MONARCH CEMENT CO
Form 10-Q
November 09, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended September 30, 2011, or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from to .
Commission file number: 0-2757

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

KANSAS (state or other jurisdiction of incorporation or organization)	48-0340590 (IRS employer identification no.)
P.O. BOX 1000, HUMBOLDT, KANSAS (address of principal executive offices)	66748-0900 (zip code)

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

(former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES X NO ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	___	Accelerated filer	X
Non-accelerated filer	___ (Do not check if a smaller reporting company)	Smaller reporting company	___

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

As of October 27, 2011, there were 2,553,878 shares of Capital Stock, par value $2.50 per share outstanding and 1,465,290 shares of Class B Capital Stock, par value $2.50 per share outstanding.

PART I - FINANCIAL INFORMATION

The condensed consolidated financial statements included in this report have been prepared by our Company without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Our Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods presented. Those adjustments consist only of normal, recurring adjustments. The condensed consolidated balance sheet of the Company as of December 31, 2010 has been derived from the audited consolidated balance sheet of the Company as of that date. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Company's most recent annual report on Form 10-K for 2010 filed with the Securities and Exchange Commission. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Item 1. Financial Statements

The Monarch Cement Company and Subsidiaries
Condensed Consolidated Balance Sheets
September 30, 2011 and December 31, 2010

ASSETS	2011	2010
CURRENT ASSETS:	(Unaudited)	
Cash and cash equivalents	$926,632	$2,695,267
Short-term investments, at cost which approximates fair value	10,166	-
Receivables, less allowances of $708,800 in 2011 and		
$707,000 in 2010 for doubtful accounts	18,174,393	12,016,919
Inventories, priced at cost which is not in excess of market-		
Finished cement	$2,355,242	$5,665,411
Work in process	1,383,009	2,095,963
Building products	4,475,915	4,692,327
Fuel, gypsum, paper sacks and other	7,086,579	5,838,637
Operating and maintenance supplies	12,052,495	11,751,562
Total inventories	$27,353,240	$30,043,900
Refundable federal and state income taxes	1,135,677	-
Deferred income taxes	735,000	735,000
Prepaid expenses	1,050,964	125,787
Total current assets	$49,386,072	$45,616,873
PROPERTY, PLANT AND EQUIPMENT, at cost, less		
accumulated depreciation and depletion of $179,858,260		
in 2011 and $173,656,095 in 2010	87,453,660	84,912,099
DEFERRED INCOME TAXES	19,373,093	19,254,393
INVESTMENTS	16,498,266	23,984,320
OTHER ASSETS	1,862,716	331,143
	$174,573,807	$174,098,828
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$5,848,939	$5,054,236
Line of credit payable	6,388,069	-
Current portion of long-term debt	3,071,490	2,823,648
Accrued liabilities	6,153,912	7,932,115
Total current liabilities	$21,462,410	$15,809,999
LONG-TERM DEBT	8,276,077	9,154,087
ACCRUED POSTRETIREMENT BENEFITS	36,100,750	34,782,978
ACCRUED PENSION EXPENSE	13,103,606	12,723,073
STOCKHOLDERS' EQUITY:		
Capital stock, par value $2.50 per share, one vote per share -		
Authorized 10,000,000 shares, Issued and Outstanding 2,553,878		
shares at 9/30/2011 and 2,532,328 shares at 12/31/2010	$6,384,695	$6,330,820
Class B capital stock, par value $2.50 per share, supervoting		
rights of ten votes per share, restricted transferability,		
convertible at all times into Capital Stock on a share-for-		
share basis - Authorized 10,000,000 shares, Issued and Outstanding		
1,465,290 shares at 9/30/2011 and 1,480,690 shares at 12/31/2010	3,663,225	3,701,725
Additional paid-in-capital	2,485,125	-
Retained earnings	97,840,337	102,270,564
Accumulated other comprehensive loss	(14,742,418)	(10,674,418)

Total stockholders' equity	$95,630,964	$101,628,691
	$174,573,807	$174,098,828

See accompanying Notes to the Condensed Consolidated Financial Statements

The Monarch Cement Company and Subsidiaries
Condensed Consolidated Statements Of Income (Loss) And Retained Earnings
For the Three Months and the Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
NET SALES	$ 38,565,133	$ 37,123,469	$ 87,359,985	$ 89,391,942
COST OF SALES	32,705,513	30,656,629	80,997,816	77,877,860
Gross profit from operations	$ 5,859,620	$ 6,466,840	$ 6,362,169	$ 11,514,082
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,865,048	3,850,693	11,719,748	11,599,979
Income (loss) from operations	$ 1,994,572	$ 2,616,147	$ (5,357,579)	$ (85,897)
OTHER INCOME (EXPENSE):				
Interest income	$ 46,583	$ 40,728	$ 127,222	$ 142,393
Interest expense	(159,071)	(156,674)	(380,048)	(437,554)
Gain on sale of equity investments	-	-	5,197,438	11,839
Realized loss on impairment of equity investments	(415,287)	(858,787)	(415,287)	(858,787)
Dividend income	100,073	55,184	207,256	176,700
Other, net	(83,214)	6,753	174,141	669,297
	$ (510,916)	$ (912,796)	$ 4,910,722	$ (296,112)
Income (Loss) before taxes	$ 1,483,656	$ 1,703,351	$ (446,857)	$ (382,009)
PROVISION FOR (BENEFIT FROM) INCOME TAXES	415,000	475,000	(125,000)	575,000
NET INCOME (LOSS)	$ 1,068,656	$ 1,228,351	$ (321,857)	$ (957,009)
RETAINED EARNINGS, beg. of period	97,939,977	102,878,787	102,270,564	105,989,712
Less cash dividends	926,984	925,566	1,874,301	1,851,131
Less purchase and retirement of capital stock	241,312	245,951	2,234,069	245,951
RETAINED EARNINGS, end of period	$ 97,840,337	$ 102,935,621	$ 97,840,337	$ 102,935,621
Basic earnings (losses) per share	$ 0.27	$ 0.31	$ (0.08)	$ (0.24)
Cash dividends per share	$ 0.23	$ 0.23	$ 0.46	$ 0.46

Condensed Consolidated Statements of Comprehensive Income (Loss)
For the Three Months and the Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
NET INCOME (LOSS)	$ 1,068,656	$ 1,228,351	$ (321,857)	$ (957,009)

UNREALIZED DEPRECIATION ON AVAILABLE FOR SALE SECURITIES (Net of deferred tax benefit of $(2,032,000), $(84,000), $(800,000), and $(528,000), respectively	(3,043,287)	(124,787)	(1,197,849)	(788,948)
RECLASSIFICATION ADJUSTMENT FOR REALIZED (GAINS) LOSSES INCLUDED IN NET INCOME (LOSS) (Net of deferred tax (benefit) expense of $(168,000), $(344,000), $1,912,000, and $(340,000), respectively)	247,287	514,787	(2,870,151)	506,948
POSTRETIREMENT LIABILITY (Net of deferred tax expense of $-0-, $-0-, $-0- and $-0-, respectively)	-	-	-	685,000
COMPREHENSIVE INCOME (LOSS)	$ (1,727,344)	$ 1,618,351	$ (4,389,857)	$ (554,009)

