

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## The Monarch Cement Company

A Kansas Corporation

P.O Box 1000, Humboldt, Kansas

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620-473-2222

www.monarchcement.com

[shareholder.relations@monarchcement.com](mailto:shareholder.relations@monarchcement.com)

3241 – Cement, Hydraulic

3273 – Ready-Mixed Concrete

### Quarterly Report

**For the Period Ending:** September 30, 2019

As of September 30, 2019, the number of shares outstanding of our Common Stock was: 2,646,859

As of September 30, 2019, the number of shares outstanding of our Class B Common Stock was: 1,213,930

As of December 31, 2018, the number of shares outstanding of our Common Stock was: 2,644,159

As of December 31, 2018, the number of shares outstanding of our Class B Common Stock was: 1,216,630

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes:  No:

### 1) Name of the issuer and its predecessors

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

The Monarch Cement Company

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable)  
Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Monarch was organized as a corporation under the laws of the State of Kansas on July 29, 1913 and is currently active.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:  No:

## 2) Security Information

Trading symbol: MCEM  
 Exact title and class of securities outstanding: Capital Stock  
 CUSIP: 609031307  
 Par or stated value: \$2.50  
 Total shares authorized: 10,000,000 as of September 30, 2019  
 Total shares outstanding: 2,646,859 as of September 30, 2019

Trading symbol: MCEM  
 Exact title and class of securities outstanding: Class B Capital Stock  
 CUSIP: 609031406  
 Par or stated value: \$2.50  
 Total shares authorized: 10,000,000 as of September 30, 2019  
 Total shares outstanding: 1,213,930 as of September 30, 2019

Number of shares in the Public Float: 3,327,052 as of September 30, 2019  
 Total number of shareholders of record: 294 as of September 30, 2019

### Transfer Agent

Name: The Monarch Cement Company  
 Phone: P.O. Box 1000  
 Email: Humboldt, KS 66748-0900

Is the Transfer Agent registered under the Exchange Act? Yes:  No:

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

## 3) Issuance History

### A. Changes to the Number of Outstanding Shares

Pursuant to the provisions of Monarch's Articles of Incorporation governing the conversion of its Class B Capital Stock into Capital Stock, no shares of Monarch's Capital Stock were issued in the six months ended June 30, 2019 upon conversion of an equal number of shares of Monarch's Class B Capital Stock. The following shares were converted during the past three years as indicated below:

Number of Shares outstanding as of 01/01/2016		Opening Balance:							
		Capital: 2,607,705							
		Class B: 1,253,084							
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
2/29/16	Conversion	1,000	Class B to Capital						

3/28/16	Conversion	1,500	Class B to Capital						
5/25/16	Conversion	625	Class B to Capital						
8/29/16	Conversion	600	Class B to Capital						
1/6/17	Conversion	5,000	Class B to Capital						
3/23/17	Conversion	50	Class B to Capital						
8/23/17	Conversion	11,705	Class B to Capital						
3/26/18	Conversion	1,135	Class B to Capital						
5/5/18	Conversion	7,222	Class B to Capital						
10/1/18	Conversion	3,650	Class B to Capital						
12/14/18	Conversion	1,767	Class B to Capital						
12/26/18	Conversion	2,200	Class B to Capital						
6/19/19	Conversion	1,700	Class B to Capital						
6/28/19	Conversion	1,000	Class B to Capital						
Shares Outstanding on 09/30/2019:	Ending Balance: Capital: 2,646,859 Class B: 1,213,930								

The Company received no payment in connection with the issuances of such shares. No underwriters were involved with the issuance of such shares and no commissions were paid in connection with such issuances. There was no advertisement or general solicitation made in connection with the issuance of such shares. Except as described above, Monarch did not issue or sell any shares of its Capital Stock or Class B Capital Stock during the nine months ended September 30, 2019.

#### B. Debt Securities, Including Promissory and Convertible Notes

The Company has a credit agreement with BOKF, NA dba Bank of Oklahoma which provides for a \$15.0 million revolving note maturing on December 31, 2021. As of September 30, 2019 and December 31, 2018, there was nothing borrowed against the revolving loan.

