

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## The Monarch Cement Company

A Kansas Corporation

P.O Box 1000, Humboldt, Kansas

---

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:** March 31, 2023

#### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

2,578,863 of our Common Stock as of March 31, 2023

1,130,013 of our Class B Common Stock as of March 31, 2023

2,578,451 of our Common Stock as of December 31, 2022

1,130,425 of our Class B Common Stock as of December 31, 2022

#### **Shell Status**

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:

#### **Change in Control**

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

Yes:  No:

#### **1) Name and address(es) of the issuer and its predecessors (if any)**

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:

The Company issued 15,239 of Capital Stock in August 2022 as part of the consideration paid by the Company for the acquisition of American Concrete Company.

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

The Monarch Cement Company

449 1200 Street  
P.O. Box 1000  
Humboldt, KS 66748

The address(es) of the issuer's principal place of business:

*Check box if principal executive office and principal place of business are the same address:*

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

Yes:  No:

## 2) Security Information

### Transfer Agent

Name: The Monarch Cement Company  
Address: 449 1200 Street  
P.O. Box 1000  
Humboldt, KS 66748-0900  
Phone: 620-473-2222  
Email: [shareholder.relations@monarchcement.com](mailto:shareholder.relations@monarchcement.com)

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

### Publicly Quoted or Traded Securities:

|                                                  |                                 |
|--------------------------------------------------|---------------------------------|
| 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 March 31, 2023 |
| Total shares outstanding:                        | 2,578,863 as of March 31, 2023  |

|                                                  |                                 |
|--------------------------------------------------|---------------------------------|
| 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 March 31, 2023 |
| Total shares outstanding:                        | 1,130,013 as of March 31, 2023  |

|                                         |                                |
|-----------------------------------------|--------------------------------|
| Number of shares in the Public Float:   | 3,212,650 as of March 31, 2023 |
| Total number of shareholders of record: | 310 as of March 31, 2023       |

### Security Description:

1. **For common equity, describe any dividend, voting and preemption rights.**

Each issued and outstanding share of our Capital Stock as of the close of business on the record date is entitled to one vote on each matter submitted to a vote at the annual meeting, and each issued and outstanding share of our Class B Capital Stock as of the close of business on the record date is entitled to ten votes on each matter submitted to a vote at the annual meeting.

We pay the same dividend on both Capital Stock and Class B Capital Stock.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

None.

3. **Describe any other material rights of common or preferred stockholders.**

Class B shares have restrictions on transferability, but they can always be converted into Capital Stock.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None.

**3) Issuance History**

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

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Pursuant to the provisions of Monarch's Articles of Incorporation governing the conversion of its Class B Capital Stock into Capital Stock a total of 412 shares of Monarch's Capital Stock were issued in the three-month ended March 31, 2023, upon conversion of an equal number of shares of Monarch's Class B Capital Stock. The following changes occurred to shares during the past two years as indicated below:

| Number of Shares outstanding as of 01/01/2021 |                                                                                 | Opening Balance:                       |                     |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
|-----------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------|---------------------|---------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------|
|                                               |                                                                                 | Capital: 2,609,104                     |                     |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
|                                               |                                                                                 | Class B: 1,187,725                     |                     |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 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? |
| 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  |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 12/15/21                                      | Conversion                                                                      | 200                                    | Class B to Capital  |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 12/21/21                                      | Retirement                                                                      | 260                                    | Capital             |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 1/17/22                                       | Conversion                                                                      | 850                                    | Class B to Capital  |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 8/1/22                                        | Issuance                                                                        | 15,239                                 | Capital             |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 9/16/22                                       | Retirement                                                                      | 2,383                                  | Capital             |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 9/19/22                                       | Retirement                                                                      | 3,753                                  | Capital             |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |
| 9/20/22                                       | Conversion                                                                      | 5,374                                  | Class B to Capital  |                                                   |                                                                                        |                                                                                                                      |                                                                                                             |                                               |                                 |

|                                   |                                                             |        |                    |  |  |  |  |  |  |
|-----------------------------------|-------------------------------------------------------------|--------|--------------------|--|--|--|--|--|--|
| 10/7/22                           | Conversion                                                  | 1,000  | Class B to Capital |  |  |  |  |  |  |
| 12/12/22                          | Retirement                                                  | 58,186 | Capital            |  |  |  |  |  |  |
| 12/19/22                          | Retirement                                                  | 4,000  | Capital            |  |  |  |  |  |  |
| 2/23/23                           | Conversion                                                  | 412    | Class B to Capital |  |  |  |  |  |  |
| Shares Outstanding on 03/31/2023: | Ending Balance:<br>Capital: 2,578,863<br>Class B: 1,130,013 |        |                    |  |  |  |  |  |  |

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 three months ended March 31, 2023.

