready-Mixed Concrete Business	<u>54.7%</u>	<u>53.9%</u>	<u>52.8%</u>
	<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 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 and benefits of our proposed and recently completed capital improvements and expansion plans, including the resulting increase in production capacity, 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, our anticipated expenditures for benefit plans, and our anticipated increase in solid fuels and electricity required to operate our facilities and equipment 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 affect of weather on our business;
- the affect of environmental and other government regulations;
- the availability of credit at reasonable prices; and
- the affect of federal and state funding on demand for our products.

RESULTS OF OPERATIONS

	<u>Cement Business</u>	<u>Ready-Mixed Concrete Business</u>	<u>Consolidated</u>
For the Year Ended December 31, 2008			
Sales to unaffiliated customers	\$ 69,683,762	\$ 84,202,711	\$ 153,886,473
Income (loss) from operations	18,362,170	(1,607,168)	16,755,002
For the Year Ended December 31, 2007			
Sales to unaffiliated customers	\$ 67,693,603	\$ 79,075,956	\$ 146,769,559
Income (loss) from operations	19,226,467	(207,527)	19,018,940
For the Year Ended December 31, 2006			
Sales to unaffiliated customers	\$ 72,858,017	\$ 81,354,611	\$ 154,212,628
Income (loss) from operations	20,952,199	(1,275,802)	19,676,397

See Note 10 in the Notes to Consolidated Financial Statements for further discussion of each of the Company's reportable operating lines of business.

General--Our products are used in residential, commercial and governmental construction. In recent years, the Company has spent substantial sums on major plant modifications designed to increase our cement production capacity to meet out customers' needs and to improve our production processes. Improvements are planned over the next few years to further enhance our production processes, particularly in the handling and processing of raw materials.

Based on sales forecasts and inventory levels at the beginning of 2008, the Company elected to reduce cement production in the first quarter of 2008 and use that opportunity to undertake major plant repairs and maintenance, largely using our own production personnel. In addition to this planned maintenance project, we shut down one kiln from time to time in order to coordinate production levels with projected sales. Initially these shutdowns adversely impacted our gross profits; however, by the third quarter, these shutdowns, combined with improved sales volumes, reduced inventory to the point of liquidating LIFO layers at historical costs that were lower than our current production costs which favorably impacted gross profits. The interim reductions in LIFO layers were replenished by year end.

Residential construction during 2008 slowed throughout our market area and generally throughout the United States. This downturn was offset somewhat by commercial and institutional construction. What seemed to begin as a slowdown in the housing sector has now become a full-blown global financial crisis. Although our industry has benefited from relatively strong non-residential construction activity, the continuing financial crisis in which credit is scarce may exacerbate any normal cyclical downturn in which non-residential construction lags residential construction. A reduction in cement sales, and accordingly ready-mix concrete sales, was projected by the Portland Cement Association, but thus far the decrease has been more severe in other areas of the country

than in most of our market. Within our market area the most severe downward impact occurred in northwest Arkansas where, due to overbuilding and the tightening of the credit markets, volume declined substantially. These decreases were partially offset by increased volume in more rural areas, such as western Kansas, where we benefited from improved farm and oil prices and more traditional credit practices. Sales of building materials, such as block, brick, retaining wall block and pavers, also increased due primarily to their use in commercial and institutional construction projects and to increased sales efforts by a larger, more aggressive sales group. In addition, cement sales benefited from an increase in sales to paving contractors.

During 2007, both the Cement Business and Ready-Mixed Concrete Business were impacted by abnormally rainy weather, a longer period of cold weather and a slowdown in residential construction as compared to 2006. Volume decreases resulting from these conditions, partially offset by increases in price, resulted in a decrease in sales and net income from operations. The price increases play a key role in helping us keep pace with increases in the cost of labor, raw materials, and transportation, and the expense of maintaining state-of-the-art equipment in our capital intensive industry.

2008 Compared to 2007--Consolidated net sales for the year ended December 31, 2008 were approximately \$153.9 million, an increase of \$7.1 million as compared to the year ended December 31, 2007. Sales in our Cement Business were higher by \$2.0 million, while sales in our Ready-Mixed Concrete business increased \$5.1 million. Cement Business sales increased \$1.6 million due to increased volume sold and increased \$.4 million due to price increases. Sales in our Ready-Mixed Concrete Business improved \$1.0 million due to increased sales in concrete and \$4.5 million in other items such as block, retaining wall, brick, pavers, sack products and other sundry items. Construction contract sales declined during 2008 by \$.4 million.

Consolidated cost of sales for the year 2008 were \$8.3 million more than cost of sales for the year 2007. Cost of sales in our Cement Business were higher by \$2.8 million, while cost of sales in our Ready-Mixed Concrete Business were higher by \$5.5 million. Cement Business cost of sales increased \$1.0 million due to the 2.4% increase in volume sold and about \$1.8 million due to the reduction in volume produced during the first quarter as discussed in "General" above. Tons of cement produced in 2008 declined by 4.1%, as compared to 2007. The increase in cost of sales in our Ready-Mixed Concrete Business was primarily due to a combination of cost increases in raw materials, production and delivery. Raw materials, including cement, rock, sand and sundry building materials purchased for resale, increased \$2.7 million primarily due to higher transportation costs resulting from high fuel costs. The remaining \$2.8 million increase related to production and delivery costs includes increased fuel, payroll, depreciation, maintenance and fringe benefit related expenses.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2008 was 21.4% compared to 23.3% for the year ended December 31, 2007.

Selling, general and administrative expenses increased by 7.5% for the year 2008 as compared to the year 2007. These costs are normally considered fixed costs that do not vary significantly with changes in sales volume. This increase is partially due to a \$.1 million increase in bad debt expenses related to the current economic conditions. Additional sales staff in our Ready-Mixed Concrete Business and the costs related to their activities also contributed to the increase in selling expenses while favorably impacting sales volumes.

Interest expense decreased about \$.9 million for the year 2008 as compared to the year 2007 due to a decrease in interest rates and a decrease in borrowings. See Note 4, Line of Credit and Long-Term Debt, of Notes to Consolidated Financial Statements for further discussion. The Company utilized these loans for capital improvements and temporary operating funds. During 2008, there was a \$4.2 million impairment loss recorded

on equity investments due to impairments that were other-than-temporary while the Company realized a gain of approximately \$2.5 million for the year 2007 from the sale of equity investments. See Note 2, Investments, of Notes to Consolidated Financial Statements for further discussion.

The effective tax rates for years 2008 and 2007 were 21.0% and 28.1%, 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, domestic production activities deduction, minority interest in consolidated income and valuation allowance. During 2008, percentage depletion decreased the effective tax rate by 10.2%. During 2007, percentage depletion reduced the effective tax rate by 6.0%.

2007 Compared to 2006--Consolidated net sales for the year ended December 31, 2007 were approximately \$146.8 million, a decrease of \$7.4 million as compared to the year ended December 31, 2006. Sales in our Cement Business were lower by \$5.1 million while sales in our Ready-Mixed Concrete Business decreased \$2.3 million. Cement Business sales decreased \$10.6 million due to decreased volume sold, which was partially offset by an increase of \$5.5 million due to price increases. Sales in our Ready-Mixed Concrete Business decreased primarily due to a \$5.7 million decrease in volume, which was partially offset by an increase in ready-mixed concrete and other sundry building material sales of \$3.4 million due to price increases.

Consolidated cost of sales for the year 2007 were \$7.9 million less than cost of sales for the year 2006. Cost of sales in our Cement Business was lower by \$4.1 million, while cost of sales in our Ready-Mixed Concrete Business was lower by \$3.8 million. Cement Business cost of sales decreased \$6.6 million due to the 14.6% decrease in volume sold which was partially offset by higher production costs primarily resulting from lower production levels. Ready-Mixed Concrete Business cost of sales decreased \$2.1 million due to the net effect of an 11.8% decrease in volume sold and increases in costs for raw materials, including cement, rock, sand and sundry building materials purchased for resale, due in large part to higher fuel prices; in addition to the \$1.7 million decrease in construction contract costs from improved operation efficiencies.

As a result of the above sales and cost of sales factors, our overall gross profit rate for the year ended December 31, 2007 was 23.3% compared to 21.9% for the year ended December 31, 2006.

Selling, general and administrative expenses increased by 7.6% for the year 2007 as compared to the year 2006. These costs are normally considered fixed costs that do not vary significantly with changes in sales volume. This increase is primarily due to expenses related to payroll and postretirement expenses. An increase in depreciation and amortization related to the recently completed expansion of the Company's corporate office also contributed to the increase.

Sales of equity investments resulted in a gain of approximately \$2.5 million during 2007. During 2006, there were no gains realized on equity investment sales.

The effective tax rates for years 2007 and 2006 were 28.1% and 31.1%, 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, domestic production activities deduction, minority interest in consolidated income and valuation allowance. During 2007, percentage depletion decreased the effective tax rate by 6.0%. During 2006, percentage depletion reduced the effective tax rate by 6.8%.