See accompanying Notes to the Condensed Consolidated Financial Statements

The Monarch Cement Company and Subsidiaries
Condensed Consolidated Statements Of Cash Flows
For the Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	2011	2010
OPERATING ACTIVITIES:		
Net loss	$(321,857)	$(957,009)
Adjustments to reconcile net loss to		
net cash provided by operating activities:		
Depreciation, depletion and amortization	8,553,737	8,766,192
Deferred income taxes, long-term	758,300	164,000
Gain on disposal of assets	(250,501)	(29,688)
Realized gain on sale of equity investments	(5,197,438)	(11,839)
Realized loss on impairment of equity investments	415,287	858,787
Gain on disposal of other assets	-	(700,000)
Postretirement benefits and pension expense	1,698,305	2,674,431
Change in assets and liabilities:		
Receivables, net	(5,794,228)	(5,064,425)
Inventories	2,979,281	1,266,161
Refundable income taxes	(1,135,677)	(270,449)
Prepaid expenses	(925,177)	(442,518)
Other assets	2,250	1,692
Accounts payable and accrued liabilities	454,034	(990,587)
Net cash provided by operating activities	$1,236,316	$5,264,748
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	$(5,601,076)	$(4,836,923)
Proceeds from disposals of property, plant and equipment	287,924	52,618
Proceeds from disposals of other assets	-	700,000
Payment for acquisition of business, net of cash acquired	(534,392)	-
Payment for purchases of equity investments	(2,389,924)	(860,134)
Proceeds from disposals of equity investments	7,878,129	205,487
Increase in short-term investments, net	(10,166)	-
Net cash used for investing activities	$(369,505)	$(4,738,952)
FINANCING ACTIVITIES:		
Increase in line of credit, net	$6,388,069	$4,904,271
Payments on bank loans	(2,238,756)	(2,040,889)
Payments on other long-term debt	(581,401)	(85,441)
Cash dividends paid	(3,720,289)	(3,702,262)
Purchase of capital stock	(2,483,069)	(273,901)
Net cash used for financing activities	$(2,635,446)	$(1,198,222)
Net decrease in cash and cash equivalents	$(1,768,635)	$(672,426)
Cash and Cash Equivalents, beginning of year	2,695,267	2,149,397
Cash and Cash Equivalents, end of period	$926,632	$1,476,971
Supplemental disclosures:		
Interest paid, net of amount capitalized	$380,048	$442,149
Income taxes paid, net of refunds	$385,527	$1,617
Capital equipment additions included in accounts payable	$75,823	$32,335

Non-cash investing activities:		
Issuance of 105,750 shares of capital stock		
related to acquisition of business	$2,749,500	$-
Note payable related to acquisition of business	$927,443	$-

See accompanying Notes to the Condensed Consolidated Financial Statements

The Monarch Cement Company and Subsidiaries
Notes
To The Condensed Consolidated Financial Statements
September 30, 2011 and 2010 (Unaudited), and
December 31, 2010

1. 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 on Form 10-K.

Recently Adopted Accounting Standards

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

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition". This ASU provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. The updated guidance was effective on a prospective basis for the Company beginning January 1, 2011. The adoption of these provisions did not have a material effect on the Company's consolidated financial statements.

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

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

New Accounting Standards Issued But Not Yet Adopted

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS", which updated the guidance in

ASC Topic 820. The amendments in this ASU result in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. The ASU also provides for certain changes in current GAAP disclosure requirements, for example with respect to the measurement of level 3 assets and for measuring the fair value of an instrument classified in a reporting entity's shareholders' equity. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011, and early application is not permitted. This guidance will become effective for the Company beginning January 1, 2012 and is not anticipated to have a material impact on our consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment". ASU 2011-08 allows entities to first assess qualitative factors to determine whether events and circumstances lead to the conclusion that it is necessary to perform the two-step goodwill impairment test currently required under Topic 350, Intangible - Goodwill and Other. Currently, Topic 350 requires entities to test goodwill on an annual basis by comparing the fair value of a reporting unit to its carrying value including goodwill (Step one). The second part of the test must be performed to measure the amount of impairment. Under ASU No. 2011-08, entities are not required to calculate the fair value of a reporting unit unless they conclude that it is more likely than not that the unit's carrying value is greater than its fair value based on an assessment of events and circumstances. Entities may bypass the qualitative assessment during any reporting period. ASU No. 2011-08 is effective for fiscal years beginning after December 15, 2011. Early adoption is permitted, including interim or annual goodwill impairment tests performed before September 15, 2011, for interim or annual reports that have not been issued. The Company is considering early adoption of the ASU before its normal effective date for the Company of January 1, 2012. Adoption of the ASU is not anticipated to have a material impact on our consolidated financial statements and footnote disclosures.

In September 2011, the FASB issued ASU No. 2011-09, "Compensation - Retirement Benefits - Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan". This amendment requires registrants to provide additional disclosures about an employer's participation in a multiemployer pension plan. The guidelines are designed to enable the assessment of the potential impact of participating in multiemployer plans on the participants' future cash flow and to disclose the financial health of all of the significant plans in which an employer participates. The amendment also applies to nongovernmental entities participating in multiemployer plans and multiemployer plans that provide post retirement benefits other than pensions. ASU No. 2011-09 is effective for fiscal years ending after December 15, 2011 and early adoption is permitted. The Company will begin reporting the additional disclosures beginning with the Company's Annual Report on Form 10-K for the year ending December 31, 2011. Since the ASU only requires additional disclosures, the Company's consolidated financial statements will not be impacted.

2. Our Company groups its operations into two lines of business - Cement Business and Ready-Mixed Concrete Business. The "Cement Business" refers to our manufacture and sale of cement and "Ready-Mixed Concrete Business" refers to our ready-mixed concrete, concrete products, precast concrete construction, and sundry building materials business. Our Ready-Mixed Concrete Business includes precast concrete construction which involve short-term and long-term contracts. Short-term contracts for specific projects are generally of three to six months in duration. Long-term contracts relate to specific projects with terms in excess of one year from the contract date. Revenues for these contracts are recognized under the percentage of completion method of accounting using cost-to-cost measures. Revenues from contracts using the cost-to-cost measures of completion are recognized based on the ratio of contract costs incurred to date to total estimated contract costs. Full provision is made for any anticipated losses. The majority of the long-term contracts will allow only scheduled billings and contain retainage provisions under which 5% to 10% of the contract invoicing may be withheld by the customer pending project completion. As of September 30, 2011, the amount of billed retainage which is included in accounts receivable was

approximately $189,000, all of which is expected to be collected within one year. The amount of billed retainage which was included in accounts receivable at December 31, 2010 was approximately $120,000. The amount of unbilled revenue in accounts receivable was approximately $563,000 and $380,000 at September 30, 2011 and December 31, 2010, respectively. Unbilled revenue contained approximately $15,000 and $43,000 of not-currently-billable retainage at September 30, 2011 and December 31, 2010, respectively, which is expected to be collected within one year.