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- U.S. GAAP  
 IFRS

B. The financial statements for this reporting period were prepared by:

The Monarch Cement Company

## 5) Issuer's Business, Products and Services

### A. Summarize the issuer's business operations

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

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

### B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Subsidiaries of Monarch include: Beaver Lake Concrete, Inc., Capitol Concrete Products Co., Inc., City Wide Construction Products Co., Concrete Enterprises, Inc., Concrete Materials, Inc., Dodge City Concrete, Inc., Hays Ready-Mix, Inc., Joplin Concrete Company, Inc., Kansas Sand and Concrete, Inc., Kay Concrete Materials Co., Monarch Cement of Iowa, Inc., Salina Concrete Products, Inc., Springfield Ready Mix Co. and Tulsa Dynaspan, Inc. These subsidiaries are 100% owned by Monarch and can be contacted through Monarch.

### C. Describe the issuers' principal products or services, and their markets

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.

## 6) Issuer's Facilities

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

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 353 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 does not have a material effect on the Company's overall operations.

The Company owns various companies which sell ready-mixed concrete, concrete products and sundry building materials within the Humboldt cement plant's primary market. Various equipment and facility improvements in this line of business ensure these plants are suitable and adequate for their current level of operations and provide for increases in market demand. No single subsidiary's physical property is materially significant to the Company.

There are no material encumbrances on our properties.

## 7) Officers, Directors, and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Walter H. Wulf, Jr.	Officer/Director	Humboldt, KS	173,102	Capital	6.54%	
			188,467	Class B	15.53%	
Kent A. Webber	Officer	Chanute, KS	900	Capital	*	
Robert M. Kissick	Officer/Director	Leawood, KS	16,732	Capital	*	
			39,903	Class B	3.28%	
Tony D. Kasten	Officer	Chanute, KS	50	Capital	*	
Lisa J. Fontaine	Officer	Iola, KS	2,500	Capital	*	
Kenneth G. Miller	Officer	Humboldt, KS	600	Capital	*	
N. Joan Perez	Officer	Humboldt, KS	6,200	Capital	*	
Jack R. Callahan	Director	Grove, OK	1,000	Class B	*	
Mark A. Callaway	Director	Wichita, KS	100	Capital	*	
David L. Deffner	Director	Las Vegas, NV	13,963	Class B	1.15%	
Gayle C. McMillen	Director	Salina, KS	69,220	Class B	5.69%	
Byron J. Radcliff	Director	Steamboat Springs, CO	4,050	Capital	*	
			1,000	Class B	*	
Robert K. Radcliff	Director	Chicago, IL	4,050	Capital	*	
Steve W. Sloan	Director	Pittsburg, KS	2,000	Capital	*	
Michael R. Wachter	Director	Kent, WA	1,600	Capital	*	
			600	Class B	*	
Walter H. Wulf, III	Director	Grand Rapids, MI	3,800	Capital	*	
			3,900	Class B	*	
Paula D. Radcliff	Owner of more than 5%	Dexter, KS	199,760	Capital	7.55%	
			211,960	Class B	17.42%	

\*Less than one percent.

## 8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

### Securities Counsel

Firm: Stinson LLP  
Address 1: 1201 Walnut Street, Suite 2900  
Address 2: Kansas City, MO 64106-2150

### Accountant or Auditor

Firm: BKD, LLP  
Address 1: 1201 Walnut Street, Suite 1700  
Address 2: Kansas City, MO 64106-2246  
Phone: (816) 221-6300

### Investor Relations Consultant

Firm: Stinson LLP  
Address 1: 1201 Walnut Street, Suite 2900  
Address 2: Kansas City, MO 64106-2150

**10) Issuer Certification**

*Principal Executive Officer:*

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

1. I have reviewed this Quarterly Report of The Monarch Cement Company;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 5, 2019

/s/ Walter H. Wulf, Jr.  
Chairman of the Board and  
Chief Executive Officer

*Principal Financial Officer:*

I, Tony D. Kasten certify that:

1. I have reviewed this Quarterly Report of The Monarch Cement Company;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 5, 2019

