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

FORM 10-K

(Mark One)

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended January 31, 2009

or

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 333-134875

RATHGIBSON, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

22-3683283
(I.R.S. Employer Identification No.)

475 Half Day Road, Suite 210, Lincolnshire, Illinois
(Address of principal executive offices)

60069
(Zip Code)

(847) 276-2100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☒ No ☐

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

At May 18, 2009, 100 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| PART I | |
| Item 1. Business | 5 |
| Item 1A. Risk Factors | 16 |
| Item 1B. Unresolved Staff Comments | 25 |
| Item 2. Properties | 26 |
| Item 3. Legal Proceedings | 26 |
| Item 4. Submission of Matters to a Vote of Security Holders | 27 |
| PART II | |
| Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 27 |
| Item 6. Selected Financial Data | 27 |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 30 |
| Item 7A. Quantitative and Qualitative Disclosures about Market Risk | 47 |
| Item 8. Financial Statements and Supplementary Data | 48 |
| Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure | 98 |
| Item 9A(T). Controls and Procedures | 98 |
| Item 9B. Other Information | 99 |
| PART III | |
| Item 10. Directors, Executive Officers and Corporate Governance | 99 |
| Item 11. Executive Compensation | 102 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 112 |
| Item 13. Certain Relationships and Related Transactions, and Director Independence | 114 |
| Item 14. Principal Accounting Fees and Services | 114 |
| PART IV | |
| Item 15. Exhibits, Financial Statement Schedules | 115 |

EXPLANATORY NOTE

On February 7, 2006, all of the outstanding equity interests in RathGibson, Inc. (“RathGibson” and together with its subsidiaries, the “Company”) were acquired by RGCH Holdings Corp. (“RGCH Corp.”), a wholly-owned subsidiary of RGCH Holdings LLC (“RGCH LLC”) (referred to as the “CH Acquisition”). Subsequently, on June 15, 2007, all of the equity interests in RGCH Corp. were sold to RG Tube Holdings LLC (“RG Tube”), an affiliate of DLJ Merchant Banking Partners IV, L.P. and affiliated investment funds, and certain members of RathGibson’s senior management who exchanged a portion of their equity interest in RGCH LLC for equity interest in RG Tube in lieu of cash (referred to as the “DLJ Acquisition”). Each of the CH Acquisition and the DLJ Acquisition was accounted for using the purchase method of accounting, and accordingly, the Company’s financial condition and results of operations for the periods after each of the CH Acquisition and the DLJ Acquisition will not necessarily be comparable to prior periods. In this Annual Report on Form 10-K: (i) the Company’s consolidated financial statements at and for the fiscal year ended January 31, 2009 are presented to show the financial results of the Company for the period after the DLJ Acquisition (Successor); (ii) the Company’s consolidated financial statements at and for the fiscal year ended January 31, 2008 are presented to show separately the financial results of the Company for the period after the DLJ Acquisition (Successor) and for the period after the CH Acquisition until the DLJ Acquisition (Predecessor II); and (iii) the Company’s consolidated financial statements at and for the fiscal year ended January 31, 2007 are presented to show separately the financial results of the Company for the period after the CH Acquisition (Predecessor II) and for the period prior to the CH Acquisition (Predecessor I). Additional information regarding the DLJ Acquisition and the CH Acquisition and the presentation of the Company’s consolidated financial statements and related notes is contained in Item 8 of this Form 10-K.

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “would,” or the negative thereof or other variations thereon or comparable terminology.

The Company has based these forward-looking statements on current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company’s control. These and other important factors may cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results, performance or achievements to differ from the Company’s expectations include:

- the Company’s substantial indebtedness and the significant operating and financial restrictions imposed on the Company by these debt agreements;
- liquidity and capital resources;
- ability to execute the Company’s business strategies;
- general economic and business conditions, including the continuing effects of the current global economic downturn;
- competitive pressures and trends in the industry;
- fluctuations in the price and/or supply of steel and other raw materials;
- changes in the financial stability of major customers or in demand for the Company’s products and services;
- loss of key suppliers or interruption of production at these suppliers;
- ability to continue to comply with government regulations;
- legal proceedings and regulatory matters, including the adoption of or changes in legislation or regulations adversely affecting the Company’s businesses;
- technological changes;
- ability to identify acquisition opportunities and effectively and cost efficiently integrate acquisitions that the Company consummates; and
- those other risks and uncertainties discussed under “Risk Factors” herein.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

Item 1. Business.

Company Overview

RathGibson, Inc. (“RathGibson”) and its subsidiaries (together with RathGibson, the “Company”) is one of the world’s leading specialty manufacturers of highly engineered premium stainless steel and alloy tubular products. The Company’s products are designed to meet customer specifications and are used in environments that require high-performance characteristics, such as exceptional strength and the ability to withstand highly corrosive materials, extreme temperatures or high-pressure. The Company sells over 1,000 products globally to diverse end-markets, including (i) chemical/petrochemical processing and power generation; (ii) energy; (iii) food, beverage and pharmaceuticals; and (iv) general commercial.

Transactions

On June 15, 2007, RGCH Holdings Corp. (“RGCH Corp.”), the direct parent of RathGibson, and RGCH Holdings LLC (“RGCH LLC”), an indirect parent of RathGibson, completed the sale of 100% of RGCH Corp.’s equity to RG Tube Holdings LLC (“RG Tube”), an affiliate of DLJ Merchant Banking Partners IV, L.P. and affiliated investment funds (“DLJ Funds”), and certain members of RathGibson’s senior management who exchanged a portion of their equity interest in RGCH LLC for equity interest in RG Tube in lieu of cash (referred to as the “DLJ Acquisition”). The aggregate purchase price was \$211.8 million, including a contingent payment of \$3.4 million made by RG Tube. The contingent payment was equal to Adjusted Net Income (as defined in the stock purchase agreement) for the period May 1, 2007 through June 15, 2007, up to a maximum contingent payment of \$4.0 million. The DLJ Acquisition was financed through a combination of debt and equity. In connection with the DLJ Acquisition, RGCH Corp. issued \$115.0 million of 13.5% pay-in-kind notes (“PIK Notes”) due on June 15, 2015. The Company, however, is not a party to any agreement related to the PIK Notes and does not have any obligations (including any guarantee obligations) in respect of the PIK Notes and accordingly, the debt and related interest are not recognized in the Company’s consolidated financial statements. However, due to RGCH Corp. being a guarantor to RathGibson’s senior secured revolving credit facility (“Revolving Credit Facility”) and the existence of cross-default provisions within this debt agreement, a default under the PIK Notes agreement could be cause for the acceleration of outstanding indebtedness under the Company’s debt agreements. In addition, RathGibson entered into a second amendment to its Revolving Credit Facility for which the borrowing capacity was increased by \$20.0 million to \$80.0 million, subject to borrowing base availability. The contingent payment of \$3.4 million made by RG Tube was financed by a dividend of \$3.8 million from RathGibson in the period June 16, 2007 through January 31, 2008. In connection with the DLJ Acquisition, the Company recorded (i) \$4.8 million of fees and related charges for the termination of its management agreement with Castle Harlan, Inc. (“Castle Harlan”), a private equity investment firm which managed Castle Harlan Partners IV, L.P. (“CHP IV”), a private equity investment fund affiliated with RGCH LLC, which was settled at closing; (ii) \$3.0 million of compensation expense relating to employee bonuses, of which \$2.0 million and \$1.0 million was settled at closing and in the period June 16, 2007 through January 31, 2008, respectively; and (iii) \$4.0 million of non-cash incentive unit expense. The foregoing transactions were recorded as selling, general and administrative expenses within the consolidated statements of operations for the period February 1, 2007 through June 15, 2007.

On February 7, 2006, RathGibson completed the sale of all of its outstanding equity interests, options and phantom rights to RGCH Corp., a wholly-owned subsidiary of RGCH LLC, an affiliate of CHP IV, and certain members of RathGibson’s senior management who exchanged a portion of their equity in RathGibson for equity in RGCH LLC in lieu of cash (referred to as the “CH Acquisition”). The aggregate purchase price was \$66.9 million, including an earnout payment of \$2.0 million made by the Company in the period February 1, 2007 through June 15, 2007. The earnout payment was equal to 3.0 times the excess of Adjusted Consolidated EBITDA (as defined in the stock purchase agreement) for fiscal 2007 over \$45.0 million, up to a maximum earnout payment of \$30.0 million. The CH Acquisition was financed through a combination of debt and equity. RathGibson issued new 11.25% senior notes due in 2014 (“Senior Notes”) in the amount of \$200.0 million in connection with the CH Acquisition. In addition, RathGibson entered into a new five-year, \$50.0 million Revolving Credit Facility, which was partially drawn on the closing date. All outstanding revolving and long-term debt at the time of the CH Acquisition was paid in full in conjunction with the CH Acquisition. In addition, all stock options and phantom rights outstanding at the time of the CH Acquisition were surrendered in accordance with the stock option plan and the phantom rights plan pursuant to which they were issued and together with other compensatory payments were settled for \$6.6 million at closing and recorded as selling, general and administrative expenses within the consolidated statements of operations for the period February 1, 2006 through February 7, 2006. The foregoing financing and equity transactions herein are collectively referred to as the “CH Transactions.”

Acquisitions

On February 27, 2008, RathGibson entered into an asset purchase agreement with Mid-South Control Line, Inc. (“Mid-South”) and the stockholders of Mid-South providing for the acquisition by RathGibson of substantially all of the assets and the assumption of certain liabilities of Mid-South, in exchange for an aggregate purchase price of approximately \$26.1 million (net of cash acquired of \$1.0 million). The foregoing transaction is referred to as the “Mid-South Acquisition.” Certain stockholders of Mid-South received equity interests in RG Tube of \$6.0 million in lieu of cash purchase consideration. Additionally, RG Tube and RathGibson agreed to reduce its cash payment to the stockholders of Mid-South by \$6.0 million, which was recorded by RathGibson as an equity contribution from RG Tube. Mid-South is a distributor of stainless steel and nickel alloy tubing and accessories to the United States and international oil and gas industry, a significant portion of which is purchased from the Company’s New Jersey segment. This transaction was financed with the funds available from RathGibson’s Revolving Credit Facility. The results of Mid-South’s operations have been included in the consolidated financial statements since the date of such acquisition.

On August 15, 2006, RathGibson acquired all of the outstanding equity interests of Greenville Tube Company (“Greenville”) for an aggregate purchase price of approximately \$34.6 million (net of cash acquired of \$2.7 million). The foregoing transaction is referred to as the “Greenville Acquisition.” Greenville is a manufacturer of specialty stainless steel and nickel alloy tubular products for use in various end-markets already served by RathGibson. Greenville is strategically focused on serving non-commodity niche tubing markets by providing tubing in custom sizes, small lots and non-traditional grades, while delivering orders with short lead times as compared to the industry. This transaction was financed with funds available from RathGibson’s Revolving Credit Facility, which was increased to \$60.0 million in connection with the Greenville Acquisition. The results of Greenville’s operations have been included in the Company’s consolidated financial statements since the date of such acquisition.

Description and Financial Information of Reportable Segments and Geographic Areas

The Company is primarily a manufacturer of highly engineered premium stainless steel and alloy tubular products. The Company has determined it has four reportable segments, Wisconsin, New Jersey, Louisiana and Arkansas, due to the historical economic characteristics of each business. Straight tubing products are manufactured primarily in the Wisconsin (welded) and Arkansas (seamless) plants and coiled tubing products are manufactured primarily in the New Jersey plant. The Company’s Louisiana segment is primarily a distribution facility where a significant portion of its products are purchased from the New Jersey segment. The contribution of each reportable segment to net sales, income (loss) from operations and net loss, the identifiable assets attributable to each reportable segment and geographic information about net sales are set forth in Note 16 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Products

The Company manufactures premium full-finished, welded stainless steel straight and coiled tubing products ranging from 1/16 of an inch to 4 inches in outside diameter. Approximately 70% of the Company’s products are designed to meet customer specifications and are cut to specific lengths (up to 80,000 feet for coiled tube and 80 feet for straight tube) based on customer demands. The Company sells its products to value-added tubing distributors, original equipment manufacturers, or OEMs, and engineering firms that often recommend the Company’s products for projects on which they are engaged. The Company’s primary trade brands, RathGibson and Greenville Tube[®], are recognized as industry leaders and the Company’s products have won numerous awards for quality and reliability from customers.

The Company operates state-of-the-art production facilities using internally developed proprietary manufacturing and welding techniques and sophisticated finishing processes. The Company has the capability to manufacture products from over 35 different high-performance alloys, enabling it to satisfy product specifications for use in mission-critical applications. The Company believes that its unique technology and ability to work with a large number of alloys differentiate it from its competitors and provide significant flexibility to the Company’s customers. In addition, the Company believes that its expertise in manufacturing and welding techniques, quality control process, high level of customer service and relationships with suppliers enable it to meet the demands of customers within higher margin end-markets.

The majority of the Company's products are manufactured to order based on an agreed customer specification. The Company does not warranty its products for intended use, but rather to meet the agreed specifications and to be free of manufacturing defects. As customers' delivery requirements are often shorter than suppliers lead times, the Company carries significant inventories of raw materials.

