

TITAN AMERICA LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies

The consolidated financial statements for the years ended December 31, 2006 and 2005 were authorized for issue by the management of Titan America LLC on February xx, 2007.

Basis of Presentation: The consolidated financial statements are prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (“IASB”), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, collectively “IFRS.”

Organization and Nature of Business: Titan America LLC (the “Company”), a Delaware limited liability company, is wholly-owned by Titan Atlantic Cement Industrial and Commercial S.A. (“Titan Atlantic”), which is wholly-owned by Titan Cement Company S.A. (“Titan Cement”), both of which are Greek corporations. The Company primarily operates in the manufacture, distribution, and sale of cement, cement substitutes, construction aggregates, ready-mixed concrete, and concrete blocks to resellers and construction contractors in the Eastern region of the United States. The Company’s principal offices are located in Norfolk, Virginia.

The Company’s significant operating subsidiaries include Roanoke Cement Company LLC, Titan Virginia Ready-Mix LLC, Tarmac America LLC, Separation Technologies LLC, and Essex Cement Company LLC.

Related Party Activity: Related party activity is primarily comprised of cement purchases from Titan Cement and its operating subsidiaries. In 2004, the Company sold the international territory development rights for its patented ash separation technology to Iapetos Limited (“Iapetos”), a wholly-owned subsidiary of Titan Cement, and provided short-term funding to Separation Technologies Canada LTD (“STC”), a wholly-owned subsidiary of Iapetos. In 2005 and 2006, the Company sold ash separators and related spare parts and technical and administrative support services to STC and Separation Technologies UK LTD (“STUK”), a wholly-owned subsidiary of Titan Cement UK LTD, which is wholly-owned by Titan Cement. See Note 19.

A summary of the Company’s significant accounting policies follows:

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were not significant.

Limited Liability Company operating agreement, personal assets and liabilities: In accordance with the operating agreement of the Company, the member, Titan Atlantic, is not liable for the debts, liabilities, contracts, or any other obligations of the Company solely by reason of being a member of the Company. In addition, the member is not required to lend any funds to the Company.

Principles of Consolidation: The consolidated financial statements include the accounts of Titan America LLC and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Critical Accounting Estimates and Judgments: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. The principal estimates are related to provisions, retirement benefit obligations, goodwill, identifiable intangible assets, deferred and other noncurrent income taxes, and insurance accruals.

Provisions and retirement benefit obligations include estimates of discounted expected future cash outflows. The retirement benefit obligations include actuarial assumptions on medical cost increases and life expectancy, which could differ from actual experience.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

The Company tests whether goodwill and identifiable intangible assets have suffered any impairment at least on an annual basis. The recoverable amounts of related cash generating units have been determined based on discounted cash flow calculations. These calculations require the use of estimates.

The Company's calculation of deferred and other noncurrent income taxes includes many transactions and calculations for which the ultimate tax determination is uncertain.

Insurance accruals include estimates of settlement of claims against the company based on loss development factors and estimates of incurred but not reported healthcare costs, which could differ from actual results.

Financial Risk Management: The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

- Credit risk: The Company has no significant concentrations of credit risk. See Note 21.
- Liquidity risk: Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available. See Note 15.
- Cash flow and fair value interest rate risk: As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy for long term borrowings will vary and is managed by Titan Cement's group treasury function.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of overnight repurchase agreements and a bank money market fund (investing primarily in obligations of U.S. banks, commercial paper and other high quality, short-term obligations of U.S. companies and securities of the U.S. Government).

The Company excludes outstanding checks in excess of funds on deposit with a bank from the reported amounts of cash and cash equivalents. When applicable, this net liability is classified as a book overdraft in the accompanying consolidated balance sheets.

Borrowings: The Company recognizes borrowings initially at fair value, net of transaction costs. Transaction costs are amortized on an interest to maturity basis over the term of the borrowings. Amortization is included in interest expense in the accompanying consolidated statements of income.

Inventories: Inventories are stated at the lower of cost or market (estimated net realizable value). Cost is determined as follows:

- Finished goods and work in process – Purchase cost or average production cost for the most recent 12 month period.
- Spare parts and raw materials – Moving average or standard cost method.
- Manufacturing supplies and other – Moving average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

Trade Receivables: Trade receivables are recognized initially at fair value and subsequently at amortized cost, less a provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the related sale. The amount of the allowance is the difference between the receivable's carrying amount and the estimated future cash flows. Changes to the allowance are recognized as cost of goods sold in the accompanying consolidated statements of income.

Property, Plant, Equipment and Mineral Deposits: Property, plant, equipment and mineral deposits are stated at historical cost, less accumulated depreciation and depletion.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization expense on assets under capital leases is included with depreciation expense on Company owned assets. Mineral deposits are depleted using the units-of-production method on the basis of the relationship of quantities mined to total estimated recoverable quantities.

Expenditures incurred to replace or overhaul a component of an item of property, plant and equipment are accounted for separately and, if the future economic benefits are probable and extend the useful life or increase capacity, the items are capitalized. Repair and maintenance expenditures are expensed as incurred.

The estimated useful lives for the major components of property, plant and equipment are:

	Years
Land improvements	15-39
Building and improvements	15-39
Machinery and equipment	5-30
Mobile equipment	7-25
Marine equipment	15-25
Auto and truck	7-8
Furniture and fixtures	3-5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the accompanying consolidated statements of income.

Capitalized Interest: The Company has elected the allowed alternative treatment to capitalize interest costs for qualifying capital projects. The amount of capitalized interest is based on the Company's weighted average borrowing rate and the average outstanding capital spending for a project. The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life.

Goodwill: Goodwill related to acquisitions before April 1, 2004 is stated at acquisition value less accumulated amortization and accumulated impairment losses, if any. Goodwill related to acquisitions on or after March 31, 2004 is carried at cost less accumulated impairment losses, if any. The Company annually tests all goodwill at the appropriate cash-generating unit level for impairment in accordance with IAS No. 36, "Impairment of Assets." In accordance with IFRS No. 3, "Business Combinations," the Company ceased amortization of existing goodwill on January 1, 2005.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

Identifiable Intangible Assets: Identifiable intangible assets are stated at acquisition value less accumulated amortization and are amortized over their expected period of benefit on a straight line basis. The Company annually reviews the methods of amortization and estimated useful lives of its identifiable intangible assets. Amortization of identifiable intangible assets is included in cost of goods sold in the accompanying consolidated statements of income.

The estimated useful lives for the major components of identifiable intangible assets are:

	Years
Core Technology	10
Customer Relationships	5-10
Trademarks	10
Non-Compete Agreements	3-5

Deferred Stripping: Costs associated with removing overburden from mineral deposits are deferred and amortized on the units-of-production method proportionate to the extraction of the related mineral deposits. Amortization of deferred stripping is included in costs of goods sold in the accompanying consolidated statements of income.

Insurance: The Company maintains insurance to cover property, casualty, liability, workers' compensation, and employee healthcare losses above certain retained limits. The Company provides accruals for estimates of the retained portion of probable settlement amounts, net of deposits held by insurance companies. This liability is included in accrued expenses in the accompanying consolidated balance sheets.

Income Taxes: Titan America LLC is a non-taxable entity whose items of income, expense, gains and losses are taxed to its member, Titan Atlantic. For financial reporting purposes, the Company reports Titan Atlantic's United States income tax expense and related income tax assets and liabilities as if the Company had filed these income tax returns on its own behalf.

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the financial statement reported amounts of assets and liabilities and their tax bases. Deferred tax assets are recognized only when, in the opinion of management, it is probable that they will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is subject to compliance reviews by the Internal Revenue Service ("IRS") and other taxing authorities on various tax matters, including challenges to various positions the Company asserts. The Company believes it has adequately accrued for tax contingencies that have met both the probable and reasonably estimable criteria. These amounts are reflected in other noncurrent income tax liabilities in the accompanying consolidated balance sheets.

Commitments, Contingencies, and Provisions: Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Such provisions are adjusted as further information develops or circumstances change. Provisions for environmental remediation costs are determined by forecasting future costs and discounting these costs using risk free rates for periods that approximate the expected timing of the obligation and are included in provisions in the accompanying consolidated balance sheets.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

Impairment of Long-Lived Assets: Property, plant, equipment and mineral deposits and other noncurrent assets, including goodwill, deferred stripping and identifiable intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, assets with indefinite lives, such as goodwill, are reviewed annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell or value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Leases: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Revenue Recognition: Revenue from product sales is recognized upon shipment to customers, when the significant risks and rewards of ownership of the goods have been passed to the buyer. Revenue for services is recognized when the service is provided. Provisions for discounts, returns, and other adjustments are provided for in the same period the related sales are recorded as a reduction of revenue.