#### B. Promissory and Convertible Notes

The Company has a current credit agreement with BOKF, NA dba Bank of Oklahoma which provides for a \$15.0 million revolving note maturing on December 31, 2024; the previous agreement matured on December 31, 2021. As of March 31, 2023 and December 31, 2022, there was nothing borrowed against the revolving loan.

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

| 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) 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. List any subsidiaries, parent company, or affiliated companies.

Subsidiaries of Monarch include: American Concrete Company, Inc., 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., Lion's Share Insurance, Inc., 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.

**5) 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.

**6) 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 | Names of control person(s) if a corporate entity |
|---------------------------------------------|------------------------------------------------------------------------|-----------------------------------------|------------------------|------------------|-------------------------------------------|--------------------------------------------------|
| Walter H. Wulf, Jr.                         | Officer/Director                                                       | Humboldt, KS                            | 169,452                | Capital          | 6.57%                                     |                                                  |
|                                             |                                                                        |                                         | 195,525                | Class B          | 17.30%                                    |                                                  |
| Kent A. Webber                              | Officer/Director                                                       | Chanute, KS                             | 4,100                  | Capital          | *                                         |                                                  |
| Robert M. Kissick                           | Officer/Director                                                       | Leawood, KS                             | 14,182                 | Capital          | *                                         |                                                  |
|                                             |                                                                        |                                         | 39,903                 | Class B          | 3.53%                                     |                                                  |
| Tony D. Kasten                              | Officer                                                                | Chanute, KS                             | 100                    | Capital          | *                                         |                                                  |
| Lisa J. Fontaine                            | Officer                                                                | Iola, KS                                | 2,500                  | Capital          | *                                         |                                                  |

|                     |                       |                       |                    |                    |                 |  |
|---------------------|-----------------------|-----------------------|--------------------|--------------------|-----------------|--|
| Kenneth G. Miller   | Officer               | Humboldt, KS          | 2,200              | Capital            | *               |  |
| Douglas W. Sommers  | Officer               | Chanute, KS           | 691                | Capital            | *               |  |
| Mark A. Callaway    | Director              | Wichita, KS           | 100                | Capital            | *               |  |
| David L. Deffner    | Director              | Gulf Shores, AL       | 11,863             | Class B            | 1.05%           |  |
| Gayle C. McMillen   | Director              | Salina, KS            | 34,610             | Class B            | 3.06%           |  |
| Byron J. Radcliff   | Director              | Steamboat Springs, CO | 4,250<br>1,000     | Capital<br>Class B | *<br>*          |  |
| 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<br>600       | Capital<br>Class B | *<br>*          |  |
| Walter H. Wulf, III | Director              | Birmingham, MI        | 3,800<br>4,500     | Capital<br>Class B | *<br>*          |  |
| Paula D. Radcliff   | Owner of more than 5% | Dexter, KS            | 199,760<br>211,960 | Capital<br>Class B | 7.75%<br>18.75% |  |

\*Less than one percent.

## 7) 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

## 8) Third Party Service 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

## 9) 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

Describe the qualifications of the person or persons who prepared the financial statements: Mr. Kasten is a CPA with over 20 years of experience working with complex consolidated financial statements. He has served the company as Chief Financial Officer since 2019 and has a B.B.A in Finance and an M.B.A. with an emphasis in Accounting.

## 10) Issuer Certification

*Principal Executive Officer:*

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

1. I have reviewed this Disclosure Statement for 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.

May 12, 2023

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



*Principal Financial Officer:*

I, Tony Kasten certify that:

1. I have reviewed this Disclosure Statement for 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.

May 12, 2023

/s/ Tony Kasten  
Chief Financial Officer  
Secretary-Treasurer

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2023 (UNAUDITED) AND DECEMBER 31, 2022