LIQUIDITY

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

Net cash provided by operating activities totaled \$24.0 million for 2008, a \$1.7 million increase over the year 2007. Net income decreased by \$5.0 million from 2007 to 2008. There were no realized gains on sale of other investments for 2008; however a \$4.2 million non-cash adjustment for the other-than-temporary loss on impairment of other investments was realized while none was realized in 2007 or 2006. See Note 2, Investments, of Notes to Consolidated Financial Statements for further discussion. Cash was also provided by the increase in accounts payable and accrued liabilities which increased by \$2.0 million in 2008 primarily due to prepayments held on account in accrued liabilities. Cash used for operating activities includes receivable increases of \$2.0 million in 2008.

Net cash provided by operating activities totaled \$22.4 million for 2007. Net income increased by \$2.0 million from 2006 to 2007 primarily due to the \$2.5 million realized gain on the sale of equity investments. The non-cash adjustment for depreciation, depletion and amortization increased by \$.5 million from 2006 to 2007. This increase reflects the impact of certain assets, mainly related to our cement production and the expansion of the Company's corporate office, placed in service during 2005 and 2006. The realized gain on sale of other investments for 2007 is due to the sale of available-for-sale equity securities. Cash was provided by operating activities when receivables decreased by \$1.3 million during 2007. Cash was also provided when accounts payable and accrued liabilities increased by \$.7 million primarily due to the timing of accounts payable. Cash used for operating activities includes \$5.0 million for increased inventories. Finished cement inventory increased due to greater volumes held in inventory and to the higher cost of those inventories compared to 2006; fuel, gypsum, paper sacks and other inventory increased primarily due to coal and petroleum coke purchases exceeding amounts consumed in the production process; and operating and maintenance supplies increased due to the purchase of specialized repair parts that support the recently completed production facility improvements.

Net cash provided by operating activities totaled \$18.2 million for 2006. Net income increased by \$3.6 million from 2005 to 2006 primarily due to volume and price increases in the Cement Business and Ready-Mixed Concrete Business. The non-cash adjustment for depreciation, depletion and amortization increased by \$.4 million from 2005 to 2006. This increase reflects the impact of certain assets, mainly related to our cement production and the expansion of the Company's corporate office, placed in service during 2005 and 2006. Cash used for operating activities includes receivable increases of \$.6 million in 2006. Cash used for operating activities also includes \$4.5 million for increased inventories, primarily work in process and finished cement, resulting from increased production in the Cement Business and \$1.1 million from a decrease in accounts payable and accrued liabilities due to the timing of accounts payable.

Net cash used for investing activities totaled \$19.2 million, \$8.2 million, and \$21.8 million in 2008, 2007 and 2006, respectively. The \$11.0 million increase in net cash used for investing activities from 2007 to 2008 is primarily due to purchases of equity investments, the acquisition of a business, and an increase in short-term investments for a total increase of \$7.5 million and the \$4.7 million decline in proceeds from disposals of equity investments. The \$13.6 million decrease in net cash used for investing activities from 2006 to 2007 is principally due to a \$9.8 million decrease in acquisition of property, plant and equipment in the Cement Business during 2007.

Net cash provided by (used for) financing activities totaled \$(6.1) million, \$(12.2) million, and \$1.1 million for 2008, 2007 and 2006, respectively. The differences were primarily due to changes in the line of credit balance. The line of credit was used to cover operating expenses and for capital expenditures.

In December 2008, Monarch renewed and modified the loan agreement with its current lender, Bank of Oklahoma, N.A., under similar terms as the prior agreement. Monarch's current unsecured credit commitment

consists of a \$25.0 million term loan maturing December 31, 2014 and a \$15.0 million line of credit maturing December 31, 2009. The term loan bears a floating interest rate based on the lender's National Prime rate less .75% with a 3.00% interest rate minimum or floor. The line of credit bears a floating interest rate based on the lender's National Prime rate less 1.25% with a 2.50% interest rate minimum or floor. The loan agreement contains a financial covenant related to net worth which the Company was in compliance with at year end. Prior to the renewal, interest on the Company's term loan was variable and was based on the JP Morgan Chase prime rate less .75%. Interest on the line of credit varied with the lender's National Prime rate less 1.25% for 2008 and 1.00% for 2007. As of December 31, 2008, we had borrowed \$17.2 million on the term loan and \$0 on the line of credit leaving a balance available on the line of credit of \$15.0 million. The annual weighted average interest rate we paid on the term loan during 2008 and 2007 was 4.42% and 7.30%, respectively. The annual weighted average interest rate we paid on the line of credit during 2008 and 2007 was 3.92% and 7.05%, respectively. At year end, the applicable interest rate was 3.25% on the term loan and 2.75% on the line of credit. See Note 4, Line of Credit and Long-Term Debt, of Notes to Consolidated Financial Statements for further discussion. The term loan was used to help finance the expansion project at our cement manufacturing facility. The line of credit was 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 an additional \$10 million, for a maximum of \$50 million. No assurances can be given that we will be able to obtain this additional borrowing on favorable terms, if at all.

Contractual obligations at December 31, 2008, consisting of maturities on long-term debt, estimated interest payments on debt, pension, postretirement benefit obligations and open purchase orders are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
Long-term debt	\$ 2,643,943	\$ 3,015,371	\$ 2,949,967	\$ 3,021,282	\$ 3,017,642	\$ 3,103,754
Interest payments	594,287	479,446	367,666	261,561	162,063	62,788
Pension	1,880,000	-	-	-	-	-
Postretirement benefit obligations	1,489,787	1,600,558	1,726,138	1,767,978	1,826,032	9,823,764
Open purchase orders	6,324,438	4,096,784	2,530,642	-	-	-

The long-term debt obligation is based on current interest rates and assumes that the term loan is paid off at maturity.

The Company has been required to make a pension contribution each of the past three years. In 2008, 2007 and 2006, the Company contributed approximately \$1.4 million, \$.7 million and \$.6 million, respectively, to the pension fund. No estimates of required pension payments have been asked for or made beyond 2009. The decline in the bond and stock markets in 2008 significantly reduced the value of our pension funds at December 31, 2008. Based on the pension laws currently in effect, the resulting increase in minimum funding requirements could cause a negative impact to our liquidity.

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. 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 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 is installing a fuel handling system which is expected to be completed in the third quarter of 2009 at a cost of approximately \$4.0 million. Projects in the planning and design phases include an overland conveyor system to improve efficiencies in moving raw materials. This conveyor system and projects related thereto are expected to cost approximately \$15.0 million to \$25.0 million depending on the exact components of the project undertaken and the volatility of certain material costs, particularly steel. Management has the discretion to postpone components of the project and the discretion to undertake part or the entire project. The overland conveyor system and projects related to it are estimated to take twenty-four to thirty-six months to complete after the first purchase order is issued, which is expected to occur in 2009. We anticipate capital expenditures for 2009 to be higher than 2008 levels, but we do not anticipate the need for additional bank financing other than that available under the existing line of credit.

For several years the Company has paid a \$.20 per share dividend in January, March, June and September. Beginning with the April 2006 Board of Directors meeting, the Board elected to increase these dividends to \$.21 per share; at the April 2007 Board of Directors meeting, the Board increased the dividend to \$.22 per share; and at the April 2008 Board of Directors meeting, the Board increased the dividend to \$.23 per share. Under the terms and conditions of our loan agreement, the Company is required to maintain a tangible net worth of \$90 million and an adjusted tangible net worth, which is tangible net worth before other comprehensive income, of \$95 million. The Company was in compliance with these requirements at year end. The minimum net worth requirements could impact the Company's ability to pay dividends in the future. Although dividends are declared at the Board's discretion and could be impacted by the minimum net worth 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, 2008 were \$174.8 million, an increase of \$7.3 million since December 31, 2007 due primarily to increases in short-term investments, receivables, inventories and deferred income taxes. Short-term investments increased by \$2.1 million as a result of sales during the latter part of the year generating cash in excess of the amount needed to finance current operations. The \$2.0 million increase in receivables is the result of higher sales in December 2008 in comparison to sales in December 2007. Inventories increased by \$.9 million. Fuel, gypsum, paper sacks and other inventory increased primarily due to purchases of coal and petroleum coke exceeding amounts consumed in the production process. Operating and maintenance supplies inventory increased due to purchases of specialized repair supplies related to the recently completed construction in the production facilities. Management continually evaluates the lead time to obtain repair parts which are critical to its cement operations in determining which parts to keep in inventory. Deferred income taxes increased \$6.4 million primarily due to an increase in postretirement liability, impairments to available-for-sale equity securities deemed other-than-temporary, and a decrease in unrealized holding gains related to equity investments. Investments decreased primarily as a result of a decrease in the fair market value of equity investments.

Other accrued liabilities increased by \$2.1 million in 2008 primarily due to prepayments held on account. Indebtedness decreased about \$2.5 million during the year 2008 primarily as a result of payments on the bank loan with cash provided by the Company's cement manufacturing operations.

During 2008, we adjusted the pension liability, resulting in an increase in long-term accrued pension expense of \$8.9 million and a decrease in stockholders' investment of \$5.7 million. The change in liability was

primarily due to a loss on plan assets during 2008 caused by the economic downturn. We also adjusted the postretirement liability, resulting in a decrease in accrued postretirement expense of \$1.0 million and an increase in stockholders' investment of \$1.5 million. The increase in stockholders' investment was due to a current year actuarial gain and amortization of actuarial losses. 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' investment increased .2% during 2008 as a result of net income and the postretirement changes in comprehensive income, which was reduced by dividends and the pension and unrealized holding gain changes in comprehensive income. Basic earnings were \$2.54 per share and dividends declared were \$.92 per share for the year 2008.

