

## **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

### **NATIONAL STOCK YARDS COMPANY**

2501 Exchange Avenue – Room 107  
Oklahoma City, OK 73108

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405-235-8675

ONSY.COM

Info@okstockyards.com

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**Quarterly Report**  
**For the Period Ending: September 30, 2022**  
(the "Reporting Period")

As of September 30, 2022, the number of shares outstanding of our Common Stock was:

43,612

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

43,612

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

43,612

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes: ☐ No: ☒

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

National Stock Yards Company

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Delaware

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

N/A

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

N/A

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

2501 Exchange Avenue Room 107, Oklahoma City, OK 73108

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

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

\_\_\_\_\_

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

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

**2) Security Information**

Trading symbol: NSYC  
Exact title and class of securities outstanding: C01-Common  
CUSIP: 637858101  
Par or stated value: 0

Total shares authorized: 73,100 as of date: 093022  
Total shares outstanding: 43,612 as of date: 093022  
Number of shares in the Public Float<sup>2</sup>: 39,250 as of date: 093022  
Total number of shareholders of record: 50 as of date: 093022

<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

All additional class(es) of publicly traded securities (if any):

Trading symbol: N/A  
 Exact title and class of securities outstanding: N/A  
 CUSIP: N/A  
 Par or stated value: N/A  
 Total shares authorized: N/A as of date: N/A  
 Total shares outstanding: N/A as of date: N/A

#### Transfer Agent

Name: Computershare  
 Phone: 303-262-0710  
 Email: brooke.webb@computershare.com  
 Address: P.O. Box 505000, Louisville, KY 40233

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes: ☒ No: ☐

### 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

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

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

Shares Outstanding as of Second Most Recent Fiscal Year End: <div>Opening Balance</div>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date _____	Common: _____								
	Preferred: _____								
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	
Shares Outstanding on Date of This Report:										
<u>Ending Balance:</u>		<u>Ending</u>								<u>Balance</u>
Date _____		Common: _____								
		Preferred: _____								

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its quarter ended June 30, 2021, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2019 through June 30, 2021 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

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

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

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

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

Use the space below to provide any additional details, including footnotes to the table above:

#### 4) Financial Statements

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

- ☒ U.S. GAAP  
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

Name: **Rich Prine – Lopata – Flegel & Company**  
Title: **Partner**  
Relationship to Issuer: **Accountant & Management Consultant**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

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Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

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

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Livestock – we offer cattle for sale every week at Oklahoma National Stockyards in Oklahoma City, OK. Our operations are live auction.

Real Estate – we have properties, offices and buildings for rent and short-term or long-term lease. We also offer properties for sale.

- B. Please list any subsidiaries, parents, or affiliated companies.

Oklahoma National Stockyards – Oklahoma City, OK  
St. Louis National Stockyards – St. Louis, IL  
East St. Louis Junction Railroad – St. Louis, IL

- C. Describe the issuers' principal products or services.

Cattle Merchandising.  
Real Estate – Leasing, Rental, & Merchandising

## 6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

Oklahoma National Stockyards – The property is approximately 100 acres, consisting of over 45 acres of cattle pens, loading/unloading chutes, allies, vet chutes, receiving/load out offices and the auction barn. There are 8 buildings with 155,609 sq feet of office/warehouse space for rent/lease to various supply and Main Street companies. The Exchange building has approximately 50 offices with 26,490 sq feet that is rented to commission firms, order buyers, finance, insurance and trucking companies. The Exchange building also has 1 full-service restaurant and a 4,000 sq foot atrium.

St. Louis and East St. Louis Railroad – There are approximately 80 acres in the two properties with 3 buildings consisting of 40,000 square of office/warehouse space that is rented to various companies.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The leases range from year to year up to 20-year leases. Property taxes are passed on to the tenants along with their water and electric cost. The company takes the responsibility for maintenance of HVAC units and roofs.