Deferred income represents payments received or receivables established prior to the delivery of products, services or rights.

Pension and Other Post-retirement Obligations: All of the Company's defined benefit pension plans and all but one of the Company's other post-retirement benefit plans were previously frozen as to new participants and credited service. One post-retirement benefit plan exists for certain active and former employees of the Company. Under this plan, eligible retirees receive a benefit consisting primarily of assistance with medical insurance costs between the dates of early retirement and Medicare eligibility. The Company sponsors a defined contribution retirement and 401(k) savings plan which covers substantially all employees of the Company.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately charged or credited to the consolidated statement of income. Past-service costs are also recognized immediately in the consolidated statement of income.

For defined contribution plans, the Company makes contributions in accordance with established plan provisions for both union and non-union employees and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

Share based payments:

Titan Cement operates an equity-settled, share-based compensation plan. The Company recognizes the fair value of the employee services received in exchange for the grant of Titan Cement options as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In accordance with IFRS 2 “Share Based Payment”, no expense is recognized for options granted prior to November 7, 2002 that had vested prior to January 1, 2005.

Recent Accounting Pronouncements:

On January 1, 2005, the Company adopted revised IAS 39 “Financial Instruments: Recognition and Measurement,” which presents guidance on several aspects of financial instruments including the calculation of effective interest rates, fair value designation, and hedge accounting. The adoption of this standard did not have a material impact on the Company’s results of operations or financial position. In August 2005, the IASB amended IAS 39 for financial guarantee contracts. This amendment was effective for the Company beginning January 1, 2006. The adoption of this amendment did not have a material impact on the Company’s results of operations or financial position.

In June 2005, the IASB issued IFRS No. 6, “Exploration for and Evaluation of Mineral Resources,” which requires limited improvements to existing accounting practices for exploration and evaluation expenditures. In addition, it requires that the entities that recognize exploration and evaluation assets to assess such assets for impairment and measure any impairment in accordance with IAS No. 36, “Impairment of Assets.” The statement was effective for the Company beginning January 1, 2006. The adoption of this standard did not have a material impact on the Company’s results of operations or financial position.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

In August 2005, the IASB issued IFRS No. 7, "Financial Instruments: Disclosures," which require entities to provide disclosures in their financial statements that enable users to evaluate (i) the significance of financial instruments for the entity's financial position and performance, (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. The statement is effective for the Company beginning January 1, 2007. The adoption of this standard is not expected to have a material impact on the Company's results of operations or financial position. See "Financial Risk Management" contained elsewhere in Note 1.

IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* is effective for annual periods beginning on or after January 1, 2006. The adoption of the interpretation did not have a significant impact on the Company's results of operations or financial position.

Note 2. Financial Instruments and Other Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents, trade receivables, related party receivables, other receivables, accounts payable, and accounts payable-related parties: At December 31, 2006 and 2005, the carrying amounts approximate fair value based on the short maturity of these instruments.

Long-term debt: The fair values of the Company's long-term debt obligations (other than capital lease obligations) are based on discounted cash flows using a discount rate which management expects would be available to the Company at the balance sheet date. The carrying amounts of short-term borrowings and capital lease obligations approximate their fair value.

Note 3. Trade Receivables, Net

Trade receivables at December 31, 2006 and 2005, consist of the following:

	December 31, 2006	December 31, 2005
Trade receivables	\$ 93,122,675	\$ 92,671,153
Allowance for doubtful accounts	(2,052,951)	(1,915,894)
Allowance for cash discounts and rebates	(1,826,856)	(1,687,131)
Allowance for service fees	<u>(557,981)</u>	<u>(408,775)</u>
Trade receivables, net	<u>\$ 88,684,887</u>	<u>\$ 88,659,353</u>

Bad debt expense is included in cost of goods sold in the accompanying consolidated statements of income. For the years ended December 31, 2006 and 2005, the Company recognized \$120,832 and \$347,236 of bad debt expense, respectively.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Inventories

Inventories at December 31, 2006 and 2005, consist of the following:

	December 31, 2006	December 31, 2005
Finished goods	\$ 34,674,245	\$ 23,345,136
Work in process	29,824,159	19,275,733
Raw materials	13,377,625	10,515,516
Spare parts	24,991,820	18,382,122
Manufacturing supplies and other	5,592,590	4,292,057
Inventories	<u>\$ 108,460,439</u>	<u>\$ 75,810,564</u>

Note 5. Other Receivables, Net

Other receivables at December 31, 2006 and 2005, consist of the following:

	December 31, 2006	December 31, 2005
Accounts receivable, non-trade, net	\$ 1,579,905	\$ 435,491
Deposits	744,150	115,000
Employee receivables	1,015,048	480,344
Property and fuel tax refunds	172,400	487,734
Vendor rebate and receivables	1,284,194	-
Other	211,514	246,365
Other receivables, net	<u>\$ 5,007,211</u>	<u>\$ 1,764,934</u>

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2006 and 2005, consist of the following:

	December 31, 2006	December 31, 2005
Prepaid insurance	\$ 2,348,232	\$ 1,866,383
Prepaid licenses, permits and other taxes	713,349	520,187
Prepaid overhead expenses (rent, software maintenance, dues and subscriptions)	687,239	729,328
Prepaid highway use tax	206,409	261,319
Prepaid royalty	148,787	167,051
Advance payment for inventory	1,418,906	-
Other	96,773	96,042
Prepaid expenses and other current assets	<u>\$ 5,619,695</u>	<u>\$ 3,640,310</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, Equipment and Mineral Deposits, Net

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2006 consists of the following:

	Balance at 1/1/06	Additions	Disposals	Acquisition	Other	Balance at 12/31/06
Historical cost:						
Mineral reserves	\$ 128,216,832	\$ -	\$ -	\$ -	\$ -	\$ 128,216,832
Land	81,471,080	518,259	(326,679)	7,700,000	-	89,362,660
Land improvements	17,431,036	10,585,520	(199,165)	1,399,488	(81,638)	29,135,241
Building & improvements	77,538,044	5,092,373	(397,697)	597,572	-	82,830,292
Machinery & equipment	459,623,854	68,588,688	(2,294,362)	3,451,137	66,606	529,435,923
Mobile equipment	44,185,756	9,890,165	(2,123,459)	1,179,110	372,364	53,503,936
Marine equipment	6,397,170	(77,482)	-	-	-	6,319,688
Auto & truck	63,151,419	26,480,514	(2,202,648)	8,742,300	(372,364)	95,799,221
Furniture & fixtures	6,271,138	1,874,842	(92,623)	324,707	15,032	8,393,096
Construction and equipment installations in progress	89,682,047	(6,706,648)	-	2,917,096	-	85,892,495
Total historical cost	\$ 973,968,376	\$ 116,246,231	\$ (7,636,633)	\$ 26,311,410	\$ -	\$ 1,108,889,384
Accumulated depreciation:						
Mineral reserves	\$ 16,397,609	\$ 3,433,397	\$ -	\$ -	\$ -	\$ 19,831,006
Land improvements	4,768,651	1,676,610	(61,173)	-	(4,551)	6,379,537
Building & improvements	21,773,902	4,264,227	(387,177)	-	-	25,650,952
Machinery & equipment	113,488,551	28,734,370	(2,020,181)	-	(10,481)	140,192,259
Mobile equipment	18,031,157	4,825,135	(1,964,220)	-	199,221	21,091,293
Marine equipment	2,092,199	261,034	-	-	-	2,353,233
Auto & truck	26,733,932	10,427,989	(1,586,278)	-	(199,221)	35,376,422
Furniture & fixtures	4,320,651	1,261,923	(92,623)	-	15,032	5,504,983
Accrued depreciation	87,321	(87,321)	-	-	-	-
Other	82,972	(82,972)	-	-	-	-
Total accumulated depreciation	\$ 207,776,945	\$ 54,714,392	\$ (6,111,652)	\$ -	\$ -	\$ 256,379,685
Net book value:						
Mineral reserves	\$ 111,819,223	\$ (3,433,397)	\$ -	\$ -	\$ -	\$ 108,385,826
Land	81,471,080	518,259	(326,679)	7,700,000	-	89,362,660
Land improvements	12,662,385	8,908,910	(137,992)	1,399,488	(77,087)	22,755,704
Building & improvements	55,764,142	828,146	(10,520)	597,572	-	57,179,340
Machinery & equipment	346,135,303	39,854,318	(274,181)	3,451,137	77,087	389,243,664
Mobile equipment	26,154,599	5,065,030	(159,239)	1,179,110	173,143	32,412,643
Marine equipment	4,304,971	(338,516)	-	-	-	3,966,455
Auto & truck	36,417,487	16,052,525	(616,370)	8,742,300	(173,143)	60,422,799
Furniture & fixtures	1,950,487	612,919	-	324,707	-	2,888,113
Construction and equipment installations in progress	89,682,047	(6,706,648)	-	2,917,096	-	85,892,495
Accrued depreciation	(87,321)	87,321	-	-	-	-
Other	(82,972)	82,972	-	-	-	-
Total net book value	\$ 766,191,431	\$ 61,531,839	\$ (1,524,981)	\$ 26,311,410	\$ -	\$ 852,509,699