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. Capital expenditures during 2008 included expenditures to improve efficiencies in moving raw materials in the Cement Business. We also invested in routine equipment purchases in both the Cement Business and Ready-Mixed Concrete Business during 2008. Property, plant and equipment expenditures for 2008 totaled approximately \$8.2 million, excluding the amounts that are included in accounts payable.

The Company is currently installing a fuel handling system which is expected to be completed in the third quarter of 2009 at a cost of approximately \$4.0 million. Projects in the planning and design phases include an overland conveyor system to improve efficiencies in moving raw materials. This conveyor system and projects related thereto are expected to cost approximately \$15.0 million to \$25.0 million depending on the exact components of the project undertaken and the volatility of certain material costs, particularly steel. Management has the discretion to postpone components of the project and the discretion to undertake part or the entire project. The overland conveyor system and projects related to it are estimated to take twenty-four to thirty-six months to complete after the first purchase order is issued, which is expected to occur in 2009. The Company also plans to invest in other miscellaneous equipment and facility improvements in both the Cement Business and Ready-Mixed Concrete Business in 2009. These expenditures are expected to reach approximately \$12.0 million during 2009 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 and postretirement benefits.

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 2009 cash expenditures for these plans to be approximately \$1.9 million.

Monarch also provides other postretirement employee benefits including health care and life insurance benefits to all retired employees who, as of their retirement date, have completed ten or more years of credited service under the pension plans. These benefits are self-insured by Monarch and are paid out of Monarch's general assets. Monarch expects 2009 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) Statement No. 87, "Employers' Accounting for Pensions" (FAS 87) and our postretirement benefits in accordance with FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). In addition, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" on December 31, 2006. FAS 87 and FAS 106 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. SFAS 158 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.

See Note 14, Future Change in Accounting Principles, of Notes to Consolidated Financial Statements for information concerning the accounting pronouncements issued by the Financial Accounting Standards Board.

Market Risks--Market risks relating to the Company's operations result primarily from changes in demand for our products. Construction activity, particularly in the residential market, 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 8, 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 \$12.7 million of equity securities, primarily of publicly traded entities, as of December 31, 2008. The aggregate amount of securities carried at cost, for which the Company has not elected the fair value option, was \$1.8 million as of December 31, 2008. The remaining \$10.9 million in equity investments, which are stated at fair market 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 would have a \$.7 million effect on comprehensive income. At December 31, 2008, 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 are variable, subject to interest rate minimums or floors, and are based on the lender's National Prime rate less .75% and lender's National Prime rate less 1.25%, 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 causing manufacturing costs to increase.

Environmental Regulations--Regulation of carbon dioxide emissions are currently being discussed by both state and federal legislative bodies and regulators. As part of the chemical process involved in the production of portland cement, carbon dioxide is driven off of raw materials. Management is studying practices and technology which may reduce or sequester carbon dioxide emissions. The effect of environmental regulations, and/or noncompliance thereof, may increase taxes, penalties, and the cost of production, as well as require additional capital expenditures for equipment.

STOCK MARKET AND DIVIDEND DATA

On February 17, 2009, Monarch's stock was held by approximately 650 record holders. 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	2008			2007		
	Price		Dividends Declared	Price		Dividends Declared
	Low	High		Low	High	
First	\$28.50	\$30.50	\$ -	\$29.00	\$35.50	\$ -
Second	\$27.11	\$29.75	\$.23	\$30.55	\$32.01	\$.22
Third	\$26.25	\$29.50	\$.23	\$27.85	\$32.40	\$.22
Fourth	\$20.35	\$30.26	\$.46*	\$28.50	\$29.70	\$.44*

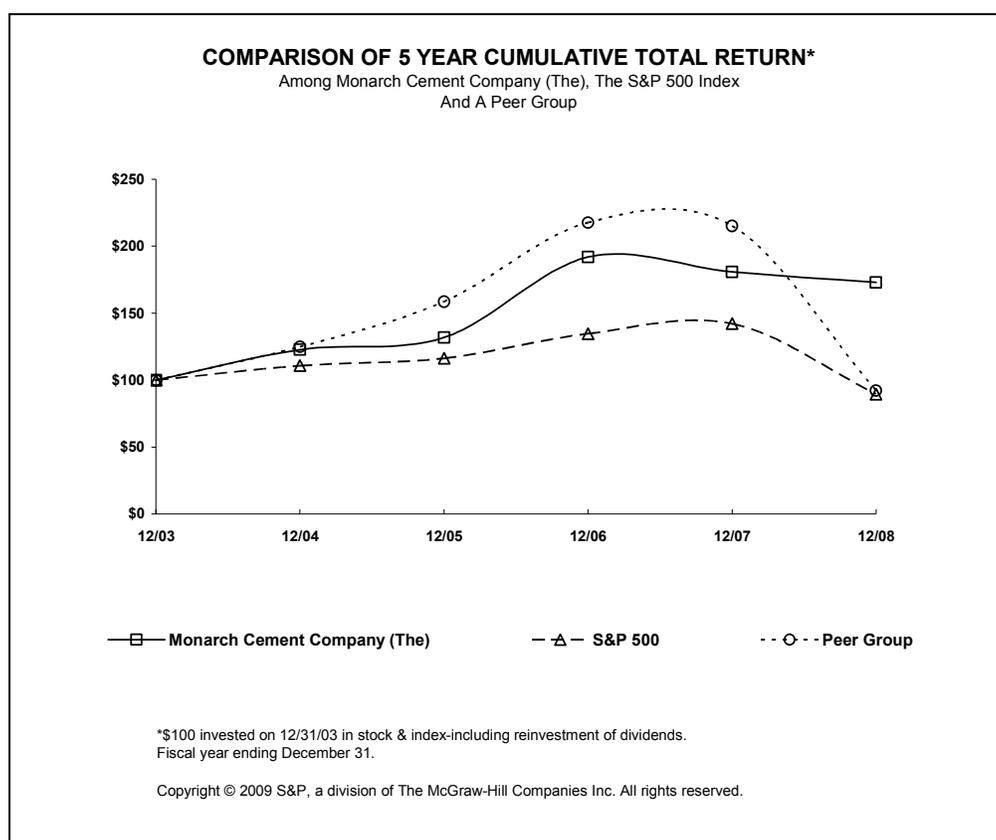
*Reflects declaration of two \$.23 and \$.22 dividends payable in the first quarter of 2009 and 2008, respectively.

For additional information concerning the Company's payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity". In accordance with the Company's loan agreement, it is required to maintain a minimum net worth which could 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 January 1, 2004. The performance graph assumes that the value of an investment in the Company's capital stock and each index was \$100 at January 1, 2004 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.



	12/03	12/04	12/05	12/06	12/07	12/08
Monarch Cement Company (The)	100.00	122.70	131.84	191.96	180.89	173.04
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
Peer Group	100.00	124.92	158.62	217.69	215.19	92.18

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., Texas Industries, Inc., Vulcan Materials Company, Lafarge S.A. and Ready Mix, Inc.

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, 2008. 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, 2008.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 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, 2008, 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, 2008, 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 11, 2009 expressed an unqualified opinion thereon.

BKD, LLP

Kansas City, Missouri
March 11, 2009

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, 2008 and 2007, and the related consolidated statements of income, stockholders' investment, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2008. 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, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2008 the Company changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

As discussed in Note 1 to the financial statements, in 2006 the Company changed its method of accounting for pension and other post-retirement benefits.

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, 2008, 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 11, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

Kansas City, Missouri
March 11, 2009

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

ASSETS	<u>2 0 0 8</u>	<u>2 0 0 7</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,111,509	\$ 4,404,116
Short-term investments, at cost which approximates fair value	2,100,000	-
Receivables, less allowances of \$788,000 in 2008 and \$640,000 in 2007 for doubtful accounts	15,499,638	13,531,221
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 4,507,180	\$ 6,110,974
Work in process	1,681,765	2,569,641
Building products	5,069,230	4,518,379
Fuel, gypsum, paper sacks and other	6,312,135	4,606,447
Operating and maintenance supplies	<u>10,943,746</u>	<u>9,759,949</u>
Total inventories	\$ 28,514,056	\$ 27,565,390
Refundable federal and state income taxes	27,102	-
Deferred income taxes	710,000	635,000
Prepaid expenses	<u>508,324</u>	<u>248,380</u>
Total current assets	\$ 50,470,629	\$ 46,384,107
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and depletion of \$151,055,752 in 2008 and \$140,661,628 in 2007	90,803,872	93,301,169
DEFERRED INCOME TAXES	19,473,540	13,155,534
INVESTMENTS	12,740,244	13,468,319
OTHER ASSETS	<u>1,276,364</u>	<u>1,179,116</u>
	<u>\$174,764,649</u>	<u>\$167,488,245</u>
 LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,308,873	\$ 6,413,945
Current portion of term loan	2,643,913	2,181,524
Accrued liabilities-		
Dividends	1,851,131	1,771,862
Compensation and benefits	2,895,841	2,764,327
Federal and state income taxes	-	573,291
Miscellaneous taxes	845,830	816,839
Other	<u>2,960,892</u>	<u>823,392</u>
Total current liabilities	\$ 17,506,480	\$ 15,345,180
LONG-TERM DEBT	15,108,016	18,024,478
ACCRUED POSTRETIREMENT BENEFITS	26,210,409	27,206,515
ACCRUED PENSION EXPENSE	14,720,952	5,848,510
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	708,864	709,038
STOCKHOLDERS' INVESTMENT:		
Capital Stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued 2,518,658 shares at December 31, 2008 and 2,510,708 shares at December 31, 2007	\$ 6,296,645	\$ 6,276,770
Class B Capital Stock, par value \$2.50 per share, ten votes per share - Authorized 10,000,000 shares, Issued 1,505,540 shares at December 31, 2008 and 1,516,250 shares at December 31, 2007	3,763,850	3,790,625
Retained earnings	104,958,556	98,488,627
Accumulated other comprehensive loss	<u>(14,509,123)</u>	<u>(8,201,498)</u>
Total stockholders' investment	<u>\$100,509,928</u>	<u>\$100,354,524</u>
	<u>\$174,764,649</u>	<u>\$167,488,245</u>