| ASSETS                                                                                                                                                                                                                                                                                                                    | 2023                  | 2022                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Current Assets:                                                                                                                                                                                                                                                                                                           |                       |                       |
| Cash and cash equivalents (including \$1,826,817 and \$1,918,736 of restricted cash at March 31, 2023 and December 31, 2022, respectively)                                                                                                                                                                                | \$ 45,003,347         | \$ 55,908,662         |
| Receivables, less allowances of \$418,500 in 2023 and \$403,500 in 2022 for doubtful accounts                                                                                                                                                                                                                             | 27,114,013            | 22,528,265            |
| Inventories                                                                                                                                                                                                                                                                                                               |                       |                       |
| Finished cement                                                                                                                                                                                                                                                                                                           | \$ 10,384,285         | \$ 6,242,794          |
| Work in process                                                                                                                                                                                                                                                                                                           | 7,218,242             | 4,696,724             |
| Building products                                                                                                                                                                                                                                                                                                         | 3,548,737             | 3,090,572             |
| Fuel, gypsum, paper sacks and other                                                                                                                                                                                                                                                                                       | 10,930,875            | 9,651,643             |
| Operating and maintenance supplies                                                                                                                                                                                                                                                                                        | 22,805,503            | 23,000,051            |
| Total inventories                                                                                                                                                                                                                                                                                                         | \$ 54,887,642         | \$ 46,681,784         |
| Derivative financial instruments                                                                                                                                                                                                                                                                                          | 1,156,497             | 1,869,466             |
| Prepaid expenses                                                                                                                                                                                                                                                                                                          | 3,834,554             | 2,985,587             |
| <b>Total current assets</b>                                                                                                                                                                                                                                                                                               | <b>\$ 131,996,053</b> | <b>\$ 129,973,764</b> |
| Property, Plant and Equipment, at cost, less accumulated depreciation and depletion of \$296,881,967 in 2023 and \$294,443,621 in 2022                                                                                                                                                                                    | 128,978,811           | 123,660,153           |
| Prepaid Pension                                                                                                                                                                                                                                                                                                           | 10,002,294            | 9,827,053             |
| Investments                                                                                                                                                                                                                                                                                                               | 44,386,512            | 42,158,560            |
| Investments in Affiliates                                                                                                                                                                                                                                                                                                 | 14,072,063            | 13,643,815            |
| Other Assets                                                                                                                                                                                                                                                                                                              | 4,927,010             | 4,925,833             |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                                                                                       | <b>\$ 334,362,743</b> | <b>\$ 324,189,178</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                               |                       |                       |
| Current Liabilities:                                                                                                                                                                                                                                                                                                      |                       |                       |
| Accounts payable                                                                                                                                                                                                                                                                                                          | \$ 8,796,420          | \$ 8,402,305          |
| Accrued liabilities                                                                                                                                                                                                                                                                                                       |                       |                       |
| Dividends                                                                                                                                                                                                                                                                                                                 | -                     | 2,262,414             |
| Compensation and benefits                                                                                                                                                                                                                                                                                                 | 3,654,375             | 4,221,621             |
| Federal and state income taxes                                                                                                                                                                                                                                                                                            | 2,648,789             | 549,268               |
| Miscellaneous taxes                                                                                                                                                                                                                                                                                                       | 1,068,137             | 674,232               |
| Other                                                                                                                                                                                                                                                                                                                     | 3,924,491             | 2,557,229             |
| <b>Total current liabilities</b>                                                                                                                                                                                                                                                                                          | <b>\$ 20,092,212</b>  | <b>\$ 18,667,069</b>  |
| Deferred Income Taxes                                                                                                                                                                                                                                                                                                     | 7,337,528             | 6,495,845             |
| Accrued Compensation and benefits                                                                                                                                                                                                                                                                                         | 211,104               | 211,104               |
| Accrued Postretirement Benefits                                                                                                                                                                                                                                                                                           | 11,099,797            | 11,125,917            |
| Stockholders' Equity:                                                                                                                                                                                                                                                                                                     |                       |                       |
| Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,578,863 shares at 03/31/2023 and 2,578,451 shares at 12/31/2022                                                                                                                                    | \$ 6,447,158          | \$ 6,446,128          |
| 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 1,130,013 shares at 03/31/2023 and 1,130,425 shares at 12/31/2022 | 2,825,033             | 2,826,063             |
| Additional paid-in-capital                                                                                                                                                                                                                                                                                                | 4,047,123             | 4,047,123             |
| Retained earnings                                                                                                                                                                                                                                                                                                         | 288,251,120           | 280,297,580           |
| Accumulated other comprehensive loss                                                                                                                                                                                                                                                                                      | (5,948,332)           | (5,927,651)           |
| <b>Total Stockholders' Equity</b>                                                                                                                                                                                                                                                                                         | <b>\$ 295,622,102</b> | <b>\$ 287,689,243</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                                                                                                                                         | <b>\$ 334,362,743</b> | <b>\$ 324,189,178</b> |