## 7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Chis Bakwin</u>	<u>CEO</u>	<u>P.O. Box 1542</u> <u>Bozeman, MT</u> <u>59771</u>	<u>4362</u>	<u>Common</u>	<u>10</u>	_____
<u>Edward J. Henry</u>	<u>Secretary</u>	<u>5600 W. Lovers</u> <u>Lane #116-408</u> <u>Dallas, TX 75209</u>	<u>0</u>	<u>Common</u>	<u>0</u>	_____
<u>Kelli Payne</u>	<u>President</u>	<u>13501 S. Mustang</u> <u>Road</u>	<u>0</u>	<u>N/A</u>	<u>0</u>	_____

		<u>Mustang, OK</u> <u>73064</u>				
<u>Phil Fleetwood</u>	<u>Director</u>	<u>P.O. Box 407</u> <u>Marlow, OK</u> <u>73055</u>	<u>0</u>	<u>N/A</u>	<u>0</u>	<u>      </u>
<u>James Reynolds</u>	<u>Director</u>	<u>19525 Millstone</u> <u>Crossing Drive</u> <u>Edmond, OK</u> <u>73012</u>	<u>0</u>	<u>N/A</u>	<u>0</u>	<u>      </u>
<u>Cede &amp; Co</u>	<u>Owner of 5% or more</u>	<u>P.O. Box 5020</u> <u>Bowling Green</u> <u>Station</u> <u>New York, NY</u> <u>10274-5020</u>	<u>38694.75</u>	<u>Common</u>	<u>88%</u>	

## 8) Legal/Disciplinary History

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

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

NO

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

NO

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

NO

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

NO

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

N/A

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

### Securities Counsel

Name: Zane Anderson  
Firm: Crowe & Dunlevy  
Address 1: 324 N. Robinson Avenue, Oklahoma City, OK 73102  
Address 2: Suite: 100  
Phone: 405-234-3244  
Email: zane.anderson@crowedunlevy.com

### Accountant or Auditor

Name: Rich Prine  
Firm: Lopata, Flegel & Company, LLP  
Address 1: 600 Mason Ridge Center Drive, St. Louis, MO 63141  
Address 2: Suite: 100  
Phone: 314-336-1540  
Email: rpine@lfco.cpa

### Investor Relations

Name: N/A  
Firm: N/A  
Address 1: N/A  
Address 2: N/A  
Phone: N/A  
Email: N/A

### Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: N/A  
Firm: N/A  
Nature of Services: N/A  
Address 1: N/A  
Address 2: N/A  
Phone: N/A  
Email: N/A

## 10) Issuer Certification

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Chris Bakwin certify that:

1. I have reviewed this Quarterly Disclosure Statement of National Stockyards Company;




2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/10/2022

[Date]

DocuSigned by:  
  
A4263164C209458...

[CEO's Signature]

*Principal Financial Officer:*

I, Chris Bakwin certify that:


1. I have reviewed this Quarterly Disclosure Statement of National Stockyards Company;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/10/2022

[Date]

DocuSigned by:  
  
A4263164C209458...

[CFO's Signature]

# NATIONAL STOCK YARDS COMPANY



## QUARTERLY REPORT

QUARTER ENDED SEPTEMBER 30, 2022

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Accountants and Management Consultants

600 Mason Ridge Center Drive  
Suite 100  
St. Louis, Missouri 63141  
314-514-8881  
314-514-8872 Fax

### INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Directors  
National Stock Yards Company

Management is responsible for the accompanying consolidated financial statements of National Stock Yards Company (a Delaware corporation) & Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of earnings and changes in stockholders' equity, and cash flows for the quarter and nine months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

*Lopata, Flegel & Company LLP*

St. Louis, Missouri  
November 9, 2022

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Consolidated Balance Sheet

September 30, 2022

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### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 2,018,237
Accounts receivable	67,922
Insurance and other receivables	229,265
Land sale note receivable	223,378
Inventories	17,262
Prepaid supplies	26,575
Prepaid expenses	64,925
Total Current Assets	<u>2,647,564</u>

#### Property and Equipment

Buildings, equipment, and roads	10,828,083
Less accumulated depreciation	<u>8,148,764</u>
	2,679,319
Land and land development costs	<u>1,702,150</u>
	4,381,469
St. Louis real estate available for sale	<u>2,155,431</u>
	<u>6,536,900</u>
	<u>\$ 9,184,464</u>

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Consolidated Balance Sheet - Continued

September 30, 2022

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Current Liabilities

Accounts payable	\$ 20,424
Accrued liabilities	274,149
Accrued income taxes	107,087
Line of credit	151,109
Other current liabilities	<u>7,345</u>

Total Current Liabilities 560,114

#### Long-Term Obligations

Deferred income taxes	153,000
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#### Stockholders' Equity