See notes to consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>
NET SALES	\$ 153,886,473	\$ 146,769,559	\$ 154,212,628
COST OF SALES	<u>120,887,764</u>	<u>112,637,185</u>	<u>120,492,566</u>
Gross profit from operations	\$ 32,998,709	\$ 34,132,374	\$ 33,720,062
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>16,243,707</u>	<u>15,113,434</u>	<u>14,043,665</u>
Income from operations	\$ 16,755,002	\$ 19,018,940	\$ 19,676,397
OTHER INCOME (EXPENSE)			
Interest income	\$ 175,895	\$ 184,541	\$ 307,359
Interest expense	(917,218)	(1,808,881)	(1,911,830)
Loss on impairment of equity investments	(4,157,612)	-	-
Gain on sale of equity investments	-	2,486,100	-
Dividend income	267,435	231,940	131,749
Other, net	<u>834,379</u>	<u>1,071,767</u>	<u>976,550</u>
	<u>\$ (3,797,121)</u>	<u>\$ 2,165,467</u>	<u>\$ (496,172)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	\$ 12,957,881	\$ 21,184,407	\$ 19,180,225
PROVISION FOR INCOME TAXES	<u>2,725,000</u>	<u>5,950,000</u>	<u>5,965,000</u>
NET INCOME	<u>\$ 10,232,881</u>	<u>\$ 15,234,407</u>	<u>\$ 13,215,225</u>
Basic earnings per share	<u>\$2.54</u>	<u>\$3.78</u>	<u>\$3.28</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>
NET INCOME	\$ 10,232,881	\$ 15,234,407	\$ 13,215,225
UNREALIZED APPRECIATION (DEPRECIATION) ON AVAILABLE FOR SALE SECURITIES (Net of deferred tax (benefit) expense of \$(3,040,000), \$(384,000) and \$308,000 for 2008, 2007 and 2006, respectively)	(4,557,612)	(579,900)	462,000
RECLASSIFICATION ADJUSTMENT FOR REALIZED (GAINS) LOSSES INCLUDED IN NET INCOME (Net of deferred tax (benefit) expense of \$(1,664,000), \$996,000 and \$0 for 2008, 2007 and 2006, respectively)	2,493,612	(1,490,100)	-
MINIMUM PENSION LIABILITY (Net of deferred tax (benefit) expense of \$(3,800,000), \$(805,000) and \$497,000 for 2008, 2007 and 2006, respectively)	(5,705,931)	(1,199,292)	744,802
POSTRETIREMENT LIABILITY (Net of deferred tax (benefit) expense of \$975,000, \$(20,000) and \$0 for 2008, 2007 and 2006, respectively)	<u>1,462,306</u>	<u>(23,244)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 3,925,256</u>	<u>\$ 11,941,871</u>	<u>\$ 14,422,027</u>

See notes to consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	Capital Stock	Class B Capital Stock	Retained Earnings	Treasury Stock	Accumu- lated Other Comprehen- sive Income	Stock- holders' Investment
BALANCE AT JANUARY 1, 2006	\$6,162,315	\$ 3,905,080	\$ 76,965,363	\$ -	\$ 2,640,000	\$ 89,672,758
Net income	-	-	13,215,225	-	-	13,215,225
Dividends declared (\$.84 per share)	-	-	(3,382,645)	-	-	(3,382,645)
Transfer of shares	58,398	(58,398)	-	-	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	462,000	462,000
Adjustment to recognize minimum pension liability	-	-	-	-	744,802	744,802
Adjustment to initially apply FAS 158- pension liability	-	-	-	-	(1,311,444)	(1,311,444)
Adjustment to initially apply FAS 158- postretirement liability	-	-	-	-	(7,444,320)	(7,444,320)
BALANCE AT DECEMBER 31, 2006	\$6,220,713	\$ 3,846,682	\$ 86,797,943	\$ -	\$ (4,908,962)	\$ 91,956,376
Net income	-	-	15,234,407	-	-	15,234,407
Dividends declared (\$.88 per share)	-	-	(3,543,723)	-	-	(3,543,723)
Transfer of shares	56,057	(56,057)	-	-	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	(2,070,000)	(2,070,000)
Adjustment to recognize minimum pension liability	-	-	-	-	(1,199,292)	(1,199,292)
Adjustment to recognize postretirement liability	-	-	-	-	(23,244)	(23,244)
BALANCE AT DECEMBER 31, 2007	\$6,276,770	\$ 3,790,625	\$ 98,488,627	\$ -	\$ (8,201,498)	\$ 100,354,524
Net income	-	-	10,232,881	-	-	10,232,881
Dividends declared (\$.92 per share)	-	-	(3,703,531)	-	-	(3,703,531)
Transfer of shares	26,775	(26,775)	-	-	-	-
Purchase of treasury stock	-	-	-	(66,321)	-	(66,321)
Retirement of treasury stock	(6,900)	-	(59,421)	66,321	-	-
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	(2,064,000)	(2,064,000)
Adjustment to recognize minimum pension liability	-	-	-	-	(5,705,931)	(5,705,931)
Adjustment to recognize postretirement liability	-	-	-	-	1,462,306	1,462,306
BALANCE AT DECEMBER 31, 2008	\$6,296,645	\$ 3,763,850	\$104,958,556	\$ -	\$ (14,509,123)	\$ 100,509,928

See notes to consolidated financial statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES:			
Net income	\$ 10,232,881	\$ 15,234,407	\$ 13,215,225
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	12,270,723	11,848,894	11,312,741
Minority interest in losses of subsidiaries	(174)	(124,338)	(4,553)
Deferred income taxes	(2,192,006)	(1,223,534)	(559,000)
Gain on disposal of assets	(234,940)	(574,879)	(217,708)
Realized gain on sale of other investments	-	(2,486,100)	-
Realized loss on impairment of other investments	4,157,612	-	-
Change in assets and liabilities:			
Receivables, net	(1,968,417)	1,264,260	(608,930)
Inventories	(721,888)	(4,987,312)	(4,451,173)
Refundable income taxes	(27,102)	739,574	(739,574)
Prepaid expenses	(259,944)	36,219	(203,756)
Other assets	32,821	58,750	60,523
Accounts payable and accrued liabilities	2,033,813	679,334	(1,123,145)
Accrued postretirement benefits	1,351,200	2,090,606	1,501,670
Accrued pension expense	(633,489)	(195,995)	63,416
Net cash provided by operating activities	<u>\$ 24,041,090</u>	<u>\$ 22,359,886</u>	<u>\$ 18,245,736</u>
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	\$ (8,150,297)	\$ (9,624,187)	\$(22,405,144)
Proceeds from disposals of property, plant and equipment	250,727	758,634	353,203
Payment for acquisition of business	(2,319,934)	-	-
Payment for purchases of equity investments	(6,869,537)	(3,819,431)	(1,051,038)
Proceeds from disposals of equity investments	-	4,662,883	-
(Increase) decrease in short-term investments, net	(2,100,000)	-	1,500,000
Purchases of subsidiaries' stock	-	(189,741)	(192,914)
Net cash used for investing activities	<u>\$ (19,189,041)</u>	<u>\$ (8,211,842)</u>	<u>\$(21,795,893)</u>
FINANCING ACTIVITIES:			
Increase (decrease) in line of credit, net	\$ -	\$ (6,397,667)	\$ 6,397,667
Payment on bank loans	(2,116,417)	(2,067,630)	(1,782,463)
Payments on other long-term debt	(337,656)	(226,071)	(222,146)
Cash dividends paid	(3,624,262)	(3,463,183)	(3,302,106)
Subsidiaries' dividends paid to minority interest	-	-	(25,733)
Purchase of treasury stock	(66,321)	-	-
Net cash provided by (used for) financing activities	<u>\$ (6,144,656)</u>	<u>\$ (12,154,551)</u>	<u>\$ 1,065,219</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,292,607)	\$ 1,993,493	\$ (2,484,938)
Cash and Cash Equivalents, beginning of year	<u>4,404,116</u>	<u>2,410,623</u>	<u>4,895,561</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,111,509</u>	<u>\$ 4,404,116</u>	<u>\$ 2,410,623</u>
Additional Cash Flow Information:			
Interest paid, net of amount capitalized	\$ 939,179	\$ 1,812,743	\$ 1,915,473
Income taxes paid, net of refunds	\$ 5,500,016	\$ 5,868,647	\$ 7,271,924
Capital equipment additions included in accounts payable	\$ 221,914	\$ 546,085	\$ 164,847

See notes to 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. Companies controlled by Monarch sell ready-mixed concrete, concrete products and sundry building materials in metropolitan areas 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. Minority interests in net income (loss) have been recorded as reductions or increases in other income in the accompanying statements of income. The minority interests in net income (loss) were \$(174), \$(124,338) and \$(4,553) during 2008, 2007 and 2006, 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 2006 financial statements to conform to the current year presentation. These reclassifications had no 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, 2008 and 2007, cash equivalents consisted primarily of money market investments and repurchase agreements with various banks which are not guaranteed by the FDIC.