The table below lists the alloys the Company primarily uses to manufacture its products.

| Stainless Steel | Duplex Stainless Steel | Nickel Alloys | Titanium | Super Austenitic | Super Ferritics/ Ferritics |
|------------------------|-------------------------------|------------------------|-----------------|-------------------------------|-----------------------------------|
| 304/ 304L/ 304H | Duplex 2205 | 20 | Grade 2 | 825 | AL 29-4C [®] |
| 316/316L/316H | Nitronic [®] 19D | 200/201 | Grade 12 | G-31 Plus | E-Brite [®] |
| 317/317L | Super Duplex 2507 | C-276 | | 904L | 439HP [®] |
| 309S/309H | Lean Duplex 2003 | Monel [®] 400 | | 27-7 MO [®] | 444 |
| 310S/310H | Lean Duplex 2101 | 600 | | 800/ 800H/ 800HT [®] | 446 |
| 321/321H | Lean Duplex 2304 | C22 [®] | | AL-6XN | 18SR |
| 347/347H | Zeron [®] 100 | 625 | | 25-6 | |
| | | 686CPT [®] | | 254 | |
| | | 59 | | | |

Industry Overview

The Company primarily operates within certain niche sub-segments of the global welded and seamless stainless steel tube industry. The Company focuses on stainless steel tubing products, which are premium products and offer higher margins than those products manufactured from carbon steel. Furthermore, the Company focuses exclusively on tubing products, which are higher value-added products than standard length, heavier-walled pipe products.

Within the tubing industry, the Company selectively targets certain end-markets that it believes offer attractive margins. Welded stainless steel and specialty alloy tubular products, if manufactured properly, are desirable in applications that require exceptional strength, resistance to corrosion and the ability to withstand intense heat and pressure, such as energy applications. Furthermore, the easy cleaning, tolerance of sterilizing cycles and non-contaminating characteristics of stainless steel tubing make it the first choice for hygienic environments, such as pharmaceutical and food processing facilities, hospitals and kitchens. In addition, the short customer lead times and custom lengths that characterize the Company's products further distinguish the Company from lower quality, standardized steel tubing and pipe products.

Stainless steel tubing is typically either welded or seamless. Welded tubing, which is the Company's primary product, has become increasingly popular globally for most applications due to its higher quality, including dimensional and wall thickness consistency and concentricity, increased corrosion resistance and mechanical strength and lower cost relative to seamless tubing, primarily attributable to steadily improving process technology. Welded tubes are manufactured by using consecutively smaller precision dies to roll strips of material into tubular shapes, while various welding technologies connect the edges to form a longitudinal seam. The tubes are then heat treated and tested for product integrity during the manufacturing process. This operation is more cost effective than seamless tubing because it is continuous, with the rolling, welding and testing taking place on the same mill. In many stainless steel tubing applications, specifically those that require extremely long lengths of tubes, labor intensive orbital welds are required to combine lengths of tubes. Seamless tubing requires orbital welds every 80 to 100 feet. In contrast, welded tubing requires orbital welds every 2,500 to 10,000 feet, depending on diameter and wall thickness, which contributes to the price advantage that welded tubing enjoys over seamless tubing.

End-Markets Overview

The Company sells its products primarily to the following end-markets: (i) chemical/petrochemical processing and power generation; (ii) energy; (iii) food, beverage and pharmaceuticals; and (iv) general commercial.

The following table presents certain information about the Company's sales to each of these end-markets:

| | End Markets | | | |
|---------------------------------------|---|---|--|---|
| | Chemical/ Petrochemical Processing and Power Generation | Energy | Food, Beverage & Pharmaceutical | General Commercial |
| | (dollars and feet shipped in millions) | | | |
| Net Sales ⁽¹⁾ | \$123.1 | \$66.4 | \$44.7 | \$90.3 |
| Feet Shipped ⁽¹⁾ | 33.8 | 33.3 | 20.7 | 42.5 |
| Product Type | Straight Length | Coiled | Straight Length/ Coiled | Straight Length |
| Key Product Categories | • Heat Exchanger • Nickel Alloy • Titanium | • Encapsulated Wire • Pressure Coils • Subsea Umbilical | • High Purity/ Electropolished • Beverage Coils | • Commercial Quality |
| Representative Customers/End Users | • Celanese • Dow Chemical • DuPont • ExxonMobil • Monsanto • Shell Oil | • Chevron • ExxonMobil • Murphy Oil • Shell Oil • BP • Husky Oil • Hess | • Amgen • Bayer • Coca-Cola • Kraft • Merck • Pepsi • McDonald's | • Tubes Incorporated • Chicago Tube & Iron • Earle M. Jorgensen • Marmon Keystone • TW Metals |

(1) Data is for fiscal 2009.

Chemical/Petrochemical Processing and Power Generation

The Company's chemical/petrochemical processing and power generation products include stainless steel tubing used in heat exchangers and condensers as well as nickel alloy and titanium tubing. Heat exchangers are equipment that transfer heat from one fluid or gas to another using various media such as air, gas, water, steam, oil, refrigerant, heat transfer fluids, glycol or polymers and are used for many manufacturing processes. The Company's tubing is primarily utilized in shell and tube heat exchangers, which consist of a bundle of tubes, 30,000 feet on average, enclosed in a cylindrical shell. Shell and tube heat exchangers comprise approximately 30% of the market for heat exchangers. Demand in this market is primarily driven by both new and refurbishment capital spending by the Company's chemical and petrochemical customers such as ExxonMobil, Shell Oil, DuPont and Monsanto.

- *Heat Exchanger Tubing.* The Company manufactures high-performance straight austenitic stainless steel tubing in sizes ranging from ½ of an inch to 4 inches in outside diameter and wall thicknesses ranging from 25 to 8 gauge for use in various types of heat exchangers where strength, corrosion and temperature resistance are integral. In fiscal 2009, sales of heat exchanger products amounted to \$50.1 million.
- *Nickel Alloy Tubing.* The Company manufactures nickel alloy tubing, including super austenitic and duplex alloys. Nickel alloy tubing is used for high temperature environments in applications requiring extra strength and corrosion oxidation resistance. The Company manufactures its nickel alloy tubing in sizes ranging from ½ of an inch to 4 inches in outside diameter and from 22 to 8 gauge wall thicknesses and, upon special request, produce nickel alloy pipe in sizes ranging from ½ of an inch to 3½ inches in inside diameter and in wall thickness ranging from .060 to .250 inches. In fiscal 2009, sales of nickel alloy products amounted to \$65.9 million.

- *Titanium Tubing.* Titanium tubing is used in various heat exchanger and condenser applications. It exhibits a very high strength to density ratio, and has proven to be a cost effective solution for many end-use installations where weight and longevity are critical. While titanium is more costly than standard commercial grade stainless steel and is often only available in limited supply, its unique chemical tolerance characteristics make it preferable for use in many applications. The Company manufactures titanium tubing in sizes ranging from ½ of an inch to 1 inch in outside diameter and from 22 to 14 gauge wall thickness. Primary end-users of titanium tubing include the power generation and heat exchanger industries, but these products are also utilized in swimming pool components and desalination applications due to superior resistance to corrosion. In fiscal 2009, sales of titanium products amounted to \$7.1 million.

Energy

The Company's energy products include pressure coils, encapsulated wires and subsea umbilical tubing. Demand for these products is primarily driven by oil and gas production. One typical indicator of domestic demand is the average number of drilling rigs operating in the United States. According to the Baker Hughes rig count, the most commonly cited indicator of the level of domestic drilling activity, the average United States rig count rose to 1,878 in 2008 compared to 1,768 rigs in 2007, 1,648 in 2006, 1,380 in 2005 and 1,190 in 2004. The Company believes this trend of increasing drilling activity will continue to positively impact demand for the Company's energy products.

- *Pressure Coils.* The Company manufactures pressure coil tubing for use in a broad array of oil and gas production applications as well as other industrial applications requiring premium pressure resistant tubing. The Company has been a key supplier to the energy industry for over three decades and the Company believes that its ability to produce pressure coils of up to 80,000 feet in length while minimizing the number of girth welds has made us an important supplier to energy customers around the world. The Company's coil tubing comes in sizes ranging from 1/16 of an inch to 1½ inches in outside diameter and wall thicknesses ranging from 25 to 12 gauge. In fiscal 2009, sales of pressure coil products amounted to \$50.6 million.
- *Encapsulated Wire Tubing.* The Company manufactures encapsulated wire tubing for use in subterranean and subsea energy applications. Encapsulated wire tubing is similar to the Company's pressure coils, but the tubing is continuously manufactured around a wire or fiber optic cable and is typically manufactured using a thinner wall thickness than pressure coils. These products are used in the energy industry to deliver various testing and technical functionality to subterranean and subsea oil wells. The Company manufactures this type of tubing in sizes ranging from 1/16 to ¾ of an inch in outside diameter and typically a 25 gauge wall thickness. In fiscal 2009, sales of encapsulated wire products amounted to \$2.7 million.
- *Subsea Umbilical Tubing.* Subsea umbilical tubing also is used in subsea energy applications. Subsea umbilical tubing is subject to much more stringent quality and testing requirements than other coiled tubing products. Subsea umbilical tubing is made of various lean duplex alloys which are typically zinc clad, which adds significant corrosion resistance to the product. Subsea umbilical tubing is made in sizes ranging from ¾ of an inch to 1½ inches in outside diameter and wall thicknesses ranging from 20 to 12 gauge. In fiscal 2009, sales of subsea umbilical products amounted to \$9.3 million.

Food, Beverage and Pharmaceuticals

The Company's food, beverage and pharmaceutical products include high purity/electropolished and beverage coil tubing. High purity tubing is popular in the food and beverage equipment market because it meets stringent standards due to its surface finish and ease of cleaning. The internal and external surfaces of high purity tubes have enhanced smoothness which reduces the risk of contaminants adhering to the inside of the tubes. Demand for these products is driven by new pharmaceutical development and increased international demand for high purity products.

- *High Purity/Electropolished Tubing.* This type of tubing is typically polished on both the outside and inside of the tube, eliminating irregularities on the surface where bacteria might otherwise accumulate. High purity tubing is also designed to withstand the high temperatures and caustic chemicals typical of cleansing operations in large processing plants. The Company markets electropolished tubing in sizes ranging from ½ of an inch to 4 inches in outside diameter and in 16 and 14 gauge wall thicknesses. The electro-polishing process produces tubing with a mirror-like finish that is suitable for the high standards required for use in biotechnology, semi-conductor, pharmaceutical and research applications where smooth surfaces allow thorough cleaning and reduce bacterial content. In fiscal 2009, sales of high purity/electropolished products amounted to \$40.0 million.
- *Beverage Coils.* The Company manufactures beverage coil tubing for use in a broad array of beverage processing and dispensing equipment in sizes ranging ¼ to ½ of an inch in outside diameter and wall thicknesses ranging from 25 to 22 gauge. The Company's beverage coil products typically are manufactured in 500 foot lengths using a chromium-nickel austenitic stainless steel alloy for use in beverage dispensing equipment commonly found in retail food service establishments. The tubes are coiled repeatedly and inserted in the bottom of an ice receptacle to maintain low temperatures for the dispensed beverages. In fiscal 2009, sales of beverage coil products amounted to \$4.7 million.

General Commercial

The Company's commercial quality tubing products are used by a variety of customers in various markets either for their pressure retention, mechanical properties or corrosion resistance. The Company produces tubing to perform in a wide variety of applications, including sprinkler systems and misting systems, thus reducing stocking requirements for the distributor and increasing their ability to satisfy end-users' requirements. As a result of their broad range of end-users, the Company believes demand for these products is driven by overall economic conditions.

- *Commercial Quality Tubing.* The Company manufactures high-performance straight austenitic stainless steel tubing in sizes ranging from ½ of an inch to 4 inches in outside diameter and wall thicknesses ranging from 25 to 8 gauge. The Company's commercial quality tubing is primarily used by various end-users either for its pressure retention, mechanical properties or corrosion resistance. Corrosion resistant applications can most often be found in chemical plants, pulp and paper plants and power generation applications. Those customers using commercial tubing for its pressure retention qualities use it for the transmission of corrosives such as acids, solvents, caustic chemicals and various other solutions, often at high temperatures and pressures. Customers that use commercial tubing for its mechanical properties use it for structural purposes where strength is important and low internal pressure exists, such as conveyor belt rollers, corrosive fluid drain systems, car wash equipment and filling machines. In fiscal 2009, sales of commercial quality products amounted to \$90.3 million.

Competitive Strengths

Leading Market Position and Brand Recognition. The Company believes that it is the market leader for the majority of the products it manufactures. Having been in business for over 50 years, the Company believes that its RathGibson and GTC® names have come to be recognized as industry standards for innovation, quality and service. The Company attributes its market leadership primarily to the breadth, quality and reliability of product offerings, as well as to the Company's ability to provide customized products for customers on a short time frame. As such, the Company believes that it is well positioned to capitalize on domestic and international opportunities and continue to grow its business.