/s/ Tony D. Kasten  
Chief Financial Officer  
Secretary-Treasurer

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

<b>ASSETS</b>	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 15,657,199	\$ 14,091,461
Receivables, less allowances of \$583,000 in 2019 and \$517,000 in 2018 for doubtful accounts	23,480,965	18,336,656
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 5,039,146	\$ 6,847,051
Work in process	5,656,112	5,254,574
Building products	3,682,760	3,862,503
Fuel, gypsum, paper sacks and other	7,449,724	4,972,444
Operating and maintenance supplies	17,540,014	16,108,266
Total inventories	\$ 39,367,756	\$ 37,044,838
Refundable federal and state income taxes	-	1,265,747
Prepaid expenses	1,690,984	609,884
<b>Total current assets</b>	<b>\$ 80,196,904</b>	<b>\$ 71,348,586</b>
Property, Plant and Equipment, at cost, less accumulated depreciation and depletion of \$257,528,143 in 2019 and \$247,734,083 in 2018	89,208,946	88,389,107
Deferred Income Taxes	-	3,232,597
Investments	46,145,026	29,529,434
Investments in Affiliates	9,251,137	8,647,806
Other Assets	5,116,906	5,157,721
	<b>\$ 229,918,919</b>	<b>\$ 206,305,251</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 8,019,580	\$ 6,790,467
Current portion of other long-term debt	750,000	750,000
Accrued liabilities		
Dividends	-	1,544,316
Compensation and benefits	2,777,844	2,959,651
Federal and state income taxes	2,116,404	-
Miscellaneous taxes	1,343,454	741,220
Other	439,866	608,077
<b>Total current liabilities</b>	<b>\$ 15,447,148</b>	<b>\$ 13,393,731</b>
Deferred Income Taxes	589,403	-
Long-Term Debt	721,154	1,414,571
Accrued Postretirement Benefits	13,768,723	13,766,649
Accrued Pension Expense	914,636	1,677,728
Stockholders' Equity:		
Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,646,859 shares at 09/30/2019 and 2,644,159 shares at 12/31/2018	\$ 6,617,148	\$ 6,610,398
Class B capital stock, par value \$2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,213,930 shares at 09/30/2019 and 1,216,630 shares at 12/31/2018	3,034,825	3,041,575
Additional paid-in-capital	2,485,125	2,485,125
Retained earnings	201,416,450	178,952,905
Accumulated other comprehensive loss	(15,075,693)	(15,037,431)
<b>Total Stockholders' Equity</b>	<b>\$ 198,477,855</b>	<b>\$ 176,052,572</b>
	<b>\$ 229,918,919</b>	<b>\$ 206,305,251</b>

