

# 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](http://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, 2021

As of September 30, 2021, the number of shares outstanding of our Common Stock was: 2,624,370  
As of September 30, 2021, the number of shares outstanding of our Class B Common Stock was: 1,137,849  
As of June 30, 2021, the number of shares outstanding of our Common Stock was: 2,624,370  
As of June 30, 2021, the number of shares outstanding of our Class B Common Stock was: 1,137,849  
As of December 31, 2020, the number of shares outstanding of our Common Stock was: 2,609,104  
As of December 31, 2020, the number of shares outstanding of our Class B Common Stock was: 1,187,725

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 and the dates of the name changes.

The Monarch Cement Company

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years: 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.

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

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

The address(es) of the issuer's principal executive office:

The Monarch Cement Company  
449 1200 Street  
P.O. Box 1000  
Humboldt, KS 66748



						control disclosed).			
6/19/19	Conversion	1,700	Class B to Capital						
6/28/19	Conversion	1,000	Class B to Capital						
3/30/20	Conversion	19,072	Class B to Capital						
11/12/20	Conversion	3,300	Class B to Capital						
12/4/20	Conversion	1,500	Class B to Capital						
12/28/20	Retirement	60,587	Capital						
12/28/20	Retirement	2,333	Class B						
12/31/20	Retirement	1,040	Capital						
1/28/21	Conversion	670	Class B to Capital						
2/5/21	Conversion	600	Class B to Capital						
4/1/21	Conversion	25	Class B to Capital						
5/19/21	Retirement	34,610	Class B						
6/15/21	Conversion	13,971	Class B to Capital						
Shares Outstanding on 9/30/2021:	Ending Balance: Capital: 2,624,370 Class B: 1,137,849								

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 first nine months ended September 30, 2021.

#### 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, 2021 and December 31, 2020, there was nothing borrowed against the revolving loan.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____

#### 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 (name of individual):

Name: Tony Kasten  
Title: Chief Financial Officer, Sec./Tres.  
Relationship to Issuer: Officer

**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.

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.

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	169,452	Capital	6.46%	
			193,542	Class B	17.01%	
Kent A. Webber	Officer/Director	Chanute, KS	3,850	Capital	*	
Robert M. Kissick	Officer/Director	Leawood, KS	14,782	Capital	*	
			39,903	Class B	3.51%	
Tony D. Kasten	Officer	Chanute, KS	75	Capital	*	
Lisa J. Fontaine	Officer	Iola, KS	2,500	Capital	*	
Kenneth G. Miller	Officer	Humboldt, KS	600	Capital	*	
N. Joan Perez	Officer	Humboldt, KS	6,400	Capital	*	
Douglas W. Sommers	Officer	Chanute, KS	675	Capital	*	
Mark A. Callaway	Director	Wichita, KS	100	Capital	*	
David L. Deffner	Director	Gulf Shores, AL	11,863	Class B	1.04%	
Gayle C. McMillen	Director	Salina, KS	34,610	Class B	3.04%	
Byron J. Radcliff	Director	Steamboat Springs, CO	4,250	Capital	*	
			1,000	Class B	*	
Robert K. Radcliff	Director	Chicago, IL	4,250	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	*	
			4,300	Class B	*	
Paula D. Radcliff	Owner of more than 5%	Dexter, KS	199,760	Capital	7.61%	
			211,960	Class B	18.63%	

\*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: Grant Thornton, LLP  
Address 1: 1201 Walnut Street, Suite 2200  
Address 2: Kansas City, MO 64106  
Phone: (816) 412-2400

### 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 10, 2021

/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 10, 2021

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



THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2021 (UNAUDITED) AND DECEMBER 31, 2020