3. As of September 30, 2011, the amount of accounts payable related to property, plant and equipment was $75,823 compared to December 31, 2010 which was $12,495.

   Depreciation, depletion and amortization related to manufacturing operations are recorded in Cost of Sales, those related to general operations are recorded in Selling, General and Administrative Expenses, and those related to non-operational activities are in Other, net on the Condensed Consolidated Statements of Income (Loss) and Retained Earnings.

4. During the nine months and the three months ended September 30, 2011, we incurred a $1.0 million temporary LIFO liquidation gain due to reductions in finished cement and work in process inventory which we expect to be restored by the end of the year. The temporary LIFO liquidation gain has been deferred as a component of accrued liabilities. We did not incur any temporary LIFO liquidation gain for the nine months or the three months ended September 30, 2010.

5. Corporate assets for 2011 and 2010 include cash and cash equivalents, refundable income taxes, deferred income taxes, investments and other assets. Corporate assets for 2011 also include short-term investments. Following is a summary of the Company's business segment results for the periods indicated:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Three Months Ended 9/30/11				
Sales to unaffiliated customers	$15,486,311	$23,078,822	$-	$38,565,133
Intersegment sales	4,703,184	147	(4,703,331)	-
Total net sales	$20,189,495	$23,078,969	$(4,703,331)	$38,565,133
Income from operations	$1,300,879	$693,693		$1,994,572
Other expense, net				$(510,916)
Income before income taxes				$1,483,656
Capital Expenditures	$1,317,402	$1,820,450		$3,137,852
For the Three Months Ended 9/30/10				
Sales to unaffiliated customers	$15,357,098	$ 21,766,371	$ -	$ 37,123,469
Intersegment sales	4,328,760	14,667	(4,343,427)	-
Total net sales	$19,685,858	$ 21,781,038	$(4,343,427)	$ 37,123,469
Income (Loss) from operations	$3,094,501	$ (478,354)		$ 2,616,147
Other expense, net				(912,796)
Income before income taxes				$ 1,703,351
Capital Expenditures	$337,751	$ 505,857		$ 843,608
For the Nine Months Ended 9/30/11				
Sales to unaffiliated customers	$34,483,956	$ 52,876,029	$-	$ 87,359,985
Intersegment sales	10,614,907	147	(10,615,054)	-
Total net sales	$45,098,863	$ 52,876,176	$(10,615,054)	$ 87,359,985
Loss from operations	$(2,284,628)	$ (3,072,951)		$ (5,357,579)
Other income, net				4,910,722
Loss before income taxes				$ (446,857)
Capital Expenditures	$ 2,665,445	$ 2,998,959		$ 5,664,404
For the Nine Months Ended 9/30/10				
Sales to unaffiliated customers	$ 36,188,214	$ 53,203,728	$-	$ 89,391,942
Intersegment sales	11,000,943	14,667	(11,015,610)	-
Total net sales	$ 47,189,157	$ 53,218,395	$(11,015,610)	$ 89,391,942
Income (Loss) from operations	$ 4,109,578	$ (4,195,475)		$ (85,897)
Other expense, net				(296,112)
Loss before income taxes				$ (382,009)
Capital Expenditures	$ 1,493,046	$ 2,627,734		$ 4,120,780
Balance as of 9/30/11				
Identifiable Assets	$ 86,732,396	$ 47,299,861		$ 134,032,257
Corporate Assets				40,541,550
				$ 174,573,807
Balance as of 9/30/10				
Identifiable Assets	$93,015,393	$42,380,667		$135,396,060
Corporate Assets				40,132,086
				$175,528,146

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

   Level 1 - quoted prices in active markets for identical assets or liabilities.
   Level 2 - observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
   Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

   Cash and cash equivalents, short-term investments, receivables, accounts payable and long-term debt have carrying values that approximate fair values. Equity securities for which the Company has no immediate plan to sell but that may be sold in the future are classified as available for sale. If the fair value of the equity security is readily determinable, it is carried at fair value and unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Realized gains and losses, based on the specifically identified cost of the security, are included in net income (loss). 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 securities whose fair value is not readily determinable are carried at cost unless the Company is aware of significant adverse effects which have impaired the investments. Investments that are recorded at cost are evaluated quarterly for events that may adversely impact their fair value.

The aggregate amount of equity securities carried at cost, for which the Company has not elected the fair value option, was $2.5 million as of September 30, 2011. The remaining $14.0 million in equity security investments are stated at fair value. As of December 31, 2010, the aggregate amount of equity securities carried at cost was $2.4 million and the remaining $21.6 million in equity security investments were stated at fair value. The following table summarizes the bases used to measure certain assets at fair value on a recurring basis in the balance sheet:

		Fair Value at Reporting Date Using:		
Assets:	09/30/2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Available-for-sale equity securities				
Cement industry	$6,421,912	$ 6,421,912	$ -	$ -
General building materials industry	2,943,132	2,943,132	-	-
Oil and gas refining and marketing industry	4,099,046	4,099,046	-	-
Residential construction industry	579,564	579,564	-	-
Total assets measured at fair value	$ 14,043,654	$ 14,043,654	$ -	$ -
Assets:	12/31/2010			
Available-for-sale equity securities				
Cement industry	$ 9,499,615	$ 9,499,615	$ -	$ -
General building materials industry	3,623,769	3,623,769	-	-

Oil and gas refining and marketing industry	7,545,978	7,545,978	-	-
Residential construction industry	896,346	896,346	-	-
Total assets measured at fair value	$ 21,565,708	$ 21,565,708	$ -	$ -

No reconciliation (roll forward) of the beginning and ending balances for Level 3 is presented since the Company does not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during any of the periods reported in the table above. The Company has no liabilities in either year requiring remeasurement to fair value on a recurring basis in the balance sheet. The Company has no additional assets or liabilities in either year requiring remeasurement to fair value on a non-recurring basis in the balance sheet.

The following table shows the unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual trade lots of securities have been in a continuous unrealized loss position at September 30, 2011 and December 31, 2010:

Available-for-sale equity securities	Less than 12 Months		12 Months or Greater		Total	
		Unrealized		Unrealized		Unrealized
September 30, 2011	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Cement industry	$ 1,931,772	$ 272,612	$ 14,100	$ 4,016	$ 1,945,872	$ 276,628
General building materials industry	2,009,179	648,755	-	-	2,009,179	648,755
Residential construction industry	342,663	222,748	69,816	78,563	412,479	301,311
Total	$ 4,283,614	$ 1,144,115	$ 83,916	$ 82,579	$ 4,367,530	$ 1,226,694

December 31, 2010						
Cement industry	$ -	$ -	$ 16,400	$ 1,716	$ 16,400	$1,716
Residential construction industry	488,379	86,054	-	-	488,379	86,054
Total	$ 488,379	$ 86,054	$ 16,400	$ 1,716	$ 504,779	$87,770

Impairment Analysis

The Company owns stock in two privately-owned companies accounted for by the cost method; one in the brick industry and the other in the ethanol production industry. These investments were evaluated at September 30, 2011 and at December 31, 2010 for impairment. The evaluations of the ethanol production industry investment for each period's impairment analysis was based on specific identification of shares held and quoted prices in markets that are not active and no impairments were identified. Since there is not an active market for the brick industry investment, the Company relied on a discounted future net cash flow valuation of the investee for each period's impairment analysis to determine if the average cost of shares were impaired and no impairment was identified. As a result of those evaluations, the Company did not consider these cost-method investments to be impaired at September 30, 2011 or December 31, 2010. The aggregate cost of the Company's cost-method investments totaled $2.5 million and $2.4 million at September 30, 2011 and December 31, respectively.