Significant Barriers to Entry. The Company believes that there are significant barriers to entry into the highly specialized sub-segments of the global welded stainless steel tube industry. In order to compete effectively, a new market entrant would need to develop technological capabilities and brand recognition for their products, make substantial investments in manufacturing and welding equipment and develop expertise at manufacturing products from a large number of alloys to satisfy customer product specifications. New market entrants also would have to develop a network of customers and distributors. The quality and longevity of the Company's products is substantiated by over 20 years of corrosion data, and the Company believes that its customer base would be hesitant to purchase products that have not been rigorously tested due to the mission critical end use of many of the Company's products. In addition, the Company believes that the lack of availability of specialty alloys and technology, the inability to satisfy short lead times and shipping costs present a barrier to foreign manufacturers seeking to compete in the United States in the Company's industry sub-segments.

Diverse Customer Base and End-Markets. The Company has long-standing relationships with a diverse group of the largest national and regional distributors, which serve large end-users of stainless steel and specialty alloy tubular products, such as Bayer, Celanese, Coca-Cola, DuPont, ExxonMobil, Monsanto and Shell Oil. In addition, the Company sells its products to OEMs and engineering firms in a variety of geographic locations and industries. During fiscal 2009, the Company shipped products to over approximately 1,000 customers and its largest customer, Tubes Incorporated (“Tubes”), a domestic heat exchanger tubing distributor, accounted for approximately 12% of net sales. The Company’s five largest customers have been customers for an average of 25 years.

Profitability Not Significantly Impacted by Changes in Raw Material Costs. Raw material price increases have not significantly impacted the Company’s profitability due to the Company’s ability to adjust prices each month. For example, during periods of significant raw material price increases, the Company has successfully passed along raw material price increases to its customers. However, in periods of sharp and significant raw material price declines, the Company’s profitability can be reduced by the lag effect of replacing higher cost raw materials. As a large and growing consumer of stainless steel and specialty alloys, the Company has strong relationships with its raw material suppliers that have enabled the Company to negotiate favorable raw material pricing for long-dated customer orders, often many months before the orders are manufactured and shipped. The Company also has improved its profitability by reducing costs, increasing production efficiencies and shifting to the production of higher margin products.

Experienced Management Team. The Company has an experienced management team with over 100 years of manufacturing industry experience. Led by Michael G. Schwartz, President, Chief Executive Officer and Chief Operating Officer, and Jon M. Smith, Chief Financial Officer, and a staff of experienced sales, operations and engineering professionals, the Company’s management team has implemented a series of initiatives since 2003 to grow its business and increase profitability. The Company’s management team has focused its efforts on increasing operational efficiencies through the application of lean manufacturing principles, enhancing product lines and expanding business globally.

Business Strategy

Capitalize on Growing High Margin End-Markets. The Company intends to continue to invest in highly engineered welded tubular products specifically targeting growing high margin end-markets, such as energy and power generation. The Company believes that it will continue to increase shipments in these markets through increased capacity and leading technology. The Company expects demand for its subsea umbilical and other energy-related products to continue to increase due to positive long-term trends in the energy sector, including greater worldwide demand for oil and higher commodity prices. As a result of continued investment in high growth subsea umbilical products, the Company believes it’s a world leader in state-of-the-art zinc-cladding technology and is well-positioned to capitalize on the growing energy end-market.

Focus on New High Margin Products. The Company intends to grow in part through a targeted effort to develop new products with attractive margins and focusing its sales efforts of new high margin products on existing end-market users of the Company’s products. The Company believes that it can strengthen its relationships with these end-market users by working with them to develop innovative products to satisfy their emerging demands. For example, in fiscal 2004, the Company began offering welded titanium tubing to customers demanding tubing that is resistant to oxidizing chloride solutions (including seawater). The Company sold 1.9 million feet of titanium tubing in fiscal 2009 for net sales of \$7.1 million, as compared to over 500,000 feet of titanium tubing in fiscal 2004.

Expand International Presence. The international welded tube market is substantially larger than the domestic market and provides a significant potential growth opportunity. The Company ships its products across the globe. Many of the Company’s existing customers have operations in Asia, where there is a limited availability of high quality stainless steel and specialty alloy welded tubular products. The Company is taking advantage of these attractive fundamentals by increasing local sales and marketing organizations. The Company’s brand names are recognizable in international markets, especially China, which the Company believes strongly positions it for increased international growth. For fiscal 2009, the Company’s net sales to international customers grew by 5.3% to \$72.2 million, as compared to \$68.5 million for fiscal 2008.

Continue to Improve Productivity and Reduce Operating Costs. The Company continually seeks to improve productivity and reduce its operating costs. The Company believes that it has pioneered laser welded tubing for pressure tubing applications, which enables the Company to produce a superior product on average four times the speed of tungsten inert gas mills. The Company currently has eleven laser welded tubing mills among its facilities. The management team has focused on production improvements and cost reductions at each of the Company's manufacturing facilities, resulting in increased gross profit per foot through improved purchasing practices, scrap reduction and labor cost reductions.

Maintain Reputation as a Quality Manufacturer. The Company believes that it has a reputation in the stainless steel industry as a high quality manufacturer. The Company has won numerous supplier awards, such as Chicago Tube and Iron's "Gold Vendor of the Year Award" and Marmon Keystone's "Stainless Vendor of the Year Award." The Company uses proprietary manufacturing and welding techniques and sophisticated finishing processes to manufacture all of its tubing to comply with major industry standards, such as those of the American Society of Mechanical Engineers and the American Society for Testing Materials. The Company also seeks to ensure high quality products by employing multiple non-destructive testing techniques, such as film based x-ray, digital radiography, ultrasonic testing, dual frequency eddy current testing, hydrostatic testing, air underwater testing and metallographic examination.

Sales and Marketing

The Company primarily sells its products to tubing distributors that resell the products to end-users, bundle the Company's products with complementary products or further form and/or reconfigure the products to resell complete tubing solutions. The Company also sells its products to a number of OEMs and engineering firms in the United States and internationally. The Company's chemical/petrochemical processing and power generation products are sold directly to end-users as well as through distributors. The Company's pressure coil products are sold directly to end-users via Mid-South as well as through other specialty distributors, encapsulated wire products are sold to OEMs and subsea umbilical products are sold directly to umbilical bundlers. The Company's high purity/electropolished products are primarily sold through distributors and beverage coils are sold directly to beverage dispensing equipment manufacturers. The Company's commercial quality products are primarily sold through distributors.

The Company markets its products through a sales team that includes direct sales representatives, application engineers, administrative personnel and customer support personnel, as well as outside sales representatives. Outside of North America, the Company utilizes a combination of sales strategies, including domestically-based sales professionals and regional sales managers responsible for developing key relationships with distributors and end-users throughout Asia, Europe, the Middle East and South America. The Company's sales team works closely with distributors and end-users to assess customers' product needs, recommend appropriate solutions and ensure that customer product specifications are satisfied. The Company focuses on building long-term professional relationships with the largest and fastest growing distributors and end-users in certain targeted industries.

The Company's principal marketing strategies include advertisements in relevant trade publications, product pamphlets and technical literature, company brochures, industry trade show exhibits and presentations and maintenance of corporate web sites.

Customers

Net sales to individual customers representing 10% or more of the Company's net sales and accounts receivable from individual customers representing 10% or more of the Company's accounts receivable are set forth in Note 16 of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Sales Order Backlog

The Company's sales order backlog was approximately \$46.5 million at January 31, 2009, compared to \$49.4 million at January 31, 2008. The Company's sales order backlog was approximately \$70.5 million at January 31, 2007. The decrease in the Company's sales order backlog at January 31, 2009, as compared to January 31, 2008, was primarily due to the decline in general economic conditions as a result of the collapse of world financial markets in the third quarter of fiscal 2009, offset by the growth in sales order bookings related to the New Jersey segment's titanium business and the acquisition of Mid-South. Management believes that substantially all of the sales order backlog will be fulfilled during fiscal 2010. There is no seasonality with respect to the Company's sales order backlog.

Manufacturing

Straight tubing products are manufactured primarily in the Company's Janesville, Wisconsin and Clarksville, Arkansas facilities and coiled tubing products are manufactured in the Company's North Branch, New Jersey facility. The Company operates 47 tube mills and 7 benches at its three production facilities. The manufacturing process is highly automated.

Of the 16 tube mills within the Janesville, Wisconsin facility, 11 tube mills are designated for small straight length tube production between $\frac{1}{2}$ of an inch and 2 inches in outside diameter, and 5 tube mills are designated for larger straight length tube sizes up to 4 inches in outside diameter. Of the 28 tube mills within the North Branch, New Jersey facility, 2 tube mills are designed for subsea umbilical products, 8 tube mills are designated for the pressure coil products, 5 tube mills are dedicated to the encapsulated wire products, 11 tube mills are dedicated to the manufacturing of beverage and commercial tubing and 2 tube mills are dedicated to titanium products. At the Clarksville, Arkansas facility, the Company has 7 benches and 3 tube mills designated for its seamless and welded and drawn products.

The Company believes that it pioneered laser welded tubing for pressure tubing applications and produces a product that the Company believes is superior in the marketplace. The eleven technologically advanced laser welding tube mills are capable of processing product on average up to four times faster than tungsten inert gas tube mills.

The Company also believes that it has pioneered a significant development in the manufacturing of tube by implementing an on-line annealing process allowing more than 80% of the manufacturing process to occur on the tube mill, which significantly reduces material handling. Annealing, the process of heating and slow cooling a material in order to reduce brittleness, is a critical production step and, if performed properly, can provide superior resistance for metal surfaces against staining, pitting, cracking and corrosion. Tube surfaces must be clean and free of foreign matter for annealing to be effective. In addition, the annealing atmosphere must be relatively free of oxygen, which is achieved by removing nearly all gas or by displacement of oxygen and nitrogen with dry-hydrogen or argon. The Company believes that its successful integration of this process into its tube mills is a competitive advantage.

Stainless steel coils cut to specified widths arrive daily at each of the Wisconsin and New Jersey plants from the Company's outside slitter or steel suppliers. The slit material is passed through a series of consecutively smaller rolls that form it into a circular shape tube. The tube is then continuously welded using our Micro-Weld[®] tungsten inert gas or laser welding process. Following the welding process, the tube is cold worked or forged which reduces the weld bead. The Company's forging technique is an important element of total product quality and renders the weld virtually indistinguishable from the rest of the tube surface. The tube continues through the tube mill where it is annealed, straightened, and eddy current tested. The tube is then stenciled with pertinent information including size, wall thickness, American Society of Mechanical Engineers and American Society of Testing Materials specifications, stainless steel type, heat number, initials of the tube mill operator and the date of manufacture. The tube is then automatically cut and deburred, and then packaged for shipping. The Company's high purity/electropolished, specialty alloy and zinc clad umbilical products require additional finishing prior to packaging and shipment to the customer.

At the Arkansas plant, seamless tubes are manufactured from larger tube hollows, which are reduced to the required length, outside diameter and wall thickness through a drawing process. In the drawing process, tubes are cleaned and annealed before being cold-drawn over mandrels. Depending on the product, the same tube may be drawn several times to achieve the customer's desired specifications. The cold-drawing process creates a uniform, precision product with substantially improved tolerances, surface finish and tensile strength as well as increased hardness and good machinability.

Quality Control

An important factor in retaining and obtaining customers is the quality of the product the Company delivers. Quality assurance is integrated into every step of the Company's manufacturing process in order to ensure consistency in production. The Company develops specific process plans for larger projects such as subsea umbilical systems, downhole oil and gas control lines or steam condenser projects. Complex projects receive a "high profile project" designation in order to provide the customer the highest level of quality assurance. As part of the quality assurance process, the Company also employs multiple non-destructive testing techniques, such as film based x-ray, digital radiography, ultrasonic testing, dual frequency eddy current testing, hydrostatic testing, air underwater testing and metallographic examination.

Suppliers

The principal raw material inputs for the Company's products include stainless steel, specialty alloys, titanium and industrial gases, such as hydrogen and argon. In fiscal 2009, the Company purchased approximately 63% of the value of its raw materials, principally stainless steel and specialty alloys, from Allegheny Ludlum Corporation ("Allegheny"). The Company has multiple suppliers available for all key raw materials. The Company's large volume of stainless steel purchases enables it to negotiate favorable purchasing terms from suppliers of stainless steel.

The Company maintains a plan to reduce the risk of a disruption in supply of raw materials and pass through price increases to its customers, which includes (i) the coordination of purchases between the Company's facilities to achieve greater purchasing power; (ii) adjusting product pricing to effectively reflect the current pricing of raw materials; and (iii) adjusting manufacturing operations to accommodate various grades and sizes of stainless steel.

Competition

The Company primarily operates in certain niche sub-segments of the global welded stainless steel tube and pipe industry. Global production of welded stainless steel tube and pipe products in the Company's industry sub-segments is largely concentrated in the United States. However, the Company also competes with a limited number of European and Asian manufacturers, primarily with respect to the Company's foreign sales. Domestically, the Company faces limited competition from foreign manufacturers due to shipping costs, longer lead times and the limited experience of most foreign manufacturers working with specialty alloys and producing the fully finished tubular products that customers for the Company's industry sub-segments demand.