Common stock - stated value \$50 per share; authorized and issued 73,100 shares	3,655,000
Additional paid-in capital	3,518,050
Retained earnings	<u>2,665,006</u>

9,838,056

Less common stock in treasury, at cost 29,488 shares	<u>1,366,706</u>
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8,471,350

\$ 9,184,464

*The accompanying notes are an integral part of this statement.*

**NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES****Consolidated Statements of Earnings and Stockholders' Equity**

Quarter and Nine Months ended September 30, 2022

	Quarter Ended September 30	Nine Months Ended September 30
<b>Revenues</b>		
Livestock operations	\$ 1,573,870	\$ 4,826,208
Real estate operations	220,083	658,074
	<u>1,793,953</u>	<u>5,484,282</u>
<b>Operating costs and expenses</b>		
Depreciation	64,628	189,213
Payroll expense and related benefits	501,620	1,457,917
Operating expenses	877,478	3,124,009
Administrative expenses	116,977	352,230
	<u>1,560,703</u>	<u>5,123,369</u>
Operating profit	<u>233,250</u>	<u>360,913</u>
<b>Other income</b>		
Interest income, net	7,127	11,335
Other income	215,630	323,905
Gain on disposition of assets, net	-	193,688
	<u>222,757</u>	<u>528,928</u>
Income before income taxes	<u>456,007</u>	<u>889,841</u>
<b>Income tax expense</b>		
Current	133,176	260,271
	<u>133,176</u>	<u>260,271</u>
<b>NET EARNINGS</b>	<u>322,831</u>	<u>629,570</u>
Stockholders' equity - beginning of period	<u>8,148,519</u>	<u>7,841,780</u>
Stockholders' equity - end of period	<u>\$ 8,471,350</u>	<u>\$ 8,471,350</u>
<b>NET EARNINGS PER COMMON SHARE</b>	<u>\$ 7.40</u>	<u>\$ 14.44</u>

*The accompanying notes are an integral part of these statements.*

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Quarter and Nine Months ended September 30, 2022

	Quarter Ended September 30	Nine Months Ended September 30
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 322,831	\$ 629,570
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	64,628	189,213
Gain on disposition of assets	-	(193,688)
Changes in assets and liabilities:		
Accounts receivable	(14,795)	54,285
Inventories	(521)	(8,837)
Prepaid supplies and expenses	(32,228)	66,848
Other receivable	(229,265)	(229,265)
Income taxes	115,176	167,351
Accounts payable	(24,952)	(213,906)
Accrued liabilities	52,550	(832,501)
Other current liabilities	(5,853)	(31,393)
Net cash provided by (used in) operating activities	247,571	(402,323)
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(265,661)	(282,684)
Proceeds from sale of property and equipment	-	193,688
Cash used in investing activities	(265,661)	(88,996)
<b>Cash flows from financing activities:</b>		
Net borrowings (payments) on line of credit	8,859	(4,141)
Net decrease in cash and cash equivalents	(9,231)	(495,460)
Cash and cash equivalents at beginning of period	2,027,468	2,513,697
Cash and cash equivalents at end of period	\$ 2,018,237	\$ 2,018,237
<b>Supplemental disclosure of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Income taxes, net	\$ 18,000	\$ 92,920

The accompanying notes are an integral part of these statements.



# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements

September 30, 2022

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

National Stock Yards Company, through its subsidiaries, St. Louis National Stockyards Company (SLNSY) and Oklahoma National Stock Yards Company (ONSY), operates a diversified corporation.

ONSY provides a marketplace for the exchange of livestock. Their customer base consists of livestock producers who provide animals for sale primarily to feedlots, meatpackers and other livestock operations throughout the United States.

SLNSY owns approximately 75 acres of undeveloped real estate located approximately 2 miles from downtown St. Louis, Missouri. Note F provides more detail. The East St. Louis Junction Railroad Company, a wholly owned subsidiary of SLNSY, further enhances the commercial diversity of the properties. The St. Louis property is currently for sale.

Both operating facilities provide leasing of real estate, warehouses and office space.

#### **1. Principles of Consolidation**

The consolidated financial statements include the accounts of National Stock Yards Company and its wholly-owned subsidiaries, Oklahoma National Stock Yards Company and St. Louis National Stockyards Company.

All significant intercompany transactions have been eliminated.

