

CONSOLIDATED FINANCIAL STATEMENTS
(INTERNATIONAL FINANCIAL REPORTING
STANDARDS BASIS)

Titan America LLC and Subsidiaries
Years Ended December 31, 2009 and 2008
With Report of Independent Auditors

Titan America LLC and Subsidiaries
Consolidated Financial Statements
(International Financial Reporting Standards Basis)
Years Ended December 31, 2009 and 2008

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Report of Independent Auditors

To the Member of Titan America LLC

We have audited the accompanying consolidated statements of financial position of Titan America LLC as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive loss, member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Titan America LLC as of December 31, 2009 and 2008, and the consolidated results of its operations, comprehensive loss, changes in equity and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

April 13, 2010

Titan America LLC and Subsidiaries

Consolidated Statements of Financial Position

		December 31	
		2009	2008
Noncurrent assets:			
Property, plant, equipment and mineral deposits, net	Note 7	\$ 933,751,634	\$ 1,038,971,559
Goodwill, net	Note 8	221,866,942	221,866,942
Identifiable intangible assets, net	Note 9	66,254,688	84,349,455
Deferred stripping, net	Note 10	7,140,749	7,511,992
Other assets	Notes 12, 19	6,066,000	3,843,416
Total noncurrent assets		<u>1,235,080,013</u>	<u>1,356,543,364</u>
Current assets:			
Inventories	Note 4	109,802,512	127,401,880
Trade receivables, net	Notes 2, 3	54,628,109	78,443,194
Assets held for sale	Note 23	44,854,065	–
Prepaid expenses and other current assets	Note 6	19,536,607	8,193,376
Income taxes receivable	Note 11	17,486,559	38,948,354
Other receivables, net	Notes 2, 5	4,368,316	2,943,987
Related party receivables	Notes 2, 20	938,734	1,352,173
Cash and cash equivalents	Note 2	15,430	18,242
Total current assets		<u>251,630,332</u>	<u>257,301,206</u>
Total assets		<u><u>\$ 1,486,710,345</u></u>	<u><u>\$ 1,613,844,570</u></u>

		December 31	
		2009	2008
Member's equity:			
Capital contributions		\$ 646,654,781	\$ 644,984,920
Retained earnings, before current period net loss		239,665,422	277,040,814
Current period net loss		(49,973,258)	(37,375,392)
Other component of equity - cash flow hedge		(804,945)	-
Total member's equity		835,542,000	884,650,342
Noncurrent liabilities:			
Long-term debt, including obligations under capital leases, less current obligations	Notes 2, 15, 16	320,311,953	370,169,847
Deferred and other noncurrent income tax liabilities, net	Note 11	119,933,938	140,857,932
Retirement benefit obligations	Note 19	10,640,435	9,664,659
Provisions, less current portion	Note 14	6,872,099	6,637,879
Deferred income, less current portion	Note 20	2,222,019	3,234,568
Derivative financial instrument	Note 17	542,400	-
Other noncurrent liabilities	Note 14	-	3,056,000
Total noncurrent liabilities		460,522,844	533,620,885
Current liabilities:			
Current portion of long-term debt, including obligations under capital leases	Notes 2, 15, 16	65,887,230	60,975,613
Short-term borrowings	Notes 2, 15, 16	45,359,551	51,482,933
Accounts payable	Note 2	43,859,503	43,578,994
Accrued expenses	Note 13	18,070,775	32,369,287
Current portion of provisions	Note 14	3,557,069	4,333,534
Accounts payable, related parties	Notes 2, 20	1,948,591	226,984
Current portion of deferred income	Note 20	1,027,549	2,325,464
Liabilities associated with assets held for sale	Note 23	315,827	-
Book overdraft		10,619,406	280,534
Total current liabilities		190,645,501	195,573,343
Total liabilities		651,168,345	729,194,228
Total liabilities and member's equity		\$ 1,486,710,345	\$ 1,613,844,570

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

		Year Ended December 31	
		2009	2008
Continuing operations:			
Net sales	Note 25	\$ 461,520,402	\$ 670,397,676
Freight revenues		18,451,430	24,695,062
Total sales		<u>479,971,832</u>	<u>695,092,738</u>
Cost of goods sold, excluding freight and distribution expenses	Note 26	418,283,813	577,453,630
Freight expense		18,451,430	24,695,062
Distribution expense	Note 27	23,542,359	26,966,360
Cost of goods sold		<u>460,277,602</u>	<u>629,115,052</u>
Gross profit		<u>19,694,230</u>	<u>65,977,686</u>
Selling expense	Note 28	14,811,967	19,237,088
General and administrative expense	Note 29	50,972,270	64,307,542
Other operating (income) expense	Note 30	(646,983)	920,279
Operating loss		<u>(45,443,024)</u>	<u>(18,487,223)</u>
Finance income	Note 32	1,843,279	530,555
Finance cost	Note 31	(28,662,349)	(45,316,379)
Foreign exchange loss		(1,635)	-
Loss on early extinguishment of debt	Note 15	(1,403,929)	-
Loss before income taxes from continuing operations		<u>(73,667,658)</u>	<u>(63,273,047)</u>
State income tax benefit	Note 11	(3,515,065)	(2,571,033)
Federal income tax benefit	Note 11	(24,076,080)	(24,878,270)
Net loss from continuing operations		<u>(46,076,513)</u>	<u>(35,823,744)</u>
Discontinued operations:			
Loss from discontinued operations, net of tax	Note 23	(3,896,745)	(1,551,648)
Net loss		<u>(49,973,258)</u>	<u>\$ (37,375,392)</u>
Other comprehensive loss:			
Net movement on cash flow hedges		(1,319,582)	-
Income tax effect		514,637	-
Other comprehensive loss, net of tax		<u>(804,945)</u>	<u>-</u>
Total comprehensive loss, net of tax		<u>\$ (50,778,203)</u>	<u>\$ (37,375,392)</u>

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Changes in Member's Equity

		Capital Contributions	Retained Earnings	Cash Flow Hedge	Total Member's Equity
January 1, 2008		\$ 243,102,690	\$ 280,940,814	\$ –	\$ 524,043,504
Net loss		–	(37,375,392)	–	(37,375,392)
Contributions by Member	Note 20	400,000,000	–	–	400,000,000
Distributions to Member		–	(3,900,000)	–	(3,900,000)
Stock compensation expense	Note 20	1,882,230	–	–	1,882,230
December 31, 2008		644,984,920	239,665,422	–	884,650,342
Net loss		–	(49,973,258)	–	(49,973,258)
Other comprehensive loss		–	–	(804,945)	(804,945)
Stock compensation expense	Note 20	1,460,939	–	–	1,460,939
Stock compensation excess tax benefit		208,922	–	–	208,922
December 31, 2009		\$ 646,654,781	\$ 189,692,164	\$ (804,945)	\$ 835,542,000

See accompanying notes.

Titan America LLC and Subsidiaries
Consolidated Statements of Cash Flows

		Year Ended December 31	
		2009	2008
Cash flows from operating activities			
Loss before income taxes from continuing operations		\$ (73,667,658)	\$ (63,273,047)
Loss before income taxes from discontinued operations	Note 23	(6,388,107)	(2,543,685)
Loss before income taxes		<u>(80,055,765)</u>	<u>(65,816,732)</u>
Adjustments for:			
Depreciation, depletion and amortization	Notes 7,9,10	86,826,517	89,231,082
Impairment reserve on assets held for sale	Note 23	2,600,000	–
Deferred income	Note 20	(2,310,464)	1,426,628
Gain on disposal of assets	Note 7	(1,183,189)	(1,317,550)
Finance cost	Note 31	28,669,534	45,330,952
Finance income	Note 32	(1,843,279)	(530,555)
Unrealized foreign exchange loss		1,635	–
Stock option expense	Note 20	1,460,939	1,882,231
Loss on extinguishment of debt	Note 15	1,153,929	–
Bad debt expense	Note 3	3,226,765	4,117,129
Change in net operating assets, net of acquisitions		<u>7,516,122</u>	<u>12,921,965</u>
Cash generated from operations before interest and income taxes		46,062,744	87,245,150
Income taxes refunded		31,360,613	14,182,567
Net cash provided by operating activities		<u>77,423,357</u>	<u>101,427,717</u>
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired and contingent consideration	Note 24	–	(3,283,102)
Contingent consideration paid in connection with business acquisitions	Note 24	(456,000)	–
Purchases of property, plant and equipment	Note 7	(10,983,214)	(71,307,209)
Expenditures on deferred stripping	Note 10	(984,816)	(2,566,079)
Interest received		350,448	798,565
Proceeds from the sale of assets, net of disposition costs		<u>3,842,978</u>	<u>2,721,744</u>
Net cash used in investing activities		<u>(8,230,604)</u>	<u>(73,636,081)</u>

Titan America LLC and Subsidiaries

Consolidated Statements of Cash Flows (continued)

		Year Ended December 31	
		2009	2008
Cash flows from financing activities			
Borrowings (repayments) from affiliated party	Note 20	\$ 183,853,201	\$ (371,800,000)
Distributions to member		–	(3,900,000)
Contributions by member	Note 20	–	400,000,000
Principal payments on debt		(228,147,797)	(30,080,001)
Increase (decrease) in book overdraft		10,338,872	(4,910,935)
Offering costs associated with borrowings	Note 15, 20	(2,928,006)	(1,225,763)
Principal payments on capital lease obligations	Note 16	(925,292)	(1,507,784)
Interest paid		(25,263,161)	(41,934,451)
Net (payments) borrowings under lines of credit	Note 15, 20	(6,123,382)	26,482,933
Net cash used in financing activities		(69,195,565)	(28,876,001)
Net increase in cash and cash equivalents		(2,812)	(1,084,365)
Cash and cash equivalents at:			
Beginning of period		18,242	1,102,607
End of period		\$ 15,430	\$ 18,242
Changes in net operating assets (net of acquisitions):			
Inventories		\$ 14,155,767	\$ (7,301,688)
Trade receivables, net		20,588,320	4,712,652
Other receivables, net		(1,471,439)	(454,766)
Prepaid expenses and other current assets		(11,347,679)	(3,968,161)
Other assets		(2,222,583)	1,618,145
Accounts payable		692,359	14,130,159
Accrued expenses		(15,565,133)	7,176,799
Provisions		(1,062,755)	(213,519)
Retirement benefit obligations		1,614,213	(1,258,893)
Operating related party activity		2,135,052	(1,518,763)
Change in net operating assets, net of acquisitions		\$ 7,516,122	\$ 12,921,965

Non-cash transactions: The principal non-cash transactions are accrued purchases of property, plant and equipment, capitalized interest (see Note 7) and changes in accrued contingent consideration from business acquisitions (see Notes 14 and 24)

See accompanying notes.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2009

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

The consolidated financial statements for the years ended December 31, 2009 and 2008 were authorized for issue by the management of Titan America LLC on April 13, 2010.