The Company competes primarily on the basis of price, quality, service and ability to fill orders on a timely basis. The Company faces competition in the markets for each of the products it manufactures. The Company's primary competitors are specialty manufacturers of tubular products that are believed to have annual net sales in the Company's product lines that are significantly less than the Company's. These specialty manufacturers typically manufacture one or two products with which the Company's products compete, and the Company therefore often has different competitors in the markets for each of its products.

The Company's major competitors include Plymouth Tube Company, Webco Industries, Inc., Marcegaglia Group, Associated Tube Industries, Salem Tube, Inc. ("Salem Tube") and Sandvik AB relative to the Company's chemical/petrochemical processing and power generation and general commercial products; United Industries, Inc. relative to food, beverage and pharmaceutical products; and Valtimet Inc., Fine Tubes Ltd., Tenaris S.A. and Sandvik AB with respect to the Company's energy products. In some cases, the Company competes with segments of larger manufacturers that operate within one or more of the Company's industry sub-segments, such as the Marcegaglia Group. The Company believes that these larger manufacturers derive a small portion of their annual net sales from sales of products with which the Company's products compete, and that the Company's sales volume is significantly greater than the volume of comparable products sold by these manufacturers. Although some of the Company's competitors have greater financial and other resources, and are, therefore, able to expend more resources than the Company in areas such as marketing and business development, the Company believes that it is aggressively marketing its products to domestic and international markets, and competing in an effective manner.

Intellectual Property

The Company believes that its tradename, RathGibson, and its trademarks, especially the marks Micro-Weld® and GTC®, are of economic importance to the Company's business. The Company does not have any patents or registered copyrights.

In addition, the Company relies on trade secrets, proprietary know-how and concepts related to the manufacturing process. The Company believes that it has taken reasonable measures consistent with industry practice to protect the secrecy, confidentiality and value of all trade secrets used in the Company's business.

Government Regulation

The Company's manufacturing facilities are subject to many federal, state and local environmental laws, ordinances and regulations that limit discharges into the environment, establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous materials, substances and waste, and require cleanup of contaminated soil and groundwater. These laws, ordinances and regulations are complex, change frequently and have tended to become more stringent over time. Many of them provide for substantial fines and penalties, orders (including orders to cease operations) and criminal sanctions for violations. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances.

Certain of these laws may require the investigation and cleanup of an entity's or its predecessor's current or former properties, even if the associated contamination was caused by the operations of a third party. These laws also may require the investigation and cleanup of third-party sites at which an entity or its predecessor sent hazardous wastes for disposal, notwithstanding that the original disposal activity was in accord with all applicable requirements. Liability under such laws may be imposed jointly and severally, and regardless of fault. See "Risk Factors" herein.

The Company continually examines ways to reduce emissions and waste and reduce costs related to environmental compliance. The Company believes that it is in material compliance with all environmental laws, does not anticipate any material expenditure to meet current or pending environmental requirements and generally believes that its processes and products do not present any unusual environmental concerns. The Company is unaware of any existing, pending, or threatened contingent liability that may have a material adverse effect on its ongoing business operations.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health and regulations which, among other requirements, establish lifting, noise and dust standards. The Company believes it is in material compliance with these laws and regulations and does not believe that future compliance with such laws and regulations will have a material adverse effect on its results of operations or financial condition. The Company also believes that it is in material compliance with all applicable labor regulations.

Employees

At January 31, 2009, the Company employed approximately 570 people. None of the Company's employees are represented by a union. The Company believes that its relations with employees are generally good.

Item 1A. Risk Factors.

You should carefully consider all information that has been included in this Annual Report on Form 10-K. In addition to the other information set forth herein, you should carefully consider the following factors which could materially affect the Company's business, financial condition or future results. The risks described below are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

Risks Related to the Company's Indebtedness

The Company's substantial indebtedness could adversely affect its financial health.

The Company has a significant amount of indebtedness. The Company's substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for the Company to satisfy its obligations;
- increase the Company's vulnerability to general adverse economic and industry conditions, including the current recession and related turmoil in the world financial markets;
- require the Company to dedicate a substantial portion of its cash flows from operations to payments on indebtedness, thereby reducing the availability of the Company's cash flows to fund working capital, capital expenditures, make acquisitions and other general corporate purposes;
- limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less indebtedness; and
- limit the Company's ability to borrow additional funds.

The Revolving Credit Facility bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect the Company's cash flows.

The Company may be able to incur substantial additional indebtedness in the future. The terms of the Senior Notes and the Revolving Credit Facility do not fully prohibit the Company from doing so. If new indebtedness is added to the Company's current debt levels, the related risks that the Company now faces could intensify.

To service the Company's indebtedness and other obligations, the Company will require a significant amount of cash. The Company's ability to generate cash depends on many factors beyond its control. The current recession and the Company's substantial indebtedness is adversely affecting its liquidity.

The Company's ability to make payments on its indebtedness and to fund its working capital needs, capital expenditures and other expenditures will depend on the Company's ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond the Company's control.

The Company cannot assure you that its business will generate sufficient cash flows from operations or that future borrowings will be available to the Company under the Revolving Credit Facility or otherwise in an amount sufficient to enable the Company to pay its indebtedness or to fund its other liquidity needs. The Company may need to refinance all or a portion of its indebtedness on or before its scheduled maturity. The Company cannot assure you that it will be able to refinance any of its indebtedness on commercially reasonable terms, if at all.

In addition, if for any reason the Company is unable to meet its debt service obligations, the Company would be in default under the terms of the agreements governing its indebtedness. Due to cross-default provisions in the Company's debt agreements, a default under one of its debt agreements could be cause for the acceleration of outstanding indebtedness under the Company's other debt agreements. If such a default were to occur, the holders of Senior Notes or the Company's lenders could elect to declare all amounts outstanding immediately due and payable, and the Company would not have the right to continue to draw funds under the Revolving Credit facility. If the amounts outstanding under the Company's debt agreements are accelerated, the Company cannot assure you that its assets will be sufficient to repay in full the Company's indebtedness.

The recent emergence of a number of negative economic factors, including the collapse of world financial markets, heightened investor concerns about the credit quality of mortgages, constraints on the supply of credit to households, continuing increases in energy prices, lower equity prices, softening home values, uncertainty and perceived weakness in the labor market and general consumer fears of a deep and prolonged recession or depression has had and could continue to have a negative impact on the Company's liquidity in fiscal 2010 and beyond.

If the Company does not have sufficient cash flow from its operations or availability under its Revolving Credit Facility is insufficient, the Company may need to seek additional capital or financing in the future in order to meet the Company's operating and capital needs. Nevertheless, the Company cannot assure you that it will be able to secure adequate capital or financing on commercially reasonable terms, if at all, at the time when the Company needs such funding. In the event that the Company is unable to raise additional funds, the Company's liquidity will be adversely impacted and its business could suffer. If the Company is able to secure additional funds, these funds could be costly to secure and maintain, which could significantly impact the Company's profitability and liquidity. Further, if lenders under the Company's Revolving Credit Facility become unwilling or unable to fund their respective commitments, the Company may have reduced availability under this facility.

In addition, companies which are experiencing liquidity constraints frequently face other challenges as well, including distraction of management, loss of key personnel, increased difficulty in timely collection of accounts receivable, disruption of implementation of business strategies, longer and more difficult sales cycles and increased pricing pressures and increased competition as competitors seek to take advantage of the companies' difficulties. Further, key suppliers may terminate their supply arrangements or impose volume or credit limits, cash on delivery requirements or other restrictions and timely supplies may not be available from other sources on acceptable terms or at all. Companies may also have to reduce or delay capital expenditures or change business strategies. The Company may experience similar consequences, which could have a material adverse effect on its business, liquidity, financial condition and results of operations.

The agreements governing the Company's indebtedness impose significant operating and financial restrictions on it, which may prevent the Company from capitalizing on business opportunities and taking some actions.

The terms of the Company's outstanding indebtedness contain customary restrictions on its activities, including covenants that restrict the Company from:

- incurring additional indebtedness and issuing preferred stock;
- creating liens on the Company's assets;
- making certain investments or other restricted payments;
- consolidating or merging with, or acquiring, another business;
- selling or otherwise disposing of the Company's assets;
- paying dividends and making other distributions with respect to capital stock, or repurchasing, redeeming or retiring capital stock or subordinated debt; and
- entering into transactions with the Company's affiliates.

The restrictions in the Company's outstanding indebtedness may prevent it from taking actions that it believes would be in the best interest of its business, and may make it difficult for the Company to successfully execute its business strategy or effectively compete with companies that are not similarly restricted. The Company also may incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility. The Company cannot assure you that it will be granted waivers or amendments to these agreements if for any reason the Company is unable to comply with these agreements, or that the Company will be able to refinance its debt on terms acceptable to the Company, if at all. The breach of any of these covenants and restrictions could result in a default under the Company's outstanding indebtedness. Due to cross-default provisions in the Company's debt agreements, a default under one of its debt agreements could be cause for the acceleration of outstanding indebtedness under other of the Company's debt agreements. If such a default were to occur, the holders of Senior Notes or the Company's lenders could elect to declare all amounts outstanding immediately due and payable, and the Company would not have the right to continue to draw funds under the Revolving Credit facility. If the amounts outstanding under the Company's debt agreements are accelerated, the Company cannot assure you that its assets will be sufficient to repay in full its indebtedness.

RGCH Corp. has substantial indebtedness with significant cash payments due on its PIK Notes beginning in the Company's fiscal 2013, and the inability of RGCH Corp. to make such payments or maintain compliance with its debt agreement would have a material adverse affect on the Company's financial condition, liquidity and results of operations.

RGCH Corp. is the direct parent of the Company. RGCH Corp. has substantial debt service obligations related to its PIK Notes beginning in the Company's fiscal 2013.

The ability of RGCH Corp. to service its PIK Notes depends on the likelihood of obtaining additional capital or financing, restructuring the terms of its current indebtedness or obtaining dividends or other payments from the Company, subject to any limitations imposed on the Company by its existing debt agreements. In addition, if for any reason RGCH Corp. is unable to meet its debt service obligations or comply with the covenants in the PIK Notes agreement, RGCH Corp. would be in default under the terms of the PIK Notes agreement. RGCH Corp. is a guarantor of the Company's Revolving Credit Facility. Due to the existence of cross-default provisions within the debt agreement governing the Revolving Credit Facility and further cross-default provisions with other debt agreements of the Company, a default under the PIK Notes agreement could be cause for the acceleration of outstanding indebtedness under the Company's debt agreements. Additionally, the Revolving Credit Facility also defines various events of default, including the insolvency of RGCH Corp., which due to cross-default provisions in the Company's debt agreements could be cause for the acceleration of outstanding indebtedness under the Company's other debt agreements. If such a default were to occur, the holders of Senior Notes or the Company's lenders could elect to declare all amounts outstanding immediately due and payable, and the Company would not have the right to continue to draw funds under the Revolving Credit facility. If the amounts outstanding under the Company's debt agreements are accelerated, the Company cannot assure you that its assets will be sufficient to repay in full the Company's indebtedness.

At January 31, 2009, the Company was not in compliance with the solvency requirement (as defined in the Revolving Credit Facility) under the Revolving Credit Facility with respect to RGCH Corp. and the covenant requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates for certain months within 30 days of month end as required under the Revolving Credit Facility. On May 4, 2009, RathGibson entered into a waiver and sixth amendment to its Revolving Credit Facility. Pursuant to the waiver and sixth amendment, the solvency requirements pertaining to RGCH Corp. contained in the Revolving Credit Facility have been waived, and specified defaults in connection therewith, for all periods prior to May 4, 2009 and the Revolving Credit Facility has been amended to exclude RGCH Corp. from all solvency requirements under the Revolving Credit Facility from and after May 4, 2009. On May 15, 2009, RathGibson entered into a waiver and seventh amendment to its Revolving Credit Facility. Pursuant to the waiver and seventh amendment, the requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates within 30 days of month end have been waived, and specified defaults in connection therewith. Additionally, the Revolving Credit Facility has been amended, among other things, to extend the requirement to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 to May 18, 2009.

The Company's corporate credit ratings may impact credit terms offered to it by suppliers and the interest rates offered to it if the Company requires any additional capital or financing.

Although the Company believes existing cash, cash generated from operating activities and availability under its Revolving Credit Facility collectively provide adequate resources to meet liquidity needs for at least the next twelve months, the Company may be required to seek additional capital or financing to meet its liquidity needs and/or to compete effectively in its market. The Company's corporate credit ratings and any downgrades to such ratings may increase interest rates offered to the Company for additional financing and impact the credit terms that the Company is offered from its suppliers. The Company has experienced downgrades in the past and may experience further downgrades in the future. In February 2009, Moody's Investors Service ("Moody's") downgraded the Company's credit ratings from B3 to Caa2 with a revision to the Company's outlook from stable to negative. The negative ratings outlook reflected Moody's concern about the Company's liquidity position and the sustainability of its capital structure due to the adverse impacts of deteriorating macroeconomic conditions. In May 2009, Standard & Poor's downgraded the Company's credit ratings from B to CCC+ with a revision to the Company's outlook from negative to watch negative.