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
NET SALES	\$ 52,392,465	\$ 55,360,547	\$ 127,399,163	\$ 129,616,028
COST OF SALES	37,741,713	38,991,096	98,636,531	97,628,680
<b>Gross profit from operations</b>	<b>\$ 14,650,752</b>	<b>\$ 16,369,451</b>	<b>\$ 28,762,632</b>	<b>\$ 31,987,348</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,815,574	4,823,756	14,028,509	14,457,270
<b>Income from operations</b>	<b>\$ 9,835,178</b>	<b>\$ 11,545,695</b>	<b>\$ 14,734,123</b>	<b>\$ 17,530,078</b>
OTHER INCOME (EXPENSE):				
Interest income	\$ 68,989	\$ 46,706	\$ 270,719	\$ 139,976
Interest expense	(96)	(614)	(252)	(8,693)
Gain on sale of equity investments	-	878,753	-	3,637,552
Unrealized gain (loss) on equity investments	2,660,000	(5,460,000)	15,030,000	(10,190,000)
Dividend income	172,067	171,540	484,807	484,826
Other, net	618,856	834,640	1,487,592	2,479,403
	<u>\$ 3,519,816</u>	<u>\$ (3,528,975)</u>	<u>\$ 17,272,866</u>	<u>\$ (3,456,936)</u>
<b>Income before income taxes</b>	<b>\$ 13,354,994</b>	<b>\$ 8,016,720</b>	<b>\$ 32,006,989</b>	<b>\$ 14,073,142</b>
PROVISION FOR INCOME TAXES	2,805,000	1,925,000	6,721,000	3,380,000
Equity in affiliate earnings, net of tax	342,788	643,600	652,266	837,370
<b>NET INCOME</b>	<b>\$ 10,892,782</b>	<b>\$ 6,735,320</b>	<b>\$ 25,938,255</b>	<b>\$ 11,530,512</b>
RETAINED EARNINGS, beg. of period	\$ 192,261,023	\$ 172,346,299	\$ 178,952,905	\$ 169,674,541
Less cash dividends	1,737,355	1,544,316	3,474,710	3,667,750
<b>RETAINED EARNINGS, end of period</b>	<b>\$ 201,416,450</b>	<b>\$ 177,537,303</b>	<b>\$ 201,416,450</b>	<b>\$ 177,537,303</b>
<b>Basic earnings per share</b>	<b>\$ 2.82</b>	<b>\$ 1.75</b>	<b>\$ 6.72</b>	<b>\$ 2.99</b>
<b>Cash dividends per share</b>	<b>\$ 0.45</b>	<b>\$ 0.40</b>	<b>\$ 0.90</b>	<b>\$ 0.95</b>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
<b>NET INCOME</b>	<b>\$ 10,892,782</b>	<b>\$ 6,735,320</b>	<b>\$ 25,938,255</b>	<b>\$ 11,530,512</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax</b>				
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax expense of \$180,000, \$199,000, \$460,000 and \$598,000, respectively)	(517,473)	(567,094)	(1,310,227)	(1,702,306)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of \$(136,000), \$(121,000), \$(446,000) and \$(356,000), respectively)	394,077	345,973	1,271,965	1,013,349
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax</b>	<b>\$ (123,396)</b>	<b>\$ (221,121)</b>	<b>\$ (38,262)</b>	<b>\$ (688,957)</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 10,769,386</b>	<b>\$ 6,514,199</b>	<b>\$ 25,899,993</b>	<b>\$ 10,841,555</b>

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)

	2019	2018
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 25,938,255	\$ 11,530,512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	12,173,366	11,900,054
Income from equity method investments, net of dividends received	(591,171)	(785,035)
(Increase) decrease in long-term notes receivable	14,942	(88,562)
Deferred income taxes	3,836,000	(2,431,000)
Gain on disposal of assets	(174,001)	(157,977)
Realized gain on sale of equity investments	-	(3,637,552)
Unrealized holding (gain) loss	(15,030,000)	10,190,000
Postretirement benefits and pension expense	(813,280)	(1,687,426)
Change in assets and liabilities:		
Receivables, net	(5,144,309)	(7,978,531)
Inventories	(2,322,918)	416,102
Refundable income taxes	1,265,747	1,460,985
Prepaid expenses	(1,081,100)	(619,548)
Other assets	14,046	(186,291)
Accounts payable and accrued liabilities	3,783,078	(546,311)
Net cash provided by operating activities	<u>\$ 21,868,655</u>	<u>\$ 17,379,420</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	\$ (13,185,561)	\$ (14,598,666)
Proceeds from disposals of property, plant and equipment	241,169	245,505
Payment for acquisition of business, net of cash acquired	-	(3,550,214)
Payment for purchases of available-for-sale equity investments	(1,585,592)	(1,082,051)
Proceeds from disposals of available-for-sale equity investments	-	6,021,070
Payment for acquisition of equity method investments	(12,160)	-
Net cash used for investing activities	<u>\$ (14,542,144)</u>	<u>\$ (12,964,356)</u>
<b>FINANCING ACTIVITIES:</b>		
Payments on other long-term debt	\$ (693,417)	\$ (761,827)
Cash dividends paid	(5,019,026)	(5,019,026)
Purchase of capital stock	(48,330)	(133,950)
Net cash used for financing activities	<u>\$ (5,760,773)</u>	<u>\$ (5,914,803)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,565,738</b>	<b>\$ (1,499,739)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>14,091,461</u></b>	<b><u>15,813,675</u></b>
<b>Cash and Cash Equivalents, end of period</b>	<b><u>\$ 15,657,199</u></b>	<b><u>\$ 14,313,936</u></b>
Supplemental disclosures:		
Interest paid, net of amount capitalized	\$ 252	\$ 8,693
Income taxes paid	-	3,300,000
Income tax refund	497,150	-
Capital equipment additions included in accounts payable and accrued liabilities	167,504	133,077
Capital stock repurchases included in accrued liabilities	35,550	193,590

See accompanying Notes to the Condensed Consolidated Financial Statements

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

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

For a summary of accounting policies, the reader should refer to Note 1 of the consolidated financial statements included in our Company's most recent annual report.