ASSETS	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 35,797,413	\$ 30,624,449
Receivables, less allowances of \$586,000 in 2021 and \$536,000 in 2020 for doubtful accounts	30,031,733	19,488,380
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 3,855,425	\$ 5,254,600
Work in process	3,188,548	6,849,123
Building products	2,955,354	2,586,956
Fuel, gypsum, paper sacks and other	7,265,281	6,695,701
Operating and maintenance supplies	19,951,004	19,358,550
Total inventories	\$ 37,215,612	\$ 40,744,930
Derivative financial instruments	2,888,430	1,215,546
Prepaid expenses	1,213,970	747,053
<b>Total current assets</b>	<b>\$ 107,147,158</b>	<b>\$ 92,820,358</b>
Property, Plant and Equipment, at cost, less accumulated depreciation and depletion of \$279,332,873 in 2021 and \$270,152,181 in 2020	103,293,212	95,567,662
Deferred Income Taxes	2,823,301	4,461,801
Investments	50,870,036	49,211,744
Investments in Affiliates	11,610,320	10,755,752
Other Assets	4,930,253	4,952,591
	<b>\$ 280,674,280</b>	<b>\$ 257,769,908</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 10,176,996	\$ 7,220,921
Current portion of other long-term debt	-	750,000
Accrued liabilities		
Dividends	-	1,930,395
Compensation and benefits	3,181,062	3,207,719
Federal and state income taxes	4,196,340	1,031,227
Miscellaneous taxes	1,288,609	797,066
Other	744,412	785,620
<b>Total current liabilities</b>	<b>\$ 19,587,419</b>	<b>\$ 15,722,948</b>
Accrued Postretirement Benefits	17,012,356	17,086,660
Accrued Pension Expense	12,467,508	12,399,146
Stockholders' Equity:		
Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,624,370 shares at 09/30/2021 and 2,609,104 shares at 12/31/2020	\$ 6,560,925	\$ 6,522,760
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 1,137,849 shares at 09/30/2021 and 1,187,725 shares at 12/31/2020	2,844,623	2,969,313
Additional paid-in-capital	2,485,125	2,485,125
Retained earnings	246,005,781	226,760,207
Accumulated other comprehensive loss	(26,289,457)	(26,176,251)
<b>Total Stockholders' Equity</b>	<b>\$ 231,606,997</b>	<b>\$ 212,561,154</b>
	<b>\$ 280,674,280</b>	<b>\$ 257,769,908</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, 2021 AND 2020 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
NET SALES	\$ 64,121,884	\$ 54,092,636	\$ 157,006,198	\$ 137,207,406
COST OF SALES	42,908,054	36,027,037	110,607,414	95,775,777
<b>Gross profit from operations</b>	<b>\$ 21,213,830</b>	<b>\$ 18,065,599</b>	<b>\$ 46,398,784</b>	<b>\$ 41,431,629</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,859,984	4,633,803	14,333,772	13,646,326
<b>Income from operations</b>	<b>\$ 16,353,846</b>	<b>\$ 13,431,796</b>	<b>\$ 32,065,012</b>	<b>\$ 27,785,303</b>
OTHER INCOME (EXPENSE):				
Interest income	\$ 1,935	\$ (2,300)	\$ 36,675	\$ 169,769
Interest expense	(841)	(506)	(403)	(1,712)
Gain on sale of equity investments	4,174,812	626,194	6,726,425	631,063
Unrealized gain (loss) on equity investments	(6,870,000)	1,870,000	6,610,000	(9,650,000)
Dividend income	58,522	39,467	2,486,086	370,101
Other, net	20,235	438,937	992,907	1,173,905
	<u>\$ (2,615,337)</u>	<u>\$ 2,971,792</u>	<u>\$ 16,851,690</u>	<u>\$ (7,306,874)</u>
<b>Income before income taxes</b>	<b>\$ 13,738,509</b>	<b>\$ 16,403,588</b>	<b>\$ 48,916,702</b>	<b>\$ 20,478,429</b>
PROVISION FOR INCOME TAXES	2,885,000	3,444,000	10,273,000	4,300,000
Equity in affiliate earnings, net of tax	582,938	474,308	927,998	870,181
<b>NET INCOME</b>	<b>\$ 11,436,447</b>	<b>\$ 13,433,896</b>	<b>\$ 39,571,700</b>	<b>\$ 17,048,610</b>
RETAINED EARNINGS, beg. of period	\$ 249,430,099	\$ 206,608,692	\$ 226,760,207	\$ 204,924,373
Less cash dividends	14,860,765	1,930,394	16,917,041	3,860,789
Less purchase and retirement of capital stock	-	-	3,409,085	-
<b>RETAINED EARNINGS, end of period</b>	<b>\$ 246,005,781</b>	<b>\$ 218,112,194</b>	<b>\$ 246,005,781</b>	<b>\$ 218,112,194</b>
<b>Basic earnings per share</b>	<b>\$ 3.09</b>	<b>\$ 3.48</b>	<b>\$ 10.52</b>	<b>\$ 4.42</b>
<b>Cash dividends per share</b>	<b>\$ 3.95</b>	<b>\$ 0.50</b>	<b>\$ 4.50</b>	<b>\$ 1.00</b>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
<b>NET INCOME</b>	<b>\$ 11,436,447</b>	<b>\$ 13,433,896</b>	<b>\$ 39,571,700</b>	<b>\$ 17,048,610</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 \$94,000, \$169,000, \$402,000 and \$461,000, respectively)	(266,306)	(485,354)	(1,142,962)	(1,314,367)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax benefit of \$(58,000), \$(189,000), \$(362,000) and \$(470,000), respectively)	162,775	544,922	1,029,756	1,340,813
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax</b>	<b>\$ (103,531)</b>	<b>\$ 59,568</b>	<b>\$ (113,206)</b>	<b>\$ 26,446</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 11,332,916</b>	<b>\$ 13,493,464</b>	<b>\$ 39,458,494</b>	<b>\$ 17,075,056</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, 2021 AND 2020 (UNAUDITED)