#### **2. Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company has cash and cash equivalents in a financial institution that at times may exceed federal deposit insurance limits. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

#### **3. Property and Equipment**

Land owned by St. Louis National Stockyards Company was recorded at the organization of the Company in 1932 at an amount equal to the book value of a predecessor company. The land value was subsequently reduced in the 1980's to reflect its then estimated realizable value. Additions to property and equipment are recorded at cost.

Depreciation is computed using straight-line and accelerated methods. The provision for depreciation is computed based on the Company's estimates of the useful lives of the property, which range from three to 40 years.

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements September 30, 2022

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED)

#### **3. Property and Equipment (CONTINUED)**

The cost of maintenance and repairs is charged to operations as incurred. Renewals and betterments which extend the lives of existing properties are capitalized. Gain or loss on the disposal of assets is reflected in operations at the time of disposal.

#### **4. Advertising**

Advertising costs are expensed as incurred. Advertising expense for the quarter and nine months ended September 30, 2022 was approximately \$18,000 and \$58,000, respectively.

#### **5. Income Taxes**

The Company accounts for income taxes utilizing an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense represents the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

#### **6. Revenue Recognition**

The Company recognizes revenue for financial reporting purposes when it satisfies a performance obligation by transferring control over a product or service to a customer. The Company earns revenues primarily from its livestock operations and its leasing operations. Revenues earned through its leasing operations are accounted for under ASC Topic 842 *Leases*.

The Company's contracts with customers include goods and services of delivery, yardage assessments, auction, and feed, which are integrated into one overall output or performance obligation as the provision of a marketplace for the exchange of livestock. The Company's performance obligations are satisfied as the Company completes each day's obligations.

Consideration from livestock contracts is variable in nature because fees are based on the number of livestock brought to the marketplace, which can vary from period to period and is outside the Company's control. Fees at published rates are invoiced to customers daily as performance obligations are met based on the volume of livestock brought through the marketplace and payment is generally due when invoiced. The Company recognizes revenue when invoiced.

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements

September 30, 2022

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED)

#### 6. Revenue Recognition (CONTINUED)

Livestock and leasing operations by geographic area consisted of the following for the quarter ended September 30, 2022:

	ONSY Livestock	ONSY Leasing	SLNSY Leasing	Total
Revenues	\$ 1,573,870	\$ 207,131	\$ 12,952	\$1,793,953
Depreciation	40,493	22,650	1,485	64,628
Operating Expenses	1,231,448	186,894	77,733	1,496,075
Operating Profit (Loss)	\$ 301,929	\$ (2,413)	\$ (66,266)	\$ 233,250

Livestock and leasing operations by geographic area consisted of the following for the nine months ended September 30, 2022:

	ONSY Livestock	ONSY Leasing	SLNSY Leasing	Total
Revenues	\$ 4,826,208	\$ 617,007	\$ 41,067	\$5,484,282
Depreciation	108,734	76,024	4,455	189,213
Operating Expenses	3,945,507	518,347	470,302	4,934,156
Operating Profit (Loss)	\$ 771,967	\$ 22,636	\$ (433,690)	\$ 360,913

#### 7. Net Earnings Per Common Share

Net earnings per common share have been computed based on the common shares outstanding of 43,612.

#### 8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements

September 30, 2022

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED)

#### 9. Subsequent Events

The Company has evaluated subsequent events through November 9, 2022, which is the date the financial statements were available to be issued.

### NOTE B – FINANCING ARRANGEMENTS

The Company has a \$500,000 unsecured line of credit with a bank which matures in June 2023. Interest is computed at the prime rate, which was 6.25% at September 30, 2022. The balance of the line of credit at September 30, 2022 was \$151,109.

### NOTE C – INCOME TAXES

The Company recognizes uncertain tax positions in the financial statements based on whether positions are more likely than not of being sustained on audit, based on the technical merits of the positions. Amounts recognized are subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. No provision for uncertain tax positions was considered necessary at September 30, 2022. The Company is no longer subject to examination by U.S. federal or applicable state tax authorities for years before 2019. Management continually evaluates the effect of expiring statutes of limitations, changes in tax law and new authoritative rulings.