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 (including fly ash), 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 (“RCC”), Titan Virginia Ready-Mix LLC, Mechanicsville Concrete LLC (“Mechanicsville Concrete”), S&W Ready Mix Concrete Company LLC (“S&W”), Tarmac America LLC (“Tarmac”), Separation Technologies LLC (“ST”) and Essex Cement Company LLC (“Essex”).

Related Party Activity

Related party activity is primarily comprised of an affiliated party loan, affiliated party borrowing facility, and cement purchases from Titan Cement and its operating subsidiaries. The affiliated party borrowing facility with Titan Global Finance, PLC (“TGF”), was established in August 2007. The affiliated party borrowing facility bears interest at variable rates that are reset upon mutual agreement between the Company and TGF and is further described in Note 15. In addition to the borrowing facility, the Company borrowed Euro 100,000,000 from TGF in 2009 at a fixed rate of 7.07% per annum (see Note 15). 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 established an ongoing borrowing agreement to provide short-term funding to Separation Technologies Canada LTD (“STC”), a wholly-owned subsidiary of Iapetos. In 2008 and 2009 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 20).

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 costs increases and life expectancy, which could differ from actual experience.

In accordance with International Accounting Standard (IAS) No. 36, *Impairment of Assets*, the Company tests annually, as of December 31st, or upon occurrence if indicators of impairment are present, whether goodwill and identifiable intangible assets have suffered any impairment. 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Insurance accruals include estimates of settlement or 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 22).

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, each of which is guaranteed by Titan Cement (see Note 15).

Borrowings Denominated in Foreign Currencies

The Company is exposed to foreign currency exchange rate risk associated with borrowings denominated in foreign currencies. The Company has entered into a foreign currency forward contract to manage its exposure to fluctuations in currency values (see Note 17).

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 not directly impacted by 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. Borrowings documented in foreign currencies expose the Company to foreign exchange risk. The Company's policy for long term borrowings will vary and is managed by Titan Cement's group treasury function. The following table demonstrates the sensitivity of the Company's

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

profit before tax (through the impact of the outstanding floating rate borrowings at the end of the period on profits) to reasonable changes in interest rates, with all other variables held constant:

Year Ended	Interest Rate Variation	Effect on Profit Before Tax	Interest Rate Variation	Effect on Profit Before Tax
12/31/09	1.0 %	\$ 2,207,096	(1.0)%	\$ (2,207,096)
12/31/08	1.0 %	\$ 1,860,329	(1.0)%	\$ (1,860,329)

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 finance cost 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 purchase cost method.
- Manufacturing supplies and other – Moving average method.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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 (in years) for the major components of property, plant and equipment are:

	Cement	Aggregates	Ready Mix	Block	Other
Land improvements	15-30	15	15	15	15
Building and improvements	25	25	25	25	25
Machinery and equipment	15-30	10-15	10-15	15-30	5-15
Mobile equipment	7-25	7-8	7	7	7
Marine equipment	20	20	n/a	n/a	n/a
Auto and truck	8	8	8	8	8
Furniture and fixtures	3-5	3-5	3-5	3-5	3-5

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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 applied the provisions of IAS No. 23(R), *Borrowing Costs*, 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. In accordance with IFRS No. 3, "Business Combinations," the Company ceased amortization of existing goodwill on January 1, 2005. Goodwill related to acquisitions on or after April 1, 2004 is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to cash-generating units ("CGU"s) and related activities within a business segment for the purpose of impairment testing. A CGU is the smallest identifiable group of assets used by the Company to organize and present activities and results in its internal reporting. Impairment is determined for goodwill by assessing the recoverable amount of the CGU, taking into account its contribution to the related activities with its business segment.

Identifiable Intangible Assets

Identifiable intangible assets are stated at acquisition value less accumulated amortization and accumulated impairment losses, if any, 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 Company acquired the use of tradenames as part of its acquisition of S&W. These assets were recorded as indefinite-lived intangible assets, were measured at fair value at the date of acquisition, and are tested annually for impairment.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

	<u>Years</u>
Core technology	10
Noncompete agreements	3-5
Mining permits	6
Customer relationships	7-10
Trademarks	10
Tradenames	Indefinite

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, and workers' compensation 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 nontaxable entity whose items of income, expense, gains and losses are taxed to its member, Titan Atlantic. For financial reporting purposes, the Company reports its proportionate share of Titan Atlantic's income tax expense and related income tax assets and liabilities as if the Company had filed separate Company income tax returns.

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 amount 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 on the date of enactment.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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.

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. Leases in which a significant portion of the risks and rewards of ownership are held by the Company are classified as capital leases.

Revenue Recognition

Revenue from product sales is recognized upon shipment to customers. 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Pension and Other Postretirement Obligations

All of the Company's defined benefit pension plans and all but one of the Company's other postretirement benefit plans were previously frozen as to new participants and credited service. One postretirement 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 defined contribution retirement and 401(k) savings plans which cover 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 U.S. corporate bonds that have terms to maturity which approximate 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 amortized over the remaining estimated services lives of plan beneficiaries in the consolidated statement of income.

For defined contribution plans, the Company makes contributions in accordance with established plan provisions for both union and nonunion 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.

Share-Based Payments

Titan Cement operates an equity-settled, share-based compensation plan. The Company recognizes the fair value of the employee service received in exchange for the grant of Titan Cement stock 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 nonmarket vesting conditions. Nonmarket 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Recently Issued Accounting Pronouncements

The financial statements have been prepared with the same accounting policies of the prior financial year, except for any new standards and interpretations that had to be adopted as of January 1, 2009, none of which had a significant impact on the financial position of the Company.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2009. They have not been early adopted and the Company is currently assessing possible impacts in the financial statements from their adoption.

IFRS 2, Group Cash-settled Share-based Payment Transactions (Amended)

The amendment is effective for annual periods beginning on or after January 1, 2010. This amendment clarifies the accounting for cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary.

IFRS 3, Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revision and amendment is effective for annual periods beginning on or after July 1, 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amendment) will be applied for business combinations after 1 January 2010 and will affect future acquisitions and transactions with non-controlling interests.

IFRS 9, Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amended)*

The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. Earlier application is permitted and must be applied retrospectively.

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, 2009 and 2008, 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.

Derivative Financial Instruments

The fair value of the Company's foreign exchange forward contract is determined by using quoted market prices for similar contracts in active markets.

3. Trade Receivables, Net

Trade receivables at December 31, 2009 and 2008, consist of the following:

	December 31	
	2009	2008
Trade receivables	\$ 60,080,408	\$ 83,960,068
Allowance for doubtful accounts	(3,752,003)	(4,063,809)
Allowance for service fees	(860,430)	(782,174)
Allowance for cash discounts and rebates	(839,866)	(670,891)
Trade receivables, net	\$ 54,628,109	\$ 78,443,194

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Trade Receivables, Net (continued)

Trade receivables are non interest bearing and normally settled within the terms of the contract. Bad debt expense is included in cost of goods sold in the accompanying consolidated statements of income. For the years ended December 31, 2009 and 2008, the Company recognized \$3,162,915 and \$4,117,129 of bad debt expense, respectively.

4. Inventories

Inventories at December 31, 2009 and 2008, consist of the following:

	December 31	
	2009	2008
Work in process	\$ 33,189,918	\$ 38,017,612
Spare parts	25,834,849	27,104,443
Finished goods	25,765,523	34,266,227
Raw materials	20,926,223	21,569,265
Manufacturing supplies and other	4,085,999	6,444,333
Inventories	\$ 109,802,512	\$ 127,401,880

5. Other Receivables, Net

Other receivables at December 31, 2009 and 2008, consist of the following:

	December 31	
	2009	2008
Receivables, nontrade, net	\$ 2,918,302	\$ 605,843
Deposits	378,566	510,950
Vendor rebates and receivables	266,219	407,500
Property and fuel tax refunds	257,305	738,667
Employee receivables	181,166	346,271
Other	366,758	334,756
Other receivables, net	\$ 4,368,316	\$ 2,943,987

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2009 and 2008, consist of the following:

	December 31	
	2009	2008
Advance payment for inventory	\$ 15,622,759	\$ 4,195,628
Prepaid insurance	1,904,047	2,201,067
Prepaid overhead expenses (rent, software maintenance, dues and subscriptions)	1,057,478	811,762
Prepaid licenses, permits and other taxes	779,878	765,373
Prepaid highway use tax	131,682	161,032
Other	40,763	58,514
Prepaid expenses and other current assets	<u>\$ 19,536,607</u>	<u>\$ 8,193,376</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2009 consists of the following:

	Balance at 1/1/09	Additions	Disposals	Other	Assets Held for Sale	Balance at 12/31/09
Historical cost:						
Mineral reserves	\$ 182,694,791	\$ 3,720,241	\$ –	\$ (4,600,000) ⁽¹⁾	\$ (27,420,191)	\$ 154,394,841
Land	120,271,306	18,955,927	(232,997)	–	(42,605)	138,951,631
Land improvements	50,495,486	513,620	(32,692)	–	(2,857,159)	48,119,255
Building and improvements	106,949,125	1,148,149	(165,858)	–	(380,320)	107,551,096
Machinery and equipment	642,350,001	16,428,993	(1,134,640)	22,500	(4,601,144)	653,065,710
Mobile equipment	72,413,900	192,702	(803,883)	(22,500)	(6,206,881)	65,573,338
Marine equipment	9,475,031	–	–	–	(639,911)	8,835,120
Auto and truck	134,542,422	887,831	(8,941,152)	–	(87,517)	126,401,584
Furniture and fixtures	15,594,672	182,525	(77,194)	–	(55,827)	15,644,176
Construction and equipment installations in progress	82,246,233	(31,076,089)	–	–	(204,329)	50,965,815
Total historical cost	<u>\$ 1,417,032,967</u>	<u>\$ 10,953,899</u>	<u>\$ (11,388,416)</u>	<u>\$ (4,600,000)</u>	<u>\$ (42,495,884)</u>	<u>\$ 1,369,502,566</u>
Accumulated depreciation:						
Mineral reserves	\$ 25,246,204	\$ 1,158,188	\$ –	\$ –	\$ (211,882)	\$ 26,192,510
Land improvements	11,784,912	3,342,943	(25,865)	–	(280,584)	14,821,406
Building and improvements	35,124,145	5,270,901	(21,882)	–	(7,661)	40,365,503
Machinery and equipment	202,868,566	35,644,287	(870,357)	–	(1,011,997)	236,630,499
Mobile equipment	32,452,228	6,807,462	(516,959)	13,333	(2,745,053)	36,011,011
Marine equipment	3,084,205	417,134	–	(13,333)	(94,032)	3,393,974
Auto and truck	59,822,477	16,623,551	(7,794,620)	–	(87,517)	68,563,891
Furniture and fixtures	7,678,671	2,015,709	(77,194)	–	(31,626)	9,585,560
Other	–	–	–	186,578	–	186,578
Total accumulated depreciation	<u>\$ 378,061,408</u>	<u>\$ 71,280,175</u>	<u>\$ (9,306,877)</u>	<u>\$ 186,578</u>	<u>\$ (4,470,352)</u>	<u>\$ 435,750,932</u>
Net book value:						
Mineral reserves	\$ 157,448,587	\$ 2,562,053	\$ –	\$ (4,600,000)	\$ (27,208,309)	\$ 128,202,331
Land	120,271,306	18,955,927	(232,997)	–	(42,605)	138,951,631
Land improvements	38,710,574	(2,829,323)	(6,827)	–	(2,576,575)	33,297,849
Building and improvements	71,824,980	(4,122,752)	(143,976)	–	(372,659)	67,185,593
Machinery and equipment	439,481,435	(19,215,294)	(264,283)	22,500	(3,589,147)	416,435,211
Mobile equipment	39,961,672	(6,614,760)	(286,924)	(35,833)	(3,461,828)	29,562,327
Marine equipment	6,390,826	(417,134)	–	13,333	(545,879)	5,441,146
Auto and truck	74,719,945	(15,735,720)	(1,146,532)	–	–	57,837,693
Furniture and fixtures	7,916,001	(1,833,184)	–	–	(24,201)	6,058,616
Construction and equipment installations in progress	82,246,233	(31,076,089)	–	–	(204,329)	50,965,815
Other	–	–	–	(186,578)	–	(186,578)
Total net book value	<u>\$ 1,038,971,559</u>	<u>\$ (60,326,276)</u>	<u>\$ (2,081,539)</u>	<u>\$ (4,786,578)</u>	<u>\$ (38,025,532)</u>	<u>\$ 933,751,634</u>