	2021	2020
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 39,571,700	\$ 17,048,610
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	10,886,725	11,320,795
(Income) loss from derivative financial instruments	(1,672,884)	267,456
Income from equity method investments, net of dividends received	(854,568)	(796,752)
Decrease in long-term notes receivable	22,294	16,392
Deferred income taxes	1,678,500	(2,582,000)
Gain on disposal of assets	(278,554)	(249,378)
Realized gain on sale of equity investments	(6,726,425)	(631,063)
Unrealized holding (gain) loss	(6,610,000)	9,650,000
Postretirement benefits and pension expense	(159,148)	(296,102)
Change in assets and liabilities:		
Receivables, net	(10,543,353)	(3,225,836)
Inventories	3,529,318	(910,530)
Prepaid expenses	(466,917)	150,298
Other assets	44	110,052
Accounts payable and accrued liabilities	5,995,861	1,776,639
Net cash provided by operating activities	<u>\$ 34,372,593</u>	<u>\$ 31,648,581</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	\$ (18,966,196)	\$ (18,384,124)
Proceeds from disposals of property, plant and equipment	431,480	363,260
Payment for purchases of equity investments	(2,115,904)	(6,405,291)
Proceeds from disposals of equity investments	13,794,037	1,779,606
Payment for purchases of derivative financial instruments	-	(837,503)
Net cash used for investing activities	<u>\$ (6,856,583)</u>	<u>\$ (23,484,052)</u>
<b>FINANCING ACTIVITIES:</b>		
Payments on other long-term debt	\$ -	\$ (721,154)
Cash dividends paid	(18,847,436)	(5,791,634)
Purchase of capital stock	(3,495,610)	(6,000)
Net cash used for financing activities	<u>\$ (22,343,046)</u>	<u>\$ (6,518,788)</u>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 5,172,964</b>	<b>\$ 1,645,741</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>30,624,449</u></b>	<b><u>24,145,075</u></b>
<b>Cash and Cash Equivalents, end of period</b>	<b><u>\$ 35,797,413</u></b>	<b><u>\$ 25,790,816</u></b>
Supplemental disclosures:		
Interest paid, net of amount capitalized	\$ 403	\$ 1,712
Income taxes paid	5,429,387	6,920,016
Capital equipment additions included in accounts payable and accrued liabilities	51,093	350,936
Capital stock repurchases included in accrued liabilities	4,650	9,900