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

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

As of September 30, 2019, the amount of accounts payable related to property, plant and equipment was approximately \$168,000 compared to December 31, 2018 which was approximately \$305,000.

**(3) INVENTORIES**

We did not incur a temporary last-in, first-out (LIFO) liquidation gain during the three months and nine months ended September 30, 2019 or September 30, 2018.

**(4) 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, which is the point in time when the Company's performance obligation with the customer is satisfied. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered.

**(5) LINES OF BUSINESS**

Corporate assets for 2019 and 2018 include cash and cash equivalents, investments and other assets. Corporate assets also included deferred income taxes and refundable federal and state income taxes for 2018. Following is a summary of the Company's business segment results for the periods indicated:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Three Months Ended 09/30/19</b>				
Sales to unaffiliated customers	\$ 28,513,609	\$ 23,878,856	\$ -	\$ 52,392,465
Intersegment sales	4,888,038	225,097	(5,113,135)	-
Total net sales	<u>\$ 33,401,647</u>	<u>\$ 24,103,953</u>	<u>\$ (5,113,135)</u>	<u>\$ 52,392,465</u>
Income from operations	<u>\$ 9,571,357</u>	<u>\$ 263,821</u>		<u>\$ 9,835,178</u>
Other expense, net				3,519,816
Income before income taxes				<u>\$ 13,354,994</u>
Capital Expenditures	\$ 2,018,091	\$ 800,551		<u>\$ 2,818,642</u>

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Three Months Ended 09/30/18</b>				
Sales to unaffiliated customers	\$ 31,369,676	\$ 23,990,871	\$ -	\$ 55,360,547
Intersegment sales	4,962,141	109,124	(5,071,265)	-
Total net sales	<u>\$ 36,331,817</u>	<u>\$ 24,099,995</u>	<u>\$ (5,071,265)</u>	<u>\$ 55,360,547</u>
Income from operations	<u>\$ 11,317,618</u>	<u>\$ 228,077</u>		<u>\$ 11,545,695</u>
Other expense, net				(3,528,975)
Income before income taxes				<u>\$ 8,016,720</u>
Capital Expenditures	\$ 2,096,252	\$ 877,564		\$ 2,973,816
<b>For the Nine Months Ended 09/30/19</b>				
Sales to unaffiliated customers	\$ 65,756,631	\$ 61,642,532	\$ -	\$ 127,399,163
Intersegment sales	12,729,688	351,407	(13,081,095)	-
Total net sales	<u>\$ 78,486,319</u>	<u>\$ 61,993,939</u>	<u>\$ (13,081,095)</u>	<u>\$ 127,399,163</u>
Income (loss) from operations	<u>\$ 14,975,015</u>	<u>\$ (240,892)</u>		<u>\$ 14,734,123</u>
Other expense, net				17,272,866
Income before income taxes				<u>\$ 32,006,989</u>
Capital Expenditures	\$ 5,459,278	\$ 7,589,268		\$ 13,048,546
<b>For the Nine Months Ended 09/30/18</b>				
Sales to unaffiliated customers	\$ 69,487,770	\$ 60,128,258	\$ -	\$ 129,616,028
Intersegment sales	12,249,040	223,927	(12,472,967)	-
Total net sales	<u>\$ 81,736,810</u>	<u>\$ 60,352,185</u>	<u>\$ (12,472,967)</u>	<u>\$ 129,616,028</u>
Income (loss) from operations	<u>\$ 17,868,188</u>	<u>\$ (338,110)</u>		<u>\$ 17,530,078</u>
Other expense, net				(3,456,936)
Income before income taxes				<u>\$ 14,073,142</u>
Capital Expenditures	\$ 6,523,691	\$ 8,788,682		\$ 15,312,373
<b>Balance at 09/30/2019</b>				
Identifiable Assets	<u>\$ 104,865,300</u>	<u>\$ 48,883,351</u>		\$ 153,748,651
Corporate Assets				76,170,268
				<u>\$ 229,918,919</u>
<b>Balance at 12/31/2018</b>				
Identifiable Assets	<u>\$ 100,031,269</u>	<u>\$ 44,349,216</u>		\$ 144,380,485
Corporate Assets				61,924,766
				<u>\$ 206,305,251</u>