⁽¹⁾Includes \$2,600,000 impairment charge that was recorded upon remeasurement of assets held for sale to fair value less cost to sell. See Note 23.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2008 consists of the following:

	Balance at 1/1/08	Additions	Disposals	Other	Balance at 12/31/08
Historical cost:					
Mineral reserves	\$ 186,113,360	\$ 175,431	\$ -	\$ (3,594,000)	\$ 182,694,791
Land	118,217,926	2,742,107	(684,226)	(4,501)	120,271,306
Land improvements	40,996,508	9,498,978	-	-	50,495,486
Building and improvements	95,874,168	11,109,305	(34,348)	-	106,949,125
Machinery and equipment	590,521,928	53,305,980	(1,477,907)	-	642,350,001
Mobile equipment	67,513,831	6,253,118	(1,353,049)	-	72,413,900
Marine equipment	9,475,031	-	-	-	9,475,031
Auto and truck	140,932,696	619,743	(7,010,017)	-	134,542,422
Furniture and fixtures	8,341,058	7,278,949	(25,335)	-	15,594,672
Construction and equipment installations in progress	108,136,111	(26,224,379)	-	334,501	82,246,233
Total historical cost	<u>\$ 1,366,122,617</u>	<u>\$ 64,759,232</u>	<u>\$ (10,584,882)</u>	<u>\$ (3,264,000)</u>	<u>\$ 1,417,032,967</u>
Accumulated depreciation:					
Mineral reserves	\$ 23,247,908	\$ 1,998,296	\$ -	\$ -	\$ 25,246,204
Land improvements	8,729,981	3,054,931	-	-	11,784,912
Building and improvements	30,007,862	5,133,825	(17,542)	-	35,124,145
Machinery and equipment	168,598,842	35,465,124	(1,195,400)	-	202,868,566
Mobile equipment	26,547,539	7,187,432	(1,282,743)	-	32,452,228
Marine equipment	2,667,071	417,134	-	-	3,084,205
Auto and truck	48,579,470	17,902,675	(6,659,668)	-	59,822,477
Furniture and fixtures	5,592,435	2,111,571	(25,335)	-	7,678,671
Total accumulated depreciation	<u>\$ 313,971,108</u>	<u>\$ 73,270,988</u>	<u>\$ (9,180,688)</u>	<u>\$ -</u>	<u>\$ 378,061,408</u>
Net book value:					
Mineral reserves	\$ 162,865,452	\$ (1,822,865)	\$ -	\$ (3,594,000)	\$ 157,448,587
Land	118,217,926	2,742,107	(684,226)	(4,501)	120,271,306
Land improvements	32,266,527	6,444,047	-	-	38,710,574
Building and improvements	65,866,306	5,975,480	(16,806)	-	71,824,980
Machinery and equipment	421,923,086	17,840,856	(282,507)	-	439,481,435
Mobile equipment	40,966,292	(934,314)	(70,306)	-	39,961,672
Marine equipment	6,807,960	(417,134)	-	-	6,390,826
Auto and truck	92,353,226	(17,282,932)	(350,349)	-	74,719,945
Furniture and fixtures	2,748,623	5,167,378	-	-	7,916,001
Construction and equipment installations in progress	108,136,111	(26,224,379)	-	334,501	82,246,233
Total net book value	<u>\$ 1,052,151,509</u>	<u>\$ (8,511,756)</u>	<u>\$ (1,404,194)</u>	<u>\$ (3,264,000)</u>	<u>\$ 1,038,971,559</u>

At December 31, 2009 and 2008, property, plant, and equipment under capital leases consisted of mobile equipment, autos and trucks with a cost basis of \$9,380,400 and \$9,793,424 and accumulated depreciation of \$2,300,195 and \$1,971,511, respectively. For the years ended December 31, 2009 and 2008, depreciation of property, plant, and equipment under capital leases totaled \$375,071 and \$377,620, respectively.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

At December 31, 2009 and 2008, the Company had accruals for capital projects totaling \$259,720 and \$671,574, respectively.

For the years ended December 31, 2009 and 2008, the Company capitalized interest of \$790,959 and \$1,842,633, respectively, based on a weighted average borrowing rate that varies monthly. The weighted average borrowing rate for the years ended December 31, 2009 and 2008 was 4.99% and 5.42%, respectively. The capitalization of interest results from significant capital projects for the Company, specifically the development of a quarry operation in Florida.

For the years ended December 31, 2009 and 2008, \$2,000,000 and \$3,594,000, respectively, was recorded as a reduction to mineral reserves assets. This amount consisted of the reversal of a former estimate of future payments that the Company expected to occur related to contingent events associated with the Titan Cumberland Resources (“TCR”) and Gulf Stone & Gravel LLC (“Gulf Stone”) acquisitions. The business events associated with the original estimate, which were included in the preliminary purchase price allocation associated with the acquisitions, are unlikely to occur and were reversed during fiscal 2009 and 2008 (see Note 14).

8. Goodwill, Net

Goodwill at December 31, 2009 primarily results from the following acquisitions:

Acquisition	Activity	Geography	Year Acquired	Balance 12/31/09
Separation Technologies	Fly Ash	Eastern US	2002	\$ 15,259,141
Summit/Metro/Miami Valley Supermix	Ready-mixed concrete and concrete block	Western Florida	2006	48,864,104
S&W Ready Mix	Ready-mixed concrete	Carolinas	2007	146,852,616
Mechanicsville Concrete	Ready-mixed concrete	Central Virginia	2007	8,200,653
Other				2,690,428
Total				<u>\$ 221,866,942</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

Goodwill at December 31, 2008 primarily results from the following acquisitions:

Acquisition	Activity	Geography	Year Acquired	Balance 1/1/08	Additions	Balance 12/31/08
Separation Technologies	Fly Ash	Eastern US	2002	\$ 15,259,141	\$ –	\$ 15,259,141
Summit/Metro/Miami Valley Supermix	Ready-mixed concrete and concrete block	Western Florida	2006	48,864,104	–	48,864,104
S&W Ready Mix	Ready-mixed concrete	Carolinas	2007	146,612,665	239,951	146,852,616
Mechanicsville Concrete	Ready-mixed concrete	Central Virginia	2007	8,210,653	(10,000)	8,200,653
Other				2,690,428	–	2,690,428
Total				<u>\$ 221,636,991</u>	<u>\$ 229,951</u>	<u>\$ 221,866,942</u>

Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated to the following geographical segments (which are comprised of other cash generating units or CGUs):

	<u>2009</u>	<u>2008</u>
Mid Atlantic	\$ 155,328,080	\$ 155,328,080
Florida	48,864,104	48,864,104
Other	17,674,758	17,674,758
Total	<u>\$ 221,866,942</u>	<u>\$ 221,866,942</u>

The recoverable amount of a CGU is determined based on the higher of its value-in-use and fair value less cost to sell. The value-in-use calculations use cash flow projections based on financial plans approved by management covering a five year period. The calculation of value-in-use for the Company's evaluated CGUs is most sensitive to the following assumptions:

- Sales volumes;
- Selling prices;
- Growth rate used to extrapolate cash flows beyond the specific projection period; and
- Discount rates

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

Sales volumes

Management estimates sales volumes utilizing independent industry forecasts taking into consideration its position in the market, relative to its competitors. Management expects volumes to substantially recover from the severe construction materials slowdown experienced during 2006-2009 beginning in the second half of 2010. For the period 2010-2014, the Company has assumed the following compound annual growth rates in sales volumes:

Florida – Cement	11.7%
Florida – Aggregates	17.3%
Florida – Readymix	19.4%
Florida – Block	17.9%
Virginia – Readymix	6.4%
Carolinas – Readymix	12.5%
Separation Technologies - Processed Fly Ash	5.5%

Selling prices

Since 2006, selling prices have deteriorated in all markets reflecting the severe contraction in demand for building materials. For the period 2010-2014, management expects selling prices to improve as demand recovers. While management expects pricing to deteriorate in 2010, it expects pricing power to improve as volumes improve in the 2011-2014 period. For the period 2010-2014, the Company has assumed the following compound annual growth rates in selling prices:

Florida – Cement	3.0%
Florida – Aggregates	4.2%
Florida – Readymix	3.6%
Florida – Block	3.9%
Virginia – Readymix	3.1%
Carolinas – Readymix	2.3%
Separation Technologies - Processed Fly Ash	3.4%

Growth rate estimates

Following the five year specific forecast period, management used a fading-growth-rate model in its value-in-use calculation. Under this approach, cash flows are assumed to increase at a higher rate following the specific projection period before settling into a long-term growth rate. Sales volume growth rates are based on published industry research and take into account demographic trends including population growth, household formation, and economic output (among other factors) in the states where the Company operates. In addition to demographic trends, long-term growth rates take into account

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

cement/concrete intensity in construction which has historically varied from state to state based on building codes, availability of raw materials, and other factors. Growth rates have been estimated by management as follows:

	Year 6 Cash Flow Growth Rate	Fading Growth Rate Period	Long-term Growth Rate
Florida	20.0%	5 years	4.0%
Virginia	8.0%	6 years	3.0%
Carolinas	8.0%	6 years	3.0%
Separation Technologies	3.0%	1 Year	3.0%

Discount rates

Pre-tax discount rates ranging from 9.5% to 10.1% were used in the value in use calculations at December 31, 2009.

As of December 31, 2009 no goodwill impairments have been recorded.