See accompanying Notes to the Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (UNAUDITED)

|                                                 | 2023                  | 2022                  |
|-------------------------------------------------|-----------------------|-----------------------|
| NET SALES                                       | \$ 46,402,355         | \$ 34,665,771         |
| COST OF SALES                                   | 34,529,655            | 25,835,862            |
| <b>Gross profit from operations</b>             | <b>\$ 11,872,700</b>  | <b>\$ 8,829,909</b>   |
| SELLING, GENERAL AND<br>ADMINISTRATIVE EXPENSES | 6,542,549             | 5,011,753             |
| <b>Gain (loss) from operations</b>              | <b>\$ 5,330,151</b>   | <b>\$ 3,818,156</b>   |
| OTHER INCOME (EXPENSE):                         |                       |                       |
| Interest income                                 | \$ 241,169            | \$ 19,078             |
| Interest expense                                | (1,872)               | (5,908)               |
| Gain on sale of equity investments              | 108,169               | 2,920,705             |
| Unrealized gain (loss) on equity investments    | 2,570,000             | (7,020,000)           |
| Dividend income                                 | 604,246               | 35,205                |
| Other, net                                      | 673,429               | 339,730               |
|                                                 | <u>\$ 4,195,141</u>   | <u>\$ (3,711,190)</u> |
| <b>Income before income taxes</b>               | <b>\$ 9,525,292</b>   | <b>\$ 106,966</b>     |
| PROVISION FOR INCOME TAXES                      | 2,000,000             | 23,000                |
| Equity in affiliate earnings, net of tax        | 428,248               | 402,815               |
| <b>NET INCOME</b>                               | <b>\$ 7,953,540</b>   | <b>\$ 486,781</b>     |
| RETAINED EARNINGS, beginning of period          | \$ 280,297,580        | \$ 264,635,013        |
| Less cash dividends                             | -                     | -                     |
| <b>RETAINED EARNINGS, end of period</b>         | <b>\$ 288,251,120</b> | <b>\$ 265,121,794</b> |
| <b>Basic earnings per share:</b>                | <b>\$ 2.14</b>        | <b>\$ 0.13</b>        |

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (UNAUDITED)

|                                                                                                                                                                   | 2023                | 2022                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>NET INCOME</b>                                                                                                                                                 | <b>\$ 7,953,540</b> | <b>\$ 486,781</b>   |
| <b>OTHER COMPREHENSIVE INCOME, net of deferred tax</b>                                                                                                            |                     |                     |
| AMORTIZATION OF PENSION AND POSTRETIREMENT, PRIOR<br>SERVICE COST (Net of deferred tax benefit of \$(101,000) and<br>\$(155,000) for 2023 and 2022, respectively) | (288,049)           | (439,426)           |
| AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS<br>(Net of deferred tax expense of \$94,000 and \$419,000 for 2023 and<br>2022, respectively)                     | 267,368             | 1,189,071           |
| <b>OTHER COMPREHENSIVE INCOME, net of deferred tax</b>                                                                                                            | <b>\$ (20,681)</b>  | <b>\$ 749,645</b>   |
| <b>COMPREHENSIVE INCOME</b>                                                                                                                                       | <b>\$ 7,932,859</b> | <b>\$ 1,236,426</b> |

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (UNAUDITED)