**(6) FAIR VALUE**

Realized gains (losses) on equity investments are computed using the specific identification method. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. The Company's valuation techniques used to measure the fair value of its marketable equity securities were derived from quoted prices in active markets for identical assets. Equity investments that do not have readily determinable market prices were remeasured to fair value either upon the occurrence of an observable price change or upon identification of an impairment.

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

## (7) INVESTMENTS

### Equity Investments

The Company adopted ASU 2016-01, *Financial Instruments*, in the first quarter of 2018 and recorded a \$21.2 million cumulative effect adjustment to retained earnings as of January 1, 2018 to implement the standard. Beginning in 2018, the Company is recognizing gross unrealized gains and losses on their investments in net income. The following table shows the gross unrealized gains (losses) recorded in the income statement aggregated by investment category at:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Cement industry	\$ 6,080,000	\$ (4,765,000)
General building materials industry	7,140,000	(3,910,000)
Oil & gas refining and marketing industry	1,265,000	(1,240,000)
Residential construction industry	545,000	(275,000)
Total	<u>\$ 15,030,000</u>	<u>\$ (10,190,000)</u>

The following table shows the fair value of the Company's investments aggregated by investment category at:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Cement industry	\$ 17,408,531	\$ 11,261,206
General building materials industry	18,230,523	10,886,212
Oil & gas refining and marketing industry	8,382,417	6,384,000
Residential construction industry	2,123,555	998,016
Total	<u>\$ 46,145,026</u>	<u>\$ 29,529,434</u>

### Equity Method Investments

The Company owns common stock of GFI, a privately-owned company in the brick industry. The Company has determined that it has the ability to exercise significant influence, but not control, over the operating and financial policies of GFI. Consequently, the equity method of accounting is used for the investment.

Pertinent information about the Company's investment in GFI is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Carrying value	\$ 9,251,137	\$ 8,647,806
Ownership percentage	32.46%	32.41%
Cash dividends received	\$ 61,095	\$ 52,335
Undistributed earnings	4,466,219	3,813,953
Difference between carrying amount and the underlying equity in net assets*	(93,524)	(44,589)
Equity in earnings	<u>\$ 652,266</u>	<u>\$ 837,370</u>

\* The difference between carrying amount and the underlying equity in net assets is in a memo account allocated to goodwill.

During the three months ended September 30, 2019 and 2018, the Company purchased \$0.2 million and \$0.2 million, respectively, of brick from GFI in arm's length transactions in the normal course of business for resale to third parties. During the nine months ended September 30, 2019 and 2018, the Company purchased \$0.6 million and \$0.6 million, respectively. The Company eliminated intra-entity profits or losses for its proportionate share of GFI's common stock for inventory still remaining with the Company until such profits or losses were realized in transactions with third parties. Amounts due to GFI for Company purchases were not significant at September 30, 2019 and 2018.

The Company's equity method investment is reviewed for impairment on a periodic basis or if an event occurs or circumstances change that indicate the carrying amount may be impaired. This assessment is based on a review of the investment's performance and a review of indicators of impairment to determine if there is evidence of a loss in value of the investment. Factors the Company considers include:

- Absence of the Company's ability to recover the carrying amount;

- Inability of the equity affiliate to sustain an earnings capacity which would justify the carrying amount of the investment; and
- Significant litigation, bankruptcy or other events that could impact recoverability.