9. Identifiable Intangible Assets, Net

Identifiable intangible assets are comprised principally of acquired customer relationships of Mechanicsville Concrete, Summit Ready Mix, Metro Redi Mix, and Miami Valley Concrete (see Note 24), acquired customer relationships, patents and trademarks of Separation Technologies, and acquired customer relationships and tradename of S&W Ready Mix (see Note 24).

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Identifiable Intangible Assets, Net (continued)

Activity within net identifiable intangible assets for the years ended December 31, 2009 and 2008 consists of the following:

	Balance at 1/1/08	Additions	Balance at 12/31/08	Additions/Other	Assets Held for Sale	Balance at 12/31/09
Historical cost:						
Core technology	\$ 9,700,000	\$ –	\$ 9,700,000	\$ –	\$ –	\$ 9,700,000
Customer relationships	90,041,006	992,000	91,033,006	(524,000)	(2,568,000)	87,941,006
Trademarks	400,000	–	400,000	–	–	400,000
Tradenames	13,980,000	–	13,980,000	–	–	13,980,000
Mining permits	2,340,000	–	2,340,000	–	(2,340,000)	–
Noncompete agreements	2,699,527	8,000	2,707,527	–	(120,500)	2,587,027
Total historical cost	<u>\$ 119,160,533</u>	<u>\$ 1,000,000</u>	<u>\$ 120,160,533</u>	<u>\$ (524,000)</u>	<u>\$ (5,028,500)</u>	<u>\$ 114,608,033</u>
Accumulated amortization:						
Core technology	\$ 5,254,166	\$ 970,000	\$ 6,224,166	\$ 970,000	\$ –	\$ 7,194,166
Customer relationships	14,781,086	12,509,099	27,290,185	12,470,581	(655,500)	39,105,266
Trademarks	216,666	40,000	256,666	40,000	–	296,666
Tradenames	–	–	–	–	–	–
Mining permits	292,500	390,000	682,500	390,000	(1,072,500)	–
Noncompete agreements	721,923	635,638	1,357,561	464,228	(64,542)	1,757,247
Total accumulated amortization	<u>\$ 21,266,341</u>	<u>\$ 14,544,737</u>	<u>\$ 35,811,078</u>	<u>\$ 14,334,809</u>	<u>\$ (1,792,542)</u>	<u>\$ 48,353,345</u>
Net book value:						
Core technology	\$ 4,445,834	\$ (970,000)	\$ 3,475,834	\$ (970,000)	\$ –	\$ 2,505,834
Customer relationships	75,259,920	(11,517,099)	63,742,821	(12,994,581)	(1,912,500)	48,835,740
Trademarks	183,334	(40,000)	143,334	(40,000)	–	103,334
Tradenames	13,980,000	–	13,980,000	–	–	13,980,000
Mining permits	2,047,500	(390,000)	1,657,500	(390,000)	(1,267,500)	–
Noncompete agreements	1,977,604	(627,638)	1,349,966	(464,228)	(55,958)	829,780
Total net book value	<u>\$ 97,894,192</u>	<u>\$ (13,544,737)</u>	<u>\$ 84,349,455</u>	<u>\$ (14,858,809)</u>	<u>\$ (3,235,958)</u>	<u>\$ 66,254,688</u>

At December 31, 2009, core technology and trademarks had estimated remaining economic useful lives of between two years and three years, while customer relationships had estimated remaining economic useful lives of between three years and nine years, and noncompete agreements had estimated remaining economic useful lives between two years and three years.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Deferred Stripping, Net

The activity within deferred stripping for the years ended December 31, 2009 and 2008 consists of the following:

	Balance at January 1	Additions	Amortization	Assets Held for Sale	Balance at December 31
2009	<u>\$ 7,511,992</u>	<u>\$ 984,816</u>	<u>\$ (1,211,533)</u>	<u>\$ (144,526)</u>	<u>\$ 7,140,749</u>
2008	<u>\$ 6,361,272</u>	<u>\$ 2,566,079</u>	<u>\$ (1,415,359)</u>	<u>\$ —</u>	<u>\$ 7,511,992</u>

11. Income Taxes

The components of income tax expense (benefit) from continuing operations for the year ended December 31, 2009 consist of:

	Current	Deferred	Other	Total
U.S. Federal	<u>\$(10,106,257)</u>	<u>\$(13,956,368)</u>	<u>\$ (13,455)</u>	<u>\$(24,076,080)</u>
State	<u>224,187</u>	<u>(3,648,542)</u>	<u>(90,710)</u>	<u>(3,515,065)</u>
Total	<u>\$ (9,882,070)</u>	<u>\$(17,604,910)</u>	<u>\$ (104,165)</u>	<u>\$(27,591,145)</u>

The components of income tax expense (benefit) for the year ended December 31, 2008 consist of:

	Current	Deferred	Other	Total
U.S. Federal	<u>\$(34,999,763)</u>	<u>\$ 10,494,699</u>	<u>\$ (373,206)</u>	<u>\$(24,878,270)</u>
State	<u>(1,376,489)</u>	<u>(1,063,336)</u>	<u>(131,208)</u>	<u>(2,571,033)</u>
Total	<u>\$(36,376,252)</u>	<u>\$ 9,431,363</u>	<u>\$ (504,414)</u>	<u>\$(27,449,303)</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

Income tax benefit 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, 2009 and 2008, as a result of the following:

	2009	2008
Loss before income taxes from continuing operations	\$(73,667,658)	\$(63,273,047)
Loss before income taxes from discontinued operations	(6,388,107)	(2,543,685)
Loss before income taxes	\$(80,055,765)	\$(65,816,732)
Income tax benefit at applicable statutory U.S. Federal tax rate	\$(28,019,520)	\$(23,035,854)
Differences resulting from:		
State income taxes, net of federal tax benefit	(2,758,246)	(2,651,694)
Mineral deposit depletion in excess of cost basis	(1,180,958)	(3,588,662)
Nondeductible expenses	286,386	406,569
Provision for noncurrent income tax liabilities	(104,165)	(504,414)
Reduction of manufacturing income deduction due to carryback	1,298,916	-
Recognized tax benefit under stock option plan	475,165	910,761
Taxable income, not recognized for financial reporting	6,059	97,976
Other	(86,144)	(76,022)
Income tax benefit	\$(30,082,507)	\$(28,441,340)
Income tax benefit from continuing operations	\$(27,591,145)	\$(27,449,303)
Income tax benefit attributable to discontinued operations	(2,491,362)	(992,037)
	\$(30,082,507)	\$(28,441,340)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

Net deferred tax liabilities consist of the following components as of December 31, 2009 and 2008:

	December 31	
	2009	2008
Deferred tax assets:		
Provisions and accrued expenses, not deductible for tax until paid	\$ 8,453,293	\$ 9,261,160
Retirement benefit obligations, not deductible for tax until paid	4,123,406	3,752,297
Deferred income, resulting from revenue recognition differences	1,267,332	2,168,412
Identifiable intangible assets, principally due to differences in amortization methods	9,233,316	6,756,134
Accounts receivable valuation	848,880	600,579
Inventory valuation and costing	1,071,391	1,666,014
Net operating loss and charitable contribution carryforwards	23,792,655	3,334,920
Tax credit carryforwards	5,565,469	818,201
Other	1,055,426	228,836
Total deferred tax assets	<u>55,411,168</u>	<u>28,586,553</u>
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation methods	117,896,258	115,442,766
Mineral deposits, principally due to differences in depletion methods	38,920,733	40,351,895
Goodwill, principally due to differences in amortization methods	14,419,603	9,981,633
Deferred stripping costs, principally due to differences in amortization methods	2,252,044	2,179,953
Prepaid expenses, principally due to differences in amortization methods	1,256,407	1,319,107
Other	600,061	64,966
Total deferred tax liabilities	<u>175,345,106</u>	<u>169,340,320</u>
Net deferred income tax liabilities	<u>\$ 119,933,938</u>	<u>\$ 140,753,767</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The deferred tax amounts mentioned above have been classified on the accompanying consolidated balance sheets as of December 31, 2009 and 2008 as follows:

	December 31	
	2009	2008
Deferred tax liabilities, net	\$ 119,933,938	\$ 140,753,767
Other noncurrent income tax liabilities	–	104,165
Deferred and other noncurrent income tax liabilities, net	<u>\$ 119,933,938</u>	<u>\$ 140,857,932</u>

At December 31, 2009 the Company had charitable contribution carryforwards of \$992,385 expiring in years 2012 through 2014. These expenses will be carried forward to future periods and are expected to be fully utilized prior to expiration. The 2009 tax net operating loss was \$94,261,888, of which \$3,990,575 is attributable to discontinued operations. Of the total tax net operating loss, \$46,149,833 will be carried back to tax years ending December 31, 2005 and 2006, resulting in a tax refund of \$17,563,432, which has been including in income taxes receivable in the accompanying consolidated statement of financial position. The remaining net operating loss of \$48,112,055 will be carried forward to future periods and is expected to be fully utilized prior to expiration in 2029.

At December 31, 2009, the Company had tax credit carryforwards of \$5,565,453, of which \$300,000 expires in years 2012 through 2018. The remaining credit carryforward of \$5,265,453 may be carried forward indefinitely. These credits may be used to offset future U.S. federal income taxes payable subject to certain IRS limitations.

12. Other Assets

Other assets at December 31, 2009 and 2008 consist of the following:

	December 31	
	2009	2008
Excess benefit plan assets	\$ 4,434,000	\$ 3,280,223
Deposits	735,875	203,631
Notes receivable – trade	551,588	–
Noncurrent portion of prepaid expenses	344,537	336,127
Other	–	23,435
Other assets	<u>\$ 6,066,000</u>	<u>\$ 3,843,416</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Accrued Expenses

Accrued expenses at December 31, 2009 and 2008 consist of the following:

	December 31	
	2009	2008
Insurance	\$ 8,652,129	\$ 10,617,056
Interest payable	4,469,969	3,280,874
Taxes payable, other than income taxes	2,092,210	10,717,076
Employee benefits	1,565,550	5,607,314
Professional fees	576,647	567,565
Accrued liabilities related to acquisitions	303,832	303,832
Accrued royalties and dues	297,772	530,461
Other	112,666	745,109
Accrued expenses	<u>\$ 18,070,775</u>	<u>\$ 32,369,287</u>

14. Provisions and Other Noncurrent Liabilities

Provisions

The activity within the Company's provision accounts for the year ended December 31, 2009 is summarized as follows:

Provision Description	Balance at 1/1/09	Charges (Credits) to Income Statement	Cash Receipts (Payments)	Balance at 12/31/09
Restoration obligations	\$ 5,657,584	\$ 87,246	\$ -	\$ 5,744,830
Litigation	2,931,396	605,994	(471,464)	3,065,926
Sales and use tax	786,898	56,100	(71,745)	771,253
Environmental	378,000	-	(1,416)	376,584
Severance	166,996	357,351	(227,783)	296,564
Other	1,050,539	(869,073)	(7,455)	174,011
Total	<u>\$ 10,971,413</u>	<u>\$ 237,618</u>	<u>\$ (779,863)</u>	<u>\$ 10,429,168</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Provisions and Other Noncurrent Liabilities (continued)

Analysis of Provisions	December 31	
	2009	2008
Current portion of provisions	\$ 3,557,069	\$ 4,333,534
Noncurrent portion of provisions	6,872,099	6,637,879
Total	<u>\$ 10,429,168</u>	<u>\$ 10,971,413</u>

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.