The financial institutions holding the Company's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

(f) **Short-term Investments**--The Company has \$2.1 million of short-term investments in Bank of Oklahoma, N.A. certificates of deposit which mature in less than one year. Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2009. At December 31, 2008, the Company's account exceeded federally insured limits by approximately \$1.9 million.

(g) **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' investment. 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.

(h) **Receivables**--Accounts receivables 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 receivables 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.

(i) **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 \$6,188,945 and \$8,680,615 as of December 31, 2008 and 2007, respectively. Under the average cost method of accounting (which approximates current cost), these inventories would have been \$2,764,000, \$1,896,000 and \$2,084,000 higher than those reported at December 31, 2008, 2007 and 2006, 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 in the amount of \$.3 million at December 31, 2008. The \$.3 million liquidation gain was recognized as a reduction of cost of sales. We did not incur any permanent reductions in the LIFO layers for the years ended December 31, 2007 and 2006.

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.

(j) **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 2008, 2007 and 2006, the Company capitalized approximately \$110,100, \$161,000 and \$236,100, respectively, of interest expense related to current construction projects.

As of December 31, 2008 and 2007, the amount of accounts payable related to property, plant and equipment was \$221,914 and \$546,085, respectively.

Depreciation of property, plant and equipment is provided by charges to operations over the estimated useful lives of the assets using accelerated methods. The Company's buildings, machinery and equipment are depreciated using double declining balance depreciation. The Company switches to straight line depreciation once it exceeds the amount computed under the double declining balance method 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.

(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. Concrete products are also sold through long-term construction contracts. Revenues for these contracts are recognized on the percentage-of-completion method based on the costs incurred relative to total estimated costs. Full provision is made for any anticipated losses. Billings for long-term construction contracts are rendered monthly, including the amount of retainage withheld by the customer until contract completion. Retainages are included in receivables and are generally due within one year. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered.

(m) **Cost of Sales**--The Company considers all production and shipping costs, (gain) loss on disposal of 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 other than interest income, interest expense, gains (losses) on equity investments and dividend income. Material items in other, net include income from oil properties of \$465,920, \$502,762 and \$523,470 for 2008, 2007 and 2006, respectively.

(p) **Earnings per Share**--Basic earnings per share is based on the weighted average common shares outstanding during each year. Diluted earnings per share is 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 4,026,694 in 2008 and 4,026,958 in 2007 and 2006.

(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 are subject to a \$50,000 individual stop loss and an aggregate stop loss of 115% of expected claims.

(s) **Issuance and Repurchase of Stock**--The Company records the purchase of subsidiaries' stock from minority shareholders as a reduction in the liability for minority interest in consolidated subsidiaries on the

balance sheet. Any excess of purchase price over net book value of the minority interest acquired is evaluated to determine if the excess should be added to the value of its property, plant and equipment, net of the deferred tax effect, recorded as goodwill or recognized as a gain or loss.

(t) **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, short-term investments, receivables, accounts payable 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.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which includes an amendment of FASB Statement No. 115. SFAS No. 159 permits an entity to choose, at specified election dates, to measure eligible financial instruments and certain other items at fair value (the "fair value option") that are not currently required to be measured at fair value. Most of the provisions of the Statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement 115, "Accounting for Investments in Debt and Equity Securities", applies to all entities with available-for-sale and trading securities. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. An entity shall report unrealized gains and losses from fair value changes on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. At the effective date an entity may elect the fair value option for eligible items that exist at that date. The entity shall report the effect of the first remeasurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. The Company has not elected the fair value option for eligible items that existed at the January 1, 2008 effective date.

(u) **Disclosure about Defined Benefit Pension and Other Postretirement Plans**--The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" on December 31, 2006. The most significant change was the requirement for the Company to recognize the entire overfunded or underfunded status of its defined benefit and postretirement plans as assets or liabilities in its 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.

(2) INVESTMENTS

Realized gains (losses) are computed using the specific identification method. The Company adopted the provisions of the Financial Accounting Standards Board (FASB) SFAS No. 157, "Fair Value Measurements". SFAS No. 157 establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. The standard describes three levels of inputs that may be used to measure fair value. Level 1 uses quoted prices in active markets for identical assets or liabilities. Level 2 uses observable inputs other than Level 1 prices, such as quoted

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

prices for similar assets or liabilities; quoted prices in active 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 uses unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. SFAS No. 157 is effective on a prospective basis for all fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Positions (FSP) No. 157-1 and No. 157-2 which partially defer the effective date of SFAS No. 157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from its scope. The Company is evaluating the impact, if any, the adoption of these FSPs will have on the Company's consolidated financial statements.

The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet:

	<u>Balance</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2008</u>				
Assets:				
Available-for-sale securities	<u>\$ 10,939,044</u>	<u>\$ 10,939,044</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 10,939,044</u>	<u>\$ 10,939,044</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2007</u>				
Assets:				
Available-for-sale securities	<u>\$ 11,407,469</u>	<u>\$ 11,407,469</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 11,407,469</u>	<u>\$ 11,407,469</u>	<u>\$ -</u>	<u>\$ -</u>

The Company has no liabilities in either year requiring remeasurement to fair value on a recurring basis in the balance sheet. The Company has remeasured to fair value on a non-recurring basis in the balance sheet a cost basis investment (Level 2 measurement) due to other-than-temporary impairment as discussed below. 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 securities have been in a continuous unrealized loss position at December 31, 2008:

<u>Description of Securities</u>	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Unrealized</u>		<u>Unrealized</u>		<u>Unrealized</u>	
	<u>Fair Value</u>	<u>Losses</u>	<u>Fair Value</u>	<u>Losses</u>	<u>Fair Value</u>	<u>Losses</u>
Marketable equity securities	<u>\$ 816,872</u>	<u>\$ 157,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,872</u>	<u>\$ 157,786</u>
Investments in equity securities carried at cost	<u>1,434,500</u>	<u>223,100</u>	<u>-</u>	<u>-</u>	<u>1,434,500</u>	<u>223,100</u>
Total	<u>\$2,251,372</u>	<u>\$ 380,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,251,372</u>	<u>\$ 380,886</u>

Due to an adverse change in market conditions, the Company's investments in marketable equity securities carried at fair value were evaluated for impairment by comparing the specifically identified cost of each purchase to market price. As a result of these evaluations, the Company identified \$4.1 million in other-than-temporary

impairments in investments, primarily in housing, oil and gas refinery and marketing, cement and related industries; resulting in a recognized loss in earnings of equity investments. The fair value of those impaired investments then became the new cost basis. The Company also identified some specific purchases of marketable equity securities that were not other-than-temporarily impaired resulting in the recognition of unrealized losses (see table above). These unrealized losses relate to an investment in the common stock of a company in the oil and gas refinery and marketing industry. The severity of the impairment (fair value is approximately 6 percent less than cost) and the duration of the impairment (less than 3 months) correlate with the weakening of the industry. The Company evaluated the near-term prospects of the issuer in relation to the severity and duration of the impairment. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2008.

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. Due to an adverse change in market conditions, these investments were evaluated for impairment based on average cost and specific identification, respectively. As a result of those evaluations, the Company identified a \$.1 million other-than-temporary impairment in the ethanol industry investment resulting in a realized loss. The fair value of this investment, which was determined based on publicly available offers to buy or sell approximate to the Company's fiscal year end, then became the new cost basis. The Company's evaluation also identified an unrealized loss on the brick industry investment of \$.2 million (see table above). The severity of the impairment (fair value is approximately 13% less than cost) and the duration of the impairment (less than 3 months) correlate with the weak fourth quarter 2008 performance within its industry. Based on the Company's evaluation through a discounted cash flow valuation of the investee and the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider this investment to be other-than-temporarily impaired at December 31, 2008. The aggregate cost after impairments of the Company's cost-method investments totaled \$1.8 million and \$2.1 million at December 31, 2008 and 2007, respectively.