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, and Equipment and Mineral Deposits, Net (continued)

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2005 consists of the following:

	Balance at 1/1/05	Additions	Disposals	Other	Balance at 12/31/05
Historical cost:					
Mineral reserves	\$ 128,216,832	\$ -	\$ -	\$ -	\$ 128,216,832
Land	80,067,424	1,403,656	-	-	81,471,080
Land improvements	13,478,195	3,964,840	(11,999)	-	17,431,036
Building & improvements	70,133,016	3,792,637	(142,111)	3,754,502	77,538,044
Machinery & equipment	443,939,300	20,657,654	(1,243,950)	(3,729,150)	459,623,854
Mobile equipment	41,071,707	5,194,746	(2,555,005)	474,308	44,185,756
Marine equipment	6,397,170	-	-	-	6,397,170
Auto & truck	50,201,365	15,059,824	(1,612,482)	(497,288)	63,151,419
Furniture & fixtures	5,449,677	827,408	(3,575)	(2,372)	6,271,138
Construction and equipment installations in progress	36,735,602	52,946,445	-	-	89,682,047
Total historical cost	\$ 875,690,288	\$ 103,847,210	\$ (5,569,122)	\$ -	\$ 973,968,376
Accumulated depreciation:					
Mineral reserves	\$ 13,346,182	\$ 3,051,427	\$ -	\$ -	\$ 16,397,609
Land improvements	3,729,198	1,044,653	(5,200)	-	4,768,651
Building & improvements	16,681,555	4,011,725	(63,261)	1,143,883	21,773,902
Machinery & equipment	88,629,843	26,892,086	(899,285)	(1,134,093)	113,488,551
Mobile equipment	16,209,141	3,916,176	(2,541,442)	447,282	18,031,157
Marine equipment	1,830,451	264,323	-	(2,575)	2,092,199
Auto & truck	21,724,049	7,086,639	(1,606,780)	(469,976)	26,733,932
Furniture & fixtures	3,394,871	931,457	(3,575)	(2,102)	4,320,651
Accrued depreciation	20,121	87,320	(37,701)	17,581	87,321
Other	193,599	(110,627)	-	-	82,972
Total accumulated depreciation	\$ 165,759,010	\$ 47,175,179	\$ (5,157,244)	\$ -	\$ 207,776,945
Net book value:					
Mineral reserves	\$ 114,870,650	\$ (3,051,427)	\$ -	\$ -	\$ 111,819,223
Land	80,067,424	1,403,656	-	-	81,471,080
Land improvements	9,748,997	2,920,187	(6,799)	-	12,662,385
Building & improvements	53,451,461	(219,088)	(78,850)	2,610,619	55,764,142
Machinery & equipment	355,309,457	(6,234,432)	(344,665)	(2,595,057)	346,135,303
Mobile equipment	24,862,566	1,278,570	(13,563)	27,026	26,154,599
Marine equipment	4,566,719	(264,323)	-	2,575	4,304,971
Auto & truck	28,477,316	7,973,185	(5,702)	(27,312)	36,417,487
Furniture & fixtures	2,054,806	(104,049)	-	(270)	1,950,487
Construction and equipment installations in progress	36,735,602	52,946,445	-	-	89,682,047
Accrued depreciation	(20,121)	(87,320)	37,701	(17,581)	(87,321)
Other	(193,599)	110,627	-	-	(82,972)
Total net book value	\$ 709,931,278	\$ 56,672,031	\$ (411,878)	\$ -	\$ 766,191,431

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, and Equipment and Mineral Deposits, Net (continued)

At December 31, 2006 and 2005, property, plant, and equipment under capital leases consisted of mobile equipment, with a cost basis of \$9,744,965 and \$9,744,965 and accumulated amortization of \$1,387,260 and \$966,694, respectively. For the years ended December 31, 2006 and 2005, amortization of property, plant, and equipment under capital leases totaled \$420,566 and \$420,565, respectively.

At December 31, 2006 and 2005, the Company had accruals for capital projects totaling \$7,138,489 and \$5,645,147, respectively.

For the years ended December 31, 2006 and 2005, the Company capitalized interest of \$801,842 and \$665,583, respectively, based on a weighted average borrowing rate that varies monthly. The weighted average borrowing rate for the years ended December 31, 2006 and 2005 was 6.47% and 6.63%, respectively. The capitalization of interest results from the modernization of the New Jersey cement import terminal, which was completed in June 2006.

Note 8. Goodwill, Net

Activity within net goodwill for the years ended December 31, 2006 and 2005 consists of the following:

	<u>Balance at 1/1/05</u>	<u>Transfers</u>	<u>Balance at 12/31/05</u>	<u>Additions</u>	<u>Balance at 12/31/06</u>
Historical cost	\$ 21,873,469	\$ (3,923,900)	\$ 17,949,569	\$ 48,864,104	\$ 66,813,673
Accumulated amortization	<u>(3,923,900)</u>	<u>3,923,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value	<u>\$ 17,949,569</u>	<u>\$ -</u>	<u>\$ 17,949,569</u>	<u>\$ 48,864,104</u>	<u>\$ 66,813,673</u>

Goodwill primarily results from the 2006 acquisitions of three concrete products companies, Summit Ready Mix, Metro Redi Mix, and Miami Valley Concrete (see Note 22), and the 2002 acquisition of Separation Technologies. Effective January 1, 2005, the Company ceased amortization of goodwill in accordance with IFRS No. 3, "Business Combinations" and the balance of the related accumulated amortization was eliminated with a corresponding decrease in the reported historical cost basis.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Identifiable Intangible Assets, Net

Identifiable intangible assets are comprised principally of acquired customer relationships of Summit Ready Mix, Metro Redi Mix, and Miami Valley Concrete (see Note 22) and acquired customer relationships, patents and trademarks of Separation Technologies.

Activity within net identifiable intangible assets for the years ended December 31, 2006 and 2005 consists of the following:

	Balance at 1/1/05	Additions	Balance at 12/31/05	Additions	Balance at 12/31/06
Historical cost:					
Core technology	\$ 9,700,000	\$ -	\$ 9,700,000	\$ -	\$ 9,700,000
Customer relationships	2,200,000	-	2,200,000	24,040,000	26,240,000
Trademarks	400,000	-	400,000	-	400,000
Non-compete agreements	-	-	-	830,000	830,000
Total historical cost	\$ 12,300,000	\$ -	\$ 12,300,000	\$ 24,870,000	\$ 37,170,000
Accumulated amortization:					
Core technology	\$ 2,344,166	\$ 970,000	\$ 3,314,166	\$ 970,000	\$ 4,284,166
Customer relationships	1,063,333	440,000	1,503,333	2,840,597	4,343,930
Trademarks	96,667	40,000	136,667	39,999	176,666
Non-compete agreements	-	-	-	181,944	181,944
Total accumulated amortization	\$ 3,504,166	\$ 1,450,000	\$ 4,954,166	\$ 4,032,540	\$ 8,986,706
Net book value:					
Core technology	\$ 7,355,834	\$ (970,000)	\$ 6,385,834	\$ (970,000)	\$ 5,415,834
Customer relationships	1,136,667	(440,000)	696,667	21,199,403	21,896,070
Trademarks	303,333	(40,000)	263,333	(39,999)	223,334
Non-compete agreements	-	-	-	648,056	648,056
Total net book value	\$ 8,795,834	\$ (1,450,000)	\$ 7,345,834	\$ 20,837,460	\$ 28,183,294

At December 31, 2006, core technology and trademarks had estimated remaining economic useful lives of between five years and six years, while customer relationships had estimated remaining economic useful lives of between one year and seven years and non-compete agreements had estimated remaining economic useful lives between two years and five years.