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.

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 \$125,597 will be used in the next twelve months with the remaining amount used over the next 2 to 5 years.

Environmental: This provision represents the estimated cost for current and former Company operating facilities for various environmental clean-up and monitoring obligations and the expected future clean-up of cement kiln dust stock piles. It is expected that \$11,584 will be utilized in the next twelve months with the remaining amounts used over the next 2 to 40 years.

Severance: This provision is for specific employee reduction in force obligations. It is expected that the balance will be fully utilized in the next twelve months.

Other: These miscellaneous reserves are for various matters. It is expected that \$57,398 will be used in the next twelve months with the remaining amounts used over the next 2 to 20 years.

During the years ended December 31, 2009 and 2008, the Company increased provisions by a net amount of \$520,510 and \$478,394, respectively, for the passage of time and changes in applicable discount rates. This accretion of provisions is included in finance cost in the accompanying consolidated statements of income.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Provisions and Other Noncurrent Liabilities (continued)

Other Noncurrent Liabilities

Other noncurrent liabilities of \$3,056,000 at December 31, 2008 included an estimate of future payments that the Company expected to occur related to contingent events associated with the TCR and Gulf Stone acquisitions. These estimated future payments become payable if certain favorable business events occur and were included in the preliminary purchase price allocation associated with these acquisitions. At December 31, 2009, the Company revised its estimate of contingent consideration that would be paid related to these acquisitions and recorded an adjustment to the original purchase price totaling \$2,524,000. The balance of the liability as of December 31, 2009 is \$76,000 and is included in liabilities held for sale in the accompanying consolidated statement of financial position (see Note 23).

15. Credit Facilities and Long-Term Debt

Bank Borrowing Facilities

At December 31, 2009 and 2008, the Company maintained borrowing facilities with banks as further described below:

Facility Description	Borrowing Facilities at December 31, 2009			Maturity Date
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	
Committed Revolving Credit Facility*	\$ 29,000,000	\$ 10,359,551	\$ 18,640,449	7/31/10
Uncommitted Revolving Credit Facilities	35,000,000	35,000,000	–	N/A
Total	\$ 64,000,000	\$ 45,359,551	\$ 18,640,449	

*The full value of this borrowing facility is \$75,000,000 but it was reduced by \$46,000,000 for the letter of credit subfacility discussed below.

Facility Description	Borrowing Facilities at December 31, 2008			Maturity Date
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	
Committed Revolving Credit Facility*	\$ 25,000,000	\$ 3,482,933	\$ 21,517,067	7/31/09
Uncommitted Revolving Credit Facilities	48,000,000	48,000,000	–	N/A
Total	\$ 73,000,000	\$ 51,482,933	\$ 21,517,067	

*The full amount of this borrowing facility was \$75,000,000 but it was reduced by \$50,000,000 for the letter of credit subfacility discussed below.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Each bank borrowing facility provides for loans at variable interest rates which are reset at daily, one-month, two-month, three-month, or six-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.

Affiliated Party Borrowing Facility

At December 31, 2009 and 2008, the Company maintained an affiliated party borrowing facility further described below:

Borrowing Facility at December 31, 2009				
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility	\$ 300,000,000	\$ 146,000,000	\$ 154,000,000	4/27/12
Borrowing Facility at December 31, 2008				
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility	\$ 300,000,000	\$ 105,200,000	\$ 194,800,000	8/23/10

The affiliated party borrowing facility provides for loans at variable interest rates which are reset at one-month, two-month, three-month, or six-month intervals depending on the type of draw made thereunder. There are no covenants associated with this borrowing facility.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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, 2009, and 2008. At December 31, 2009 and 2008, the bank had issued letters of credit on behalf of the Company totaling \$44,488,777 and \$49,968,889, respectively, as further described below:

	December 31	
	2009	2008
Facility amount	\$ 46,000,000	\$ 50,000,000
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	(10,443,676)	(11,443,676)
Performance obligations	(979,375)	(2,174,375)
Other payment obligations	(3,378,000)	(6,663,112)
Available facility amount	<u>\$ 1,511,223</u>	<u>\$ 31,111</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, 2009 and 2008. At December 31, 2009 and 2008, the insurance company had issued performance bonds on behalf of the Company totaling \$14,657,696 and \$12,148,956, respectively, as further described below:

	December 31	
	2009	2008
Facility amount	\$ 40,000,000	\$ 40,000,000
Less performance bonds issued in support of:		
Supply obligations	(9,158,709)	(9,148,709)
Excavation and reclamation obligations	(2,489,330)	(2,453,330)
Other payment and performance obligations	(3,009,657)	(546,917)
Available facility amount	<u>\$ 25,342,304</u>	<u>\$ 27,851,044</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Borrowings

Borrowings at December 31, 2009 and 2008 consisted of the following:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unsecured loans under committed borrowing facility, bearing interest at variable interest rates (2.23% per annum at December 31, 2009 and 1.53% per annum at December 31, 2008)	\$ 10,359,551	\$ 10,359,551	\$ 3,482,933	\$ 3,482,933
Unsecured loans under uncommitted borrowing facilities, bearing interest at variable interest rates (1.75% per annum at December 31, 2009 and 3.68% at December 31, 2008)	35,000,000	35,000,000	48,000,000	48,000,000
Unsecured notes payable to affiliated party, under committed borrowing facility, bearing interest at variable interest rates, due on April 27, 2012	146,000,000	146,000,000	105,200,000	105,200,000
Unsecured Euro denominated notes payable to affiliated party, bearing interest at 7.07%, due on July 26, 2013	144,060,000	146,872,329	–	–
Unsecured notes payable to insurance companies, bearing interest at 11.76% per annum at December 31, 2009 and 9.26% per annum at December 31, 2008 with a stated due date of December 19, 2011 ^(a)	27,966,102	30,457,971	105,000,000	86,800,000
Unsecured notes payable to insurance companies, bearing interest at 10.00% per annum at December 31, 2009 and 7.50% per annum at December 31, 2008 with a stated due date of October 10, 2014 ^(a)	6,338,983	6,602,756	140,000,000	97,900,000
Unsecured notes payable to insurance companies, bearing interest at 12.14% per annum at December 31, 2009 and 9.64% per annum at December 31, 2008 with a stated due date of December 19, 2016 ^(a)	23,305,085	25,231,301	25,000,000	18,000,000
Unsecured notes payable to insurance companies, bearing interest at 10.35% per annum at December 31, 2009 and 7.85% per annum at December 31, 2008 with a stated due date of October 10, 2019 ^(a)	9,322,034	9,238,691	25,000,000	17,600,000
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)	3,858,627	3,858,627	4,797,080	4,797,080
Other	13,333	13,333	320,000	320,000
Subtotal	<u>435,573,715</u>	<u>\$ 442,984,559</u>	486,150,013	<u>\$ 411,450,013</u>
Less amounts classified as short-term borrowings	(45,359,551)		(51,482,933)	
Less amounts classified as current portion of long-term debt, including obligations under capital leases	(65,887,230)		(60,975,613)	
Less unamortized borrowing costs	<u>(4,014,981)</u>		<u>(3,521,620)</u>	
Long-term debt, including obligations under capital leases, less current obligations	<u>\$ 320,311,953</u>		<u>\$ 370,169,847</u>	

^(a) The unsecured notes payable to insurance companies can be 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 (continued)

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

On December 31, 2008, these note agreements were amended to temporarily relax certain financial ratio covenants. In exchange, the Company and Titan Cement agreed to certain additional restrictive covenants including limitations on the total amount of debt outstanding and annual capital expenditures. In addition, the annual interest rate on the notes was permanently increased by 0.5% and, until the date that the notes are rated as investment grade by S&P, Moody's or Fitch, the notes are subject to additional temporary interest rate increases. The amount of the additional temporary increase in the interest rate at December 31, 2009 and 2008 was 3.75% and 1.25% per annum, respectively.

Furthermore, the amendments to the note agreements require the Company to make scheduled offers of prepayments on these notes. The required prepayment offers are as follows: \$20 million on January 31, 2009, \$40 million on December 29, 2009, \$65 million on December 29, 2010, \$35 million on December 29, 2011, and \$30 million on June 30, 2012. These scheduled prepayments are not subject to the make-whole provisions identified above. The January 31, 2009 prepayment offer was accepted in full. The December 29, 2009 prepayment offer was not accepted.

Additional borrowing costs incurred as a result of these amendments totaled \$1,225,763.

In July 2009, the Company extended a pro-rata offer of pre-payment at par for up to \$210,000,000 of unsecured notes payable to insurance companies (the "Notes"). The offer was accepted by noteholders representing \$208,067,915 of the Notes outstanding. Pre-payment and retirement of the related Notes occurred on September 4, 2009. As required by the Note agreements, the Company will continue to make the scheduled pre-payment offers to the holders of the remaining Notes. The Company recognized a loss on extinguishment of debt of \$1,403,929 associated with the transaction, which consisted of the write-off of unamortized borrowing costs of \$1,153,929 and other fees and expenses of \$250,000.

In conjunction with, and as a result of, the prepayment of the Notes, the Company entered into an agreement with TGF, to borrow Euro 100,000,000 (\$144,060,000 as of December 31, 2009). This loan bears interest at a rate of 7.07% per annum. Interest is due and payable semi-annually in January and July until the loan matures on July 26, 2013. Fees and original issue discount charged against the borrowing totaled Euro 2,023,365, or \$2,894,488.

Simultaneous with the execution of the Euro 100,000,000 borrowing from TGF, the Company entered into three forward foreign exchange contracts with third party financial institutions to hedge the foreign currency risk associated with the Euro denominated borrowing. Under the terms of those agreements, the Company has fixed the July 26, 2013 Euro to US Dollar exchange rate for Euro 100,000,000 at an average of \$1.46329 to €1.00.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The exposure of the borrowings, including capital lease obligations, of the Company to interest rate changes and the periods in which the borrowings mature or re-price were as follows at December 31, 2009 and 2008:

	December 31	
	2009*	2008*
Within six months	\$ 221,160,776	\$ 206,514,475
Between six months and one year	65,436,006	40,494,071
Between one and five years	148,976,933	239,021,368
Later years	–	120,099
Total	\$ 435,573,715	\$ 486,150,013

*Assumes that each of the required offers of prepayments noted above are accepted in full by the noteholders.

