MONARCH CEMENT CO
Form 10-Q
November 09, 2012

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, 2012, or

o 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 o

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 o

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	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of October 22, 2012, there were 2,583,709 shares of Capital Stock, par value $2.50 per share outstanding and 1,429,925 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 condensed 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, 2011 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 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, 2012 (Unaudited) and December 31, 2011

ASSETS	2012	2011
Current Assets:		
Cash and cash equivalents	$949,695	$1,123,870
Restricted cash	2,570,505	-
Receivables, less allowances of $737,000 in 2012 and		
$670,000 in 2011 for doubtful accounts	21,431,607	15,970,034
Inventories, priced at cost which is not in excess of market-		
Finished cement	$3,898,183	$3,963,233
Work in process	2,392,447	1,353,361
Building products	4,625,137	4,236,266
Fuel, gypsum, paper sacks and other	6,717,052	6,416,618
Operating and maintenance supplies	12,183,504	11,892,887
Total inventories	$29,816,323	$27,862,365
Refundable federal and state income taxes	16,805	353,199
Deferred income taxes	750,000	750,000
Prepaid expenses	698,719	631,461
Total current assets	$56,233,654	$46,690,929
Property, Plant and Equipment, at cost, less		
accumulated depreciation and depletion of $190,551,539		
in 2012 and $182,427,598 in 2011	82,614,987	86,719,411
Deferred Income Taxes	15,741,410	18,416,410
Investments	22,670,650	20,026,704
Other Assets	1,535,525	1,801,356
	$178,796,226	$173,654,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$8,297,110	$5,451,853
Line of credit payable	5,718,954	4,844,469
Current portion of term loan	2,991,621	2,920,023
Current portion of other long-term debt	175,000	175,000
Accrued liabilities	6,117,885	7,883,704
Total current liabilities	$23,300,570	$21,275,049
Long-Term Debt	4,906,806	7,303,137
Accrued Postretirement Benefits	34,156,316	33,327,243
Accrued Pension Expense	12,754,189	13,676,003
Stockholders' Equity:		
Capital Stock, par value $2.50 per share, one vote per share -		
Authorized 10,000,000 shares, Issued and Outstanding 2,583,709		
shares at 9/30/2012 and 2,569,831 shares at 12/31/2011	$6,459,273	$6,424,578
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		
1,429,925 shares at 9/30/2012 and 1,443,803 shares at 12/31/2011	3,574,812	3,609,507
Additional paid-in-capital	2,485,125	2,485,125
Retained earnings	99,262,827	97,751,202

Accumulated other comprehensive loss	(8,103,692)	(12,197,034)
Total stockholders' equity	$103,678,345	$98,073,378
	$178,796,226	$173,654,810

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, 2012 and 2011 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
NET SALES	$ 42,261,929	$ 38,565,133	$ 111,425,525	$ 87,359,985
COST OF SALES	38,640,601	32,705,513	98,829,838	80,997,816
Gross profit from operations	$ 3,621,328	$ 5,859,620	$ 12,595,687	$ 6,362,169
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,093,926	3,865,048	12,025,693	11,719,748
Income (loss) from operations	$ (472,598)	$ 1,994,572	$ 569,994	$ (5,357,579)
OTHER INCOME (EXPENSE):				
Interest income	$ 29,117	$ 46,583	$ 86,989	$ 127,222
Interest expense	(121,962)	(159,071)	(359,659)	(380,048)
Gain on sale of equity investments	3,605,597	-	4,173,141	5,197,438
Loss on impairment of equity investments	-	(415,287)	-	(415,287)
Dividend income	19,014	100,073	44,801	207,256
Other, net	76,206	(83,214)	142,630	174,141
	$ 3,607,972	$ (510,916)	$ 4,087,902	$ 4,910,722
Income (loss) before taxes	$ 3,135,374	$ 1,483,656	$ 4,657,896	$ (446,857)
PROVISION FOR (BENEFIT FROM) INCOME TAXES	875,000	415,000	1,300,000	(125,000)
NET INCOME (LOSS)	$ 2,260,374	$ 1,068,656	$ 3,357,896	$ (321,857)
RETAINED EARNINGS, beg. of period	97,925,589	97,939,977	97,751,202	102,270,564
Less cash dividends	923,136	926,984	1,846,271	1,874,301
Less purchase and retirement of capital stock	-	241,312	-	2,234,069
RETAINED EARNINGS, end of period	$ 99,262,827	$ 97,840,337	$ 99,262,827	$ 97,840,337
Basic earnings (losses) per share	$ 0.56	$ 0.27	$ 0.84	$ (0.08)
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, 2012 and 2011 (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
NET INCOME (LOSS)	$ 2,260,374	$ 1,068,656	$ 3,357,896	$ (321,857)
UNREALIZED APPRECIATION (DEPRECIATION) ON AVAILABLE FOR SALE SECURITIES (Net				