Risks Relating to the Company's Business

The current recession is negatively impacting the Company's business with significant net losses in the third and fourth quarters of fiscal 2009 and sales declines in the fourth quarter of fiscal 2009. If the Company's initiatives to improve liquidity and financial position are unsuccessful, there could exist substantial doubt that the Company would be able to continue as a going concern.

The Company's consolidated financial statements for fiscal 2009 have been prepared on a going concern basis.

The Company had a net loss of \$216.2 million in fiscal 2009, including net losses in the third and fourth quarters of \$123.0 million and \$94.7 million, respectively. The net losses in the third and fourth quarters of fiscal 2009 included charges for the impairments of goodwill and tradenames of \$124.5 million and \$103.9 million, respectively. Net sales declined sharply in the fourth quarter of fiscal 2009 to \$66.5 million, as compared to \$83.0 million in the third quarter fiscal 2009 and \$86.4 million in the fourth quarter of fiscal 2008. As a result of these reported net losses, the Company has an accumulated deficit and a stockholder's deficiency of \$221.1 million and \$6.7 million, respectively, at January 31, 2009. The recent emergence of a number of negative economic factors, including the collapse of world financial markets, heightened investor concerns about the credit quality of mortgages, constraints on the supply of credit to households, continuing increases in energy prices, lower equity prices, softening home values, uncertainty and perceived weakness in the labor market and general consumer fears of a deep and prolonged recession or depression have negatively impacted the Company's business. The timing and nature of any recovery in world financial markets, as well as the global economic environment, continues to remain uncertain, and there is no assurance that market conditions will improve in the near future or that the Company's results will not continue to be adversely affected. Additionally, further impairments of goodwill, tradenames or other assets may occur in the future.

The Company has taken initiatives in the fourth quarter of fiscal 2009 to reduce the number of workdays, reduce headcount, evaluate capital expenditures and implement other cost reduction measures. In fiscal 2010, the Company's management may be required to act upon its identified contingency plan to significantly reduce operating expenses. These reductions, if necessary, would include such items as temporary plant shutdowns, further headcount reductions, further reductions to capital expenditures and other significant cost reduction measures. While there can be no assurances that these actions will be sufficient, such contingency plans are within the Company's control. Further, the Company has the intent and ability to execute as necessary and believes such benefits are achievable. However, there can be no assurance that these initiatives will not have a lasting negative impact on the Company's long term business prospects.

If the Company's initiatives to improve liquidity and financial position are unsuccessful, such failure could create material uncertainties which could require the Company to reclassify its indebtedness as short-term and which may result in substantial doubt existing that the Company would be able to continue as a going concern.

The stainless steel tubing industry has historically been highly cyclical. General economic and business conditions may produce significant fluctuations in demand for the Company's products.

The Company manufactures stainless steel and specialty alloy tubing products that are used by a variety of specialty industrial and commercial end-users. The stainless steel tubing industry has historically been highly cyclical with periodic downturns such as the recession currently being experienced by the Company. Demand for the Company's products is driven by demand for products manufactured or sold by these specialty end-users. The demand for the Company's end-users' products fluctuates based on economic conditions or other matters beyond its control, including macroeconomic policies, geopolitical developments and the strength of the U.S. dollar. It is difficult to predict new general economic conditions that could impact demand for the Company's products or the Company's ability to manage normal commercial relationships with its customers, suppliers and creditors. Accordingly, general economic and business conditions, including the current recession and related turmoil in the world financial markets, has had and could continue to have a material adverse impact on the demand for the Company's products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's industry is highly competitive.

The Company operates in the highly competitive stainless steel tubing industry. The Company competes primarily with other domestic manufacturers of stainless steel and specialty alloy tubing products. The Company competes on the basis of price, quality, service and ability to fill orders on a timely basis. Some of the Company's competitors have lower raw material costs and costs of production than the Company and have greater financial, technological and other resources than the Company. In addition, sales of a majority of the Company's products represent a high percentage of the market demand for these products, and could be targeted by competitors. Furthermore, the Company may face additional competition if steel producers convert, expand or upgrade their existing facilities to manufacture products that compete with its products. New competitors may be more effective and efficient integrating new technologies. There can be no assurance that the Company will be able to maintain its current market share with respect to any of its products. A loss of market share to competitors could have a material adverse effect on the Company's business, financial condition and results of operations.

Volatility in energy prices and/or the prices of energy products could reduce demand for the Company's stainless steel and specialty alloy tubular products, which could cause its sales to decrease.

Proceeds from the sale of stainless steel and specialty alloy tubular products to the chemical/petrochemical processing and power generation and energy end markets constitute a significant portion of the Company's net sales. As a result, the Company depends upon these related industries and their ability and willingness to make capital expenditures to explore for, develop and produce energy products. If these expenditures decline, the Company's business will suffer. The willingness to explore, develop and produce energy products depends largely upon the availability of attractive drilling prospects and the prevailing view of future energy product prices. Many factors beyond the Company's control affect the supply of and demand for energy. Volatility in the energy markets could cause demand for the Company's products to decrease, which would adversely affect the Company's business, financial condition and results of operations.

Raw material costs can affect the Company's profitability.

The largest component of the Company's cost of goods sold is raw materials. Raw materials, principally 304L grade and 316L grade stainless steel strip, comprised approximately 75% of the Company's cost of goods sold in fiscal 2009. The cost of these raw materials is, in turn, primarily dependent on the cost of steel, nickel and molybdenum. Historically, the Company has been able to pass along to its customers the increased costs for its products due to increased raw materials costs. However, there can be no assurance that the Company's customers will continue to agree to bear such cost increases without a reduction in their volume of business. As a result, increases in the price of raw materials could adversely affect the Company's gross profit margins. In addition, if increased raw material costs result in a substantial increase in the cost of products, the Company's customers may substitute lower cost stainless steel and specialty alloy tubing products.

Inventory reserves or write-offs could result in a decrease in the Company's profitability.

The Company has a substantial amount of inventories at January 31, 2009. The Company has appropriately valued its inventories at the lower of cost or market. However, future sales of inventories are dependent on general economic and business conditions, among other things. Weak economic conditions could cause a lowering of the Company's inventory values in order to sell its product. In fiscal 2009, the Company increased its inventory reserves by approximately \$6.4 million primarily related to excess or slow moving inventories and adjustments of inventories to the lower of cost or market. Further deterioration in general economic and business conditions could require the Company to lower inventory values further, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's ability to remain current with changes in manufacturing technology can affect its business.

Over the past 10 years, there have been significant advances in the technology relating to the manufacture of tubing products. These advances have increased the speed at which tubing can be manufactured, the quality of the tubing and the types and densities of materials that can be welded into tubes for advanced manufacturing processes. The Company's ability to remain current with manufacturing technologies is necessary if it is to compete with other producers. The Company's competitors may be more effective and efficient at integrating new technologies. In addition, maintaining current manufacturing technologies and capabilities requires investment of capital. There can be no assurance that the Company's products will remain competitive in the future or that the Company will continue to be able to implement innovative manufacturing technologies.

The Company depends on a few suppliers for a significant portion of its steel, specialty alloys, titanium, hydrogen and argon, and a loss of one or more significant suppliers could adversely affect the Company's ability to obtain basic raw materials.

Historically, the Company has purchased a significant portion of its steel, specialty alloys, titanium, hydrogen and argon from a small number of suppliers. In fiscal 2009, the Company purchased approximately 63% of its stainless steel and specialty alloys for operations from one supplier, Allegheny, and approximately 17% of its steel and specialty alloys for operations from the Company's remaining top four suppliers. The Company does not have any long-term agreements to purchase raw materials from these suppliers and, accordingly, purchases are subject to product availability at the time of each purchase. The loss of the Company's largest supplier or interruption of production at this supplier from work stoppages, equipment failures or other adverse events would adversely affect the Company's ability to obtain basic raw materials, and the loss of any other suppliers or interruption of production at one or more of these suppliers from work stoppages, equipment failures or other adverse events could adversely affect the Company's ability to obtain basic raw materials. In either case, the Company's cost of purchasing steel, specialty alloys, titanium, hydrogen and argon from alternate sources could be higher and could temporarily affect the Company's ability to produce sufficient quantities of its products.

In addition, certain of the Company's suppliers rely, in turn, on sole or limited sources of supply for raw materials included in their products. Failure of the Company's suppliers to adjust to meet increases or decreases in demand may prevent them from continuing to supply raw materials in the quantities or quality and at the times required, or at all.

Energy resources markets are subject to conditions that create uncertainty in the prices and availability of energy resources the Company relies upon.

The Company's facilities and operations consume large amounts of electricity and natural gas. The prices for and availability of these resources are unpredictable and fluctuate based on events beyond the Company's control, including general economic and business conditions, geopolitical developments, supply and demand, actions by The Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil and gas producing countries and environmental concerns. Disruptions in the supply of energy resources could temporarily impair the Company's ability to manufacture products for its customers. Historically, the Company has been able to pass along certain increases in energy costs to its customers. However, there can be no assurance that customers will continue to agree to bear such cost increases. In addition, the Company has not been able to pass along all of its increased energy costs to customers. Accordingly, an increase in the price of electricity and natural gas could adversely affect the Company's profit margins.

Loss of significant customers and customer work stoppages can adversely affect the Company's business.

The Company's largest customer, Tubes, accounted for approximately 12% of fiscal 2009 net sales. The top five customers and top 10 customers accounted for approximately 25% and 35%, respectively, of fiscal 2009 net sales. In addition, many customers are distributors who re-sell the Company's products to end-market users. A reduction in purchases from these customers as a result of an inventory buildup or other factors could materially impact the Company's net sales. Furthermore, the loss of any significant customer, or a work stoppage at a significant customer or in an important end-use sector, could have a material adverse effect on the Company's business, financial condition and results of operations, as could significant customer disputes regarding shipments, price, quality or other matters.

Furthermore, the Company extends trade credit to certain of its customers to facilitate the purchase of products, and rely on their creditworthiness. The Company's largest customer, Tubes, accounted for approximately 15% of accounts receivable at January 31, 2009. Accordingly, a bankruptcy or a significant deterioration in the financial condition of this customer or any of the Company's other significant customers could have a material adverse effect on the Company's business, financial condition and results of operations, due to a reduction in purchases, a longer collection cycle or an inability to collect accounts receivable.

A material percentage of the Company's sales are to foreign customers, which presents additional risks.

Sales of products to foreign customers accounted for approximately 22% of the Company's net sales in fiscal 2009 and are expected to continue to increase in future years. The Company's sales efforts outside of the United States may be affected by changes in trade protection laws, regulatory requirements affecting trade, social, political or economic conditions in a specific country or region, the strength of the U.S. dollar and difficulties in staffing and managing foreign operations. These factors may reduce the Company's gross profit margins with respect to foreign sales and may reduce volume of foreign sales. A decrease in foreign sales could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's operations are subject to business interruptions and casualty losses.

Specialty tube manufacturing is subject to numerous inherent risks, particularly unplanned events such as inclement weather, explosions, fires, other accidents, equipment failures and transportation interruptions. While the Company's insurance coverage could offset losses relating to some of these types of events, the Company's business, financial condition and results of operations could be materially adversely impacted to the extent any such losses are not covered by insurance.

The Company may be subject to litigation, including product liability claims, that could have a material adverse effect on its business.

The Company's business exposes it to potential litigation risks. From time to time, various suits and claims have been brought against the Company, including claims that the Company sold defective products and claims seeking damages for injuries caused by the Company or its products. Although the Company generally seeks to insure against these risks, there can be no assurance that insurance coverage is adequate, and the Company may not be able to maintain insurance on acceptable terms. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. A successful product liability claim in excess of insurance coverage could have a material adverse effect on the Company and could prevent the Company from obtaining adequate product liability insurance in the future on commercially reasonable terms, or at all. Moreover, any adverse publicity arising from product liability claims made against the Company could adversely affect the reputation and sales of its products.

Compliance with and changes in environmental, health and safety laws regulating the operation of the Company's business could increase the costs of producing products and expose the Company to environmental claims.

The Company's business is subject to numerous state and federal laws and regulations concerning environmental, health and safety matters, including those relating to air emissions, wastewater discharges and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes. Violations of such laws and regulations can lead to substantial fines and penalties. Also, there are costs associated with compliance with these laws and regulations and risks of additional costs and liabilities relating to the investigation and remediation of past or present contamination, at current as well as former properties utilized by the Company and at third-party disposal sites, regardless of fault or the legality of the original activities that led to such contamination. For example, the Company's leased Clarksville, Arkansas facility is contaminated as a result of historical industrial operations at such facility and is the subject of a Consent Order from the Arkansas Department of Environmental Quality. The Company may be subject to liability, including liability for remediation costs, relating to the contamination of this facility. The owners of this facility have agreed to indemnify the Company for certain environmental liabilities relating to this facility. There can be no assurance that the owners will perform under this environmental indemnity obligation, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Moreover, future developments, such as changes in laws and regulations or the enforcement thereof, more stringent enforcement or interpretation thereof and claims for property damage or personal injury could cause the Company to incur substantial losses or expenditures. Although the Company believes it is materially compliant with all applicable current laws and regulations, any new or modified laws or regulations, or the discovery of any currently unknown non-compliance or contamination, could increase the cost of producing products, thereby adversely impacting the Company's business, financial condition and results of operations.