Note 10. Deferred Stripping, Net

The activity within deferred stripping for the years ended December 31, 2006 and 2005 consists of the following:

	Balance at January 1	Additions	Amortization	Balance at December 31
2006	\$ 3,596,529	\$ 4,431,848	\$ (1,728,615)	\$ 6,299,762
2005	\$ 3,433,710	\$ 1,830,542	\$ (1,667,723)	\$ 3,596,529

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes

The components of income tax expense for the year ended December 31, 2006 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ 44,655,380	\$ (2,443,752)	\$ 446,571	\$ 42,658,199
State	<u>7,809,988</u>	<u>(401,083)</u>	<u>(92,227)</u>	<u>7,316,678</u>
Total	<u>\$ 52,465,368</u>	<u>\$ (2,844,835)</u>	<u>\$ 354,344</u>	<u>\$ 49,974,877</u>

The components of income tax expense for the year ended December 31, 2005 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ 7,442,492	\$ 22,359,230	\$ 787,530	\$ 30,589,252
State	<u>3,254,344</u>	<u>3,177,892</u>	<u>93,255</u>	<u>6,525,491</u>
Total	<u>\$ 10,696,836</u>	<u>\$ 25,537,122</u>	<u>\$ 880,785</u>	<u>\$ 37,114,743</u>

Income tax expense differs from the amounts computed by applying the U.S. federal statutory income tax rate to income before income taxes for the years ended December 31, 2006 and 2005, as a result of the following:

	2006	2005
Income before income taxes	<u>\$ 144,818,419</u>	<u>\$ 104,758,637</u>
Income tax expense at applicable statutory U.S. Federal tax rate	\$ 50,686,447	\$ 36,665,522
Differences resulting from:		
State income taxes, net of federal tax benefit	4,804,913	4,180,953
Mineral deposit depletion in excess of cost basis	(4,919,200)	(4,357,123)
Nondeductible expenses	389,765	332,052
Provision for noncurrent income tax liabilities	354,344	880,785
Manufacturing deduction	(1,003,289)	(304,512)
Other	<u>(338,103)</u>	<u>(282,934)</u>
Income tax expense	<u>\$ 49,974,877</u>	<u>\$ 37,114,743</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes (continued)

Net deferred tax liabilities consist of the following components as of December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
Deferred tax assets:		
Provisions and reserves, not deductible for tax purposes until paid	\$ 12,543,380	\$ 11,207,098
Net operating loss and contribution carryforwards	-	1,191,383
Tax credit carryforwards	-	300,016
Accounts receivable and inventory valuation and costing	2,357,413	2,192,840
Intangibles principally due to differences in amortization methods	746,982	488,078
Other	2,244,713	1,554,207
	<u>17,892,488</u>	<u>16,933,622</u>
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation methods	102,467,624	99,234,823
Mineral deposits, principally due to differences in depletion methods	42,270,472	43,609,497
Prepaid expenses principally due to differences in amortization methods	1,354,439	1,058,682
Deferred stripping, principally due to differences in amortization methods	1,681,774	930,169
	<u>147,774,309</u>	<u>144,833,171</u>
Total deferred tax liabilities		
	<u>147,774,309</u>	<u>144,833,171</u>
Deferred tax liabilities, net	<u>\$ 129,881,821</u>	<u>\$ 127,899,549</u>

The deferred tax amounts mentioned above have been classified on the accompanying consolidated balance sheets as of December 31, 2006 and 2005 as follows:

	December 31, 2006	December 31, 2005
Deferred tax liabilities, net	\$ 129,881,821	\$ 127,899,549
Other noncurrent income tax liabilities	<u>3,928,045</u>	<u>3,573,702</u>
Deferred and other noncurrent income tax liabilities, net	<u>\$ 133,809,866</u>	<u>\$ 131,473,251</u>

At December 31, 2005, the Company had remaining net operating loss carryforwards of \$3,300,987 expiring in years 2011 through 2022. These loss carryforwards were fully utilized during 2006.

At December 31, 2005, the Company had remaining tax credit carryforwards of \$300,016 expiring in years 2011 through 2023. These tax credit carryforwards were fully utilized during 2006.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Other Assets

Other assets at December 31, 2006 and 2005 consist of the following:

	December 31, 2006	December 31, 2005
Quarry development costs	\$ 4,082,011	\$ 1,050,361
Excess benefit plan assets	2,860,525	1,896,018
Deposits	207,273	176,827
Noncurrent portion of prepaid expenses	16,820	264,283
Other	322,299	24,187
Other assets	<u>\$ 7,488,928</u>	<u>\$ 3,411,676</u>

Note 13. Accrued Expenses

Accrued expenses at December 31, 2006 and 2005 consist of the following:

	December 31, 2006	December 31, 2005
Insurance	\$ 11,579,976	\$ 10,550,053
Employee benefits	5,311,676	5,679,637
Interest payable	3,202,386	2,662,439
Taxes payable, other than income taxes	2,028,122	2,409,039
Accrued acquisition liabilities	1,073,274	-
Accrued royalties and dues	447,595	31,147
Professional fees	276,720	333,708
Other	287,080	45,100
Accrued expenses	<u>\$ 24,206,829</u>	<u>\$ 21,711,123</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Provisions

The activity within the Company's provision accounts for the years ended December 31, 2006 is summarized as follows:

Provision Description	Balance at 1/1/06	Charges (Credits) to Income Statement	Cash Receipts (Payments)	Balance at 12/31/06
Restoration	\$ 5,462,517	\$ 37,945	\$ -	\$ 5,500,462
Environmental	1,526,000	(49,664)	(338,336)	1,138,000
Sales and use tax	727,170	314,850	(75,000)	967,020
Early retirement	136,353	943,475	(287,248)	792,580
Litigation	693,000	3,520,929	(1,530,198)	2,683,731
Other	172,400	26,065	(8,472)	189,993
Total	\$ 8,717,440	\$ 4,793,600	\$ (2,239,254)	\$ 11,271,786
		December 31, 2006	December 31, 2005	
Analysis of Provisions				
Current portion		\$ 4,504,730	\$ 2,078,473	
Non-current portion		6,767,056	6,638,967	
Total		\$ 11,271,786	\$ 8,717,440	

- Restoration:** This provision represents the present value of the estimated costs to reclaim quarry sites and other similar post-closure obligations. It is expected that this amount will be used over the next 2 to 50 years.
- Environmental:** This provision represents the estimated cost for current and former Company operating facilities for various legacy environmental clean-up and monitoring obligations and the expected future clean-up of cement kiln dust stock piles. It is expected that \$378,000 will be utilized in the next twelve months with the remaining amounts used over the next 2 to 40 years.
- Sales and use tax:** This provision has been established to cover the expected settlement of sales and use tax audits in states where the Company conducts business. It is expected that \$610,419 will be used in the next twelve months with the remaining amount used over the next 2 to 5 years.
- Early retirement:** This provision is for an early retirement program offered to employees eligible and expected to participate. It is expected that this amount will be fully utilized in the next twelve months.
- Litigation:** This reserve has been established primarily for the costs of settling certain claims asserted against the Company. It is expected that this amount will be fully utilized in the next twelve months.
- Other:** These miscellaneous reserves are for various matters. It is expected that \$40,000 will be used in the next twelve months with the remaining amounts used over the next 2 to 20 years.

During the year ended December 31, 2006, the Company decreased provisions by a net amount of \$25,049 for the passage of time and changes in applicable discount rates. During the year ended December 31, 2005, the Company decreased provisions by \$10,949 for the passage of time and changes in applicable discount rates. This accretion of provisions is included in interest expense or interest income in the accompanying consolidated statements of income.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt

Short-Term and Medium-Term Borrowing Facilities: At December 31, 2006 and 2005, the Company maintained short-term and medium-term borrowing facilities with banks as further described below:

Borrowing Facilities at December 31, 2006					
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date	
Committed Revolving Credit Facility*	\$ 61,000,000	\$ 28,918,654	\$ 32,081,346	6/30/07	
Uncommitted Revolving Credit Facility	65,000,000	65,000,000	-	N/A	
Total	\$ 126,000,000	\$ 93,918,654	\$ 32,081,346		

* The full value of this borrowing facility is \$110,000,000 but it was reduced by \$49,000,000 for the letter of credit subfacility discussed below.