September 30, 2011 - - The Company's investments in marketable equity securities carried at fair value were evaluated for impairment by comparing the specifically identified cost of each investment to market price. As a result of these evaluations, the Company identified $0.4 million in other-than-temporary impairments in investments in the

general building materials industry resulting in a recognized loss in earnings of equity investments. The fair value of those investments then became the new cost basis. The Company did identify some specific investments in available-for-sale equity securities that were not other-than-temporarily impaired resulting in the recognition of unrealized losses (see table above). These unrealized losses relate to investments in the common stock of five companies; one in the general building materials industry, one in the residential construction industry and three in the cement industry. When the Company evaluated impairment by comparing the specifically identified cost of each investment to market price as of October 14, 2011, all of the investments had higher market prices except two in the cement industry where the market price change was insignificant. The general building materials industry securities had decreased their temporary impairments to approximately $330,000 (12.9% below cost). The residential construction industry securities had decreased their temporary impairments to approximately $251,000 (35.2% below cost). The temporary impairment in the securities of one company in the cement industry decreased from approximately $259,000 to $181,000 (9.4% below cost). The Company evaluated the near-term prospects of all of the issuers in relation to the severity of the impairments (fair value was approximately 24.4% less than cost in the general building materials industry investment, approximately 42.2% less than cost in the residential construction industry investment, and approximately 13.5%, 4.8%, and 22.2% less than cost in the three cement industry investments as of September 30, 2011) and the duration of the impairments (less than three months in the general building materials industry investment; approximately 75% of shares at less than 3 months and 25% of shares at 12 months in the residential construction industry investment; and less than 3 months in the majority of the cement industry investment). Based on that evaluation, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2011.

December 31, 2010 - - The Company's investments in marketable equity securities carried at fair value were evaluated for impairment by comparing the specifically identified cost of each investment to market price. In its third quarter evaluations, the Company identified a $0.9 million other-than-temporary impairment in its general building materials industry investments, resulting in a recognized loss in earnings of equity investments. The fair value of those investments then became the new cost basis. No further other-than-temporary impairments were identified in the fourth quarter. In its fourth quarter evaluation, the Company identified some specific investments in marketable equity securities it believes are temporarily impaired resulting in the recognition of unrealized losses (see 2010 information in table above). These unrealized losses relate to investments in the common stock of two companies; one in the residential construction industry and another in the cement industry. When the Company evaluated the impairments by comparing the specifically identified cost of each investment to market price as of February 14, 2011, the residential construction industry securities had recovered approximately $8,400 (9.8%) of their December 31, 2010 temporary impairments. The cement industry securities slightly increased their temporary impairments. The Company evaluated the near-term prospects of all of the issuers in relation to the severity of the impairments (fair value was approximately 15 percent less than cost in the residential construction industry investment and approximately 9 percent less than cost in the cement industry investment as of December 31, 2010) and the duration of the impairments (approximately 6 months in the residential construction industry investment and 12 months in the cement industry investment). Based on that evaluation, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2010.

Investment Results - - The investment results for September 30, 2011 and December 31, 2010 are as follows:

	Amortized	Gross Unrealized		Fair
September 30, 2011	Cost	Gains	Losses	Value
Available-for-sale equity securities				
Cement industry	$5,349,000	$ 1,073,000	$-	$6,422,000
General building materials industry	3,558,000	-	615,000	2,943,000
Oil and gas refining and marketing industry	782,000	3,317,000	-	4,099,000
Residential construction industry	855,000	-	275,000	580,000
Total available for sale equity securities	$10,544,000	$ 4,390,000	$890,000	$14,044,000

Total gross unrealized gains, net of losses	$ 3,500,000
Less: Deferred taxes on unrealized holding gains	1,400,000
Unrealized gains recorded in equity, net of deferred tax	$ 2,100,000

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

Investment-related cash flow information for September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Proceeds from sale of equity securities	$ 7,878,129	$ 412,532
Realized gain/(loss) on equity securities	$ 5,197,438	$ (79,793)
Realized losses due to other-than-temporary impairment of equity securities	$ (415,287)	$ (858,787)

7. The following table presents the components of net periodic pension and postretirement benefit costs allocated to Cost of Sales and Selling, General and Administrative expenses for the nine months ended September 30, 2011 and 2010:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Service cost	$ 563,751	$ 501,735	$ 460,698	$ 409,177
Interest cost	1,515,529	1,547,487	1,308,683	1,401,364
Less: Expected return on plan assets	1,452,826	1,294,002	-	-
Amortization of prior service cost	82,484	82,484	(38,064)	-
Recognized net actuarial loss	684,742	651,490	-	-
Unrecognized net loss	-	-	510,656	540,681
Net periodic expense	$ 1,393,680	$ 1,489,194	$ 2,241,973	$ 2,351,222

The following table presents the components of net periodic pension and postretirement benefit costs allocated to Cost of Sales and Selling, General and Administrative expenses for the three months ended September 30, 2011 and 2010:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Service cost	$ 187,917	$ 167,245	$ 153,566	$ 136,392
Interest cost	505,176	515,829	436,228	467,122
Less: Expected return on plan assets	484,275	431,334	-	-
Amortization of prior service cost	27,495	27,495	(12,688)	-
Recognized net actuarial loss	228,247	217,163	-	-
Unrecognized net loss	-	-	170,218	180,227
Net periodic expense	$ 464,560	$ 496,398	$ 747,324	$ 783,741

As previously disclosed in our financial statements for the year ended December 31, 2010, Monarch expects to contribute approximately $3,120,000 to the pension fund in 2011. As of September 30, 2011, we have contributed approximately $1,013,000 and anticipate contributing an additional $2,107,000 to this plan in 2011 for a total of $3,120,000.

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, 2010, Monarch expects expenditures of approximately $1,775,000 for this plan in 2011. As of September 30, 2011, we have contributed approximately $1,024,000 and anticipate contributing an additional $751,000 on this plan in 2011 for a total of $1,775,000.

8. Other, net contains miscellaneous nonoperating income (expense) items other than interest income, interest expense, gains on sale of equity investments, realized loss on impairment of equity investments, and dividend income.