The weighted average effective interest rates of the Company's borrowings at December 31, 2009 and 2008 were as follows:

	December 31	
	2009	2008
Unsecured notes payable to insurance companies	11.53%	8.34%
Industrial revenue bonds	0.35	1.45
Capital lease obligations (<i>Note 16</i>)	5.14	5.14
Unsecured borrowings under affiliated party credit facility	1.62	2.92
Unsecured note payable to affiliated party	7.07	N/A
Unsecured borrowings under bank credit facilities	1.86	3.54

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Maturity of borrowings (including capital lease obligations) at December 31, 2009 and 2008 were as follows:

	December 31	
	2009*	2008*
Within one year	\$ 111,246,776	\$ 112,458,547
Between one and two years	2,838,513	171,173,896
Between two and three years	146,954,040	140,993,523
Between three and four years	145,064,292	31,041,645
Between four and five years	120,094	1,012,304
Later years	29,350,000	29,470,098
Total	\$ 435,573,715	\$ 486,150,013

*Assumes that each of the required offers of prepayments noted above are accepted in full by the noteholders.

16. Capital Leases

At December 31, 2009 and 2008, 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, 2009 and 2008 totaled \$925,293 and \$1,507,784, respectively.

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, 2009:

Within one year	\$ 1,051,941
Between one and two years	1,038,588
Between two and three years	1,038,588
Between three and four years	1,038,588
Between four and five years	120,856
Later years	—
Total minimum lease payments	4,288,561
Less amount representing interest	(429,934)
Present value of minimum lease payments	\$ 3,858,627

The fair value of capital lease obligations, at December 31, 2009 and 2008 approximate book value.

The Company did not enter into any new capital leases during the years ended December 31, 2009 or 2008.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Hedging Activities and Derivatives

Cash Flow Hedge

Foreign Currency Risk

Upon execution of the Company's Euro 100,000,000 borrowing from TGF during 2009 (Euro Loan) (see Note 15), the Company entered into a Euro 100,000,000 forward foreign currency exchange contract with a third party financial institution to hedge the foreign currency risk associated with the Euro denominated borrowing. At the inception of the hedge relationship, the Company formally designated and documented the hedge as a cash flow hedge and the risk management objective and strategy for undertaking the hedge. The terms of the forward foreign currency exchange contract have been negotiated to match the terms of the Euro Loan and the hedge was assessed to be highly effective.

The derivative financial instrument was initially recognized at fair value on the effective date of the contract, and is being subsequently remeasured at fair value. As of December 31, 2009, the fair value of the derivative contract was a liability of \$542,400. As this derivative instrument has been designated as a cash flow hedge, any gains or losses arising from changes in fair value of the derivative are recognized in other comprehensive income/loss as a separate component of equity. Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss (i.e. upon remeasurement of the Euro Loan to U.S. dollars based on the current spot rate). During 2009, the Company recorded an unrealized loss of \$542,400 (\$330,864, net of tax) within other comprehensive loss as a separate component of equity and reclassified income of \$777,182 (\$474,081, net of tax) out of other comprehensive loss into earnings.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. 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 for continuing operations under noncancellable operating leases as of December 31, 2009 are as follows:

Within one year	\$ 7,612,499
Between one and two years	6,291,710
Between two and three years	4,378,459
Between three and four years	3,242,603
Between four and five years	2,745,310
Later years	25,188,934
Total	<u>\$ 49,459,515</u>

Total rent expense under noncancellable operating leases included in the accompanying consolidated statements of income for the years ended December 31, 2009 and 2008 was \$8,628,404 and \$8,894,825, respectively.

19. Retirement Benefit Obligations

Retirement benefit obligations at December 31, 2009 and 2008, consist of the following:

	December 31	
	2009	2008
Excess benefit plan benefits	\$ 4,434,000	\$ 3,280,224
Pension benefits	3,944,667	4,272,686
Other postretirement benefits	2,261,768	2,111,749
Retirement benefit obligations	<u>\$ 10,640,435</u>	<u>\$ 9,664,659</u>

All of the Company's defined benefit pension plans and all but one of the Company's other postretirement benefit plans were previously frozen as to new participants and credited service. One postretirement 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. Defined benefit pension plan assets are invested approximately 55% in equity investments and 45% in fixed income investments.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

Information relative to the Company's defined benefit pension and other postretirement benefit plans is presented below. Amounts reported below for these plans are as of the most recent measurement dates, December 31, 2009 and 2008.

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Benefit obligations	\$ 13,179,016	\$ 12,488,767	\$ 2,325,580	\$ 2,201,053
Fair value of plan assets	9,234,349	8,216,081	—	—
Funded deficit, December 31	3,944,667	4,272,686	2,325,580	2,201,053
Unrecognized prior service cost	—	—	(63,812)	(89,304)
Accrued cost, December 31	\$ 3,944,667	\$ 4,272,686	\$ 2,261,768	\$ 2,111,749

Assumptions used in computations:

Discount rate used in computing ending obligations	6.00%	6.50%	6.00%	6.50%
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:

	Other Postretirement Benefits	
	2009	2008
Health care cost trend rate:		
Through 2009	N/A	7.00%
2010	9.00%	7.00%
2011	8.00%	6.00%
2012	7.00%	6.00%
2013	6.00%	6.00%
Later years	5.00%	5.00%

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

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

A reconciliation of the movements during the years ended December 31, 2009 and 2008 in the net pension and other postretirement benefit liabilities follows:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Accrued cost, January 1	\$ 4,272,686	\$ 1,020,897	\$ 2,111,749	\$ 2,301,049
Expense/(benefit) recognized	52,263	3,529,649	293,350	(26,507)
Contributions	(380,282)	(277,860)	(143,331)	(162,793)
Accrued cost, December 31	\$ 3,944,667	\$ 4,272,686	\$ 2,261,768	\$ 2,111,749

The components of net periodic pension and other postretirement benefit costs are as follows for the years ended December 31, 2009 and 2008:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Service cost	\$ -	\$ -	\$ 4,736	\$ 6,019
Interest cost	767,919	886,675	133,586	154,342
Expected return on plan assets	(672,136)	(1,151,345)	-	-
Actuarial (gain)/loss	(43,520)	3,794,319	129,536	(216,608)
Amortization of prior service costs/other	-	-	25,492	29,740
Net periodic pension expense/(benefit)	\$ 52,263	\$ 3,529,649	\$ 293,350	\$ (26,507)

For the years ended December 31, 2009 and 2008, the Company recorded net periodic pension and other postretirement benefit costs totaling \$345,613 and \$3,491,829, respectively. These amounts have been included in the accompanying consolidated statements of income as follows:

	December 31	
	2009	2008
Cost of goods sold	\$ 984,050	\$ (583,777)
Finance cost	901,505	4,075,606
Finance income	(1,539,942)	-
Net periodic cost	\$ 345,613	\$ 3,491,829

The Company expects to contribute \$997,662 to its defined benefit pension benefit plan in 2010.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. 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, excluding S&W. The Company contributed 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. Contributions for periods after February 15, 2009 have been temporarily suspended for all employees except those covered by applicable collective bargaining agreements. Total costs for this element of the plan were \$459,954 and \$3,380,678, respectively, for the years ended December 31, 2009 and 2008. 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 2009 or 2008.

The plan also provides for voluntary employee pretax 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 \$1,828,251 and \$2,095,933, respectively, for the years ended December 31, 2009 and 2008.

S&W sponsors a separate defined contribution 401(k) savings plan which covers substantially all employees of S&W. The plan provides for voluntary employee pretax contributions for eligible employees. S&W matches employee contributions at a rate of 50% up to 5% of the employee's total compensation. The total costs charged against income for this plan was \$158,666 and \$181,747, respectively, for the years ended December 31, 2009 and 2008.

For periods prior to December 7, 2009, Mechanicsville Concrete sponsored a separate defined contribution 401(k) savings plan which covered substantially all employees of Mechanicsville Concrete. The plan provided for voluntary employee pretax contributions for eligible employees. Mechanicsville Concrete matched 50% of eligible employees' contributions up to 6% of eligible compensation, subject to IRS limitations on maximum elective deferrals. Total costs charged against income for this plan were \$28,403 and \$35,151, respectively, for the years ended December 31, 2009 and 2008. For periods after December 7, 2009, eligible Mechanicsville Concrete employees became participants in the Titan America 401(k) savings 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

Under this plan the participants are eligible to defer from 0% to 20% of eligible compensation for the applicable plan year. The Company matched 50% of the participant's contributions to the plan during 2008 and prior. Effective January 1, 2009, the Company matching formula is variable, ranging from 0% to 100% based on established business targets. At December 31, 2009 and 2008, plan assets totaled \$4,434,000 and \$3,280,223, 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, 2009 and 2008 were \$0 and \$265,944, respectively.

20. Related Party Transactions

The components of related party balances at December 31, 2009, and 2008 are as follows:

	December 31	
	2009	2008
Current portion of related party receivables:		
Iapetos, Ltd	\$ 666,000	\$ 1,332,000
Separation Technologies UK, Ltd	82,834	18,849
Titan Cement, SA	189,900	1,330
	\$ 938,734	\$ 1,352,179
Noncurrent deferred income:		
Iapetos, Ltd	\$ 2,096,666	\$ 2,300,351
Current portion of deferred income:		
Iapetos, Ltd	\$ 246,667	\$ 246,667
Accounts payable, related parties:		
Titan Cement, SA	\$ 1,948,591	\$ 226,984
Accrued interest payable, related parties:		
Titan Global Finance, PLC	\$ 3,892,912	\$ 157,514
Variable rate noncurrent notes payable, related parties:		
Titan Global Finance, PLC	\$ 146,000,000	\$ 105,200,000
Fixed rate noncurrent note payable, related parties:		
Titan Global Finance, PLC	\$ 144,060,000	\$ —
Unamortized offering costs on borrowings:		
Titan Global Finance, PLC	\$ 3,159,096	\$ 820,660

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

The components of related party activity for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Sales – products and services for fly ash separation:		
Separation Technologies Canada, Ltd	\$ 427,604	\$ 421,214
Separation Technologies UK, Ltd	302,492	320,466
Iapetos, Ltd	246,667	289,649
	\$ 976,763	\$ 1,031,329
Cost of sales – purchased cement:		
Titan Cement, SA	\$ 12,515,820	\$ 18,514,021
General and administrative support services provided:		
Separation Technologies Canada, Ltd	\$ 47,393	\$ 64,871
Finance costs:		
Titan Global Finance, PLC	\$ 7,302,807	\$ 17,282,948

During 2008, the Company received an equity infusion of \$400,000,000 from Titan Cement. The proceeds were used to reduce the outstanding borrowing of the Company with Titan Global Finance, PLC.

During 2004, the Company sold the international territory development rights for its patented ash separation technology to Iapetos in exchange for a noninterest bearing receivable of \$3,700,000. The final installment of \$666,000 is included in the current portion of related party receivables at December 31, 2009.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. 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, 2009 and 2008 are as follows:

	2009	2008
Salaries and related payroll taxes	\$ 5,870,450	\$ 5,556,429
Short-term employee benefits	260,868	249,036
Retirement plan contributions	129,112	486,631
Share-based payments	1,231,543	1,645,246
Termination Benefits	95,961	166,995
Total key management compensation	<u>\$ 7,587,934</u>	<u>\$ 8,104,337</u>
 Number of key management employees at year end	 20	 21

Time/Performance Stock Incentive Plan

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 (continued)

20. 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 equal to the nominal value of the common stock of Titan Cement Company S.A., currently €4.00 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 Grants
Key assumptions:	
Stock price	€40.74
Exercise price at date of grant	€2.00
Dividend yield	1.56%
Volatility	22.03%
Risk-free rate	3.67%
Option life	3 years
Fair value price	€37.27

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 year ended December 31, 2008, \$593,868 related to this program has been recorded as general and administrative expense in the accompanying consolidated statement of income.