The investment results for the years ended December 31, 2008, 2007 and 2006 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Fair value of investments	\$ 12,740,244	\$ 13,468,319	\$ 15,275,669
Cost of investments	<u>10,760,244</u>	<u>8,048,319</u>	<u>6,405,669</u>
Net unrealized gains	<u>\$ 1,980,000</u>	<u>\$ 5,420,000</u>	<u>\$ 8,870,000</u>
Unrealized gain (loss) recorded in equity			
Investments carried at fair value	\$ 1,411,000	\$ 3,252,000	\$ 5,322,000
Investments carried at cost	(223,000)	-	-
Deferred income taxes	<u>792,000</u>	<u>2,168,000</u>	<u>3,548,000</u>
	<u>\$ 1,980,000</u>	<u>\$ 5,420,000</u>	<u>\$ 8,870,000</u>
Proceeds from sale of securities	\$ -	\$ 4,662,883	\$ -
Realized gains	\$ -	\$ 2,486,100	\$ -
Realized losses due to other-than-temporary impairment of assets	\$ (4,157,612)	\$ -	\$ -

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and their estimated useful lives at December 31, 2008 and 2007 consisted of:

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

	<u>Lives (Years)</u>	<u>2008</u>	<u>2007</u>
Quarry land		\$ 2,004,549	\$ 1,806,742
Other land		7,590,672	7,653,479
Buildings and improvements	15 – 39	29,623,898	28,298,278
Cement manufacturing equipment	15 – 25	117,160,400	117,678,756
Ancillary equipment	5 – 10	12,415,809	8,763,102
Ready-mix and concrete production machinery and equipment	5 – 15	28,294,117	25,948,721
Transportation and mobile equipment	3 – 7	38,895,515	35,759,144
Office machinery, equipment, furniture and fixtures	3 – 10	2,139,774	1,987,196
Construction in process		<u>3,734,890</u>	<u>6,067,379</u>
		\$ 241,859,624	\$ 233,962,797
Less--Accumulated depreciation and depletion		<u>151,055,752</u>	<u>140,661,628</u>
		<u>\$ 90,803,872</u>	<u>\$ 93,301,169</u>

(4) LINE OF CREDIT AND LONG-TERM DEBT

In December 2008, Monarch renewed and modified the loan agreement with its current lender, Bank of Oklahoma, N.A., under similar terms as the prior agreement. Monarch's current unsecured credit commitment consists of a \$25,000,000 term loan maturing December 31, 2014 and a \$15,000,000 line of credit maturing December 31, 2009. Interest on the line of credit varies with the lender's National Prime rate less 1.25% with a 2.50% interest rate minimum or floor. The loan agreement contains a financial covenant related to net worth which the Company was in compliance with at year end. The average outstanding balance of the line of credit during 2008 and 2007 was \$3.3 million and \$5.1 million, respectively. At December 31, 2008 and 2007, there was \$0 borrowed against the line of credit. Interest on the line of credit varies with the lender's National Prime rate less 1.25% for 2008 and 1.00% for 2007. The annual weighted average interest rate we paid on the line of credit during 2008 and 2007 was 3.92% and 7.05%, respectively. The applicable interest rate was 2.75% and 6.25% on December 31, 2008 and 2007, respectively, and is payable quarterly.

	<u>2008</u>	<u>2007</u>
Note payable, bank ^(a)	\$17,241,547	\$19,357,963
Other	<u>510,382</u>	<u>848,039</u>
	\$17,751,929	\$20,206,002
Less current maturities	<u>2,643,913</u>	<u>2,181,524</u>
	<u>\$15,108,016</u>	<u>\$18,024,478</u>

(a) Due December 31, 2014; payable \$794,926 quarterly including interest; interest computed based on lender's National Prime rate less .75% with a 3.00% interest rate minimum or floor subject to a financial covenant related to net worth which the Company was in compliance with at year end.

Aggregate annual maturities of long-term debt as of December 31, 2008 are:

2009	\$ 2,643,913
2010	3,015,371
2011	2,949,967
2012	3,021,282
2013	3,017,642
Thereafter	<u>3,103,754</u>
	<u>\$17,751,929</u>

(5) INCOME TAXES

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Taxes currently payable	\$ 4,917,000	\$ 7,174,000	\$ 6,524,000
Deferred income taxes	<u>(2,192,000)</u>	<u>(1,224,000)</u>	<u>(559,000)</u>
Income tax expense	<u>\$ 2,725,000</u>	<u>\$ 5,950,000</u>	<u>\$ 5,965,000</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Computed at statutory rate (34%; over \$10 million-35%)	\$ 4,435,000	\$ 7,315,000	\$ 6,613,000
Increase (decrease) resulting from:			
State income taxes, net of federal tax benefit	-	360,000	412,000
Percentage depletion	(1,328,000)	(1,280,000)	(1,309,000)
Valuation allowance	(40,000)	-	530,000
Domestic production activities deduction	(284,000)	(375,000)	(208,000)
Minority interest in consolidated income (loss)	-	(42,000)	(2,000)
Other	<u>(58,000)</u>	<u>(28,000)</u>	<u>(71,000)</u>
Provision for income taxes	<u>\$ 2,725,000</u>	<u>\$ 5,950,000</u>	<u>\$ 5,965,000</u>

The tax effects of significant temporary differences relating to deferred taxes shown on the balance sheets were:

	<u>2008</u>	<u>2007</u>
Current:		
Allowance for doubtful accounts	\$ 315,000	\$ 256,000
Accrued vacation	<u>395,000</u>	<u>379,000</u>
Net current deferred tax assets	<u>\$ 710,000</u>	<u>\$ 635,000</u>
Noncurrent:		
Depreciation	\$ (76,000)	\$ (163,000)
Postretirement benefits	11,109,000	11,544,000
Pension liability	5,891,000	2,347,000
Unrealized holding gains	(792,000)	(2,168,000)
Net operating loss carryforwards	1,147,000	1,058,000
Impairment on investments	1,663,045	-
Other, net	<u>531,495</u>	<u>537,534</u>
Net long-term deferred tax assets	<u>\$19,473,540</u>	<u>\$13,155,534</u>

Some of the Company's subsidiaries file separate federal and/or state income tax returns which have resulted in net operating loss carryforwards. Deferred taxes resulting from net operating loss 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 net operating loss carryforwards. The provision for income taxes and income tax liabilities recorded in the financial statements include those separate calculations. The following table presents the expiration dates of the Company's operating loss carryforwards for tax purposes as of December 31, 2008:

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

<u>Expiration Date</u>	<u>Operating Loss</u>
2024	\$ 90,000
2025	463,000
2026	439,000
2027	19,000
2028	136,000

In 2007, the Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the application of Statement 109 by defining a recognition threshold of "more likely than not" that the position would be sustained upon examination before any part of the benefit of that position be recognized in an enterprise's financial statements. It also provides guidance on the measurement of the tax position. The adoption of FIN 48 had no material effect on the Company's financial position, operations or cash flows.

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 2005.

(6) 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 2009 cash expenditures for this plan to be approximately \$1,560,000 which is equal to expected benefits and expenses.

Monarch uses a December 31 measurement date for the plans. At December 31, 2008 and 2007, the current portion of the accrued benefit cost of approximately \$1,560,000 and \$1,650,000, respectively, is recorded in compensation and benefits. Information about the plans' funded status and postretirement cost follows:

	<u>2008</u>	<u>2007</u>
Change in benefit obligation		
Beginning of year	\$ 28,856,515	\$ 26,722,665
Service cost	473,443	536,236
Interest cost	1,611,513	1,656,793
Actuarial (gain) loss	(1,734,298)	1,100,463
Benefits and expenses paid*	<u>(1,436,764)</u>	<u>(1,159,642)</u>
Benefit obligation at end of year	<u>\$ 27,770,409</u>	<u>\$ 28,856,515</u>
Change in fair value of plan assets		
Beginning of year	\$ -	\$ -
Employer contributions*	1,436,764	1,159,642
Benefits paid and expenses*	<u>(1,436,764)</u>	<u>(1,159,642)</u>
Fair value of plan asset at end of year	<u>\$ -</u>	<u>\$ -</u>
*Amounts are net of \$72,165 retiree prescription drug subsidy received during the 2008 fiscal year.		
Funded status = year-end benefit liability	\$(27,770,409)	\$(28,856,515)

Amounts recognized in the balance sheets consist of:

	<u>2008</u>	<u>2007</u>
Current liability	\$ (1,560,000)	\$ (1,650,000)
Noncurrent liability	<u>(26,210,409)</u>	<u>(27,206,515)</u>
Net amount recognized	<u><u>\$ (27,770,409)</u></u>	<u><u>\$ (28,856,515)</u></u>

Other amounts recognized in the balance sheets:

Accumulated other comprehensive income	\$ (6,005,258)	\$ (7,467,564)
--	----------------	----------------

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

Current year actuarial (gain) loss	\$ (1,734,298)	\$ 1,100,463
Amortization of actuarial loss	<u>(703,008)</u>	<u>(1,057,219)</u>
Total recognized in other comprehensive income	<u><u>\$ (2,437,306)</u></u>	<u><u>\$ 43,244</u></u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost in 2009 include an actuarial loss of \$632,000.