9. 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 4,039,438 and 4,026,393 in the first nine months and third quarter of 2011, respectively. The weighted average number of shares outstanding was 4,022,902 and 4,020,352 in the first nine months and third quarter of 2010, respectively. The Company has no capital stock equivalents and therefore, does not report diluted earnings per share.

10. The Company 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 2007. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any interest expenses recognized during the nine months ended September 30, 2011 or September 30, 2010.

As a result of the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act of 2010, we will no longer be able to claim an income tax deduction related to prescription drug benefits provided to retirees and reimbursed under the Medicare Part D retiree drug subsidy beginning in 2013. This resulted in a $685,000 charge to income tax provision during the first quarter of 2010.

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

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

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

12. Subsequent events have been evaluated through the date the financial statements were issued. During this period, no material recognizable subsequent events were identified.

The Monarch Cement
Company and Subsidiaries
Item 2.
Management's Discussion
and Analysis
of Financial Condition
and Results of Operations

FORWARD-LOOKING STATEMENTS

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

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

We have described under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010, and in other reports that we file with the SEC from time to time, additional factors that could cause actual results to be materially different from those described in the forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date they were made.

RESULTS OF OPERATIONS - CRITICAL ACCOUNTING POLICIES

Reference is made to the Management's Discussion and Analysis of Financial Condition and Results of Operations - Accounting Policies incorporated herein by reference to Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 for accounting policies which are considered by management to be critical to an understanding of the Company's financial statements.

RESULTS OF OPERATIONS - OVERVIEW

Our products are used in residential, commercial and governmental construction. In recent years, the Company has spent substantial sums on major plant modifications designed to increase our cement production capacity to meet our customers' needs and to improve our production processes. Improvements are planned over the next few years to further enhance our production processes and to meet emission limitations included in the latest regulations issued by the Environmental Protection Agency (EPA).

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

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

The Company plans to shut down its cement production facility and lay off the majority of its cement production employees during the first quarter of 2012 due to the continued weakness in the construction industry. The layoff is anticipated to last from four to ten weeks depending on cement shipments, and the resulting reduction in cement inventory, during the layoff period.

RESULTS OF OPERATIONS - THIRD QUARTER OF 2011 COMPARED TO THIRD QUARTER OF 2010

Consolidated net sales, for the three months ended September 30, 2011, increased by $1.4 million when compared to the three months ended September 30, 2010. Sales in our Cement Business increased by $0.1 million and sales in our Ready-Mixed Concrete Business increased by $1.3 million. Cement Business sales increased $0.4 million due to a 3.0% increase in volume sold and decreased $0.3 million due to price decreases. The acquisition of Kay Concrete resulted in an increase in cubic yards of ready-mixed concrete sold. Sales increased by $2.1 million due to a 14.9% increase in cubic yards sold and increased $0.1 million due to price increases. These ready-mixed concrete sales increases were partially offset by a decrease of $0.7 million in construction contract sales and a decrease of $0.2 million in sales of brick, block, aggregates and other sundry items.

Consolidated cost of sales, for the three months ended September 30, 2011, increased by $2.0 million when compared to the three months ended September 30, 2010. Cost of sales in our Cement Business was higher by $1.8 million and cost of sales in our Ready-Mixed Concrete Business was higher by $0.2 million. Cement Business cost of sales increased $0.3 million primarily due to the 3.0% increase in volume sold in addition to a $1.5 million increase related to higher production costs primarily resulting from the continuation of fixed costs during production shutdowns and the inefficiencies of lower production levels. Ready-Mixed Concrete Business cost of sales increased $1.9 million primarily due to the 14.9% increase in cubic yards of ready-mixed concrete sold which was partially offset by declines in direct material costs of $0.7 million. Cost of sales for brick, block, aggregates and other sundry items declined $0.5 million in addition to a $0.5 million decline in cost of sales for construction contracts.

As a result of the above sales and cost of sales factors, our overall gross profit rate declined from 17.4% for the three months ended September 30, 2010 to 15.2% for the three months ended September 30, 2011. The gross profit rate for the Cement Business declined from 31.7% for the three months ended September 30, 2010 to 20.7% for the three months ended September 30, 2011. The gross profit rate for the Ready-Mixed Concrete Business improved from 7.4% for the three months ended September 30, 2010 to 11.5% for the three months ended September 30, 2011.

The Company recorded $0.4 million less for impairment loss on equity investments due to impairments that were other-than-temporary for the three months ended September 30, 2011 compared to the three months ended September 30, 2010. The impairment loss for both years were for investments in the general building materials industry.

The effective tax rate for the three months ended September 30, 2011 and 2010 was 28.0%. The Company's effective tax rate differs from the federal and state statutory income tax rate primarily due to the effects of percentage depletion, domestic production activities deduction and valuation allowance. Taxes for the current year are estimated based on prior years' effective tax rates.

RESULTS OF OPERATIONS - FIRST NINE MONTHS OF 2011 COMPARED TO THE FIRST NINE MONTHS OF 2010

Consolidated net sales, for the nine months ended September 30, 2011, decreased by $2.0 million when compared to the nine months ended September 30, 2010. Sales in our Cement Business were lower by $1.7 million and sales in our Ready-Mixed Concrete Business were lower by $0.3 million. Cement Business sales decreased $1.1 million due to a 3.1% decrease in volume sold and decreased $0.6 million due to price decreases. The acquisition of Kay Concrete resulted in an increase in cubic yards of ready-mixed concrete sold. Sales increased $0.6 million due to the 1.8% increase in cubic yards sold and increased $0.1 million due to price increases. Sales brick, block, aggregates and other sundry items decreased $0.9 million and construction contract sales decreased $0.1 million.

Consolidated cost of sales, for the nine months ended September 30, 2011, increased by $3.1 million when compared to the nine months ended September 30, 2010. Cost of sales in our Cement Business was higher by $4.3 million and cost of sales in our Ready-Mixed Concrete Business was lower by $1.2 million. Cement Business cost of sales decreased $0.8 million due to the 3.1% decrease in volume sold which was more than offset by a $5.1 million increase related to higher production costs primarily resulting from the continuation of fixed costs during production shutdowns and the inefficiencies of lower production levels. Ready-Mixed Concrete Business cost of sales increased $0.6 million due to the $1.8% increase in cubic yards of ready-mixed concrete sold and decreased $0.4 million primarily due to declines in direct material costs. Cost of sales for brick, block, aggregates and other sundry items declined $0.7 million in addition to a $0.7 million decline in cost of sales for construction contracts.

Our overall gross profit rate declined from 12.9% for the nine months ended September 30, 2010 to 7.3% for the nine months ended September 30, 2011. The gross profit rate for the Cement Business declined from 25.9% for the nine months ended September 30, 2010 to 9.7% for the nine months ended September 30, 2011. The gross profit rate for the Ready-Mixed Concrete Business improved slightly from 4.0% for the nine months ended September 30, 2010 to 5.7% for the nine months ended September 30, 2011.