Labor shortages, increased labor costs and the unionization of labor could negatively impact the Company's business.

A shortage of skilled labor or experienced sales personnel could pose a risk to achieving optimal labor productivity and competitive costs, which could adversely affect the Company's gross profit margins. In the event that the Company experiences a shortage of experienced labor or qualified sales personnel or are unable to train the necessary amount of skilled laborers, there could be an adverse impact on the Company's labor productivity and costs and its ability to expand production and therefore have a material adverse effect on the Company's business, financial condition and results of operations.

At January 31, 2009, the Company employed approximately 570 people. None of the Company's employees are represented by a union. The Company has experienced limited, unsuccessful unionization efforts in the past at certain of its facilities, the most recent of which is still ongoing and subject to a final decision from the National Labor Relations Board. The Company cannot assure you that the current unionization efforts will not ultimately be successful, or that the Company will not encounter future unionization efforts or other types of conflicts with labor unions or its employees. Furthermore, the time spent by management in addressing unionization efforts could distract management from their initiatives to improve liquidity or interfere with their implementation of the Company's business strategies. Also, passage of the Employee Free Choice Act or other similar laws in Congress could lead to higher labor costs by further encouraging unionization efforts among the Company's employees and disruption of operations. If any part of the Company's work force commences unionization efforts or becomes unionized, its business, financial condition and results of operations could be materially adversely affected.

The Company relies on information technology systems to manage numerous aspects of its business and a disruption of these systems could adversely affect the Company's business.

The Company's information technology systems is an integral part of its business and a serious disruption to information technology systems could significantly limit the Company's ability to manage and operate its business efficiently, which in turn could materially adversely impact the Company's business, financial condition and results of operations. The Company depends on information technology systems for scheduling, sales order entry, purchasing, materials management, accounting and production functions. The Company's information technology systems also allow it to ship products to customers on a timely basis, maintain cost-effective operations and provide a high level of customer service. Some of the information technology systems are not fully redundant, and the Company's disaster recovery planning does not account for all eventualities.

Loss of third-party transportation providers upon whom the Company depends or conditions negatively affecting the transportation industry could increase costs or cause a disruption in operations.

The Company depends upon third-party transportation providers for delivery of products to customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, increases in fuel prices and weather conditions, could increase the Company's costs and disrupt operations and the ability to service customers on a timely basis.

The failure to enforce and maintain the Company's intellectual property rights could adversely affect the ability to maintain brand awareness.

The Company has registered the names Rath Micro Weld[®], Micro-Weld[®] and GTC[®] with the United States Patent and Trademark Office. However, the trademarks could be imitated in ways that the Company cannot prevent. In addition, the Company relies on trade secrets, proprietary know-how and concepts. Methods of protecting this information may not be adequate, however, and others could independently develop similar know-how or obtain access to the Company's trade secrets, know-how and concepts.

Moreover, the Company may face claims of misappropriation or infringement of third parties' rights that could interfere with its use of proprietary know-how, concepts, or trade secrets. Defending these claims may be costly and, if unsuccessful, may prevent the Company from continuing to use this proprietary information in the future and may result in a judgment for monetary damages.

The Company may make acquisitions, which present additional risks.

Part of the Company's growth strategy includes pursuing acquisitions. The Company cannot assure you that it will be able to consummate acquisitions in the future on acceptable terms, if at all. In addition, the Company cannot assure you that the integration of any future acquisitions will be successful or that the anticipated strategic benefits of any future acquisitions will be realized. Acquisitions may involve a number of special risks, including, but not limited to:

- adverse short-term effects on the Company's reported operating results;
- diversion of management's attention;
- difficulties assimilating and integrating the operations of the acquired company with the Company; and
- unanticipated liabilities or contingencies relating to the acquired company.

The Company depends on the services of key executive officers, the loss of whom could materially harm its business.

The Company's executive officers are important to the Company's success because they have been instrumental in setting strategic direction, operating the business, identifying, recruiting and training key personnel and identifying expansion opportunities. Losing the services of any of these individuals could adversely affect the Company's business, until a suitable replacement could be found. The Company does not maintain key-man life insurance on any of its executive officers.

The Company's controlling stockholder may take actions that conflict with the interests of its lenders.

The Company's controlling stockholder controls the power to elect the Company's directors, to appoint members of management and to approve all actions requiring the approval of the holders of the Company's common stock, including adopting amendments to the certificate of incorporation and approving mergers, acquisitions or sales of all or substantially all of the Company's assets. The interests of the Company's controlling stockholder could conflict with the interests of the holders of Senior Notes or other lenders to the Company. For example, if the Company encounters financial difficulties or is unable to pay its debts as they mature, the interests of the Company's controlling stockholder as a holder of equity might conflict with the interests of the holders of Senior Notes or other lenders to the Company. The Company's controlling stockholder also may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks to the holders of Senior Notes or other lenders to the Company.

The requirements of complying with Section 404 of the Sarbanes-Oxley Act may strain the Company's resources and distract management.

The Sarbanes-Oxley Act requires that the Company maintain and periodically certify that it has effective disclosure controls and procedures and internal control over financial reporting. The Company is not an accelerated filer as defined under relevant Securities and Exchange Commission ("SEC") regulations, and therefore, management will be required, pursuant to Section 404(b) of the Sarbanes-Oxley Act, to deliver an attestation report from the auditors on the effectiveness of internal control over financial reporting starting with the fiscal 2010 Annual Report on Form 10-K. In order to maintain and improve the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting and comply with Section 404(b) of the Sarbanes-Oxley Act, significant resources and management oversight may be required as the Company may need to devote additional time and personnel to legal, financial and accounting activities to ensure ongoing compliance. The costs associated therewith could be significant. In addition, the effort to prepare for these obligations and maintain effective internal controls may divert management's attention from other business concerns, which could adversely affect the Company's business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The following table sets forth information concerning the Company's facilities:

| Location⁽¹⁾ | Purpose | Approximate Square Footage | Acres | Annual Rent | Owned/ Leased | Lease Expiration |
|---|--|---|--------------|------------------------|--------------------------|-----------------------------|
| Lincolnshire, Illinois | Corporate Office | 7,100 | N/A | \$ 196,100 | Leased | July 31, 2015 |
| Janesville, Wisconsin ⁽²⁾ | Manufacturing/ Distribution/ Office | 277,000 | 6 | 932,400 | Leased | December 31, 2026 |
| North Branch, New Jersey | Manufacturing/ Distribution/Office | 255,000 | 20 | 1,122,000 | Leased | October 31, 2009 |
| Marrero, Louisiana ⁽³⁾ | Distribution/Office | 44,000 | 1.4 | 282,400 | Leased | Various |
| Clarksville, Arkansas | Manufacturing/ Distribution | 111,800 | 36.9 | 110,200 | Leased | June 30, 2011 |

(1) Each location is a part of the reportable segment for which its name indicates with the exception of the Company's corporate headquarters located in Lincolnshire, Illinois. This location is included in the Wisconsin segment.

(2) On December 22, 2006, the Company completed the sale and leaseback of its Janesville, Wisconsin manufacturing/distribution and office facility to AGNL RathGibson, L.L.C. ("AGNL"), an unaffiliated third party. The Company received net proceeds of \$4.9 million for this facility and agreed to lease this facility from AGNL, as described below. The foregoing transaction is referred to as the "Sale-Leaseback Transaction."

Concurrently with the Sale-Leaseback Transaction, the Company's leased warehouse facility, also located in Janesville, Wisconsin, was acquired by AGNL. The existing lease on the warehouse facility was terminated and the Company and AGNL entered into a lease relating to both of the Company's Janesville, Wisconsin facilities. This lease has an initial 20-year term with quarterly rent payments adjusted annually to reflect increases in a consumer price index agreed upon by the parties to be used for such purpose. This lease contains two, 10-year renewal options. This lease also requires the Company to pay property taxes, insurance and maintenance costs in addition to the rent payments described above.

(3) In connection with the Mid-South Acquisition, RathGibson assumed Mid-South's existing facility leases with a company owned 50% by Richard E. Lore, Sr., an executive officer of the Company. The leases expire on February 29, 2016 and April 30, 2018.

Item 3. Legal Proceedings.

The Company's leased Clarksville, Arkansas facility is contaminated as a result of historical industrial operations at such facility and is the subject of a Consent Order from the Arkansas Department of Environmental Quality. The Company may be subject to liability, including liability for remediation costs, relating to the contamination of this facility. The owners of this facility have agreed to indemnify the Company for certain environmental liabilities relating to this facility. The Company does not believe that the ultimate resolution of this matter will have a material adverse effect on its financial position, results of operations, liquidity or capital resources.

On January 26, 2009, Salem Tube commenced a legal proceeding against the Company by filing a Praecipe for Writ of Summons in the Court of Common Pleas of Mercer County, Pennsylvania docketed at Salem Tube, Inc. v. Greenville Tube Company and RathGibson, Inc., No. GD-2009-315. The Writ of Summons is not a complaint and does not provide a statement of the underlying allegations or the amount of damages that may be claimed. Salem Tube has advised the Company that it has become aware of releases of hazardous substances in the soils, surface water and groundwater at certain real property owned by Salem Tube and that it initiated the action because Greenville may be a prior owner of this real estate and, potentially, a responsible party. Based on the Company's review of the chain of ownership of the subject real estate and asset sales conducted by the predecessors to Greenville, the Company believes the allegations by Salem Tube are without merit and Greenville has no responsibility with respect to this matter.

In addition, the Company is involved in various claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of any of these actions will have a material adverse effect on its financial position, results of operations, liquidity or capital resources.

Item 4. Submission of Matters to a Vote of Security Holders.

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

There is no established public trading market for the Company's common stock. All of the 100 outstanding shares of common stock are held by RGCH Corp. Except for a dividend of \$3.8 million used to fund a contingent payment in connection with the DLJ Acquisition, the Company has not declared a dividend on its common stock in the prior two fiscal years. The Company is generally restricted from paying dividends by certain of the Revolving Credit Facility covenants and the indenture pursuant to which the Senior Notes were issued. However, the Company may pay dividends in the future if it is permitted to do so under these debt covenants.

Item 6. Selected Financial Data

The selected consolidated financial data below should be read in conjunction with the "Explanatory Note" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this report.

Due to the DLJ Acquisition and CH Acquisition, as mentioned in the "Transactions" section included under Item 1 of this Annual Report on Form 10-K, and the related effects of the various financing transactions and different capital structure, the Company's consolidated financial data for periods prior to each acquisition will not necessarily be comparable to periods subsequent to such date. In the Company's selected consolidated financial data: (i) the Company's consolidated financial data at and for the fiscal year ended January 31, 2009 is presented to show the financial results of the Company for the period after the DLJ Acquisition (Successor); (ii) the Company's consolidated financial data at and for the fiscal year ended January 31, 2008 is presented to show separately the financial results of the Company for the period after the DLJ Acquisition (Successor) and for the period after the CH Acquisition until the DLJ Acquisition (Predecessor II); (iii) the Company's consolidated financial data at and for the fiscal year ended January 31, 2007 is presented to show separately the financial results of the Company for the period after the CH Acquisition (Predecessor II) and for the period prior to the CH Acquisition (Predecessor I); and (iv) the Company's consolidated financial data at and for the fiscal years ended January 31, 2006 and 2005 is presented to show the financial results of the Company for the periods prior to the CH Acquisition (Predecessor I). Additionally, the Company acquired Mid-South on February 27, 2008 and Greenville on August 15, 2006, the results of which have been included in the Company's consolidated financial statements since the date of such acquisition.