The tax effect of temporary differences giving rise to the net deferred tax assets (liabilities) as of September 30, 2022 is as follows:

<b>Net deferred tax asset (liability)</b>	
Depreciation	\$ (242,000)
Difference between book and tax basis of land held for real estate development	70,000
Various	19,000
	<u>\$ (153,000)</u>

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements

September 30, 2022

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### NOTE D – EMPLOYEE BENEFIT PLANS

The Company sponsors the National Stock Yards Company Savings and Retirement Plan for the benefit of its employees. The savings component of the plan is a 401(k) plan and covers all employees of the Company who have met certain minimum age and length of service requirements. The Plan permits contributions from the employees in an amount not greater than 12% of base compensation. In addition, the Company made discretionary contributions to the plan of 8% of the eligible employees' wages in 2022. Company contributions are vested over a six year period. Company contribution expense for the quarter and nine months ended September 30, 2022 was approximately \$20,000 and \$57,000, respectively.

### NOTE E – COMMITMENTS AND LEASING OPERATIONS

#### Leasing Operations

The Company leases land and commercial space under long-term and month-to-month leases to various tenants at its St. Louis and Oklahoma facilities. The long-term leases expire at various dates through 2031.

Minimum future rentals to be received on non-cancelable leases for each of the next five calendar years and in the aggregate are:

<u>Year ending</u> <u>December 31,</u>	
2022	\$ 610,603
2023	275,838
2024	249,007
2025	174,000
2026	174,000
Thereafter	497,500
	<u>\$ 1,980,948</u>

In addition to the future rents disclosed above, the Company has a perpetual lease with an unrelated company for land with annual rent of \$48,000.

In July 2022, the Company entered into a construction contract to build a warehouse for an existing tenant at its Oklahoma facility. The warehouse will cost approximately \$770,000 to build, and will be financed by a bank loan (Note G). Construction of the warehouse began in August 2022 and approximately \$114,000 of costs were incurred through September 30, 2022. Upon completion of the new warehouse, the tenant's monthly rent will increase by approximately \$12,000 per month. The increase has not been reflected in the minimum future rental schedule above.

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements September 30, 2022

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### NOTE F – SIGNIFICANT ESTIMATES AND CONTINGENCIES

#### **1. Oklahoma City Real Estate – Wastewater**

The Company has received information that the City of Oklahoma City permit to discharge certain wastewater from livestock operations into the City's sewer system, may not be renewed after December 31, 2023. Management is considering its options to mitigate the effects of this possible change.

#### **2. Oklahoma City Yards**

In October 2021, storms caused damage to certain equipment in the yards, which included damage to the well water system. The Company filed business interruption and property damage claims with their insurance company as a result of these storms. In April 2022, the Company received a partial payment of \$108,000 for the business interruption claim. In October 2022, the Company received an additional payment of \$213,841. These insurance recoveries are included in other income on the consolidated statements of earnings.

#### **3. St. Louis Real Estate Development**

In connection with a 2020 land sale, the Company received a \$205,547 promissory note which accrues interest at 4% annually. The unpaid principal and accrued interest are due August 20, 2023.

Management estimates that the fair value of the Company's St. Louis real estate is in excess of its carrying value and demolition costs, and accordingly, the carrying value of the St. Louis real estate has not been adjusted. However, the amounts the Company will ultimately realize from the sale or development of this property could differ materially from management's current estimate.

In May 2022, the Company sold land in St. Louis. Sale proceeds net of closing costs, were approximately \$193,700 and was reported as a net gain in the quarter ended June 30 2022.

#### **4. St. Louis Real Estate – Environmental**

The Company has obtained Phase I environmental assessments at its St. Louis facility at various times. These assessments have identified past uses of the property which could lead to environmental conditions, however, management is not aware of specific environmental matters which require immediate remediation. Management continues to consider the assessments and will perform the recommended investigations and testing as required to sell or develop the real estate. The ultimate liability for all environmental matters, if any, cannot be determined.

# NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

## Notes To Consolidated Financial Statements

September 30, 2022

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### NOTE F – SIGNIFICANT ESTIMATES AND CONTINGENCIES (CONTINUED)

#### **4. St. Louis Real Estate – Environmental (Continued)**

During the period ended June 30, 2022, the Company completed asbestos abatement work on one building at its St. Louis facility. The Company incurred approximately \$226,000 of expense related to this work in the second quarter of 2022, which has been included in operating expenses in the accompanying financial statements.

### NOTE G – SUBSEQUENT EVENT

In October 2022, the Company obtained a construction loan to fund the cost to build a warehouse for an existing tenant (Note E). The loan has a maximum principal balance of approximately \$770,000, a variable interest rate and matures October 2032.