(Accrued) Prepaid Expense represents the accumulated difference between actual contributions and actual expenses from past years. It is updated from the prior year as follows:

(Accrued) prepaid postretirement benefit cost as of December 31, 2007	\$(16,408,951)
2008 net periodic postretirement benefit cost	2,787,964
2008 contributions	1,508,929
Retiree Drug Subsidy	<u>72,165</u>
(Accrued) prepaid postretirement benefit cost as of December 31, 2008	<u><u>\$(17,760,151)</u></u>

The assumed annual rate of increase in the per capita cost of covered health care benefits was 10% for 2008, 2007 and 2006. This trend rate is assumed to decrease in future years, 1% per year to an ultimate annual rate of 5%. Following are the components of net periodic benefit cost:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Components of net periodic benefit cost			
Service cost	\$ 473,443	\$ 536,236	\$ 526,652
Interest cost	1,611,513	1,656,793	1,495,069
Recognized net loss	<u>703,008</u>	<u>1,057,219</u>	<u>886,732</u>
Net periodic benefit cost	<u><u>\$ 2,787,964</u></u>	<u><u>\$ 3,250,248</u></u>	<u><u>\$ 2,908,453</u></u>
Weighted-average assumptions as of December 31			
Discount rate- benefit obligation	6.00%	6.00%	5.75%
Discount rate- postretirement cost	6.00%	5.75%	5.75%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on interest and service cost	\$ 335,886	\$ (271,057)
Effect on postretirement benefit obligation	3,715,118	(3,086,828)

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

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

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.

As of December 31, 2008, the following benefit payments (net of employee contributions) are expected to be paid:

	<u>Gross</u>	<u>Subsidy Receipts</u>	<u>Net</u>
2009	\$ 1,559,512	\$ 69,725	\$1,489,787
2010	1,675,035	74,477	1,600,558
2011	1,805,121	78,983	1,726,138
2012	1,850,278	82,300	1,767,978
2013	1,911,611	85,579	1,826,032
2014 – 2018	10,315,839	492,075	9,823,764

(7) **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 \$1,880,000 to the plans in 2009.

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

	<u>2008</u>	<u>2007</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 31,718,049	\$ 30,699,393
Service cost	580,046	569,753
Interest cost	1,878,251	1,768,711
Actuarial (gain) loss	35,237	(344,574)
Plan amendment	-	876,119
Benefits paid and expenses	<u>(1,866,816)</u>	<u>(1,851,353)</u>
Benefit obligation at end of year	<u>\$ 32,344,767</u>	<u>\$ 31,718,049</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 25,869,539	\$ 26,659,180
Actual return on plan assets	(7,806,635)	395,469
Employer contribution	1,427,727	666,243
Benefits paid and expenses	<u>(1,866,816)</u>	<u>(1,851,353)</u>
Fair value of plan assets at end of year	<u>\$ 17,623,815</u>	<u>\$ 25,869,539</u>
Funded status, end of year		
Fair value of plan assets	\$ 17,623,815	\$ 25,869,539
Benefits obligation	<u>32,344,767</u>	<u>31,718,049</u>
Funded status	<u>\$(14,720,952)</u>	<u>\$ (5,848,510)</u>

Amounts recognized in the balance sheets consist of:

Current liability	\$ -	\$ -
Noncurrent liability	<u>(14,720,952)</u>	<u>(5,848,510)</u>
Net amount recognized	<u>\$(14,720,952)</u>	<u>\$ (5,848,510)</u>

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

	<u>2008</u>	<u>2007</u>
Net actuarial loss	\$ 15,014,314	\$ 5,372,546
Prior service cost	<u>1,137,551</u>	<u>1,273,388</u>
	<u>\$ 16,151,865</u>	<u>\$ 6,645,934</u>

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

Current year actuarial loss	\$ 9,838,021	\$ 1,329,751
Amortization of actuarial loss	(196,253)	(126,455)
Current year prior service loss	-	876,119
Amortization of prior service cost	<u>(135,837)</u>	<u>(75,123)</u>
Total recognized in other comprehensive income	<u>\$ 9,505,931</u>	<u>\$ 2,004,292</u>

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2009:

Actuarial loss	\$ 1,018,000
Prior service cost	<u>134,000</u>
Total to be amortized in 2009	<u>\$ 1,152,000</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate- benefit obligation	6.00%	6.00%	5.75%
Discount rate- pension cost	6.00%	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase (Staff plan only)	4.50%	4.50%	4.50%

The following table presents the components of net periodic pension cost as of December 31, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 580,046	\$ 569,753	\$ 550,235
Interest cost	1,878,251	1,768,711	1,712,643
Expected return on plan assets	(1,996,149)	(2,069,794)	(1,896,034)
Amortization of prior service cost	135,837	75,123	75,123
Recognized net actuarial gain	<u>196,253</u>	<u>126,455</u>	<u>229,757</u>
Net periodic pension expense	<u>\$ 794,238</u>	<u>\$ 470,248</u>	<u>\$ 671,724</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 all 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. Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through investment in equity securities. The target asset allocation percentages for 2008 and 2007 are as follows:

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2008, 2007 AND 2006

Equities	60%
Fixed Income	40%

The Plan allows a 5% fluctuation before assets are re-balanced. During periods of extreme market volatility, the fluctuation may exceed 5% before re-balancing is complete. At December 31, 2008 and 2007, plan assets by category were as follows:

	<u>2008</u>	<u>2007</u>
Equities	54%	59%
Debt securities	41%	40%
Other	5%	1%

The following benefit payments are expected to be paid as of December 31, 2008:

2009	\$2,009,635
2010	1,983,186
2011	2,062,515
2012	2,116,017
2013	2,193,342
2014 – 2018	11,892,512

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 2008, 2007 and 2006 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 \$64,028, \$65,752 and \$58,922 to these plans for the years 2008, 2007 and 2006, respectively. The Company expects to contribute \$70,000 to these plans in 2009.

(8) SIGNIFICANT ESTIMATES AND CERTAIN CONCENTRATIONS

According to various agreements with certain minority stockholders of subsidiaries, under specified circumstances, the Company is obligated to acquire certain minority shares, if requested to do so, at a value that approximates the minority interest on the Balance Sheet.

A Monarch subsidiary and Monarch are involved in a lawsuit with the former officers of that subsidiary and companies formed by those officers. All claims against Monarch, its subsidiary and officers have been dismissed by the court; on the counterclaims asserted by Monarch and the subsidiary, summary judgment on liability has been granted against the former officers.

Thirty-six percent (36%) of the Company's employees are covered by various collective bargaining agreements. Approximately 25% of those union employees (9% of our total employees) are covered by a contract that expires in 2009. 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 economic environment presents manufacturers 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 which could have an adverse impact on 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.

(9) STOCKHOLDERS' INVESTMENT

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.

(10) 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 for 2008: cash and cash equivalents, short-term investments, refundable federal and state income taxes, deferred income taxes, investments and other assets; for 2007: cash and cash equivalents, deferred income taxes, investments and other assets; and for 2006: cash and cash equivalents, refundable federal and state income taxes, deferred income taxes, investments and other assets.

Following is information for each line for the years ended December 31, 2008, 2007 and 2006:

	<u>Cement Business</u>	<u>Ready-Mixed Concrete Business</u>	<u>Adjustments and Eliminations</u>	<u>Consolidated</u>
For the Year Ended December 31, 2008				
Sales to unaffiliated customers	\$ 69,683,762	\$ 84,202,711	\$ -	\$ 153,886,473
Intersegment sales	<u>15,873,001</u>	<u>1,079</u>	<u>(15,874,080)</u>	<u>-</u>
Total net sales	<u>\$ 85,556,763</u>	<u>\$ 84,203,790</u>	<u>\$ (15,874,080)</u>	<u>\$ 153,886,473</u>
Income (loss) from operations	<u>\$ 18,362,170</u>	<u>\$ (1,607,168)</u>		\$ 16,755,002
Other income (loss), net				<u>(3,797,121)</u>
Income before income taxes				<u>\$ 12,957,881</u>
Identifiable assets at December 31, 2008	<u>\$ 94,620,462</u>	<u>\$ 40,705,428</u>		\$ 135,325,890
Corporate assets				<u>39,438,759</u>
Total assets at December 31, 2008				<u>\$ 174,764,649</u>