of deferred tax expense (benefit) of $1,836,000,				
$(2,032,000), $3,776,000, and $(800,000), respectively	2,759,597	(3,043,287)	5,667,141	(1,197,849)
RECLASSIFICATION ADJUSTMENT FOR				
SALE OF SECURITIES INCLUDED IN				
NET INCOME (LOSS) (Net of deferred				
tax (benefit) expense of $1,440,000, $0,				
$1,668,000, and $2,080,000, respectively)	(2,165,597)	-	(2,505,141)	(3,117,438)
RECLASSIFICATION ADJUSTMENT FOR				
WRITE-DOWN OF SECURITIES INCLUDED				
IN NET INCOME (LOSS) (Net of deferred				
tax (benefit) expense of $0, $(168,000),				
$0, and $(168,000), respectively)	-	247,287	-	247,287
MINIMUM PENSION LIABILITY (Net of deferred tax				
expense of $135,000, $0, $403,000, and $0, respectively)	200,944	-	604,323	-
POSTRETIREMENT LIABILITY (Net of deferred tax				
expense of $74,000, $0, $218,000, and $0, respectively)	110,969	-	327,019	-
COMPREHENSIVE INCOME (LOSS)	$ 3,166,287	$ (1,727,344)	$ 7,451,238	$ (4,389,857)

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, 2012 and 2011 (Unaudited)

	2012	2011
OPERATING ACTIVITIES:		
Net income (loss)	$3,357,896	$(321,857)
Adjustments to reconcile net income (loss) to		
net cash provided by (used for) operating activities:		
Depreciation, depletion and amortization	8,906,107	8,553,737
Deferred income taxes	(54,000)	758,300
Gain on disposal of assets	(52,225)	(250,501)
Realized gain on sale of equity investments	(4,173,141)	(5,197,438)
Realized loss on impairment of equity investments	-	415,287
Postretirement benefits and pension expense	1,459,601	1,698,305
Change in assets and liabilities:		
Receivables, net	(5,461,573)	(5,794,228)
Inventories	(1,953,958)	2,979,281
Refundable income taxes	336,394	(1,135,677)
Prepaid expenses	(67,258)	(925,177)
Other assets	46,376	2,250
Accounts payable and accrued liabilities	2,922,848	454,034
Net cash provided by operating activities	$5,267,067	$1,236,316
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	$(4,592,850)	$(5,601,076)
Proceeds from disposals of property, plant and equipment	65,709	287,924
Payment for acquisition of business, net of cash acquired	-	(534,392)
Payment for purchases of equity investments	-	(2,389,924)
Proceeds from disposals of equity investments	6,799,194	7,878,129
Decrease in short-term investments, net	-	(10,166)
Net cash provided by (used for) investing activities	$2,272,053	$(369,505)
FINANCING ACTIVITIES:		
Increase in line of credit, net	$874,486	$6,388,069
Payments on bank loans	(2,178,255)	(2,238,756)
Payments on other long-term debt	(146,478)	(581,401)
Net increase in restricted cash	(2,570,505)	-
Cash dividends paid	(3,692,543)	(3,720,289)
Purchase of capital stock	-	(2,483,069)
Net cash used for financing activities	$(7,713,295)	$(2,635,446)
Net decrease in cash and cash equivalents	$(174,175)	$(1,768,635)
Cash and Cash Equivalents, beginning of year	1,123,870	2,695,267
Cash and Cash Equivalents, end of period	$949,695	$926,632
Supplemental disclosures:		
Interest paid, net of amount capitalized	$359,659	$380,048
Income taxes paid, net of refunds	$ 1,017,606	$385,527
Capital equipment additions included in accounts payable	$89,126	$75,823
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, 2012 and 2011 (Unaudited), and December 31, 2011

1. 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 on Form 10-K.

Recently Adopted Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). 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. This guidance became effective for the Company beginning January 1, 2012 and did not have a material impact on our consolidated financial statements.

New Accounting Standards Issued But Not Yet Adopted

There are currently no accounting standards that have been issued and not yet adopted by the Company that are expected to have a significant impact on the Company's financial position, results of operations and cash flows upon adoption.

2. Certain reclassifications have been made to the 2011 financial statements to conform to the current year presentation. These reclassifications had no effect on net earnings.