This plan expired in December 2008. Information related to stock options granted under this plan related to employees of the Company during the years ended December 31, 2009 and 2008 follows:

	2009	2008
Shares under option, January 1	–	42,600
Granted	–	–
Exercised	–	(13,300)
Expired/cancelled	–	(29,300)
Shares under option, December 31	–	–
Options exercisable, December 31	–	–

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

Restricted Stock Incentive Plan

On May 29, 2007 Titan Cement approved the introduction of a new, three-year Restricted Stock Incentive Plan for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, participants are granted options, the exercise of which is subject to the financial results of Titan Cement and the performance of its ordinary share, relative to peer company and stock market indices. The options granted each year have a maturity period of three years and can be exercised after the completion of the three year period at an exercise price equal to the nominal value of the common stock of Titan Cement Company S.A., currently €4.00 per share. Each option must be exercised within the year vested. If the deadline is exceeded then those particular options will irrevocably lapse. All vesting is conditional on the employee's continued employment throughout the vesting period. The number of options vested will be determined as follows:

- One-third of options granted vest based on the financial results of the Company during the three year vesting 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 vesting period.
- One-third of options granted vest based on Titan Cement's stock performance relative to that of twelve predefined international cement producing companies during the three year period.

The fair value of the options granted under the Plan was determined using the Black Scholes valuation model for 2009 and 2008 and the Monte Carlo valuation model for 2007. Key assumptions for each year's grants are as follows:

	2009	2008	2007
Key assumptions:			
Stock price	€20.60	€26.92	€40.50
Exercise price at date of grant	€4.00	€4.00	€2.00
Dividend yield	2.07%	2.07%	2.10%
Volatility	36.71%	32.28%	24.00%
Risk-free rate	3.65%	3.76%	4.40%
Option life	3 years	3 years	3 years
Fair value price	€8.41	€9.79	€37.64

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

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

For the years ended December 31, 2009 and 2008 \$1,460,939 and \$1,288,362, 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, 2009 and 2008 follows:

	2009	2008
Shares under option, January 1	99,450	46,500
Granted	81,000	52,950
Exercised	(5,173)	–
Expired/cancelled	(42,527)	–
Shares under option, December 31	132,750	99,450
Options exercisable, December 31	–	–

The stock price of Titan Cement common shares was €0.32 and €13.90 at December 31, 2009 and 2008, respectively.

21. 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 and its subsidiaries have 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.

Florida Lake Belt Litigation

In March 2006, the United States District Court for the Southern District of Florida (the “District Court”) ruled that the 2002 mining permits for the “Lake Belt” area in south Florida had been improperly issued by the U.S. Army Corps of Engineers (the “USACE”). 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

As part of its ruling, the District Court remanded the permitting process to the USACE for further review and consideration. In July 2007, the District Court entered the Remedies Order, in which the District Court vacated all the Lake Belt permits, but stayed its ruling with respect to all but four of the permits (which are held by White Rock, Tarmac, and Florida Rock) until such time as the USACE completed its Supplemental Environmental Impact Statement (“SEIS”). Those three companies were ordered to cease all mining operations within a judicially-created zone around the Miami Dade County Northwest wellfield on the basis that mining might endanger the water quality.

The companies appealed these orders and the U.S. Court of Appeals for the 11th Circuit (the “Court of Appeals”) heard oral argument in November 2007. In May 2008, the Court of Appeals vacated the District Court’s March 2006 ruling and remanded for rehearing by the District Court. A status conference was held in August 2008 at which the Plaintiffs asked the District Court to issue a new summary judgment ruling. In January 2009, without any further hearings or evidence, the District Court entered an “Order Pursuant to Remand” from the Eleventh Circuit, and a Final Judgment, granting the Plaintiffs Summary Judgment and setting aside all of the 2002 Lake Belt permits. The Company (Tarmac America LLC) and the other mining permittees appealed the January 2009 Order, but the Court of Appeals confirmed the District Court’s order.

The USACE issued its SEIS in May 2009. Following a period of public comment and intergovernmental agency review, in February 2010 the USACE issued its Record of Decision (ROD) and Statement of Findings on the May 2009 SEIS. After extensive study and coordination with the public and other state and federal agencies, the ROD found that mining in the Lake Belt area is not contrary to the public interest and is in compliance with the relevant sections of the Clean Water Act subject to certain permit conditions.

The ROD allows for new 20 year mining permits covering the areas remaining to be mined under the 2002 permits in addition to new acreage west of the current mining area. In March 2010, the Company received its permit from the USACE. However, in the context of the current depressed construction materials market, the new permit is not expected to have a significant near-term positive impact on operations or profitability. Nevertheless, its receipt removes a source of uncertainty and allows the Company a long term focus on efficient operating performance as market conditions improve.

Florida Class Action Litigation

In October 2009, a class action lawsuit was filed in the United States District Court for the Southern District of Florida (the “District Court”) alleging certain antitrust violations (including price fixing and market allocations) by cement and ready mix concrete companies in the State of Florida. Thereafter, several additional similar lawsuits were filed. The District Court ordered that the class actions be consolidated, and that the plaintiff law firms file a consolidated complaint for each of two alleged classes,

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

direct purchasers and indirect purchasers. In January 2010, these two consolidated complaints were filed with the District Court naming as defendants all companies selling cement in Florida, including the Company's subsidiary, Tarmac America LLC. Other defendants include Cemex Corp., Holcim (US) Inc., Lafarge North America, Inc., Lehigh Cement Company, Oldcastle Materials, Suwannee American Cement LLC, and Votorantim Cimentos North America, Inc. The defendants entered into a joint defense agreement and filed an answer and motion to dismiss in March 2010.

We have no reason to believe that Tarmac America LLC is liable for any of the matters alleged in the complaint, and we intend to defend the case vigorously. However, the impact of these two consolidated class action lawsuits, if the Company's subsidiary was found guilty, could have a significant impact on the Company's results of operations, cash flows, and financial position.

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:

Tarmac Aggregates Purchase Commitment

In 2004, the Company entered into a supply agreement with a third party for the purchase of construction aggregates in Florida. Under the terms of the 2004 agreement, the Company was obligated to accept, take, and pay for at least ninety percent of the contracted volume - 2,160,000 tons per year for the period from 2005 through 2014. If annual purchases fell below 2,160,000 tons, the Company had the right to pay the supplier for the shortfall amount and accept delivery of the material in the twelve month period following such payment.

In 2008 and 2009, the supply agreement was amended to extend the original contract term, reduce the guaranteed volumes in 2008 and 2009, and introduce a minimum annual volume that, if not achieved, will result in a payment to the supplier at current market prices without the corresponding right to take delivery of the material at a future date.

Under the terms of the amended agreement, the Company must also prepay the supplier annually for any guaranteed volume shortfall (capped at 1,400,000 tons), representing the difference between the guaranteed volume and the actual volume purchased from the supplier in that year (excluding those

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

volumes purchased using a previous year's prepayment). Payment for the guaranteed volume shortfall may be used to offset future purchases from the supplier. In addition, any difference between the annual guaranteed volume and the actual purchased volume extends the life of the agreement by adding the amount of that shortfall to the last year of the contract or, in the event that the carryover would cause the guaranteed volume in the last year of the contract to exceed 2,160,000 tons, to a new contract year. The term of the agreement may not extend beyond the year 2024 unless mutually agreed.

In 2008, the Company accepted delivery of 1,336,329 tons of construction aggregates from the supplier against an annual guaranteed commitment of 1,600,000 tons. As a result, at December 31, 2008, the Company was obligated to pre-pay for 263,671 tons of construction aggregates at a cost of approximately \$15.90 per ton. This amount has been included in the accompanying consolidated balance sheet as prepaid expenses and other current assets (see Note 6) and accounts payable.

In 2009, the Company accepted delivery of 405,618 tons of construction aggregates from the supplier (including 263,671 tons carried forward from the 2008 contract year) against an annual guaranteed commitment of 1,763,671 tons. As a result, at December 31, 2009, the Company was obligated to pre-pay for 1,358,053 tons of construction aggregates at a cost of approximately \$11.50 per ton. This amount has been included in the accompanying consolidated balance sheet as prepaid expenses and other current assets (see Note 6) and accounts payable.

The remaining commitments as of December 31, 2009 and 2008, respectively, are as follows:

Year	12/31/09		12/31/08	
	Guaranteed Volume (Tons)	Minimum Volume (Tons)	Guaranteed Volume (Tons)	Minimum Volume (Tons)
2009	N/A	N/A	1,763,671	263,671
2010	2,160,000	500,000	2,160,000	N/A
2011	2,160,000	500,000	2,160,000	N/A
2012	2,160,000	500,000	2,160,000	N/A
2013	2,160,000	500,000	2,160,000	N/A
2014	2,160,000	500,000	2,160,000	N/A
2015	2,160,000	500,000	1,220,000	N/A
2016	418,053	418,053	N/A	N/A

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

Under the terms of the supply agreement, purchases are made at current market prices, subject to periodic adjustments. As of January 1, 2010, prices are approximately \$11.50 per ton.

RCC Cement Purchase Commitment

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 had planned to import up to 154,000 tons per year, though the Company now plans to import no additional tons. This amendment is satisfactory to the third party, which has also decided to eliminate imported volume and purchase their local requirements from the Company.

Supply Commitments

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

ST Separator Package Sales Commitment

The Company committed to supply a customer a minimum of six ash separator packages through 2016, 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. In 2008, two of the separator packages were delivered to the customer and the delivery of a third separator package is scheduled for 2011.

Essex Terminal Facilities Use and Supply Agreement

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 planned 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. The third party purchased minimal volume during the second year, no volume during the third year, and now plans to purchase no volume during the fourth year. During these years, the third party has triggered the minimum tonnage guarantee

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

provision of the contract (based on 175,000 tons). 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.

RCC Cement Supply Agreement

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 were set at an agreed upon price per ton FOB at point of origin and in 2008 and 2009, prices were adjusted by a percentage change in the "Producer Price Index" ("PPI"). In 2010, prices will also be adjusted annually for the lesser of the percentage change in the PPI or \$5 per ton. Prices are subject to a \$1 per ton rebate in years when sales exceed 100,000 tons.

22. 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.