Selected Consolidated Financial Data
(Dollars and feet shipped in thousands)

| | Successor | | Predecessor II | | Predecessor I | | |
|---|---|---|---|--|--|-----------------------------------|------------|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 | Fiscal Years Ended January 31, | |
| | | | | | | 2006 | 2005 |
| Statement of Operations Data: | | | | | | | |
| Net sales | \$ 324,526 | \$ 221,432 | \$ 138,239 | \$ 289,842 | \$ 4,020 | \$ 209,409 | \$ 164,915 |
| Cost of goods sold | 276,338 | 190,020 | 106,422 | 231,463 | 3,067 | 161,186 | 123,949 |
| Gross profit | 48,188 | 31,412 | 31,817 | 58,379 | 953 | 48,223 | 40,966 |
| Operating expenses: | | | | | | | |
| Selling, general and administrative | 30,257 | 15,192 | 21,044 | 19,859 | 7,346 | 14,882 | 14,571 |
| Amortization | 12,120 | 9,684 | 2,363 | 13,406 | 11 | 577 | 552 |
| Impairment of goodwill and other intangible assets | 228,402 | - | - | - | - | - | - |
| | 270,779 | 24,876 | 23,407 | 33,265 | 7,357 | 15,459 | 15,123 |
| Income (loss) from operations | (222,591) | 6,536 | 8,410 | 25,114 | (6,404) | 32,764 | 25,843 |
| Interest expense | 24,592 | 15,549 | 9,991 | 25,580 | 336 | 16,838 | 13,882 |
| Income (loss) before income taxes | (247,183) | (9,013) | (1,581) | (466) | (6,740) | 15,926 | 11,961 |
| Income tax expense (benefit) | (30,987) | (4,084) | 930 | (333) | (2,663) | 7,629 | 4,164 |
| Net income (loss) | \$ (216,196) | \$ (4,929) | \$ (2,511) | \$ (133) | \$ (4,077) | \$ 8,297 | \$ 7,797 |
| Balance Sheet Data: | | | | | | | |
| Cash | \$ 1,425 | \$ 680 | \$ 4,453 | \$ 5,631 | \$ 3,228 | \$ 2,842 | \$ 1,415 |
| Property, plant and equipment, net | 52,320 | 50,843 | 44,398 | 44,150 | 27,116 | 26,717 | 27,026 |
| Goodwill | 31,023 | 231,769 | 134,690 | 134,823 | 64,217 | 64,217 | 58,920 |
| Other intangible assets, net | 132,536 | 148,516 | 100,961 | 103,324 | 13,952 | 13,952 | 12,529 |
| Total assets | 329,591 | 561,923 | 431,452 | 412,276 | 216,888 | 179,491 | 164,421 |
| Total long-term debt | 259,180 | 248,045 | 240,619 | 228,295 | 206,980 | 169,419 | 171,443 |
| Stockholders' equity (deficiency) | (6,673) | 203,246 | 69,722 | 68,154 | (33,419) | (29,342) | (42,533) |
| Statement of Cash Flows Data: | | | | | | | |
| Cash provided by (used in) | | | | | | | |
| operating activities | \$ 15,874 | \$ 9,910 | \$ (11,182) | \$ 14,396 | \$ (3,036) | \$ 8,947 | \$ (8,668) |
| Cash used in investing activities | (27,401) | (6,915) | (2,269) | (35,914) | (498) | (6,486) | (7,169) |
| Cash provided by (used in) financing activities ⁽¹⁾ | 12,272 | (6,769) | 12,274 | 23,921 | 3,920 | (1,034) | 16,064 |
| Financial and Other Data: | | | | | | | |
| Adjusted EBITDA ⁽²⁾ | \$ 25,177 | \$ 26,061 | \$ 24,756 | \$ 47,920 | \$ 857 | \$ 38,630 | \$ 31,466 |
| Capital expenditures | 9,265 | 6,920 | 2,269 | 6,273 | 498 | 4,680 | 7,169 |
| Depreciation and amortization | 18,802 | 13,477 | 4,551 | 18,658 | 110 | 5,866 | 5,624 |
| Ratio of earnings to fixed charges ⁽³⁾ | (8.66) | .44 | .85 | .98 | (17.32) | 1.92 | 1.82 |
| Industry Specific | | | | | | | |
| Performance Data: | | | | | | | |
| Feet shipped | 130,348 | 83,165 | 57,032 | 142,299 | 2,290 | 124,959 | 113,738 |
| Gross profit/feet shipped | \$.37 | \$.38 | \$.56 | \$.41 | \$.42 | \$.39 | \$.36 |
| Adjusted EBITDA ⁽²⁾ /feet shipped | .19 | .31 | .43 | .34 | .37 | .31 | .28 |

- (1) The Company declared and paid a \$3.8 million dividend in the period June 16, 2007 through January 31, 2008. The dividend was used to fund a contingent payment in connection with the DLJ Acquisition.
- (2) As used herein, “Adjusted EBITDA” represents net income (loss) plus (i) income tax expense (benefit); (ii) interest expense; (iii) depreciation and amortization; and (iv) other expenses associated with the Mid-South Acquisition, DLJ Acquisition, Greenville Acquisition and CH Acquisition and impairment of goodwill and other intangible assets as shown below (in thousands):

| | Successor | | Predecessor II | | Predecessor I | | |
|--|---|---|---|--|--|-----------------------------------|-----------|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 | Fiscal Years Ended January 31, | |
| | | | | | | 2006 | 2005 |
| Net income (loss) | \$ (216,196) | \$ (4,929) | \$ (2,511) | \$ (133) | \$ (4,077) | \$ 8,297 | \$ 7,796 |
| Income tax expense (benefit) | (30,987) | (4,084) | 930 | (333) | (2,663) | 7,629 | 4,164 |
| Interest expense | 24,592 | 15,549 | 9,991 | 25,580 | 336 | 16,838 | 13,882 |
| Depreciation and amortization | 18,802 | 13,477 | 4,551 | 18,658 | 110 | 5,866 | 5,624 |
| EBITDA | (203,789) | 20,013 | 12,961 | 43,772 | (6,294) | 38,630 | 31,466 |
| Extinguishment of deferred debt expenses | - | - | - | - | 535 | - | - |
| Expensing of write-up of inventories | 564 | 6,048 | - | 4,148 | - | - | - |
| Incentive unit expense | - | - | 3,989 | - | - | - | - |
| Fees and charges-termination of management agreement | - | - | 4,844 | - | - | - | - |
| Compensation expense | - | - | 2,962 | - | 6,616 | - | - |
| Impairment of goodwill and other intangible assets | 228,402 | - | - | - | - | - | - |
| Adjusted EBITDA | \$ 25,177 | \$ 26,061 | \$ 24,756 | \$ 47,920 | \$ 857 | \$ 38,630 | \$ 31,466 |

The Company has included information concerning Adjusted EBITDA in this Annual Report on Form 10-K because the Company believes that such information is used by certain investors, securities analysts and others as one measure of performance and historical ability to service debt. In addition, the Company uses Adjusted EBITDA when interpreting operating trends and results of operations of the business. Executive compensation is based, in part, on the Company’s Adjusted EBITDA performance measured against targets. Adjusted EBITDA is also used by the Company and others in the industry to evaluate proposed capital expenditures and to evaluate and to price potential acquisition candidates. Adjusted EBITDA is a non-Generally Accepted Accounting Principle (“GAAP”) financial measure and should not be considered as an alternative to, or more meaningful than, net income (loss), income (loss) from operations, cash flows from operations or other traditional indications of a company’s operating performance or liquidity.

The use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation, or as a substitute for analysis of the Company’s results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect the Company’s current cash expenditure requirements, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company’s working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on the Company’s debt; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacement.

Because of these limitations, Adjusted EBITDA should not be considered as discretionary cash available to the Company to reinvest in the growth of its business or as a measure of cash that will be available to the Company to meet its obligations. You should compensate for these limitations by relying primarily on the Company’s GAAP results and using Adjusted EBITDA only supplementally.

- (3) In calculating the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense including the amortization of deferred financing costs, amortization of debt premium and discounts and one-third of rent expense that the Company believes to be representative of the interest factored in those rentals. Fixed charges exceed earnings by \$247,183, \$9,013, \$1,581, \$466 and \$6,740 in fiscal 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007, the period February 8, 2006 through January 31, 2007 and the period February 1, 2006 through February 7, 2006, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations has been derived from, and should be read in conjunction with the consolidated financial statements, including the notes thereto, contained herein. See the discussion of Successor, Predecessor II and Predecessor I under "Selected Financial Data." Future results could differ materially from those discussed below. See the discussion under "Forward Looking Statements."

Executive Summary

The Company is one of the world's leading specialty manufacturers of highly engineered premium stainless steel and alloy tubular products. The Company's products are designed to meet customer specifications and are used in environments that require high-performance characteristics, such as exceptional strength and the ability to withstand highly corrosive materials, extreme temperatures or high-pressure. The Company sells over 1,000 products globally to diverse end-markets, including (i) chemical/petrochemical processing and power generation; (ii) energy; (iii) food, beverage and pharmaceuticals; and (iv) general commercial.

The Company's highlights for fiscal 2009 include the following:

- the acquisition of Mid-South on February 27, 2008;
- the amendment to the Revolving Credit Facility increasing the borrowing capacity by \$10.0 million to \$90.0 million;
- decrease in net sales of 9.8% to \$324.5 million for fiscal 2009, as compared to \$359.6 million in total for the periods February 1, 2007 through June 15, 2007 (\$138.2 million) and June 16, 2007 through January 31, 2008 (\$221.4 million);
- decrease in gross profit of 23.8% to \$48.2 million for fiscal 2009, as compared to \$63.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$31.8 million) and June 16, 2007 through January 31, 2008 (\$31.4 million);
- decrease in gross profit margin for fiscal 2009 to 14.8% from 17.6% in total for the periods February 1, 2007 through June 15, 2007 (23.0%) and June 16, 2007 through January 31, 2008 (14.2%);
- recorded charges of \$142.5 million, \$26.9 million, \$14.5 million and \$31.3 million during fiscal 2009 to reflect the impairments of goodwill related to the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively; recorded charges of \$8.5 million, \$4.3 million, \$2 million and \$2 million during fiscal 2009 to reflect the impairments of tradenames related to the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively; and
- Adjusted EBITDA decrease of 50.5% to \$25.2 million in fiscal 2009, as compared to \$50.8 million in total for the periods February 1, 2007 through June 15, 2007 (\$24.7 million) and June 16, 2007 through January 31, 2008 (\$26.1 million).

The following table sets forth selected financial data (i) as a percentage of net sales; and (ii) the percentage change in dollars in those reported items from the comparable period:

| | <u>Successor</u> | | <u>Total*</u> | <u>Successor</u> | | <u>Predecessor II</u> | | <u>Total*</u> | <u>Predecessor II</u> | | <u>Predecessor I</u> |
|--|------------------|-----------------|---------------|---|---|---|-----------------|---------------|--|---|--|
| | <u>Fiscal</u> | <u>Annual</u> | <u>Fiscal</u> | <u>Period</u> | | <u>Period</u> | <u>Annual</u> | <u>Fiscal</u> | <u>Period</u> | | <u>Period</u> |
| | <u>2009</u> | <u>% Change</u> | <u>2008</u> | <u>June 16, 2007 through January 31, 2008</u> | | <u>February 1, 2007 through June 15, 2007</u> | <u>% Change</u> | <u>2007</u> | <u>February 8, 2006 through January 31, 2007</u> | | <u>February 1, 2006 through February 7, 2006</u> |
| Net sales | 100.0 | % (9.8) | 100.0 | 100.0 | % | 100.0 | % 22.4 | 100.0 | 100.0 | % | 100.0 |
| Cost of goods sold | 85.2 | (6.8) | 82.4 | 85.8 | | 77.0 | 26.4 | 79.8 | 79.9 | | 76.3 |
| Gross profit | 14.8 | (23.8) | 17.6 | 14.2 | | 23.0 | 6.6 | 20.2 | 20.1 | | 23.7 |
| Operating expenses: | | | | | | | | | | | |
| Selling, general and administrative | 9.3 | (16.5) | 10.1 | 6.9 | | 15.2 | 33.2 | 9.3 | 6.9 | | 182.7 |
| Amortization | 3.7 | .6 | 3.3 | 4.4 | | 1.7 | (10.2) | 4.6 | 4.6 | | .3 |
| Impairment of goodwill and other intangible assets | 70.4 | - | - | - | | - | - | - | - | | - |
| | 83.4 | 460.8 | 13.4 | 11.3 | | 16.9 | 18.9 | 13.9 | 11.5 | | 183.0 |
| Income (loss) from operations | (68.6) | ** | 4.2 | 2.9 | | 6.1 | (20.1) | 6.3 | 8.6 | | (159.3) |
| Interest expense | 7.6 | (3.7) | 7.1 | 7.0 | | 7.2 | (1.5) | 8.8 | 8.8 | | 8.4 |
| Income (loss) before income taxes | (76.2) | ** | (2.9) | (4.1) | | (1.1) | 47.0 | (2.5) | (.2) | | (167.7) |
| Income tax expense (benefit) | (9.5) | 882.5 | (.9) | (1.8) | | .7 | 5.3 | (1.0) | (.1) | | (66.2) |
| Net income (loss) | (66.7) | % ** | (2.0) | (2.3) | % | (1.8) | % 76.7 | (1.5) | (.1) | % | (101.5) |

* Used for comparative purposes.

** Not meaningful.

Selected Factors That Affect Operating Results

The Company's business, financial condition and results of operations are significantly influenced by (i) overall demand for the Company's products; (ii) costs of stainless steel and other raw materials; and (iii) oil and gas production and exploration.

The following table presents the Company's sales volumes and raw material cost indices for the fiscal years ended January 31:

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------------------|-------------|-------------|-------------|
| Feet shipped (millions) | 130.3 | 140.2 | 144.6 |
| Stainless steel price index* | 177.1 | 216.0 | 167.9 |

* Source CRU International

Stainless steel prices have historically been dependent on supply and demand and costs of raw materials such as chrome, nickel, molybdenum and titanium. While the Company is able to pass through changes in the cost of raw materials to customers, significant changes can lead customers to temporarily delay purchases, substitute materials and/or cancel capital projects. The specialty steel industry has experienced significant changes in the cost of raw materials such as nickel, molybdenum and titanium over the last several years.