3. During the economic downturn we substantially reduced our workforce in the construction contract division keeping primarily key personnel on staff. In 2012, we significantly increased the number of construction contracts we were awarded, requiring a larger skilled workforce than we had in place. Finding the personnel with the needed skills proved challenging at best, requiring additional training of new personnel and, in some cases, contracting out work we had intended to perform in house in an attempt to meet construction deadlines. These factors resulted in cost overruns and gross profit declines in our Ready Mixed Concrete Business during the third quarter and the nine months ending September 30, 2012. As a result of the change in estimate in construction contracts, a loss of $2.7 million was recorded during the third quarter of 2012.

4. In February 2012, the Company entered into a new secured credit agreement with its current lender, BOKF, NA dba Bank of Oklahoma which consists of an approximately $9.0 million term loan maturing December 31, 2014 and a line of credit which permits revolving borrowings and letters of credit up to an aggregate of $15.0 million maturing December 31, 2012. In the credit agreement, the Company pledged its investment account held at BOKF, NA, receivable accounts and inventory as collateral for the term loan and revolving line of credit. During the third quarter of 2012, the Company sold some of the equity securities in its pledged investment account and the proceeds which were still in the settlement process at the end of September 2012 are shown as restricted cash since the withdrawal of the proceeds of the sale of any equity securities from the pledged investment account must be used to reduce the obligations of the Company to the lender per the terms of the secured credit agreement.

5. 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 involves 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, 2012, the amount of billed retainage which is included in accounts receivable was approximately $225,000, 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, 2011 was approximately $129,000. The amount of unbilled revenue in accounts receivable was approximately $2,596,000 and $802,000 at September 30, 2012 and December 31, 2011, respectively. Unbilled revenue contained approximately $349,000 and $125,000 of not-currently-billable retainage at September 30, 2012 and December 31, 2011, respectively, which is expected to be collected within one year.

6. As of September 30, 2012, the amount of accounts payable related to property, plant and equipment was $89,126 compared to $86,264 as of December 31, 2011.

   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.

7. We did not incur any temporary LIFO (last in first out) liquidation gain for the nine months or the three months ended September 30, 2012. 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 was restored by the end of 2011. The temporary LIFO liquidation gains were deferred as a component of accrued liabilities.

8. Corporate assets for 2012 and 2011 include cash and cash equivalents, restricted cash, deferred income taxes, refundable income taxes, investments and other assets. Following is a summary of the Company's business segment results for the periods indicated:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Three Months Ended 9/30/12				
Sales to unaffiliated customers	$ 16,076,718	$ 26,185,211	$ -	$ 42,261,929
Intersegment sales	5,171,929	4,563	(5,176,492)	-
Total net sales	$ 21,248,647	$ 26,189,774	$ (5,176,492)	$ 42,261,929
Income (loss) from operations	$ 3,111,254	$ (3,583,852)		$ (472,598)
Other income, net				3,607,972
Income before income taxes				$ 3,135,374
Capital Expenditures	$ 1,029,625	$ 539,274		$ 1,568,899
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

	Cement Business	Ready-Mixed Business	Adjustments Eliminations	Consolidated
For the Nine Months Ended 9/30/12				
Sales to unaffiliated customers	$ 39,088,091	$ 72,337,434	$ -	$ 111,425,525
Intersegment sales	14,341,367	4,563	(14,345,930)	-
Total net sales	$ 53,429,458	$ 72,341,997	$ (14,345,930)	$ 111,425,525
Income (loss) from operations	$ 5,397,900	$ (4,827,906)		$ 569,994
Other income, net				4,087,902
Income before income taxes				$ 4,657,896
Capital Expenditures	$ 2,719,271	$ 1,876,441		$ 4,595,712
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
Balance as of 9/30/12				
Identifiable Assets	$86,333,786	$48,227,850		$134,561,636
Corporate Assets				44,234,590
				$178,796,226
Balance as of 12/31/11				
Identifiable Assets	$84,843,017	$46,340,254		$131,183,271
Corporate Assets				42,471,539
				$173,654,810

9. 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Cash, restricted cash and cash equivalents have carrying values that approximate fair value using level 1 prices. Receivables, accounts payable and long-term debt have carrying values that approximate fair values using level 2 inputs. 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 (level 1 prices). 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 carrying value.