For an equity investment with impairment indicators, the Company measures fair value on the basis of discounted cash flows or other appropriate valuation methods. If it is probable that the Company will not recover the carrying amount of its investment, the impairment is recorded in earnings, and the equity investment balance is reduced to its fair value accordingly. After review, the Company does not consider its equity method investment, for which fair value approximates carrying value, to be impaired at September 30, 2019 or December 31, 2018.

## (8) PENSION AND OTHER POSTRETIREMENT BENEFITS

The following table presents the components of net periodic pension and postretirement benefit costs for the three months ended September 30, 2019 and 2018:

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Service Cost	\$ 215,418	\$ 293,547	\$ 75,347	\$ 58,892
Interest Cost	503,242	484,449	220,841	136,470
Less: Expected return on plan assets	728,746	1,010,420	-	-
Amortization of prior service cost	15,294	17,914	(712,767)	(784,008)
Recognized net actuarial loss	422,300	329,827	107,777	137,146
Net periodic (benefit) expense	<u>\$ 427,508</u>	<u>\$ 115,317</u>	<u>\$ (308,802)</u>	<u>\$ (451,500)</u>

The following table presents the components of net periodic pension and postretirement benefit costs for the nine months ended September 30, 2019 and 2018:

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Service Cost	\$ 823,685	\$ 853,623	\$ 163,584	\$ 176,676
Interest Cost	1,598,435	1,402,663	435,518	409,410
Less: Expected return on plan assets	2,612,842	2,919,964	-	-
Amortization of prior service cost	53,742	51,718	(1,823,969)	(2,352,024)
Recognized net actuarial loss	1,419,503	957,911	298,462	411,438
Net periodic (benefit) expense	<u>\$ 1,282,523</u>	<u>\$ 345,951</u>	<u>\$ (926,405)</u>	<u>\$ (1,354,500)</u>

The components of net periodic benefit cost other than the service cost component are included in the line item Other, net in the income statement.

As previously disclosed in our financial statements for the year ended December 31, 2018, there are no minimum expected contributions to the pension plans for the year 2019. As of September 30, 2019, we have contributed approximately \$283,000 to the pension fund.

The other benefits consist of postretirement benefits that are self-insured by Monarch and are paid out of Monarch's general assets. As previously disclosed in our financial statements for the year ended December 31, 2018, Monarch expects expenditures of approximately \$956,000 for this plan in 2019. As of September 30, 2019, we have contributed approximately \$597,000 and anticipate contributing an additional \$359,000 to this plan in 2019 for a total of \$956,000.

## (9) RECLASSIFICATION OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the reclassifications out of accumulated other comprehensive income and the affected line item in the statements where net income is presented for the three months ended September 30, 2019 and 2018:

	Reclassification for	
	2019	2018
Net periodic pension and postretirement costs in:		
Other, net	\$ 167,396	\$ 299,121
Tax expense	(44,000)	(78,000)
Net of tax	<u>\$ 123,396</u>	<u>\$ 221,121</u>

The following table presents the reclassifications out of accumulated other comprehensive income and the affected line item in the statements where net income is presented for the nine months ended September 30, 2019 and 2018:

Reclassification for	2019	2018
Net periodic pension and postretirement costs in:		
Other, net	\$ 52,262	\$ 930,957
Tax expense	(14,000)	(242,000)
Net of tax	\$ 38,262	\$ 688,957

**(10) OTHER NONOPERATING INCOME OR EXPENSE**

Other, net contains miscellaneous nonoperating income (expense) items other than interest income, interest expense, gains on sale of equity investments, unrealized gains (losses) on equity investments and dividend income.

**(11) EARNINGS PER SHARE**

Basic earnings per share of capital stock has been calculated based on the weighted average shares outstanding during each of the reporting periods. The weighted average number of shares outstanding was 3,860,789 and 3,860,789 in the third quarter and first nine months of 2019, respectively. The weighted average number of shares outstanding was 3,860,789 and 3,860,789 in the third quarter and first nine months of 2018, respectively. The Company has no capital stock equivalents and therefore, does not report diluted earnings per share.

**(12) INCOME TAXES**

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 by tax authorities for years before 2015. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any significant interest expenses recognized during the six months ended September 30, 2019 or September 30, 2018.