Gain on sale of equity investments increased by $5.2 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The Company recorded $0.4 million less for impairment loss on equity investments due to impairments that were other-than-temporary for the first nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The impairment loss for both years were for investments in the general building materials industry.

Other, net decreased by $0.5 million for the nine months ended September 30, 2011 from the nine months ended September 30, 2010 primarily due to a $0.7 million gain related to the sale of a non-operating asset during the first nine months of 2010 while Other, net during the first nine months of 2011 primarily consisted of $0.1 million proceeds from scrap metal sales.

The effective tax rates for the nine months ended September 30, 2011 and 2010 were 28.0% and (150.5)%, respectively. The Company's effective tax rate differs from the federal and state statutory income tax rate primarily due to the effects of percentage depletion, domestic production activities deduction and valuation allowance. Taxes for the current year are estimated based on prior years' effective tax rates. The change in the effective tax rate for 2010 was primarily due to an income tax charge of $685,000 recorded during the first quarter of 2010 as a result of the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act of 2010.

LIQUIDITY

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2011 and December 31, 2010, cash equivalents consisted primarily of money market investments and repurchase agreements with various banks. The FDIC, through the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), has permanently raised the standard maximum deposit insurance amount (SMDIA) to fully guarantee all deposit accounts up to $250,000. In addition, the FDIC has adopted section 343 of the Dodd-Frank Act, effective December 31, 2010, which provides for unlimited deposit insurance for noninterest-bearing transaction accounts for two years starting December 31, 2010. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules.

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

Operating activities provided $4.0 million less cash for the nine months ended September 30, 2011 compared to the same period in 2010. For the nine months ended September 30, 2011 and September 30, 2010, cash provided by operating activities was $1.2 million and $5.3 million, respectively. Net losses were $0.6 million lower in the first nine months of 2011 compared to the corresponding period in 2010 despite 2011's decline in overall sales volume and decline in gross profit margins. This improvement is primarily the result of the $5.2 million gain on the sale of equity investments. The Company did not have any gain on the disposal of other assets in the first nine months of 2011, but the corresponding period in 2010 had a gain on the disposal of a non-operating asset of $0.7 million. Accrued postretirement benefits and pension expense used $1.0 million less cash in the first nine months of 2011 when compared to the corresponding period of 2010 primarily as a result of postretirement benefits using $0.8 million less cash in during 2011. The net result of production levels and sales volumes in the first nine months of 2011 and 2010 resulted in inventories decreasing $1.7 million more in the first nine months of 2011 than the corresponding period of 2010. Net Receivables increased $0.7 million more in the nine months ended September 30, 2011 than the corresponding period of 2010 primarily due to a greater increase in September 2011 over December 30, 2010 sales compared to the increase in September 2010 over December 30, 2009 sales. Refundable income taxes increased $0.9 million more in the nine months ended September 30, 2011 than the corresponding period of 2010 due to the net losses incurred during 2011 and the sale during 2011 of previously other-than-temporarily impaired equity securities which resulted in $0.9 million of associated deferred tax becoming refundable. Accounts payable and accrued liabilities excluding acquisitions of property, plant and equipment purchases provided $1.4 million more cash in the nine months ending September 2011 primarily as a result of accrued liability for prepaid cement sales which decreased less during the nine months ended September 2011 than the corresponding period in 2010.

Net cash used for investing activities totaled $0.4 million in the first nine months of 2011 while $4.7 million was used in the first nine months months of 2010. The $4.4 million decrease in net cash used for investing activities for the first nine months of 2011 compared to the corresponding period of 2010 is principally due to the $6.1 million increase in proceeds from disposals, net of purchases, of equity investments in the first nine months of 2011 over the corresponding period of 2010. The Company used $1.2 million more cash for the net acquisition and disposal of property, plant and equipment and disposals of other assets in the first nine months of 2011 than in the corresponding period of 2010. The acquisition of Kay Concrete used $0.5 million in cash, net of cash acquired, in the first nine months of 2011 while no such acquisitions were made in the first nine months of 2010.

Net cash used for financing activities totaled $2.6 million and $1.2 million for the nine months ending September 30, 2011 and September 30, 2010, respectively. The $1.4 million increase in cash used in 2011 compared to 2010 was primarily the result of an increase in capital stock purchases of $2.2 million. Our line of credit, net of payments on long term debt, provided $0.8 million more through the third quarter of 2011 compared to the same period in 2010.

In December 2010, Monarch entered into an amendment to the loan agreement with its current lender, Bank of Oklahoma, N.A., to, among other things, renew and modify the terms of Monarch's term loan and revolving line of credit. The amendment added a financial covenant that requires the Company to pledge its investment account to the Bank of Oklahoma, N.A. as collateral for the term loan and revolving line of credit. The fair value of the investment account pledged as collateral was $13.5 million as of September 30, 2011. The proceeds of the sale of any assets held in the investment account would be paid to the Bank of Oklahoma, N.A. to be applied to the balance of the revolving line of credit and then to the term loan, at the lender's discretion. Monarch's secured credit commitment consists of a $17.8 million term loan maturing December 31, 2014 and a $15.0 million line of credit maturing December 31, 2011. Under the amended loan agreement, interest rate terms were not changed. The interest rate on the Company's line of credit remains variable and based on the lender's national prime rate less 0.50% with a 3.50% interest rate minimum or floor. The interest rate on the Company's term loan remains variable and based on the lender's national prime rate less 0.75% with a 3.00% interest rate minimum or floor. The loan agreement contains a financial covenant related to net worth which the Company was in compliance with at the end of the third quarter of 2011.

As of September 30, 2011, we had $9.7 million outstanding on the term loan and $6.4 million outstanding on the line of credit leaving a balance available on the line of credit of $8.6 million. The annual weighted average interest rate we paid on the term loan during the third quarter and first nine months of 2011 and 2010 was 3.25%. The annual weighted average interest rate we paid on the line of credit during the third quarter and first nine months of 2011 and 2010 was 3.50%. As of September 30, 2011, the applicable interest rate was 3.25% on the term loan and 3.50% on the line of credit. The term loan was used to help finance the expansion project at our cement manufacturing facility. The line of credit was used during the year to fund temporary operating expenses. Our Board of Directors has given management the authority to borrow a maximum of $50 million. We have not discussed additional financing with any banks or other financial institutions; therefore, no assurances can be given that we will be able to obtain this additional borrowing on favorable terms, if at all.

The Company has projects in the planning and design phases in addition to projects already in progress. For discussion of these projects, see "Capital Resources" below. We anticipate capital expenditures for 2011 to exceed 2010 levels, but we do not anticipate the need for additional bank financing other than that available under the existing line of credit.

For several years the Company has paid a dividend in January, March, June and September. At the August 2011 Board of Directors' meeting, the Board declared a dividend of $0.23 per share payable in September. Under the terms and conditions of our loan agreement, the Company's ability to pay dividends is subject to its satisfaction of a requirement to maintain a tangible net worth of $90 million and an adjusted tangible net worth, which is tangible net worth before other comprehensive income, of $95 million. The Company was in compliance with these requirements at the end of the third quarter of 2011. The minimum net worth requirements could impact the Company's ability to

pay dividends in the future. Although dividends are declared at the Board's discretion and could be impacted by the minimum net worth requirements of the Company's loan agreement, we project future cash flow will support the continued payment of dividends at the current level.