|                                                                                       | 2023                        | 2022                        |
|---------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>OPERATING ACTIVITIES:</b>                                                          |                             |                             |
| Net income                                                                            | \$ 7,953,540                | \$ 486,781                  |
| Adjustments to reconcile net income (loss) to net cash used for operating activities: |                             |                             |
| Depreciation, depletion and amortization                                              | 3,785,769                   | 3,393,215                   |
| (Gain) loss on derivative financial instruments                                       | 712,969                     | (2,201,493)                 |
| Income from equity method investments, net of dividends                               | (428,248)                   | (402,815)                   |
| Decrease in long-term notes receivable                                                | -                           | 7,715                       |
| Deferred income taxes                                                                 | 848,683                     | (1,800,650)                 |
| Gain on disposal of assets                                                            | (100,521)                   | (357,374)                   |
| Realized gain on sale of equity investments                                           | (108,169)                   | (2,920,705)                 |
| Unrealized holding (gain) loss on equity investments                                  | (2,570,000)                 | 7,020,000                   |
| Postretirement benefit and pension expense                                            | (229,042)                   | 125,122                     |
| Change in assets and liabilities:                                                     |                             |                             |
| Receivables, net                                                                      | (4,585,748)                 | 3,658,555                   |
| Inventories                                                                           | (8,205,858)                 | (7,533,514)                 |
| Prepaid expenses                                                                      | (848,967)                   | (3,251,745)                 |
| Other assets                                                                          | (1,177)                     | (13,506)                    |
| Accounts payable and accrued liabilities                                              | 3,683,090                   | 2,274,275                   |
| Net cash provided by (used for) operating activities                                  | <u>\$ (93,679)</u>          | <u>\$ (1,516,139)</u>       |
| <b>INVESTING ACTIVITIES:</b>                                                          |                             |                             |
| Acquisition of property, plant and equipment                                          | \$ (9,146,238)              | \$ (11,888,087)             |
| Proceeds from disposals of property, plant and equipment                              | 146,799                     | 370,618                     |
| Payment for purchases of equity investments                                           | (11,000)                    | -                           |
| Payment for purchases of derivative financial instruments                             | -                           | 1,100,000                   |
| Proceeds from disposals of equity investments                                         | 461,217                     | 4,870,967                   |
| Payment for acquisition of equity method investments                                  | -                           | (543,500)                   |
| Net cash used for investing activities                                                | <u>\$ (8,549,222)</u>       | <u>\$ (6,090,002)</u>       |
| <b>FINANCING ACTIVITIES:</b>                                                          |                             |                             |
| Cash dividends paid                                                                   | \$ (2,262,414)              | \$ (2,069,077)              |
| Net cash used for financing activities                                                | <u>\$ (2,262,414)</u>       | <u>\$ (2,069,077)</u>       |
| <b>Net decrease in cash and cash equivalents</b>                                      | <b>\$ (10,905,315)</b>      | <b>\$ (9,675,218)</b>       |
| <b>Cash and Cash Equivalents, beginning of year</b>                                   | <b>55,908,662</b>           | <b>53,719,765</b>           |
| <b>Cash and Cash Equivalents, end of period</b>                                       | <b><u>\$ 45,003,347</u></b> | <b><u>\$ 44,044,547</u></b> |
| <b>Supplemental disclosure:</b>                                                       |                             |                             |
| Interest paid, net of amount capitalized                                              | \$ 1,872                    | \$ (5,908)                  |
| Income taxes paid                                                                     | -                           | 1,436,074                   |
| Income tax refund                                                                     | -                           | (23,142)                    |
| Capital equipment additions included in accounts payable and accrued liabilities      | 178,712                     | 757,239                     |
| Capital stock repurchases included in accrued liabilities                             | 4,650                       | 4,650                       |

See accompanying Notes to the Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2023 (UNAUDITED) AND YEARS ENDED DECEMBER 31, 2022 AND 2021