Borrowing Facilities at December 31, 2005					
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date	
Committed Revolving Credit Facility*	\$ 28,000,000	\$ -	\$ 28,000,000	6/30/06	
Uncommitted Revolving Credit Facility	21,000,000	-	21,000,000	N/A	
Total	\$ 49,000,000	\$ -	\$ 49,000,000		

* The full value of this borrowing facility was \$75,000,000 but it was reduced by \$47,000,000 for the letter of credit subfacility discussed below.

Each of the borrowing facilities provides for loans at variable interest rates which are reset at daily, 1-month, 2-month, 3-month, or 6-month intervals depending on the facility and the type of draw made thereunder. In connection with each borrowing facility, the Company has agreed to certain covenants including restrictions on incurring certain liens on or disposing of certain existing assets without notification to the lender. Each of the borrowing facilities is guaranteed by Titan Cement.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

Letter of Credit and Performance Bond Facilities: The Company maintains a letter of credit facility with a bank which is guaranteed by Titan Cement. No amounts were drawn against the letters of credit at December 31, 2006, and 2005. At December 31, 2006 and 2005, the bank had issued letters of credit on behalf of the Company totaling \$48,301,344 and \$46,015,742, respectively, as further described below:

	December 31, 2006	December 31, 2005
Facility Amount	\$ 49,000,000	\$ 47,000,000
Less letters of credit issued in support of:		
Variable rate industrial revenue bonds	(29,687,726)	(29,687,726)
Casualty, liability and workers' compensation insurance programs	(13,776,131)	(14,090,706)
Performance obligations	(979,375)	(5,000)
Other payment obligations	(3,858,112)	(2,232,310)
Available Facility Amount	<u>\$ 698,656</u>	<u>\$ 984,258</u>

In addition to the letter of credit facility described above, the Company maintains a performance bond facility with an insurance company which is guaranteed by Titan Cement. No amounts were drawn against the performance bonds at December 31, 2006 and 2005. At December 31, 2006 and 2005, the insurance company had issued performance bonds on behalf of the Company totaling \$11,039,797 and \$9,160,539, respectively, as further described below:

	December 31, 2006	December 31, 2005
Facility Amount	\$ 25,000,000	\$ 25,000,000
Less performance bonds issued in support of:		
Supply obligations	(7,513,661)	(5,619,403)
Excavation and reclamation obligations	(3,025,510)	(2,774,010)
Other payment and performance obligations	(500,626)	(767,126)
Available Facility Amount	<u>\$ 13,960,203</u>	<u>\$ 15,839,461</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

Borrowings: Borrowings at December 31, 2006 and 2005 consisted of the following:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unsecured loans under borrowing facilities, bearing interest at variable interest rates, due on various dates through June 30, 2007	\$ 93,918,654	\$ 93,918,654	\$ -	\$ -
Unsecured notes payable to insurance companies, bearing interest at 7.01% per annum, payable semi-annually, due on December 19, 2008 (A)	30,000,000	30,634,177	30,000,000	31,258,101
Unsecured notes payable to insurance companies, bearing interest at 7.51% per annum, payable semi-annually, due on December 19, 2011 (A)	105,000,000	112,461,155	105,000,000	115,278,014
Unsecured notes payable to insurance companies, bearing interest at 5.75% per annum, payable semi-annually, due on October 10, 2014 (A)	140,000,000	138,710,950	140,000,000	141,137,310
Unsecured notes payable to insurance companies, bearing interest at 7.89% per annum, payable semi-annually, due on December 19, 2016 (A)	25,000,000	28,603,940	25,000,000	29,419,330
Unsecured notes payable to insurance companies, bearing interest at 6.10% per annum, payable semi-annually, due on October 10, 2019 (A)	25,000,000	25,069,564	25,000,000	25,654,419
Industrial revenue bonds, bearing interest at variable rates, payable monthly, due on December 1, 2020	7,350,000	7,350,000	7,350,000	7,350,000
Industrial revenue bonds, bearing interest at variable rates, payable monthly, due on April 26, 2034	22,000,000	22,000,000	22,000,000	22,000,000
Capital lease obligations (Note 16)	6,226,838	6,226,838	6,933,560	6,933,560
Subtotal	454,495,492	\$ 464,975,278	361,283,560	\$ 379,030,734
Less amounts classified as short-term borrowings	(93,918,654)		-	
Less amounts classified as current portion of long-term debt, including obligations under capital leases	(743,946)		(706,721)	
Less unamortized debt issuance costs	(1,921,772)		(2,125,620)	
Long-term debt, including obligations under capital leases, less current obligations	\$ 357,911,120		\$ 358,451,219	

(A) The unsecured notes payable to insurance companies are subject to make-whole provisions in the event of pre-payment and are guaranteed by Titan Cement. Under the terms of the note agreements, the Company is required to maintain compliance with certain covenants including restrictions on incurring certain liens on or disposing of certain existing assets without notification to the note holders, the maintenance by the Company and Titan Cement of certain financial ratios, and in the case of Titan Cement, a minimum equity position.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

The exposure of the borrowings of the Company to interest rate changes and the periods in which the borrowings mature or re-price were as follows at December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
Within 6 months	\$ 123,635,853	\$ 29,698,826
Between 6 months and 1 year	376,747	357,895
Between 1 and 5 years	138,388,850	33,219,273
Later years	192,094,042	298,007,566
Total	<u>\$ 454,495,492</u>	<u>\$ 361,283,560</u>

The weighted average effective interest rates of the Company's borrowings at December 31, 2006 and 2005 were as follows:

	December 31, 2006	December 31, 2005
Unsecured notes payable to insurance companies	6.63%	6.63%
Industrial revenue bonds	3.95%	3.60%
Capital lease obligations (Note 16)	5.14%	5.14%
Credit facilities	5.78%	N/A

Maturity of borrowings (including capital lease obligations) at December 31, 2006 and 2005 were as follows:

	December 31, 2006	December 31, 2005
Within 1 year	\$ 94,662,600	\$ 706,721
Between 1 and 2 years	30,783,133	743,946
Between 2 and 3 years	824,384	30,783,133
Between 3 and 4 years	867,810	824,384
Between 4 and 5 years	105,913,523	867,810
Later years	221,444,042	327,357,566
Total	<u>\$ 454,495,492</u>	<u>\$ 361,283,560</u>

Note 16. Capital Leases

At December 31, 2006 and 2005, the Company leased certain equipment under agreements classified as capital leases. The equipment and the related liabilities under the capital leases were recorded at the present value of the future payments due under the leases, using the weighted average discount rates disclosed in Note 15. Principal payments made under these leases for the years ended December 31, 2006 and 2005 totaled \$706,721 and \$698,523, respectively.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Capital Leases (continued)

The following is a schedule, by year, of the future minimum lease payments under capital lease obligations together with the present value of the future minimum lease payments at December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
Within 1 year	\$ 1,046,836	\$ 1,046,836
Between 1 and 2 years	1,046,837	1,046,837
Between 2 and 3 years	1,046,837	1,046,837
Between 3 and 4 years	1,046,837	1,046,837
Between 4 and 5 years	1,046,837	1,046,837
Later years	2,214,530	3,261,366
Total minimum lease payments	<u>7,448,714</u>	<u>8,495,550</u>
Less amount representing interest	<u>(1,221,876)</u>	<u>(1,561,990)</u>
Present value of minimum lease payments	<u>\$ 6,226,838</u>	<u>\$ 6,933,560</u>

The fair value of capital lease obligations, at December 31, 2006 and 2005 approximate book value.

The Company did not enter into any new capital leases during the years ended December 31, 2006 or 2005.

Note 17. Operating Lease Commitments

The Company leases certain facilities and equipment under operating lease agreements, which expire at various dates through 2034. Future minimum lease payments under noncancellable operating leases are as follows:

	December 31, 2006	December 31, 2005
Within 1 year	\$ 4,636,505	\$ 4,961,335
Between 1 and 2 years	3,499,977	2,718,710
Between 2 and 3 years	2,240,897	1,780,721
Between 3 and 4 years	1,197,633	1,149,724
Between 4 and 5 years	802,616	684,069
Later years	4,312,759	4,397,699
Total	<u>\$ 16,690,387</u>	<u>\$ 15,692,258</u>

Total rent expense under noncancellable operating leases included in the accompanying consolidated statements of income for the years ended December 31, 2006 and 2005 was \$6,854,610 and \$6,105,754, respectively.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Retirement Benefit Obligations

Retirement benefit obligations at December 31, 2006 and 2005, consist of the following:

	December 31, 2006	December 31, 2005
Excess benefit plan benefits	\$ 2,860,525	\$ 1,896,018
Other post-retirement benefits	2,660,298	2,967,666
Pension benefits	<u>2,064,202</u>	<u>2,851,504</u>
Retirement benefit obligations	<u>\$ 7,585,025</u>	<u>\$ 7,715,188</u>

All of the Company's defined benefit pension plans and all but one of the Company's other post-retirement benefit plans were previously frozen as to new participants and credited service. One post-retirement benefit plan exists for certain active and former employees of the Company. Under this plan, eligible retirees receive a benefit consisting primarily of assistance with medical insurance costs between the dates of early retirement and Medicare eligibility. Plan assets are invested approximately 55% in equity investments and 45% in fixed investments.