The Company has been required to make a pension contribution each of the past two years. In 2010 and 2009, the Company contributed approximately $2.3 million and $2.1 million, respectively, to the pension fund. The decline in the bond and stock markets in 2008 significantly reduced the value of our pension funds at December 31, 2008. By December 31, 2010, actual returns on plan assets had increased the value of our pension funds enough to recover approximately 80% of the 2008 year reductions. Based on the pension laws currently in effect, any resulting increases in minimum funding requirements could cause a negative impact to our liquidity. See Note 7 for disclosures about 2011 pension contributions.

FINANCIAL CONDITION

Total assets as of September 30, 2011 were $174.6 million, an increase of $0.5 million since December 31, 2010. The acquisition of Kay Concrete plus higher sales in September 2011 compared to December 2010 led to a $6.2 million increase in receivables. From year-to-year the weather conditions in these two months can vary significantly which impacts sales and resulting receivables at month-end. Increases in receivables are common during the first nine months of the year due to the seasonality of our business (see"Seasonality" below). Total inventories decreased $2.7 million primarily due to a $3.3 million decrease in finished cement and $0.7 million decrease in work in process inventories resulting from reduced production during the year in addition to the shutdowns of the production facilities during the first quarter of 2011. Fuel, gypsum, paper sacks and other inventory increased $1.3 million primarily as a result of purchases of coal and petroleum coke exceeding amounts consumed in the production process, increases related to the acquisition of Kay Concrete, and smaller increases from various other subsidiaries in preparation for seasonal increased demand.

Refundable income taxes increased $1.1 million compared to December 31, 2010. Our quarterly estimated tax payments are based on annualized income and the net loss we experienced during the first nine months resulted in refundable income taxes. In addition, equity securities which had previously been other-than-temporarily impaired were sold and the $0.9 million deferred tax associated with them as a result of their book/tax basis difference became refundable. Prepaid expenses increased by $0.9 million primarily due to insurance deposits. Property, plant and equipment net of depreciation and depletion increased by $2.5 million primarily due to routine expenditures for property, plant and equipment plus the acquisition of Kay Concrete which increased property, plant and equipment by $5.3 million. Investments decreased $7.5 million primarily due to the $5.5 million sale, net of purchases, of available-for-sale equity securities in addition to decreases in the market value of remaining equities held. The $1.5 million increase in other assets was primarily a result of the Kay Concrete acquisition which added $0.6 million and $0.9 million to goodwill and noncompete agreements, respectively.

Accounts payable increased by $0.8 million primarily due to increases related to the acquisition of Kay Concrete and increases in the Ready-Mixed Concrete Business segment related to increased sales volume in September 2011 over December 2010. Accrued liabilities decreased from December 31, 2010 to September 30, 2011 by $1.8 million primarily due to a $1.8 million decrease in cash dividends liability resulting from the timing of when dividends are declared and paid.

Indebtedness increased $5.8 million during the first nine months of 2011 primarily due to increased utilization of our line of credit to fund the $5.8 million increase in receivables and approximately $5.6 million for cash expenditures for property, plant and equipment.

Accrued postretirement and pension liabilities increased by $1.3 million and $0.4 million, respectively, due to net periodic expense exceeding contributions.

Additional-paid-in-capital increased by $2.5 million as a result of the purchase of Kay Concrete on April 15, 2011, and the resulting issuance of 105,750 shares of the Company's capital stock with a market value on that date of $26.00 per share compared to a $2.50 per share par value.

Unrealized holding gain, which is included in accumulated other comprehensive loss, decreased by $4.1 million during the first nine months of 2011 primarily due to the realization of previously unrealized gains of $5.2 million through the sale of $7.9 million of available-for-sale equity securities in addition to decreases in the market value of remaining equities held.

CAPITAL RESOURCES

The Company regularly invests in miscellaneous equipment and facility improvements in both the Cement Business and Ready-Mixed Concrete Business. Capital expenditures included routine equipment purchases during the first nine months of 2011, equally in the Cement Business and in the Ready-Mixed Concrete Business. During the first nine months of 2011, cash expenditures for property, plant and equipment totaled approximately $5.6 million, excluding the amounts that are included in accounts payable.

The Company does not currently meet certain emission limitations included in the latest regulations issued by the EPA. For discussion on the regulations, see NESHAP discussed below under "Environmental Regulations". To comply with these new regulations, the Company will need to install additional pollution control equipment in its Cement Business. There is no proven technology that enables us to give 100% assurance that we can reach the limits required by the new regulations; however, we feel compliance is possible at our modern facility through the installation of additional pollution control equipment. We plan to use a step approach, beginning with the installation of additional dust collectors on one of our two kilns. Once they are installed, we will test for compliance to determine if other pollution control equipment is needed. If we are not in compliance, we will continue to install pollution control equipment, testing for compliance after each installation, until our emissions are within limits. Once we have successfully modified one kiln to meet the new emission standards, we will proceed with our second kiln. We have also initiated plans to modify our roller mill and related equipment at an estimated cost of $6.0 million dollars. Supplemental equipment (and estimated cost) which may be required include additional dust collectors on both kilns ($4.0 million), upgraded dust collectors on both clinker coolers ($4.0 million), hydrated lime injection system ($0.4 million), and a chloride by-pass system ($7.0 million). Cost estimates will be updated as the modifications are engineered and priced for our facility. We are hopeful that we can comply with the new regulations without having to install a chloride by-pass system. We have until September 2013 to comply and may be able to get a one year extension if we have shown continuous progress toward becoming compliant. Various court challenges and legislative actions are pending against the NESHAP regulations issued by the EPA. If any of these court challenges or legislative actions are successful in delaying or overruling the regulation, we will evaluate whether or not to complete the projects currently in process.

NESHAP regulations also require us to install analyzers capable of continuously monitoring certain pollutants. Analyzers capable of continuously monitoring these pollutants at the extremely low levels (i.e. emissions of particulate matter are limited to 3 parts per million) specified in the regulation do not currently exist. We are partnering with an analyzer manufacturer to assist in the development of the required technology and estimate we will spend approximately $0.8 million for these analyzers.

The Company plans to invest in other miscellaneous equipment and facility improvements in both the Cement Business and Ready-Mixed Concrete Business in 2011. These expenditures, including the ones discussed in the above paragraphs related to NESHAP compliance, are expected to reach approximately $10.1 million during 2011 and will be funded with a mixture of cash from operations and temporary bank loans. We do not anticipate the need for additional bank financing beyond the amount available through our existing revolving line of credit.

MARKET RISK

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

INFLATION

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

ENVIRONMENTAL REGULATIONS

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

A ruling promulgated by the EPA in 2009 required us to install carbon dioxide (CO2) Continuous Emission Monitors (CEMs) to track various aspects of the production process to effectively establish a Greenhouse Gas (GHG) inventory for our cement manufacturing facility.