|                                                                   |                          | Company Stockholders |                             |                                   |                      |                   |                                                                    | Total        |
|-------------------------------------------------------------------|--------------------------|----------------------|-----------------------------|-----------------------------------|----------------------|-------------------|--------------------------------------------------------------------|--------------|
|                                                                   |                          | Capital<br>Stock     | Class B<br>Capital<br>Stock | Additional<br>Paid-In-<br>Capital | Retained<br>Earnings | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income (Loss), Net of Tax | Total        |
| <b>Balance</b>                                                    |                          |                      |                             |                                   |                      |                   |                                                                    |              |
|                                                                   | <b>January 01, 2021</b>  | \$ 6,522,760         | 2,969,313                   | 2,485,125                         | 229,424,207          | -                 | (26,176,251)                                                       | 215,225,154  |
| Net Income                                                        |                          | -                    | -                           | -                                 | 59,703,180           | -                 | -                                                                  | 59,703,180   |
| Dividends declared<br>(\$5.60 per share)                          |                          | -                    | -                           | -                                 | (21,055,339)         | -                 | -                                                                  | (21,055,339) |
| Transfer of shares                                                |                          | 38,665               | (38,665)                    | -                                 | -                    | -                 | -                                                                  | -            |
| Retirement of capital stock                                       |                          | (650)                | (86,525)                    | -                                 | (3,437,035)          | -                 | -                                                                  | (3,524,210)  |
| Pension and Postretirement current<br>year actuarial gain         |                          | -                    | -                           | -                                 | -                    | -                 | 9,442,962                                                          | 9,442,962    |
| Amortization of Pension and<br>Postretirement prior service cost  |                          | -                    | -                           | -                                 | -                    | -                 | (1,589,346)                                                        | (1,589,346)  |
| Amortization of Pension and<br>Postretirement loss                |                          | -                    | -                           | -                                 | -                    | -                 | 2,219,829                                                          | 2,219,829    |
| <b>Balance</b>                                                    |                          |                      |                             |                                   |                      |                   |                                                                    |              |
|                                                                   | <b>December 31, 2021</b> | \$ 6,560,775         | 2,844,123                   | 2,485,125                         | 264,635,013          | -                 | (16,102,806)                                                       | 260,422,230  |
| Net Income                                                        |                          | -                    | -                           | -                                 | 40,876,176           | -                 | -                                                                  | 40,876,176   |
| Dividends declared<br>(\$4.83 per share)                          |                          | -                    | -                           | -                                 | (18,153,658)         | -                 | -                                                                  | (18,153,658) |
| Transfer of shares                                                |                          | 18,060               | (18,060)                    | -                                 | -                    | -                 | -                                                                  | -            |
| Retirement of capital stock                                       |                          | (170,805)            | -                           | -                                 | (7,059,951)          | -                 | -                                                                  | (7,230,756)  |
| Issuance of 15,239 shares with market<br>value \$105.00 per share |                          | 38,098               | -                           | 1,561,998                         | -                    | -                 | -                                                                  | 1,600,096    |
| Pension and Postretirement current<br>year actuarial gain         |                          | -                    | -                           | -                                 | -                    | -                 | 10,265,438                                                         | 10,265,438   |
| Pension and Postretirement current<br>year prior service credit   |                          | -                    | -                           | -                                 | -                    | -                 | (9,559)                                                            | (9,559)      |
| Amortization of Pension and<br>Postretirement prior service cost  |                          | -                    | -                           | -                                 | -                    | -                 | (1,151,194)                                                        | (1,151,194)  |
| Amortization of Pension and<br>Postretirement loss                |                          | -                    | -                           | -                                 | -                    | -                 | 1,070,470                                                          | 1,070,470    |
| <b>Balance</b>                                                    |                          |                      |                             |                                   |                      |                   |                                                                    |              |
|                                                                   | <b>December 31, 2022</b> | \$ 6,446,128         | 2,826,063                   | 4,047,123                         | 280,297,580          | -                 | (5,927,651)                                                        | 287,689,243  |
| Net Income                                                        |                          | -                    | -                           | -                                 | 7,953,540            | -                 | -                                                                  | 7,953,540    |
| Transfer of shares                                                |                          | 1,030                | (1,030)                     | -                                 | -                    | -                 | -                                                                  | -            |
| Amortization of Pension and<br>Postretirement prior service cost  |                          | -                    | -                           | -                                 | -                    | -                 | (288,049)                                                          | (288,049)    |
| Amortization of Pension and<br>Postretirement loss                |                          | -                    | -                           | -                                 | -                    | -                 | 267,368                                                            | 267,368      |
| <b>Balance</b>                                                    |                          |                      |                             |                                   |                      |                   |                                                                    |              |
|                                                                   | <b>March 31, 2023</b>    | \$ 6,447,158         | 2,825,033                   | 4,047,123                         | 288,251,120          | -                 | (5,948,332)                                                        | 295,622,102  |

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 March 31, 2023, the amount of accounts payable related to property, plant and equipment was approximately \$179,000 compared to December 31, 2022 which was approximately \$174,000.

**(3) INVENTORIES**

During the fourth quarter of the fiscal year ended December 31, 2022, the Company elected to change its method for valuing finished cement and work in process from the last-in, first-out (LIFO) method to the average cost method, whereas in all prior years, inventory was valued using the LIFO method. The Company believes that the average cost method of inventory valuation is preferable because (1) the costs of the Company's inventories have remained fairly level during the past several years, which has substantially negated the financial reporting benefits of the LIFO method, which provides a better matching of current costs with current revenues in periods of rising costs, (2) the average cost method results in the valuation of inventories at more current costs on the consolidated balance sheet, which provides a more meaningful presentation for investors and (3) average cost method is prevalent in the industry in which the Company operates and provides more comparable information to other entities within the industry for investors' consideration.

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.