23. Assets Held for Sale/Discontinued Operations

At December 31, 2009, the Company had entered into negotiations regarding the sale of its TCR business. TCR is a quarry operation located in Salem, Kentucky and is a separate major line of business of RCC. As of December 31, 2009, TCR was available for immediate sale in its present condition, subject only to terms that are usual and customary for the sale of such assets, and therefore TCR was classified as a disposal group held for sale and as a discontinued operation. On April 2, 2010, TCR was sold for \$41,420,000 in cash, plus the assumption of certain obligations and other adjustments, including the value of construction aggregates inventories as of March 31, 2010. The results of operations of TCR are reflected as discontinued operations in the Consolidated Statement of Operations for all periods presented.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Assets Held for Sale/Discontinued Operations (continued)

The results of operations of TCR are presented below:

	<u>2009</u>	<u>2008</u>
Net sales	\$ 12,576,335	\$ 6,428,637
Freight revenues	15,232,620	7,091,776
Total sales	<u>27,808,955</u>	<u>13,520,413</u>
Cost of goods sold, excluding freight and distribution expenses	12,504,056	5,550,667
Freight expense	15,232,620	7,091,776
Distribution expense	2,717,606	1,781,982
Cost of goods sold	<u>30,454,282</u>	<u>14,424,425</u>
Gross loss	<u>(2,645,327)</u>	<u>(904,012)</u>
Selling expense	480,044	752,757
General and administrative expense	655,551	872,343
Operating loss	<u>(3,780,922)</u>	<u>(2,529,112)</u>
Finance cost	(7,185)	(14,573)
Impairment loss recognized on the remeasurement to fair value less costs to sell	(2,600,000)	–
Loss before tax from discontinued operations	<u>(6,388,107)</u>	<u>(2,543,685)</u>
Income tax benefit	(2,491,362)	(992,037)
Loss from discontinued operations, net of tax	<u>\$ (3,896,745)</u>	<u>\$ (1,551,648)</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Assets Held for Sale/Discontinued Operations (continued)

The major classes of assets and liabilities of TCR classified as held for sale as at December 31, 2009 are as follows:

	<u>2009</u>
Noncurrent assets:	
Property, plant, equipment and mineral deposits, net	\$ 38,025,532
Goodwill, net	—
Identifiable intangible assets, net	3,235,958
Deferred stripping, net	144,526
Total noncurrent assets	<u>41,406,016</u>
Current assets:	
Inventories	3,443,601
Prepaid expenses and other current assets	4,448
Total current assets	<u>3,448,049</u>
Assets classified as held for sale	<u>\$ 44,854,065</u>
Noncurrent liabilities:	
Long-term debt, including obligations under capital leases, less current obligations	\$ (160,000)
Other noncurrent liabilities	(76,000)
Total noncurrent liabilities	<u>(236,000)</u>
Current liabilities:	
Current portion of long-term debt, including obligations under capital leases	(79,827)
Total current liabilities	<u>(79,827)</u>
Liabilities directly associated with assets classified as held for sale	<u>(315,827)</u>
Net assets directly associated with disposal group	<u>\$ 44,538,238</u>

The net cash flows attributable to TCR for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Net cash provided by (used by) operating activities	\$ 2,254,235	\$ (4,063,901)
Net cash used by investing activities	(1,247,419)	(2,059,920)
Net cash used by financing activities	(158,414)	(158,414)
Net cash flows attributable to discontinued operations	<u>\$ 848,402</u>	<u>\$ (6,282,235)</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Assets Held for Sale/Discontinued Operations (continued)

Commitments Associated with Discontinued Operations

In 2008, the Company entered into two separate agreements with a time charter operation supplying a total of two boats and sixteen barges to be used in the distribution of TCR's aggregate materials for a three-year period. In exchange for the barging services, the Company will pay approximately \$4.6 million per year for charter hire fees, with an agreed increase of 2.5% in year three of the agreement. In addition, the Company will pay the charges related to operating the vessels.

Impairment of Property, Plant and Equipment

Following the classification of TCR as a held for sale investment, an impairment loss of \$2,600,000 (with a related tax effect of \$1,014,000) was recognized to reduce the carrying amount of the assets in the disposal group to the higher of its value-in-use and its fair value less cost to sell. This was recognized in loss from discontinued operations, net of tax in the consolidated statement of operations. The preliminary purchase and sale agreement, which was materially consistent with the final purchase and sale agreement, was used to determine the fair value of the disposal group.

24. Business Acquisitions

During March, 2008 the Company purchased the rights to a customer list from Gulf Stone & Gravel LLC. The guaranteed total purchase price was \$400,000 with an additional amount due depending on the achievement of established sales targets. The guaranteed payments consist of four payments of \$6,667 made on the closing date and 56 payments to be made in future equal monthly installments. The contingent consideration is based on a percentage of annual sales over the five years subsequent to acquisition and the Company has estimated the present value of those payments at \$76,000 at December 31, 2009. The acquisition was accounted for under the purchase method of accounting. The purchase price of the acquisition was fully allocated to identifiable intangible assets and included an initial estimate of \$600,000 related to contingent consideration. Based on revised sales projections, the Company recorded an adjustment to the initial purchase price totaling \$524,000 during 2009 for the change in the expected payments. At December 31, 2009 the intangible asset, note payable and contingent consideration accrued are included as assets held for sale and liabilities associated with assets held for sale in the accompanying Consolidated Statement of Financial Position.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Sales

The components of sales from continuing operations for the year ended December 31, 2009 are as follows:

	Total Sales	Less Internal Sales	External Sales
Sales of cement	\$ 182,754,282	\$ 37,606,065	\$ 145,148,217
Sales of construction aggregates	46,532,421	23,145,674	23,386,747
Sales of ready-mixed concrete	251,477,654	35,397	251,442,257
Sales of concrete block and related products	18,525,373	321	18,525,052
Sales of ash and related products	23,869,811	2,188,433	21,681,378
Transportation services	6,306,748	4,969,997	1,336,751
Net sales	<u>529,466,289</u>	<u>67,945,887</u>	<u>461,520,402</u>
Freight revenues	30,925,015	12,473,585	18,451,430
Total sales	<u>\$ 560,391,304</u>	<u>\$ 80,419,472</u>	<u>\$ 479,971,832</u>

The components of sales from continuing operations for the year ended December 31, 2008 are as follows:

	Total Sales	Less Internal Sales	External Sales
Sales of cement	\$ 272,936,213	\$ 62,028,455	\$ 210,907,758
Sales of construction aggregates	85,485,321	50,972,397	34,512,924
Sales of ready-mixed concrete	365,686,763	460,580	365,226,183
Sales of concrete block and related products	33,820,420	(42,670)	33,863,090
Sales of ash and related products	25,868,441	2,116,439	23,752,002
Transportation services	8,524,128	6,388,409	2,135,719
Net sales	<u>792,321,286</u>	<u>121,923,610</u>	<u>670,397,676</u>
Freight revenues	47,469,961	22,774,899	24,695,062
Total sales	<u>\$ 839,791,247</u>	<u>\$ 144,698,509</u>	<u>\$ 695,092,738</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Cost of Goods Sold, excluding Freight and Distribution Expenses

The components of cost of goods sold, excluding freight and distribution expenses, from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Material and other variable costs	\$ 158,965,722	\$ 276,181,143
Payroll and related expenses	89,486,799	108,441,695
Depreciation and depletion	66,054,290	67,889,016
Repairs and maintenance	16,362,860	25,194,913
Utilities	21,336,073	25,271,085
Risk insurance	3,405,897	3,284,530
Taxes other than income taxes	10,807,592	13,037,408
Rent and lease expense	5,777,365	8,178,781
Travel, training, and other employee expense	2,968,225	5,720,102
Amortization of identifiable intangible assets	13,698,842	13,870,787
Amortization of deferred stripping costs	637,620	1,196,545
Inventory change	11,269,713	(3,041,589)
Other	17,512,815	32,229,214
Cost of goods sold, excluding freight and distribution expenses	<u>\$ 418,283,813</u>	<u>\$ 577,453,630</u>

27. Distribution Expense

The components of distribution expense from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Freight to distribution yards/terminals	\$ 15,076,697	\$ 18,117,273
Payroll and related expenses	2,597,809	2,893,537
Other variable costs	1,967,633	1,334,803
Repairs and maintenance	402,406	628,001
Depreciation	1,819,874	1,868,830
Utilities	487,702	535,085
Other fixed costs	1,190,238	1,588,831
Distribution expense	<u>\$ 23,542,359</u>	<u>\$ 26,966,360</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

28. Selling Expense

The components of selling expense from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Payroll and related expenses	\$ 9,968,402	\$ 11,703,157
Travel, entertainment, and other employee expense	2,399,993	3,841,053
Overhead (dues, advertising, professional fees, etc.)	2,243,972	3,478,685
Depreciation	56,688	63,246
Risk insurance and taxes other than income taxes	142,912	150,947
Selling expense	\$ 14,811,967	\$ 19,237,088

29. General and Administrative Expense

The components of general and administrative expense from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Payroll and related expenses	\$ 31,241,109	\$ 40,127,285
Travel, entertainment, and other employee expense	3,747,366	7,753,227
Depreciation	1,692,640	1,679,648
Professional fees	3,855,972	5,624,777
Office costs	6,377,359	7,419,238
Allocations	(622,444)	(1,364,406)
Other	4,680,268	3,067,773
General and administrative expense	\$ 50,972,270	\$ 64,307,542

30. Other Operating, Net

The components of other operating income/(expense) from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Nonoperating provision adjustments	\$ 868,040	\$ (774,629)
Rental income	288,152	257,510
Operating expenses related to acquisitions	(500,000)	(424,444)
Other	(9,209)	21,284
Total other operating, net	\$ 646,983	\$ (920,279)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Finance Cost

Finance cost from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Interest expense on borrowings	\$ 25,411,099	\$ 41,285,991
Debt issuance cost amortization	1,211,198	728,785
Line of credit commitment fees	1,136,589	541,839
Interest costs on pension and OPEB benefits	901,505	1,041,017
Accretion expense/interest on provisions	520,510	478,439
Amortization of forward points on cash flow hedge	229,618	–
Net loss on pension assets	–	3,034,544
Capitalized interest	(790,959)	(1,842,633)
Other	42,789	48,397
Total finance cost	<u>\$ 28,662,349</u>	<u>\$ 45,316,379</u>

32. Finance Income

Finance income from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Interest income on investments	\$ (303,337)	\$ (530,555)
Net gain on pension assets	(1,539,942)	–
Total finance income	<u>\$ (1,843,279)</u>	<u>\$ (530,555)</u>

33. Payroll and Related Expenses

Payroll and related expenses (also included in Notes 27 through 30) from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Wages	\$ 45,955,584	\$ 57,942,944
Salaries	50,793,912	59,525,080
Outsourced and temporary labor	758,485	4,638,872
Other payroll expenses	35,786,138	41,058,778
Total payroll and related expenses	<u>\$ 133,294,119</u>	<u>\$ 163,165,674</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

33. Payroll and Related Expenses (continued)

Number of persons employed by the Company at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Full time	1,920	2,211
Part time	20	23
Total	<u>1,940</u>	<u>2,234</u>
Salary	764	829
Hourly	1,176	1,405
Total	<u>1,940</u>	<u>2,234</u>