The aggregate amount of equity securities carried at cost, for which the Company has not elected the fair value option, was $2.6 million as of September 30, 2012. The remaining $20.1 million in equity security investments are stated at fair value. As of December 31, 2011, the aggregate amount of equity securities carried at cost was $2.6 million and the remaining $17.4 million in equity security investments were stated at fair value. The following table presents the fair value of the Company's available-for-sale equity securities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2012 and December 31, 2011:

		Fair Value Measurements Using:		
September 30, 2012:		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input
Assets:	Fair Value	(Level 1)	(Level 2)	(Level 3)
Available-for-sale equity securities				
Cement industry	$9,904,744	$9,904,744	$-	$ -
General building materials industry	5,226,177	5,226,177	-	-
Oil and gas refining and marketing industry	4,920,825	4,920,825	-	-
Total assets measured at fair value	$20,051,746	$20,051,746	$-	$ -
December 31, 2011:				
Assets:				
Available-for-sale equity securities				
Cement industry	$8,750,156	$8,750,156	$-	$ -
General building materials industry	4,583,882	4,583,882	-	-
Oil and gas refining and marketing industry	3,631,747	3,631,747	-	-
Residential construction industry	442,015	442,015	-	-
Total assets measured at fair value	$17,407,800	$17,407,800	$-	$ -

There were no transfers between levels and there were no significant changes in the valuation techniques during the period ended September 30, 2012. 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) at either of the dates reported in the table above. 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.

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, 2012 and December 31, 2011:

Available-for-sale equity securities	Less than 12 Months		12 Months or Greater		Total	
		Unrealized		Unrealized		Unrealized
September 30, 2012	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Cement industry	$-	$-	$14,000	$4,116	$14,000	$4,116
Total	$-	$-	$14,000	$4,116	$14,000	$4,116
December 31, 2011						
Cement industry	$ 517,188	$ 53,352	$ 12,900	$ 5,216	$ 530,088	$58,568
Residential construction industry	-	-	6,310	4,413	6,310	4,413
Total	$ 517,188	$ 53,352	$ 19,210	$ 9,629	$ 536,398	$62,981

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, 2012 and December 31, 2011 for impairment. The evaluations of the ethanol production industry investment for each period's impairment analysis were based on the specific identification of shares held and quoted prices in markets that are not active (level 2 inputs) 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 (level 3 inputs) of the issuer 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 does not consider these cost-method investments to be impaired at September 30, 2012 or December 31, 2011.

September 30, 2012 Impairment Analysis - - The Company's investments in available-for-sale 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 did not identify any other-than-temporary impairments in investments which would have resulted in a recognized loss in earnings of equity investments. 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 one company in the cement industry. When the Company evaluated impairment by comparing the specifically identified cost of the investment to market price as of October 22, 2012, the cement industry security had recovered 36% of its temporary impairment. The Company evaluated the near-term prospects in relation to the severity of the impairment and the duration of the impairment. Based on that evaluation, the Company does not consider the investment to be other-than-temporarily impaired at September 30, 2012.

December 31, 2011 Impairment Analysis - - The Company's investments in available-for-sale equity securities carried at fair value were evaluated every quarter for impairment by comparing the specifically identified cost of each investment to market price. As a result of those evaluations, the Company identified a $0.4 million other-than-temporary impairment for the third quarter in its general building materials industry investments resulting in a recognized loss on 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 of 2011.

In its fourth quarter evaluation, the Company identified some specific investments in available-for-sale equity securities it believed were temporarily impaired resulting in unrealized losses (see 2011 information in table above). These unrealized losses relate to investments in the common stock of four companies, one in the residential construction industry and three in the cement industry. When the Company evaluated the impairments by comparing the specifically identified cost of each investment to market price as of January 17, 2012, the residential construction industry securities had recovered approximately 34% of their December 31, 2011 temporary impairment. The investments in one company in the cement industry remained virtually unchanged while the equity securities of the other two cement industry companies recovered approximately 93% and 60% of their December 31, 2011 temporary impairments. Based on those evaluations, the Company did not consider the investments to be other-than-temporarily impaired at December 31, 2011.

Investment Results - - The investment results for September 30, 2012 and December 31, 2011 are as follows:

September 30, 2012	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
Available for sale equity securities				
Cement industry	$4,190,000	$5,710,000	$-	$9,900,000
General building materials industry	3,600,000	1,630,000	-	5,230,000
Oil and gas refining and marketing industry	470,000	4,450,000	-	4,920,000
Total available for sale equity securities	$8,260,000	$11,790,000	$-	$20,050,000
Less: Deferred taxes on unrealized holding gains		4,716,000		
Unrealized gains recorded in equity, net of deferred tax		$7,074,000		
December 31, 2011				
Available for sale equity securities				
Cement industry	$ 5,985,000	$ 2,765,000	$-	$ 8,750,000
General building materials industry	3,819,000	765,000	-	4,584,000
Oil and gas refining and marketing industry	782,000	2,850,000	-	3,632,000
Residential construction industry	302,000	140,000	-	442,000
Total available for sale equity securities				