**(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 2023 and 2022 include cash and cash equivalents, investments and other assets. Following is a summary of the Company's business segment results for the periods indicated:

|                                              | Cement<br>Business    | Ready-Mixed<br>Concrete<br>Business | Adjustments<br>and<br>Eliminations | Consolidated          |
|----------------------------------------------|-----------------------|-------------------------------------|------------------------------------|-----------------------|
| <b>For the Three Months Ended 03/31/2023</b> |                       |                                     |                                    |                       |
| Sales to unaffiliated customers              | \$ 26,204,761         | \$ 20,197,594                       | \$ -                               | \$ 46,402,355         |
| Intersegment sales                           | 3,930,570             | 425,854                             | (4,356,424)                        | -                     |
| Total net sales                              | <u>\$ 30,135,331</u>  | <u>\$ 20,623,448</u>                | <u>\$ (4,356,424)</u>              | <u>\$ 46,402,355</u>  |
| Income (Loss) from operations                | <u>\$ 5,572,043</u>   | <u>\$ (241,892)</u>                 |                                    | <u>\$ 5,330,151</u>   |
| Other loss, net                              |                       |                                     |                                    | 4,195,141             |
| Income before income taxes                   |                       |                                     |                                    | <u>\$ 9,525,292</u>   |
| Capital Expenditures                         | \$ 7,392,288          | \$ 1,758,417                        |                                    | <u>\$ 9,150,705</u>   |
| <b>For the Three Months Ended 03/31/2022</b> |                       |                                     |                                    |                       |
| Sales to unaffiliated customers              | \$ 18,447,718         | \$ 16,218,053                       | \$ -                               | \$ 34,665,771         |
| Intersegment sales                           | 3,432,788             | 109,746                             | (3,542,534)                        | -                     |
| Total net sales                              | <u>\$ 21,880,506</u>  | <u>\$ 16,327,799</u>                | <u>\$ (3,542,534)</u>              | <u>\$ 34,665,771</u>  |
| Income (Loss) from operations                | <u>\$ 5,170,956</u>   | <u>\$ (1,352,800)</u>               |                                    | <u>\$ 3,818,156</u>   |
| Other loss, net                              |                       |                                     |                                    | (3,711,190)           |
| Income before income taxes                   |                       |                                     |                                    | <u>\$ 106,966</u>     |
| Capital Expenditures                         | \$ 5,657,320          | \$ 6,505,983                        |                                    | <u>\$ 12,163,303</u>  |
| <b>Balance at 03/31/2023</b>                 |                       |                                     |                                    |                       |
| Identifiable Assets                          | <u>\$ 164,601,379</u> | <u>\$ 50,213,641</u>                |                                    | \$ 214,815,020        |
| Corporate Assets                             |                       |                                     |                                    | 119,547,723           |
|                                              |                       |                                     |                                    | <u>\$ 334,362,743</u> |
| <b>Balance at 12/31/2022</b>                 |                       |                                     |                                    |                       |
| Identifiable Assets                          | <u>\$ 148,348,955</u> | <u>\$ 47,506,834</u>                |                                    | \$ 195,855,789        |
| Corporate Assets                             |                       |                                     |                                    | 128,333,389           |
|                                              |                       |                                     |                                    | <u>\$ 324,189,178</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:

| <u>Derivatives Not Designated as Hedging Instruments</u> | <u>Balance Sheet Classification</u> | <u>March 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------------------------|-------------------------------------|-----------------------|--------------------------|
| Futures Contracts (Level 2)                              | Derivative financial instruments    | \$ 1,156,497          | \$ 1,869,466             |

The net effect of derivatives not designated as hedges on the Statement of Income:

| <u>Derivatives Not Designated as Hedging Instruments</u> | <u>Income Statement Classification</u> | <u>March 31, 2023</u> | <u>March 31, 2022</u> |
|----------------------------------------------------------|----------------------------------------|-----------------------|-----------------------|
| Futures Contracts (Level 2)                              | Cost of Sales                          | \$ 712,969            | \$ (2,201,493)        |

## **(8) INVESTMENTS**

### **Equity Investments**

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

|                                           | <u>March 31, 2023</u> | <u>March 31, 2022</u> |
|-------------------------------------------|-----------------------|-----------------------|
| Cement industry                           | \$ 1,150,000          | \$ (5,740,000)        |
| General building materials industry       | (120,000)             | (3,900,000)           |
| Oil & gas refining and marketing industry | 555,000               | 3,750,000             |
| Residential construction industry         | 985,000               | (1,130,000)           |
| Total                                     | <u>\$ 2,570,000</u>   | <u>\$ (7,020,000)</u> |