Information relative to the Company's defined benefit pension and other post-retirement benefit plans is presented below. Amounts reported below for these plans are as of the most recent measurement dates, December 31, 2006 and 2005.

	Pension Benefits		Other Post-retirement Benefits	
	2006	2005	2006	2005
Benefit obligations	\$ 13,514,615	\$ 13,949,532	\$ 2,823,353	\$ 3,157,087
Fair value of plan assets	<u>11,450,413</u>	<u>11,098,028</u>	<u>-</u>	<u>-</u>
Funded deficit, December 31	2,064,202	2,851,504	2,823,353	3,157,087
Unrecognized prior service cost	-	-	(144,536)	(170,028)
Other	<u>-</u>	<u>-</u>	<u>(18,519)</u>	<u>(19,393)</u>
Accrued cost, December 31	<u>\$ 2,064,202</u>	<u>\$ 2,851,504</u>	<u>\$ 2,660,298</u>	<u>\$ 2,967,666</u>

Assumptions used in computations:

Discount rate used in computing ending obligations	5.75%	5.75%	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%	*	*

* This plan is not funded, so there is no expected return on plan assets.

For measurement purposes, at the end of the year included in the foregoing tables, the following rates of increase in the cost of covered health care benefits was assumed:

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Retirement Benefit Obligations (continued)

	Other Post-retirement Benefits	
	2006	2005
Health care cost trend rate:		
Through 2006	9.00%	9.00%
2007 - 2009	8.00%	8.00%
2010 - 2012	7.00%	7.00%
2013 - 2015	6.00%	6.00%
Later years	5.00%	5.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

A reconciliation of the movements during the years ended December 31, 2006 and 2005 in the net pension and other post-retirement benefit liabilities follows:

	Pension Benefits		Other Post-retirement Benefits	
	2006	2005	2006	2005
Accrued cost, January 1	\$ 2,851,504	\$ 2,554,641	\$ 2,967,666	\$ 3,414,948
Expense/(benefit) recognized	(470,508)	492,332	(209,814)	(254,664)
Contributions	(316,794)	(195,469)	(97,554)	(192,618)
Accrued cost, December 31	<u>\$ 2,064,202</u>	<u>\$ 2,851,504</u>	<u>\$ 2,660,298</u>	<u>\$ 2,967,666</u>

The components of net periodic pension and other post-retirement benefit costs are as follows for the years ended December 31, 2006 and 2005:

	Pension Benefits		Other Post-retirement Benefits	
	2006	2005	2006	2005
Service cost	\$ 60,278	\$ 60,278	\$ 5,564	\$ 5,513
Interest cost	757,769	780,663	155,889	177,295
Expected return on plan assets	(909,496)	(884,875)	-	-
Actuarial (gain)/loss	(379,059)	536,266	(396,759)	(462,964)
Amortization of prior service costs/other	-	-	25,492	25,492
Net periodic pension expense/(benefit)	<u>\$ (470,508)</u>	<u>\$ 492,332</u>	<u>\$ (209,814)</u>	<u>\$ (254,664)</u>

Of the total cost for the year ended December 31, 2006, \$1,080,242 was included as a reduction to cost of goods sold and \$399,920 was included in general and administrative expense in the accompanying consolidated statements of income. Of the total cost for the year ended December 31, 2005, \$67,748 was included in cost of goods sold and \$169,920 was included in general and administrative expense in the accompanying consolidated statements of income.

The Company expects to contribute \$284,691 to its Pension Benefit plan in 2007.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Retirement Benefit Obligations (continued)

Defined Contribution Plans: The Company sponsors a defined contribution retirement and 401(k) savings plan which covers substantially all employees of the Company. The Company contributes an amount equal to 3.5% of each participant's eligible compensation up to the Social Security Integration Level and 7.0% of eligible compensation in excess of that level. Total costs for this element of the plan were \$3,156,841 and \$2,746,785, respectively, for the years ended December 31, 2006 and 2005. In addition, the plan allows a voluntary employer after-tax contribution of up to 2.0% of eligible compensation for eligible employees. No voluntary employer contribution was made in either 2006 or 2005.

The plan also provides for voluntary employee pre-tax contributions for eligible employees. The Company matches 50% of eligible employees' contributions up to 6% of the employee's eligible wages, subject to IRS limitations on maximum elective deferrals. Total costs charged against income for this element of the plan were \$1,936,316 and \$1,744,539, respectively, for the years ended December 31, 2006 and 2005.

Multiemployer Plan: Approximately 100 of the Company's employees participate in a union sponsored, defined benefit multi-employer pension plan. This plan is not administered by the Company and contributions are determined in accordance with the provisions of the negotiated labor contract. Company costs for this plan were \$392,564 and \$374,862 for the years ended December 31, 2006 and 2005, respectively. The Company's contribution will be affected by the funded status of the plan. Based on the latest financial statements dated January 31, 2006, the plan had \$8.93 billion in assets available for benefits and the actuarial present value of accumulated plan benefits was \$8.73 billion. No additional information is provided to the Company as it relates to its share of assets and liabilities of this plan.

Excess Benefit Plan: The Company sponsors an Excess Benefit Plan that is intended to constitute an unfunded plan of deferred compensation for a select group of highly compensated employees under the Employee Retirement Income Security Act of 1974 (ERISA). The Company has created an irrevocable trust to facilitate the payment of deferred compensation to participants under this plan.

Under this plan the participants are eligible to defer from 0% to 20% of eligible compensation for the applicable plan year. The Company matches 50% of the participant's contributions to the plan. At December 31, 2006 and 2005, plan assets totaled \$2,860,525 and \$1,896,018, respectively, and are classified as other assets in the accompanying consolidated balance sheets (see Note 12). Company costs for the plan for the years ended December 31, 2006 and 2005 were \$240,558 and \$220,111, respectively.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions

The components of related party balances at December 31, 2006, and 2005 are as follows:

	December 31, 2006	December 31, 2005
Related party receivables, less current portion		
Iapetos	\$ 1,332,000	\$ 1,998,000
Current portion of related party receivables		
STC	\$ 198,931	\$ 5,259,138
Iapetos	674,329	666,000
STUK	47,700	178,937
Titan Cement	675,035	-
	<u>\$ 1,595,995</u>	<u>\$ 6,104,075</u>
Non-current deferred income		
Iapetos	\$ 2,836,667	\$ 3,083,333
Current portion of deferred income		
Iapetos	\$ 246,667	\$ 246,667
Accounts payable, related parties		
Titan Cement	\$ 320,184	\$ 2,928,162

The components of related party activity for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Sales - products and services for fly ash separation		
STC	\$ 240,644	\$ 2,257,325
STUK	304,409	2,599,841
Iapetos	246,667	246,667
	<u>\$ 791,720</u>	<u>\$ 5,103,833</u>
Cost of sales - purchased cement		
Titan Cement	\$ 36,384,619	\$ 14,267,799
Titan Cement International	-	1,207,057
	<u>\$ 36,384,619</u>	<u>\$ 15,474,856</u>
General and administrative support services provided		
STC	\$ 58,131	\$ 55,996

During 2004, the Company sold the international territory development rights for its patented ash separation technology to Iapetos in exchange for a non-interest bearing receivable of \$3,700,000. The next three equal installments in the amount of \$666,000 are due annually on December 31, 2007 through 2009.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions (continued)

Key Management Compensation: Key management compensation expenses, which include all payroll-related expenses for vice-president level positions and higher, for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Salaries and related payroll taxes	\$ 4,580,215	\$ 3,847,708
Short-term employee benefits	172,385	150,949
Retirement plan contributions	413,153	377,980
Share-based payments	1,127,191	265,421
Termination Benefits	566,519	15,519
Total key management compensation	<u>\$ 6,859,463</u>	<u>\$ 4,657,577</u>
Number of key management employees	<u>17</u>	<u>17</u>

Stock Option Program: Titan Cement sponsors a stock option program for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, all options granted were exercised, cancelled or expired by November 30, 2006. Options were granted in 2002 and 2003 to Company executives at a fixed exercise price of €4.68. No expense related to this program has been recorded in the accompanying consolidated statements of income as it was determined to be immaterial.