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

We are currently not aware of any proposed or pending climate change regulations. There are many variables making it difficult to predict the overall cost of carbon legislation. It is equally difficult to determine when those costs

will be realized, or even the feasibility of legislation being passed. There is consensus in the industry that the costs of CO2 limits required through regulation or legislation could be substantial enough to fundamentally change the cement manufacturing business.

On September 9, 2010, the EPA published modifications to the National Emission Standard for Hazardous Air Pollutants (NESHAP) regulation in the Federal Register. The compliance date for all U.S. cement plants is September 9, 2013. The final rule differs from the proposed rule by requiring more stringent emission limitations on mercury (Hg), total hydrocarbons (THC), hydrochloric acid (HCL), and particulate matter less than 10 microns in diameter (PM 10). Our current emission levels are below the proposed limitations for mercury and THC so additional control equipment is not required for these pollutants; however, we expect to incur increased costs for control equipment for PM 10 & HCL. There will also be additional costs for monitoring, testing, and increased maintenance labor. Initial costs to comply are discussed above under "Capital Resources". H. R. 2681, The Cement Sector Regulatory Relief Act, which would extend the compliance date for NESHAP to September 9, 2015, was passed by the House of Representatives, and The Portland Cement Association (PCA) filed legal briefs with the District of Columbia Circuit Court of Appeals addressing numerous challenges to NESHAP. It is uncertain when and if companion legislation to H. R. 2681 will pass the Senate and be acceptable to President Obama. It is also unknown when the D. C. Circuit Court will rule on PCA's briefs. Management has elected to proceed with modifications to the roller mill rather than risk non-compliance with NESHAP should legislative or judicial relief not materialize.

On September 9, 2010 the EPA published New Source Performance Standards (NSPS) for nitrous oxide (NOx), sulphur dioxide (SO2), and particulate matter (PM 10). The rule applies to new or modified sources. At this time, management does not anticipate that modifications necessitated to comply with NESHAP will trigger application of NSPS.

Although there are presently no proposed or pending climate change regulations, climate change regulation could result in (1) increased energy costs, (2) a shift toward carbon neutral fuels or carbon neutral offset strategies, and (3) increased labor costs to acquire the specialized technical expertise needed to comply with the environmental regulations. Demand for our products could decrease due to increased pollution control costs. Conversely, demand could increase as others try to meet their government environmental mandates by using concrete products known for their sustainability benefits and energy efficiency.

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

SEASONALITY

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company invests in equity investments which are subject to market fluctuations. The Company had $16.5 million of equity securities, primarily of publicly traded entities, as of September 30, 2011. The aggregate amount of securities carried at cost, for which the Company has not elected the fair value option, was $2.5 million as of September 30, 2011. The remaining $14.0 million in equity investments, which are stated at fair value, are not hedged and are exposed to the risk of changing market prices. The Company classifies all securities as "available-for-sale" for accounting purposes and marks them to fair value on the balance sheet at the end of each period unless they are securities for which the Company has not elected the fair value option. Securities carried at cost are adjusted for impairment, if conditions warrant. Management estimates that its publicly traded investments will generally be consistent with trends and movements of the overall stock market excluding any unusual situations. An immediate 10% change in the fair value of our equity securities would have a $0.8 million effect, net of deferred tax, on comprehensive income. At September 30, 2011, the Company evaluated all of its equity investments for impairment. The results of those evaluations are discussed in Note 6 of Notes to the Condensed Consolidated Financial Statements.

The Company also has $16.1 million of bank loans as of September 30, 2011. Interest rates on the Company's term loan and line of credit are variable, subject to interest rate minimums or floors, and are based on the lender's National Prime rate less 0.75% and lender's National Prime rate less 0.50%, respectively.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-5(e) and 15d-15(e) under the Securities Exchange Act of 1934) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this report, an evaluation was carried out by the Company's management, including its President and Chairman of the Board of Directors and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-5(e) or 15d-15(e) under the Exchange Act). Based upon that evaluation, the Company's President and Chairman of the Board of Directors and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company self-reported potential violations of certain permitting requirements of the Kansas Department of Health and Environment (KDHE). As a result, the Company was notified by letter dated April 27, 2009 of allegations by KDHE that the Company has performed multiple modifications and alterations at the Company’s facility for which the Company did not apply for or obtain the KDHE construction permits required by the Kansas Air Quality Act and related regulations. KDHE also alleged that the Company did not apply for or obtain from KDHE the necessary

permits for modifications or alterations to a facility that are significant for Prevention of Significant Deterioration (PSD). Based on these allegations, KDHE proposes to assess a civil penalty of $351,000, and to require the Company to submit a new, complete PSD permit application, including therein a proposal by the Company for installation of air emission controls to achieve Best Available Control Technology (BACT) as provided in applicable regulations. The Company does not agree with certain of KDHE's factual and legal allegations, and is attempting to resolve these issues through negotiation and mutual agreement between the Company and KDHE. The Company reserves all legal rights in the event such a resolution cannot be reached. As of September 30, 2011, it is probable that losses may result, but such losses are estimated to be insignificant.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the purchases made by or on behalf of our Company or certain affiliated purchasers of shares of our capital stock during the third quarter ended September 30, 2011:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Beginning repurchase authority				98,328
July 1-31, 2011	-	-	-	98,328
Additional authorization of 101,672 shares from August 5, 2011 Board of Directors' meeting				200,000
August 1-31, 2011	8,700	24.04	8,700	191,300
September 1-30, 2011	2,500	24.06	2,500	188,800
Total	11,200	$24.05	11,200	188,800

On August 5, 2011, our Board of Directors authorized the purchase, through open market or private transactions, of 101,672 shares of our Company's capital stock in addition to the existing 98,328 shares remaining from the Board's 1996 authorization for a total repurchase authority of 200,000 shares. Management's authorization has no expiration. Management was given discretion to determine the number and pricing of shares to be purchased as well as the timing of any such purchases.

Item 5. Other Information

Under Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each operator of a coal or other mine is required to include disclosures regarding certain mine safety results in its periodic reports filed with the SEC. The operation of the Company's quarries is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977. The information required under Section 1503(a) regarding certain mining safety and health matters is presented in Exhibit 95 to this report.

Item 6. Exhibits

31.1

Certificate of the President and Chairman of the Board pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.

31.2 Certificate of the Chief Financial Officer pursuant to Section 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.

32.1 18 U.S.C. Section 1350 Certificate of the President and Chairman of the Board dated November 9, 2011.

32.2 18 U.S.C. Section 1350 Certificate of the Chief Financial Officer dated November 9, 2011.

95 Dodd-Frank Act Section 1503(a) Disclosures of Mine Safety and Health Administration Safety Data.

101* The following financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2011, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income (Loss) and Retained Earnings, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.

* Pursuant to Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Monarch Cement Company
(Registrant)

Date November 9, 2011

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

Date November 9, 2011

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

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