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

|                                           | <u>March 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------|-----------------------|--------------------------|
| Cement industry                           | \$ 15,715,134         | \$ 14,568,743            |
| General building materials industry       | 13,984,020            | 14,100,667               |
| Oil & gas refining and marketing industry | 9,984,162             | 9,423,321                |
| Residential construction industry         | 4,703,196             | 4,065,829                |
| Total                                     | <u>\$ 44,386,512</u>  | <u>\$ 42,158,560</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>March 31, 2023</u> | <u>December 31, 2022</u> |
| Carrying value                                                              | \$ 14,072,063         | \$ 13,643,815            |
| Ownership percentage                                                        | 36.14%                | 36.14%                   |
| Cash dividends received                                                     | -                     | 77,342                   |
| Undistributed earnings                                                      | 8,967,846             | 8,540,114                |
| Difference between carrying amount and the underlying equity in net assets* | 225,775               | 225,775                  |
|                                                                             | <u>March 31, 2023</u> | <u>March 31, 2022</u>    |
| Equity in earnings                                                          | 428,248               | 402,815                  |

\* 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 March 31, 2023 and 2022, the Company purchased \$0.4 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. 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 March 31, 2023 and 2022.

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 March 31, 2023 or December 31, 2022.

## (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 March 31, 2023 and 2022:

|                                      | <u>Pension Benefits</u> |                   | <u>Other Benefits</u> |                     |
|--------------------------------------|-------------------------|-------------------|-----------------------|---------------------|
|                                      | <u>2023</u>             | <u>2022</u>       | <u>2023</u>           | <u>2022</u>         |
| Service Cost                         | \$ 388,253              | \$ 438,124        | \$ 79,827             | \$ 85,704           |
| Interest Cost                        | 448,167                 | 607,858           | 112,385               | 96,327              |
| Less: Expected return on plan assets | 1,011,490               | 1,920,785         | -                     | -                   |
| Amortization of prior service cost   | 1,718                   | 683               | (390,767)             | (595,110)           |
| Recognized net actuarial loss        | 262,615                 | 1,405,553         | 98,753                | 202,519             |
| Net periodic (benefit) expense       | <u>\$ 89,263</u>        | <u>\$ 531,433</u> | <u>\$ (99,802)</u>    | <u>\$ (210,560)</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, 2022, there are no minimum expected contributions to the pension plans for the year 2023. As of March 31, 2023, we have made no contributions to the plans.

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, 2022, Monarch expects expenditures of approximately \$927,000 for this plan in 2023. As of March 31, 2023, we have contributed approximately \$218,000 and anticipate contributing an additional \$709,000 to this plan in 2023 for a total of \$927,000.

#### **(10) RECLASSIFICATION OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the reclassifications out of accumulated other comprehensive income (loss) and the affected line item in the statements where net income is presented for the three months ended March 31, 2023 and 2022:

| Reclassification for                              | 2023        | 2022         |
|---------------------------------------------------|-------------|--------------|
| Net periodic pension and postretirement costs in: |             |              |
| Other, net                                        | \$ (27,681) | \$ 1,013,645 |
| Tax benefit (expense)                             | 7,000       | (264,000)    |
| Net of tax                                        | \$ (20,681) | \$ 749,645   |

#### **(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 3,708,876 and 3,761,959, respectively, for the first quarter of 2023 and 2022. 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 2019. 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 March 31, 2023 or March 31, 2022.

#### **(14) ACQUISITION**

Pursuant to a Stock Exchange Agreement among the Company and the owners of American Concrete Co., Inc., ("American Concrete"), on July 29, 2022, the Company acquired all of the issued and outstanding shares of common stock of American Concrete, a ready-mix concrete company located in southeast Kansas. The purpose of the acquisition was to expand our ready-mixed concrete business in the region. The aggregate consideration paid by the Company at closing was approximately \$1.6 million consisting of 15,239 shares of the Company's capital stock valued at \$1.6 million based on the July 29, 2022, price per share of \$105.00.

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

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Consideration:                                         |                     |
| Cash paid, gross                                       | \$ 18,939           |
| Fair value of Monarch stock given                      |                     |
| 15,239 shares at \$105.00 per share                    | 1,600,095           |
|                                                        | <u>1,619,034</u>    |
| Fair Value of assets acquired and liabilities assumed: |                     |
| Assets                                                 |                     |
| Cash                                                   | \$ 103,060          |
| Prepays                                                | 4,192               |
| Accounts receivable                                    | 444,286             |
| Inventories                                            | 111,665             |
| Other current assets                                   | 195                 |
| Property, plant and equipment                          | 1,540,480           |
| Liabilities                                            |                     |
| Accounts payable                                       | (215,299)           |
| Accrued liabilities                                    | (32,545)            |
| Deferred taxes                                         | (337,000)           |
| Total:                                                 | <u>\$ 1,619,034</u> |

**(15) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 12, 2023, which is the date the financial statements were issued.