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 2007				
Sales to unaffiliated customers	\$ 67,693,603	\$ 79,075,956	\$ -	\$ 146,769,559
Intersegment sales	<u>14,688,880</u>	<u>-</u>	<u>(14,688,880)</u>	<u>-</u>
Total net sales	<u>\$ 82,382,483</u>	<u>\$ 79,075,956</u>	<u>\$ (14,688,880)</u>	<u>\$ 146,769,559</u>
Income (loss) from operations	<u>\$ 19,226,467</u>	<u>\$ (207,527)</u>		\$ 19,018,940
Other income, net				<u>2,165,467</u>
Income before income taxes				<u>\$ 21,184,407</u>
Identifiable assets at December 31, 2007	<u>\$ 98,071,562</u>	<u>\$ 36,574,598</u>		\$ 134,646,160
Corporate assets				<u>32,842,085</u>
Total assets at December 31, 2007				<u>\$ 167,488,245</u>
For the Year Ended December 31, 2006				
Sales to unaffiliated customers	\$ 72,858,017	\$ 81,354,611	\$ -	\$ 154,212,628
Intersegment sales	<u>13,112,128</u>	<u>915</u>	<u>(13,113,043)</u>	<u>-</u>
Total net sales	<u>\$ 85,970,145</u>	<u>\$ 81,355,526</u>	<u>\$ (13,113,043)</u>	<u>\$ 154,212,628</u>
Income (loss) from operations	<u>\$ 20,952,199</u>	<u>\$ (1,275,802)</u>		\$ 19,676,397
Other income (loss), net				<u>(496,172)</u>
Income before income taxes				<u>\$ 19,180,225</u>
Identifiable assets at December 31, 2006	<u>\$ 98,342,645</u>	<u>\$ 34,427,902</u>		\$ 132,770,547
Corporate assets				<u>29,733,295</u>
Total assets at December 31, 2006				<u>\$ 162,503,842</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' investment) 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: \$7,622,714 and \$4,235,088 in 2008, \$7,652,896 and \$3,992,003 in 2007 and \$6,390,491 and \$4,721,130 in 2006. Capital expenditures for the Cement Business and Ready-Mixed Concrete Business, respectively, were: \$2,932,393 and \$4,893,733 in 2008, \$6,768,627 and \$3,236,798 in 2007 and \$16,570,909 and \$3,961,244 in 2006. Identifiable assets by line of business are those assets that are used in the Company's operations in each industry.

During 2008, 2007 and 2006, there were no sales to any one customer in excess of 10% of consolidated net sales.

(11) SUBSEQUENT EVENTS

Subsequent to year end, the fair value of the Company's investment in equity securities declined by approximately 28%.

(12) **QUARTERLY FINANCIAL INFORMATION (Unaudited)**

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2008				
Net sales	\$ 25,089,226	\$ 42,996,482	\$ 48,876,781	\$ 36,923,984
Gross profit from operations	1,280,323	9,003,783	12,801,803	9,912,800
Income (loss) from operations	(2,613,876)	5,003,985	8,828,281	5,536,612
Net income (loss)	(1,802,052)	3,604,348	6,404,938	2,025,647
Basic earnings (loss) per share	\$(.45)	\$.90	\$1.59	\$.50
2007				
Net sales	\$ 24,212,360	\$ 40,090,959	\$ 44,404,159	\$ 38,062,081
Gross profit from operations	3,734,480	9,333,314	11,607,086	9,457,494
Income (loss) from operations	(113,958)	5,790,321	7,978,313	5,364,264
Net income	630,233	4,642,453	5,484,415	4,477,306
Basic earnings per share	\$.16	\$1.15	\$1.36	\$1.11

As a result of new information available, and the length of time and amount of unrealized loss on our equity investments, we recorded a \$4.2 million other-than-temporary impairment adjustment in the fourth quarter of 2008. We had no significant fourth quarter adjustments in 2007.

(13) **OTHER COMPREHENSIVE INCOME**

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

	<u>2007</u>	<u>Change</u>	<u>2008</u>
Unrealized appreciation on available-for-sale securities	\$ 3,252,000	\$(2,064,000)	\$ 1,188,000
Pension liability adjustment	(3,985,934)	(5,705,931)	(9,691,865)
Postretirement liability adjustment	<u>(7,467,564)</u>	<u>1,462,306</u>	<u>(6,005,258)</u>
	<u>\$(8,201,498)</u>	<u>\$(6,307,625)</u>	<u>\$(14,509,123)</u>
	<u>2006</u>	<u>Change</u>	<u>2007</u>
Unrealized appreciation on available-for-sale securities	\$ 5,322,000	\$(2,070,000)	\$ 3,252,000
Pension liability adjustment	(2,786,642)	(1,199,292)	(3,985,934)
Postretirement liability adjustment	<u>(7,444,320)</u>	<u>(23,244)</u>	<u>(7,467,564)</u>
	<u>\$(4,908,962)</u>	<u>\$(3,292,536)</u>	<u>\$(8,201,498)</u>

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

The Financial Accounting Standards Board (FASB) has issued the following new accounting pronouncements.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), "Business Combinations", which replaced SFAS 141. SFAS No. 141R retains the fundamental requirements of SFAS 141, but revises certain principles, including the definition of a business combination, the recognition and measurement of assets acquired and liabilities assumed in a business combination, the accounting for goodwill, and financial statement disclosure. SFAS No. 141R is effective for annual periods beginning after December 15, 2008. The effective date for the Company is January 1, 2009 and is applicable to business combinations that occur on or after this

date. The Company is evaluating the impact, if any, the adoption of this Statement will have on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. SFAS No. 157 is effective on a prospective basis for all fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The statement was effective January 1, 2008 for the Company's consolidated financial statements for 2008 and beyond. Those assets and liabilities measured at fair value under SFAS No. 157 in the first quarter of 2008 did not have a material impact on our consolidated financial statements. In accordance with FSP 157-2, we will measure the remaining assets and liabilities beginning the first quarter of 2009. We do not expect the adoption of SFAS No. 157, as amended by FSP 157-2, will have a material impact on our consolidated financial statements. In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active". This FSP provides additional guidance regarding the application of SFAS No. 157, "Fair Value Measurements," in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. FSP FAS 157-3 is effective immediately upon issuance and applies to prior periods for which financial statements have not been issued. We adopted the provisions of FSP FAS 157-3 as of December 31, 2008. The adoption of this standard did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51", which establishes new accounting and reporting standards for financial information provided on noncontrolling interests (NCIs), previously referred to as minority interests, in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs be treated as a separate component of equity, separate from the parent's equity; that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also requires changes to certain presentation and disclosure requirements. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. For the Company, SFAS No. 160 is effective beginning January 1, 2009. The provisions of the standard are to be applied to all NCIs prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively to all periods presented. The Company does not expect the adoption of SFAS No. 160 will have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133". FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This statement amends the disclosure requirements of SFAS 133 to provide an enhanced understanding of how and why derivative instruments are used, how they are accounted for and their effect on an entity's financial condition, performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. For the Company, SFAS No. 161 is effective beginning January 1, 2009. Since the Company does not participate in hedging activities and does not use derivative instruments, the Company does not expect the adoption of this standard to require any additional disclosures or to have an impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. This standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of ‘Present Fairly in Conformity with Generally Accepted Accounting Principles ’”. We adopted the provisions of SFAS 162 as of December 31, 2008. Since the standard applies only to establishing hierarchy, it did not have a material impact on our consolidated financial statements.

CORPORATE INFORMATION

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

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
Partner in law firm of Stinson Morrison Hecker LLP

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.

Our Subsidiaries

We don't stop at just making the highest quality cement. The Monarch family of companies extends into the realm of ready-mixed concrete, concrete products, and sundry building materials. Each of these companies has the same dedication to quality and craftsmanship that the Monarch name has represented for nearly a century.



Broken Arrow, OK



Northwest Arkansas



Topeka, KS



Springfield, MO



Hutchinson, KS



Garden City, KS



Kansas City, KS



Dodge City Concrete, Inc.

Dodge City, KS



Joplin Concrete Company, Inc.

Joplin, MO



Kansas Building
PRODUCTS, INC

Wichita, KS



Topeka, KS

Monarch Cement
of Iowa, Inc.

Des Moines, IA



Salina Concrete
PRODUCTS, INC

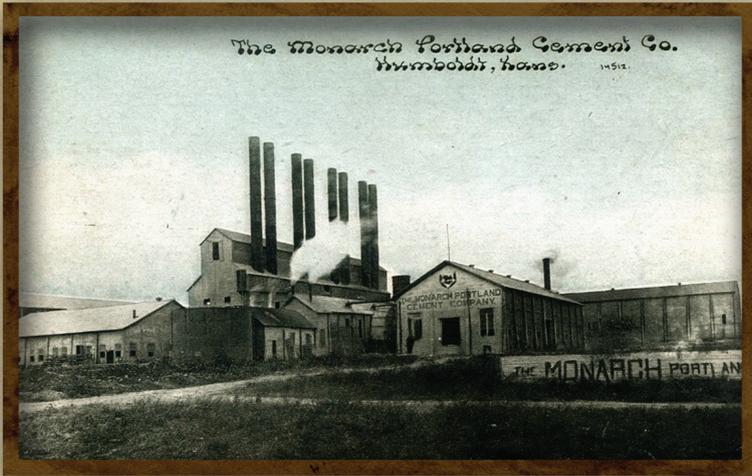
Salina, KS



Springfield, MO



Broken Arrow, OK



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 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.
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 information.

Date: March 16, 2009

/s/ Walter H. Wulf, Jr.

Walter H. Wulf, Jr.

President and Chairman of the Board

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 information.

Date: March 16, 2009

/s/ Debra P. Roe

Debra P. Roe, CPA
Chief Financial Officer and
Assistant Secretary-Treasurer

**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, 2008, 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 16, 2009

/s/ Walter H. Wulf, Jr.
Walter H. Wulf, Jr.
President and
Chairman of the Board

**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, 2008, 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 16, 2009

/s/ Debra P. Roe
Debra P. Roe, CPA
Chief Financial Officer and
Assistant Secretary-Treasurer