See accompanying Notes to the Condensed Consolidated Financial Statements

		Company Stockholders							
		Capital Stock	Class B Capital Stock	Additional Paid-In- Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total	
<b>Balance</b>									
	<b>January 01, 2019</b>	\$ 6,610,398	\$ 3,041,575	\$ 2,485,125	\$ 178,952,905	\$ -	\$ (15,037,431)	\$ 176,052,572	
Net income		-	-	-	33,113,928	-	-	33,113,928	
Dividends declared (\$1.85 per share)		-	-	-	(7,142,460)	-	-	(7,142,460)	
Transfer of shares		6,750	(6,750)	-	-	-	-	-	
Pension and Postretirement current year actuarial loss		-	-	-	-	-	(4,457,062)	(4,457,062)	
Pension and Postretirement current year prior service loss		-	-	-	-	-	(8,860)	(8,860)	
Amortization of Pension and Postretirement prior service cost		-	-	-	-	-	(1,745,303)	(1,745,303)	
Amortization of Pension and Postretirement loss		-	-	-	-	-	1,695,621	1,695,621	
<b>Balance</b>									
	<b>December 31, 2019</b>	\$ 6,617,148	\$ 3,034,825	\$ 2,485,125	\$ 204,924,373	\$ -	\$ (19,553,035)	\$ 197,508,436	
Net Income		-	-	-	33,874,712	-	-	33,874,712	
Dividends declared (\$2.00 per share)		-	-	-	(7,721,578)	-	-	(7,721,578)	
Transfer of shares		59,680	(59,680)	-	-	-	-	-	
Repurchase of capital stock		-	-	-	-	(72,800)	-	(72,800)	
Repurchases of capital stock due to modified Dutch tender offer		-	-	-	-	(4,404,400)	-	(4,404,400)	
Retirement of capital stock		(154,068)	(5,832)	-	(4,317,300)	4,477,200	-	-	
Pension and Postretirement current year actuarial loss		-	-	-	-	-	(6,660,520)	(6,660,520)	
Amortization of Pension and Postretirement prior service cost		-	-	-	-	-	(1,757,113)	(1,757,113)	
Amortization of Pension and Postretirement loss		-	-	-	-	-	1,794,417	1,794,417	
<b>Balance</b>									
	<b>December 31, 2020</b>	\$ 6,522,760	\$ 2,969,313	\$ 2,485,125	\$ 226,760,207	\$ -	\$ (26,176,251)	\$ 212,561,154	
Net Income		-	-	-	39,571,700	-	-	39,571,700	
Dividends declared (\$4.50 per share)		-	-	-	(16,917,041)	-	-	(16,917,041)	
Transfer of shares		38,165	(38,165)	-	-	-	-	-	
Retirement of capital stock		-	(86,525)	-	(3,409,085)	-	-	(3,495,610)	
Amortization of Pension and Postretirement prior service cost		-	-	-	-	-	(1,142,962)	(1,142,962)	
Amortization of Pension and Postretirement loss		-	-	-	-	-	1,029,756	1,029,756	
<b>Balance</b>									
	<b>September 30, 2021</b>	\$ 6,560,925	\$ 2,844,623	\$ 2,485,125	\$ 246,005,781	\$ -	\$ (26,289,457)	\$ 231,606,997	

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, 2021, the amount of accounts payable related to property, plant and equipment was approximately \$51,000 compared to December 31, 2020 which was approximately \$252,000.

**(3) INVENTORIES**

During the third quarter and nine months ended September 30, 2021, we incurred approximately \$519,000 and \$688,000, respectively, temporary last-in, first-out (LIFO) liquidation gain due to the reductions in work in process inventory. We did not incur a temporary last-in, first-out (LIFO) liquidation gain during the three months and nine months ended September 30, 2020. The temporary LIFO liquidation gain has been deferred as a component of accrued liabilities.

**(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 2021 and 2020 include cash and cash equivalents, deferred income taxes, investments and other assets. 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 09/30/21</b>				
Sales to unaffiliated customers	\$ 37,514,441	\$ 26,607,443	\$ -	\$ 64,121,884
Intersegment sales	5,436,418	56,776	(5,493,194)	-
Total net sales	<u>\$ 42,950,859</u>	<u>\$ 26,664,219</u>	<u>\$ (5,493,194)</u>	<u>\$ 64,121,884</u>
Income from operations	<u>\$ 14,819,141</u>	<u>\$ 1,534,705</u>		\$ 16,353,846
Other expense, net				(2,615,337)
Income before income taxes				<u>\$ 13,738,509</u>
Capital Expenditures	\$ 4,206,920	\$ 318,120		\$ 4,525,040