Information related to stock options granted under this plan related to employees of the Company during the years ended December 31, 2006 and 2005 follows:

	2006	2005
Shares under option, January 1	25,800	84,200
Exercised	(25,800)	(55,200)
Expired/cancelled	-	(3,200)
Shares under option, December 31	<u>-</u>	<u>25,800</u>
Options exercisable, December 31	<u>-</u>	<u>25,800</u>

Stock Incentive Program: Titan Cement sponsors a stock incentive plan for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, vesting is determined the third year following the grant date as follows:

- One-third of options granted vest automatically at the completion of the three year period.
- One-third of options granted vest based on Titan Cement's stock performance relative to three Athens Stock Exchange indices during the three year period.
- One-third of options granted vest based on Titan Cement's stock performance relative to that of 12 predefined cement producing companies during the three year period.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions (continued)

All vesting is conditional on the employee's continued employment throughout the vesting period. Once vested, options expire in December of the year vested. The exercise price is fixed at €2.00 per share. The Company used the Black-Scholes-Merten valuation model to determine the fair value of the options granted under this program. Key assumptions for each year's grants are as follows:

	2006	2005	2004
Key assumptions:			
Stock price	€40.74	€34.50	€21.80
Exercise price	€2.00	€2.00	€2.00
Dividend yield	1.56%	1.89%	2.37%
Volatility	22.03%	21.94%	22.48%
Risk-free rate	3.67%	2.83%	2.28%
Option life	3 years	3 years	3 years
Fair value price	€37.27	€30.76	€18.44

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

For the years ended December 31, 2006 and 2005 \$1,127,191 and \$265,421, respectively, related to this program has been recorded as general and administrative expense in the accompanying consolidated statement of income.

Information related to stock options granted under this plan to employees of the Company during the years ended December 31, 2006 and 2005 follows:

	2006	2005
Shares under option, January 1	76,200	32,400
Granted	47,100	43,800
Exercised	(32,400)	-
Expired/cancelled	(8,850)	-
Shares under option, December 31	<u>82,050</u>	<u>76,200</u>
Options exercisable, December 31	<u>-</u>	<u>-</u>

The stock price of Titan Cement common shares was €41.30 and €34.50 at December 31, 2006 and 2005, respectively.

Note 20. Commitments and Contingencies

Litigation: Management is aware of certain asserted claims that have arisen in the ordinary course of business. Management believes that the Company has meritorious defenses against these claims but has provided for costs associated with settling or litigating such claims whenever such costs are determined to be probable and reasonably estimable.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Commitments and Contingencies (continued)

On March 22, 2006, the United States District Court for the Southern District of Florida (the "Court") ruled that mining permits for the "Lake Belt" area in south Florida had been improperly issued by the U.S. Army Corps of Engineers. This ruling affects most of the 12 mining permits issued for this area, including the permits issued to the Company's Pennsuco quarry, Rinker Materials Corporation, Florida Rock Industries, Inc., and White Rock Quarries who, together with the Company, produce substantially all of the construction aggregates mined in the Lake Belt area. The Company estimates that the Lake Belt mining area supplies a majority of all sized and washed construction aggregates consumed in the State of Florida. In addition to supplying construction aggregates to external customers, the Pennsuco quarry also supplies raw material to the Company's Florida cement mill and supplies a significant portion of the aggregates used within the Company's Florida ready-mix and concrete block operations.

As part of its ruling, the Court remanded the permitting process to the U.S. Army Corps of Engineers for further review and consideration. The Company expects mining to be unaffected pending the outcome of a court hearing currently underway which will address whether further orders should be issued prior to reconsideration of the permits by the U.S. Army Corps of Engineers. The Company intends to appeal this ruling while at the same time seeking affirmation of the permits by the U.S. Army Corps of Engineers. While the Company cannot yet assess the impact of this ruling, an unfavorable outcome could have a significant impact on the Company's results of operations, cash flows, and financial position. The Company strongly believes that the Lake Belt Plan previously approved by the U.S. Army Corps of Engineers and other relevant agencies properly protects both the environmental and economic interests of Miami-Dade County and the State of Florida and is working together with the other potentially affected producers to assert its position regarding this matter.

Environmental remediation: The Company is subject to certain environmental regulations and normal business operations may cause conditions requiring remedial action. Management has provided for all known, probable and estimable costs related to such occurrences.

Purchase commitments: The Company has contracted to purchase raw materials and manufacturing supplies as part of its ongoing operations as follows:

Contracts for the purchase of 2,400,000 tons of construction aggregates in Florida per year through 2013. The Company has guaranteed that it will accept, take and pay for at least ninety percent of this contracted volume. Purchases will be made at current market prices, subject to adjustment every January 1st and July 1st. Market prices ranged from \$15.90 to \$16.40 per ton at December 31, 2006.

In 2006, the Company entered into a five-year agreement to use a third-party Virginia cement import terminal facility. As part of the agreement, the third party will provide unloading, storage and reloading services to the Company. In return, the Company will pay a proportionate share of the operating costs of these services. During the agreement period, the Company plans to import up to 154,000 tons per year.

Contracts for the purchase and rail delivery of coal in Florida amount to 120,000 tons per year through 2007. The Company has guaranteed that it will accept, take and pay for this contracted volume. Purchases will be made at contracted prices, subject to annual stated rate adjustments and other conditions that might result in temporary rate adjustments. Prices, including the cost of delivery to the Florida cement plant, range from \$77.96 to \$78.94 per ton. This is the final year of the three year agreement.

Supply commitments: The Company has contacted to supply and intends to fully comply with the following supply commitments:

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Commitments and Contingencies (continued)

In 2004, the Company committed to supply a customer a minimum of six ash separator packages through 2010, including the separator unit and ancillary equipment, engineering review and commissioning service for a minimum price of \$2,500,000 per separator package. The timing of the sale of separators and services is at the discretion of the customer. A deposit on the first separator purchase was received in May 2006 with expected delivery to occur in 2007.

In 2005, the Company entered into a five year agreement to allow a third party to use the Company's New Jersey cement import terminal facilities. This agreement also permits for an extension of up to an additional three years. As part of this agreement, the Company will provide unloading, storage, and load out services for the third party. In return, the third party will pay a proportionate share of the operating costs for these services as well as a capital charge based on the actual cost of the Company's terminal modernization, completed in June 2006. During the agreement period, the third party plans to import 350,000 to 400,000 tons for the first three years, and 100,000 to 300,000 tons for the fourth and fifth years. As part of this agreement, the Company has agreed to purchase Cement from an affiliate of the third party at a minimum of 90% of the third parties' volume passed through the New Jersey terminal.

Starting in 2005, the Company committed to supply a customer with 90% of the customer's cement requirements through 2010. The Company expects sales during this period to range from 75,000 to 250,000 tons annually. In 2006 and 2007, prices are set at \$72 per ton FOB mill. In the years 2008 to 2010, prices will be adjusted annually for the lesser of the percentage change in the "Producer Price Index" or \$5 per ton. Prices are subject to a \$1 per ton rebate in years when sales exceed 100,000 tons.

Note 21. Concentration of Credit Risk

Cash and Cash Equivalents: The Company maintains demand deposits, with one financial institution, the balances of which from time-to-time exceed the federally insured amount.

Trade Receivables: The Company grants credit to its customers, most of who are in the construction business, resulting in a concentration of credit risk. However, management believes that trade receivables are well diversified with no single customer or group of customers comprising a significant portion of total trade receivables. Further, a significant portion of the trade receivables is collateralized by mechanic's lien rights and payment bonds, thereby reducing potential credit risk to the Company. The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers, as well as general economic conditions.

Consequently, any adverse change in these factors could affect the Company's estimate of its allowance for doubtful accounts.

Note 22. Business Acquisitions

During March and April 2006, the Company purchased all of the issued and outstanding stock of three Florida ready-mix companies for a total purchase price of \$92,624,638, including \$853,514 in closing costs. The acquisition of Elbrecht Concrete, Inc. ("Summit Ready Mix") was effective March 29, 2006, the acquisition of Metro Redi-Mix Company ("Metro Redi-Mix") was effective March 30, 2006 and the acquisition of Miami Valley Ready Mix, Inc. and Miami Valley Ready Mix of Florida, Inc. (collectively "Miami Valley Concrete") was effective April 30, 2006.