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
<b>For the Three Months Ended 09/30/20</b>				
Sales to unaffiliated customers	\$ 30,191,630	\$ 23,901,006	\$ -	\$ 54,092,636
Intersegment sales	4,782,047	68,438	(4,850,485)	-
Total net sales	<u>\$ 34,973,677</u>	<u>\$ 23,969,444</u>	<u>\$ (4,850,485)</u>	<u>\$ 54,092,636</u>
Income from operations	<u>\$ 11,731,137</u>	<u>\$ 1,700,659</u>		\$ 13,431,796
Other income, net				2,971,792
Income before income taxes				<u>\$ 16,403,588</u>
Capital Expenditures	\$ 6,496,235	\$ 638,968		\$ 7,135,203
<b>For the Nine Months Ended 09/30/21</b>				
Sales to unaffiliated customers	\$ 89,356,240	\$ 67,649,958	\$ -	\$ 157,006,198
Intersegment sales	13,631,762	189,507	(13,821,269)	-
Total net sales	<u>\$ 102,988,002</u>	<u>\$ 67,839,465</u>	<u>\$ (13,821,269)</u>	<u>\$ 157,006,198</u>
Income from operations	<u>\$ 28,897,904</u>	<u>\$ 3,167,108</u>		\$ 32,065,012
Other income, net				16,851,690
Income before income taxes				<u>\$ 48,916,702</u>
Capital Expenditures	\$ 11,314,761	\$ 7,450,440		\$ 18,765,201
<b>For the Nine Months Ended 09/30/20</b>				
Sales to unaffiliated customers	\$ 75,777,819	\$ 61,429,587	\$ -	\$ 137,207,406
Intersegment sales	12,517,241	201,406	(12,718,647)	-
Total net sales	<u>\$ 88,295,060</u>	<u>\$ 61,630,993</u>	<u>\$ (12,718,647)</u>	<u>\$ 137,207,406</u>
Income from operations	<u>\$ 25,778,222</u>	<u>\$ 2,007,081</u>		\$ 27,785,303
Other expense, net				(7,306,874)
Income before income taxes				<u>\$ 20,478,429</u>
Capital Expenditures	\$ 14,765,074	\$ 3,694,235		\$ 18,459,309
<b>Balance at 09/30/21</b>				
Identifiable Assets	<u>\$ 125,522,298</u>	<u>\$ 46,232,229</u>		\$ 171,754,527
Corporate Assets				108,919,753
				<u>\$ 280,674,280</u>
<b>Balance at 12/31/20</b>				
Identifiable Assets	<u>\$ 117,397,798</u>	<u>\$ 39,150,227</u>		\$ 156,548,025
Corporate Assets				101,221,883
				<u>\$ 257,769,908</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. The Company applies mark-to-market accounting to derivative instruments that are not accounted for as hedges.

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 upon the occurrence of an observable price change.

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) DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into derivative transactions to hedge its exposures to commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

The Company enters into energy commodity-based derivatives in order to protect cash flows from fluctuations caused by volatility in the commodity prices in order to protect gross margins from potentially adverse effects of market and price volatility on diesel fuel. These hedges are not designated as effective hedges for accounting purposes. For derivative instruments that are not accounted for as hedges, the Company applies mark-to-market accounting with the change in fair value that is recorded through earnings in the period of change. Derivative fair market gains and losses are included in the results of operations and are included in cost of sales.

As part of the hedging activity, the Company is required to maintain certain levels of cash (margin deposits) with the clearing broker. The net of the margin deposits and equity value of the open positions must be a positive balance or additional cash is required. At times, this balance will be negative, thus requiring additional cash deposits within a specified time period. If the balance is negative as of the date of the balance sheets, this is reported as a current liability on the balance sheets. The corresponding market value of the open positions is reported as a current asset (or liability) on the consolidated balance sheets.

The following table provides the fair value (see Note 6) of the Company's derivative financial instruments not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	September 30, 2021	December 31, 2020
Futures Contracts (Level 2)	Derivative financial instruments	\$ 2,888,430	\$ 1,215,546

The net effect of derivatives not designated as hedges on the Statement of Income for the three months ended September 30, 2021 and 2020:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	September 30, 2021	September 30, 2020
Futures Contracts (Level 2)	Cost of Sales	\$ (239,521)	\$ 192,971

The net effect of derivatives not designated as hedges on the Statement of Income for the nine months ended September 30, 2021 and 2020:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	September 30, 2021	September 30, 2020
Futures Contracts (Level 2)	Cost of Sales	\$ (1,676,539)	\$ 267,456