During July 2006, the Company purchased certain net assets of Central Concrete Supermix, Inc., a Florida ready-mix company, for a total purchase price of \$6,371,592, including \$314,095 in closing and other transaction costs. The acquisition was effective July 28, 2006.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 22. Business Acquisitions (continued)

The Company financed these acquisitions through short-term credit facilities. The acquisitions were accounted for under the purchase method of accounting. The final aggregate purchase price of the acquisitions was allocated to the fair value of the net assets of the businesses as follows:

	Purchase Price Allocation		
	Stock Acquisitions	Asset Acquisition	Total
Current assets	\$ 10,171,636	\$ 57,497	\$ 10,229,133
Property, plant & equipment	22,078,410	4,233,000	26,311,410
Identifiable intangible assets	23,490,000	1,380,000	24,870,000
Goodwill	48,163,009	701,095	48,864,104
Total assets	103,903,055	6,371,592	110,274,647
Current liabilities	(6,200,806)	-	(6,200,806)
Non-current liabilities, net	(5,077,611)	-	(5,077,611)
Gross purchase price	92,624,638	6,371,592	98,996,230
Less: Cash acquired	(2,567,163)	-	(2,567,163)
Purchase price, net of cash acquired	\$ 90,057,475	\$ 6,371,592	\$ 96,429,067

The results of operations subsequent to the effective dates of acquisition are included in the results of operations of the Company. Pro forma consolidated results of operations of the acquisitions are not significant to the overall results of the Company and are therefore not included herein.

Note 23. Subsequent Events

On February 16, 2007, the Company signed an Agreement in Principal with a North Carolina corporation (the "Firm") and three individuals to purchase all of the issued and outstanding shares of capital stock of the Firm, a manufacturer of ready mixed concrete products. The preliminary acquisition price for the Firm is approximately \$235,000,000 plus working capital, other adjustments and closing costs, the terms of which have not been finalized. The acquisition will be accounted for under the purchase method of accounting.

On January 18, 2007, the Company signed a Letter of Intent with a corporation located in Kentucky (the "Business") to purchase the activities and assets used or involved with a "going concern" construction aggregates business. The preliminary purchase price for the Business is approximately \$35,500,000 plus closing costs and other adjustments, the terms of which have not been finalized. The acquisition will be accounted for under the purchase method of accounting.

A Term Facility Agreement (the "Term Facility Agreement") for \$300,000,000, between the Company and two banks was placed into effect March 13, 2007, exclusively for the purpose of these acquisitions. In the event the acquisitions do not occur, the Term Facility Agreement will expire six months from the effective date.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 24. Sales

The components of sales for the years ended December 31, 2006 are as follows:

	Total Sales	Less Internal Sales	External Sales
Sales of cement	\$ 378,076,004	\$ 104,134,198	\$ 273,941,806
Sales of construction aggregates	135,064,444	69,355,158	65,709,286
Sales of ready-mixed concrete	411,656,366	1,319,712	410,336,654
Sales of concrete block and related products	81,818,391	2,149	81,816,242
Sales of ash and related products	22,118,410	2,989,905	19,128,505
Transportation services	13,459,763	6,962,652	6,497,111
Net sales	<u>\$ 1,042,193,378</u>	<u>\$ 184,763,774</u>	<u>\$ 857,429,604</u>
Freight revenues	67,853,389	29,260,083	38,593,306
Total sales	<u>\$ 1,110,046,767</u>	<u>\$ 214,023,857</u>	<u>\$ 896,022,910</u>

The components of sales for the years ended December 31, 2005 are as follows:

	Total Sales	Less Internal Sales	External Sales
Sales of cement	\$ 312,779,119	\$ 93,403,693	\$ 219,375,426
Sales of construction aggregates	113,934,425	61,998,392	51,936,033
Sales of ready-mixed concrete	347,370,912	2,131,371	345,239,541
Sales of concrete block and related products	74,630,586	22,853	74,607,733
Sales of ash and related products	23,172,441	2,663,873	20,508,568
Transportation services	13,099,805	6,524,415	6,575,390
Net sales	<u>\$ 884,987,288</u>	<u>\$ 166,744,597</u>	<u>\$ 718,242,691</u>
Freight revenues	62,181,179	28,132,431	34,048,748
Total sales	<u>\$ 947,168,467</u>	<u>\$ 194,877,028</u>	<u>\$ 752,291,439</u>

Note 25. Cost of Goods Sold, excluding Freight and Distribution Expenses

The components of cost of goods sold, excluding freight and distribution expenses, for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Material and other variable costs	\$ 294,168,723	\$ 252,815,696
Payroll and related expenses	129,408,122	117,644,044
Depreciation and depletion	52,198,203	44,863,118
Repairs and maintenance	42,941,550	36,256,304
Utilities	31,093,019	22,378,917
Risk insurance	6,971,377	5,206,068
Taxes other than income taxes	14,374,288	13,052,239
Rent and lease expense	11,577,516	7,763,860
Travel, training, and other employee expense	6,011,970	4,801,166
Amortization of identifiable intangible assets	4,032,540	1,450,000
Amortization of deferred stripping costs	1,728,615	1,667,723
Inventory change	(11,485,195)	(10,368,022)
Other	15,873,955	15,775,480
Cost of goods sold, excluding freight and distribution expenses	<u>\$ 598,894,683</u>	<u>\$ 513,306,593</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 26. Distribution Expense

The components of distribution expense for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Freight to distribution yards/terminals	\$ 19,911,739	\$ 19,191,277
Payroll and related expenses	4,338,056	3,971,772
Other variable costs	1,137,426	1,179,352
Repairs and maintenance	698,072	584,649
Depreciation	1,841,408	1,744,947
Utilities	487,260	466,578
Other fixed costs	1,263,197	1,312,575
Distribution expense	<u>\$ 29,677,158</u>	<u>\$ 28,451,150</u>

Note 27. Selling Expense

The components of selling expense for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Payroll and related expenses	\$ 9,022,042	\$ 8,145,593
Travel, entertainment, and other employee expense	3,283,356	2,401,842
Overhead (dues, advertising, professional fees, etc.)	2,575,009	2,148,843
Depreciation	6,557	-
Risk insurance	241,526	270,683
Selling expense	<u>\$ 15,128,490</u>	<u>\$ 12,966,961</u>

Note 28. General and Administrative Expense

The components of general and administrative expense for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Payroll and related expenses	\$ 27,385,499	\$ 23,110,469
Travel, entertainment, and other employee expense	7,051,558	4,485,464
Depreciation	668,223	567,113
Professional fees	5,620,808	2,948,072
Office costs	6,868,310	5,945,639
Other	1,806,248	(373,551)
General and administrative expense	<u>\$ 49,400,646</u>	<u>\$ 36,683,206</u>

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 29. Other Operating, Net

The components of other operating net (income)/expense for the years ended December 31, 2006 and 2005 are as follows:

Anti-dumping settlement proceeds	\$ (6,613,931)	\$ -
Rental income	(266,149)	(252,826)
Non-operating provision adjustments	63,539	226,632
Other	(100,149)	42,279
Total other operating, net	<u>\$ (6,916,690)</u>	<u>\$ 16,085</u>

Note 29. Other Operating, Net (continued)

On March 6, 2006, an Agreement between the Office of the United State Trade Representative and the Department of Commerce of the United States of America and the Ministry of Economy of the United Mexican States on Trade in Cement (the "Agreement") was signed. This Agreement addresses an anti-dumping settlement ordered on gray Portland cement from Mexico, and was brought in part by the Southern Tier Cement Committee (the "STCC").

Per the Agreement, as a member of the STCC, the Company received distribution amounts of \$6,613,931 during August and September 2006. Future distribution amounts cannot be measured at this time, but are expected to be immaterial.

Note 30. Payroll and Related Expenses

Payroll and related expenses (also included in Notes 25 through 28) for the years ended December 31, 2006 and 2005 are as follows:

Wages	\$ 61,060,989	\$ 56,938,959
Salaries	49,472,636	42,080,911
Outsourced and temporary labor	22,659,601	21,029,255
Other payroll expenses	36,960,493	32,822,753
Total payroll and related expenses	<u>\$ 170,153,719</u>	<u>\$ 152,871,878</u>

Number of persons employed by the Company at December 31, 2006 and 2005:

Full time	2,165	1,949
Part time	22	18
Total	<u>2,187</u>	<u>1,967</u>
Salary	756	602
Hourly	1,431	1,365
Total	<u>2,187</u>	<u>1,967</u>