## (8) INVESTMENTS

### Equity Investments

The following table shows the gross unrealized gains (losses) recorded in the income statement aggregated by investment category at:

	September 30, 2021	September 30, 2020
Cement industry	\$ 1,020,000	\$ (1,660,000)
General building materials industry	4,745,000	(3,560,000)
Oil & gas refining and marketing industry	930,000	(5,545,000)
Residential construction industry	(85,000)	1,115,000
Total	\$ 6,610,000	\$ (9,650,000)

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

	September 30, 2021	December 31, 2020
Cement industry	\$ 17,770,008	\$ 19,569,886
General building materials industry	18,470,331	17,478,816
Oil & gas refining and marketing industry	11,764,289	8,967,850
Residential construction industry	2,865,408	3,195,192
Total	\$ 50,870,036	\$ 49,211,744

### 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:

	September 30, 2021	December 31, 2020
Carrying value	\$ 11,610,320	\$ 10,755,752
Ownership percentage	32.46%	32.46%
Cash dividends received	\$ 73,429	\$ 73,429
Undistributed earnings	6,972,261	6,044,263
Difference between carrying amount and the underlying equity in net assets*	(240,382)	(166,953)

	September 30, 2021	September 30, 2020
Equity in earnings	\$ 927,998	\$ 870,181

\* 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, 2021 and 2020, the Company purchased \$0.3 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, 2021 and 2020, the Company purchased \$0.7 million and \$0.7 million, respectively, of brick from GFI in arm's length transactions in the normal course of business for resale to third parties. 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, 2021 and 2020.

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, 2021 or December 31, 2020.

## (9) 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, 2021 and 2020:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Service Cost	\$ 552,425	\$ 469,579	\$ 108,479	\$ 103,913
Interest Cost	42,444	460,150	58,329	115,414
Less: Expected return on plan assets	(117,301)	1,029,192	-	-
Amortization of prior service cost	51	17,418	(360,357)	(671,772)
Recognized net actuarial loss	98,144	561,244	122,632	172,678
Net periodic (benefit) expense	<u>\$ 810,365</u>	<u>\$ 479,199</u>	<u>\$ (70,917)</u>	<u>\$ (279,767)</u>



The following table presents the components of net periodic pension and postretirement benefit costs for the nine months ended September 30, 2021 and 2020:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Service Cost	\$ 1,208,802	\$ 1,023,622	\$ 259,004	\$ 225,817
Interest Cost	918,296	1,365,894	305,896	371,399
Less: Expected return on plan assets	1,558,737	2,613,786	-	-
Amortization of prior service cost	31,216	48,602	(1,576,178)	(1,823,969)
Recognized net actuarial loss	1,010,558	1,422,912	381,198	387,901
Net periodic (benefit) expense	<u>\$ 1,610,135</u>	<u>\$ 1,247,244</u>	<u>\$ (630,080)</u>	<u>\$ (838,852)</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, 2020, there are no minimum expected contributions to the pension plans for the year 2021. As of September 30, 2021, we have contributed approximately \$500,000 to this plan in 2021.

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, 2020, Monarch expects expenditures of approximately \$989,000 for this plan in 2021. As of September 30, 2021, we have contributed approximately \$639,000 and anticipate contributing an additional \$350,000 to this plan in 2021 for a total of \$989,000.

#### (10) 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, 2021 and 2020:

Reclassification for	2021	2020
Net periodic pension and postretirement costs in:		
Other, net	\$ 139,531	\$ (79,568)
Tax benefit (expense)	(36,000)	20,000
Net of tax	<u>\$ 103,531</u>	<u>\$ (59,568)</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, 2021 and 2020:

Reclassification for	2021	2020
Net periodic pension and postretirement costs in:		
Other, net	\$ 153,206	\$ (35,446)
Tax benefit (expense)	(40,000)	9,000
Net of tax	<u>\$ 113,206</u>	<u>\$ (26,446)</u>

#### (11) 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.

#### (12) 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 3,762,219 and 3,779,714 in the third quarter and first nine months of 2021, 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 2020, respectively. The Company has no capital stock equivalents and therefore, does not report diluted earnings per share.

#### (13) 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 2017. 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 three months ended September 30, 2021 or September 30, 2020.