Overall demand for stainless steel, specialty alloy and titanium tubing products was robust during fiscal 2007 and the first half of fiscal 2008 which was driven by continued growth in general economic conditions and strong demand for high performance materials for chemical/petrochemical processing, power generation, energy and other applications.

During the second half of fiscal 2008, sharply declining prices encouraged customers to delay purchases which the Company believes caused volume of shipments to decline. Furthermore, demand for tubing used in the installation of ethanol plants has declined significantly and contributed to increased competitive pressures for heat exchanger and general commercial products.

In products containing nickel and titanium, the Company has experienced continued softness, particularly in the first half of fiscal 2007 and from the second half of fiscal 2008 to the end of fiscal 2009, which the Company believes is attributable to customers depleting existing inventories and assessing whether the rapid change in price levels will continue.

During fiscal 2009, demand for the Company's products has continued to experience a declining trend as major U.S. storms disrupted offshore oil production in late summer and general economic conditions took an unprecedented downturn following the collapse of world financial markets during the second half of fiscal 2009. Commodity prices have declined sharply and uncertainty regarding the breadth and depth of the economic downturn has resulted in significant curtailment and/or deferral of capital investment plans.

Fluctuations in Quarterly Results of Operations

Quarterly results may be materially affected by the timing of acquisitions, the timing and magnitude of costs related to such acquisitions, variations in costs of products sold, the mix of products sold and general economic conditions. Results for any quarter may not be indicative of the results for any subsequent fiscal quarter or for a full fiscal year. There is generally no significant seasonality in demand for the Company's products or operations as a whole.

Fiscal 2009 as Compared to the Periods from February 1, 2007 through June 15, 2007 and June 16, 2007 through January 31, 2008

Net Sales

Overall - Net sales decreased \$35.1 million, or 9.8%, to \$324.5 million in fiscal 2009, as compared to \$359.6 million in total for the periods February 1, 2007 through June 15, 2007 (\$138.2 million) and June 16, 2007 through January 31, 2008 (\$221.4 million). This decrease in overall sales was primarily due to (i) decreases in the sales volume of heat exchanger, nickel, pressure coil, subsea umbilical and general commercial products (\$53.2 million), offset by an increase in the sales volume of high purity/electropolished products (\$7.1 million) and incremental sales from the acquisition of Mid-South on February 27, 2008 (\$17.6 million); and (ii) decreases in the average selling price of heat exchanger, high purity/electropolished and general commercial products (\$17.4 million), offset by increases in the average selling price of pressure coil and subsea umbilical products (\$12.1 million).

Total feet shipped decreased by 7.0% to 130.3 million feet in fiscal 2009, as compared to 140.2 million feet in total for the periods February 1, 2007 through June 15, 2007 (57.0 million feet) and June 16, 2007 through January 31, 2008 (83.2 million feet). This decrease in total feet shipped was primarily due to decreases in the sales volume of heat exchanger, nickel, encapsulated wire, subsea umbilical and general commercial products, offset by an increase in the sales volume of beverage coil products and incremental footage from the acquisition of Mid-South.

Chemical/Petrochemical Processing and Power Generation Products - Net sales of chemical/petrochemical processing and power generation products decreased \$36.2 million, or 22.7%, to \$123.1 million in fiscal 2009, as compared to \$159.3 million in total for the periods February 1, 2007 through June 15, 2007 (\$58.5 million) and June 16, 2007 through January 31, 2008 (\$100.8 million). This decrease in sales was primarily due to (i) decreases in the sales volume of heat exchanger and nickel products in the Wisconsin segment (\$35.1 million), offset by increases in the sales volume of heat exchanger and nickel products in the Arkansas segment (\$6.8 million); and (ii) a decrease in the average selling price of heat exchanger products in the Wisconsin segment (\$6.3 million). The Company believes the decreases in the sales volume and average selling price of heat exchanger products was due to the destocking of distribution channel inventories which followed the declining trend of nickel prices during the second half of fiscal 2008, increased concern about the slowing general manufacturing economy, collapse of world financial markets in the second half of fiscal 2009 and lower material cost market values as compared to fiscal 2008.

Feet shipped of chemical/petrochemical processing and power generation products decreased by 18.2% to 33.8 million feet in fiscal 2009, as compared to 41.4 million feet in total for the periods February 1, 2007 through June 15, 2007 (15.2 million feet) and June 16, 2007 through January 31, 2008 (26.2 million feet). This decrease was primarily due to decreases in the sales volume of heat exchanger and nickel products in the Wisconsin segment including lower sales volume for applications in ethanol and desalination plants.

Energy Products - Net sales of energy products increased \$9.7 million, or 17.2%, to \$66.4 million in fiscal 2009, as compared to \$56.7 million in total for the periods February 1, 2007 through June 15, 2007 (\$22.5 million) and June 16, 2007 through January 31, 2008 (\$34.2 million). This increase in sales was primarily due to (i) incremental sales from the acquisition of Mid-South (\$17.6 million); and (ii) increases in the average selling price of pressure coil and subsea umbilical products in the New Jersey segment (\$12.1 million), offset by decreases in the sales volume of pressure coil and subsea umbilical products in the New Jersey segment (\$19.9 million) which the Company believes was due to the collapse of world financial markets in the second half of fiscal 2009, and more specifically, the precipitous decline in oil prices.

Feet shipped of energy products decreased by 11.0% to 33.3 million feet in fiscal 2009, as compared to 37.4 million feet in total for the periods February 1, 2007 through June 15, 2007 (16.0 million feet) and June 16, 2007 through January 31, 2008 (21.4 million feet). This decrease was primarily due a decrease in the sales volume of substantially all of the energy products in the New Jersey segment, offset by incremental footage from the acquisition of Mid-South.

Food, Beverage and Pharmaceutical Products - Net sales of food, beverage and pharmaceutical products increased \$2.2 million, or 5.0%, to \$44.7 million in fiscal 2009, as compared to \$42.5 million in total for the periods February 1, 2007 through June 15, 2007 (\$16.6 million) and June 16, 2007 through January 31, 2008 (\$25.9 million). This increase in sales was primarily due to an increase in the demand for high purity/electropolished products in the Wisconsin segment, particularly for sanitary condenser applications, offset by a decrease in the average selling price of these products due mostly to lower material cost market values.

Feet shipped of food, beverage and pharmaceuticals products increased by 30.8% to 20.7 million feet in fiscal 2009, as compared to 15.8 million feet in total for the periods February 1, 2007 through June 15, 2007 (7.0 million feet) and June 16, 2007 through January 31, 2008 (8.8 million feet). This increase in feet shipped was primarily due to an increase in the sales volume of beverage coil products in the New Jersey segment.

General Commercial Products - Net sales of general commercial products decreased \$10.8 million, or 10.7%, to \$90.3 million in fiscal 2009, as compared to \$101.1 million in total for the periods February 1, 2007 through June 15, 2007 (\$40.6 million) and June 16, 2007 through January 31, 2008 (\$60.5 million). This decrease in sales was primarily due to (i) a decrease in the sales volume of general commercial products in the Wisconsin and Arkansas segments (\$.9 million and \$5.7 million, respectively), offset by an increase in the sales volume of general commercial products in the New Jersey segment (\$1.1 million); and (ii) a decrease in the average selling price of general commercial products in the Wisconsin and New Jersey segments (\$5.4 million and \$3.0 million, respectively), offset by an increase in the sales volume of general commercial products in the Arkansas segment (\$3.1 million). The Company believes the decreases in the sales volume and average selling price of heat exchanger products was due to the destocking of distribution channel inventories which followed the declining trend of nickel prices during the second half of fiscal 2008, increased concern about the slowing general manufacturing economy, collapse of the world financial markets in the second half of fiscal 2009 and lower material cost market values as compared to fiscal 2008.

Feet shipped of general commercial products decreased by 6.7% to 42.5 million feet in fiscal 2009, as compared to 45.6 million feet in total for the periods February 1, 2007 through June 15, 2007 (18.8 million feet) and June 16, 2007 through January 31, 2008 (26.8 million feet). This decrease in feet shipped was primarily due to decreases in the sales volume of substantially all of the general commercial products in the Wisconsin, New Jersey and Arkansas segments.

Gross Profit

Cost of goods sold consists of manufacturing costs (primarily material, labor, consumables, utilities, maintenance, occupancy and depreciation), inbound freight charges, shipping and handling costs, certain purchasing costs, receiving costs and warehousing costs (which include internal transfer costs). The Company's gross profit margins may not be comparable to the gross profit margins of other entities due to the classification of certain costs.

Gross profit was \$48.2 million in fiscal 2009, a decrease of \$15.0 million, or 23.8%, as compared to \$63.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$31.8 million) and June 16, 2007 through January 31, 2008 (\$31.4 million). The decrease in gross profit was primarily due to (i) reductions in net sales of the Wisconsin and New Jersey segments; and (ii) an increase in inventory reserves of approximately \$6.4 million primarily related to excess or slow moving inventories and adjustments of inventories to the lower of cost or market in the Wisconsin, New Jersey and Arkansas segments. This decrease in gross profit was offset by (i) incremental profit of \$4.8 million from the acquisition of Mid-South; and (ii) a \$5.4 million decrease (decreases of \$4.9 million, \$.8 million and \$.3 million related to the Wisconsin, New Jersey and Arkansas segments, respectively, and an increase of \$.6 million related to the Mid-South segment) in non-recurring, non-cash purchase accounting adjustments to \$.6 million, as compared to \$6.0 million in the period June 16, 2007 through January 31, 2008. In accordance with the purchase method of accounting under GAAP, certain inventories were valued at fair value in connection with the Mid-South Acquisition and DLJ Acquisition, which were \$.6 million and \$6.0 million, respectively, greater than their historical cost. \$.6 million and \$6.0 million of the purchase accounting adjustment was expensed in cost of goods sold within the consolidated statements of operations during fiscal 2009 and the period June 16, 2007 through January 31, 2008, respectively, as the associated inventories were sold.

Gross profit margin decreased to 14.8% in fiscal 2009, as compared to 17.6% in total for the periods February 1, 2007 through June 15, 2007 (23.0%) and June 16, 2007 through January 31, 2008 (14.2%). The decrease in gross profit margin was primarily due to (i) a reduction in selling prices due to the declining trend of nickel prices and the collapse of world financial markets in the second half of fiscal 2009 and the lagging effect of replacement inventory cost during the fourth quarter of fiscal 2009; (ii) an increase in inventory reserves of approximately \$6.4 million primarily related to excess or slow moving inventories and adjustments of inventories to the lower of cost or market in the Wisconsin, New Jersey and Arkansas segments; and (iii) the acquisition of Mid-South. This decrease in gross profit margin was offset by a \$5.4 million decrease in non-recurring, non-cash purchase accounting adjustments to \$.6 million, as compared to \$6.0 million in the period June 16, 2007 through January 31, 2008.

Gross profit per foot shipped amounted \$.37/foot in fiscal 2009, as compared to \$.45/foot (\$.49/foot excluding non-recurring, non-cash purchase accounting adjustments amounting to \$.04/foot) in total for the periods February 1, 2007 through June 15, 2007 (\$.56/foot) and June 16, 2007 through January 31, 2008 (\$.38/foot).

Operating Expenses

Selling, general and administrative expenses consist primarily of management, administrative and sales compensation, benefits, travel, communications, occupancy and insurance expenses, legal and professional fees.

Selling, general and administrative expenses decreased \$5.9 million, or 16.5%, to \$30.3 million in fiscal 2009, as compared to \$36.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$21.0 million) and June 16, 2007 through January 31, 2008 (\$15.2 million). This decrease in selling, general and administrative expenses was primarily due to (i) a decrease in employee performance-based cash incentives of \$.9 million in the Wisconsin, New Jersey and Arkansas segments; and (ii) \$11.8 million in non-recurring expenses recorded primarily in the Wisconsin segment during the period February 1, 2007 through June 15, 2007 in connection with the DLJ Acquisition. During the period February 1, 2007 through June 15, 2007, the Company recorded the following acquisition related expenses: (i) \$4.8 million of fees and related charges for the termination of the Company's management agreement with Castle Harlan; (ii) \$3.0 million of compensation expense relating to employee bonuses; and (iii) \$4.0 million of non-cash incentive unit expense. This decrease in selling, general and administrative expenses was offset by (i) severance expense of \$2.1 million in the Wisconsin segment primarily related to the departure of the Company's Chief Executive Officer and Chief Financial Officer in fiscal 2009; and (ii) additional selling, general and administrative expenses of \$1.8 million from the acquisition of Mid-South.

Amortization expense amounted to \$12.1 million in fiscal 2009, as compared to \$12.0 million in total for the periods February 1, 2007 through June 15, 2007 (\$2.4 million) and June 16, 2007 through January 31, 2008 (\$9.6 million),

Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142") requires that the Company evaluates goodwill and tradenames for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired. Based on a combination of factors, including the current global economic environment, including the collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at October 31, 2008. The Company performed a preliminary assessment of the fair value of each reporting unit's goodwill at October 31, 2008. Accordingly, the Company recorded \$99.8 million, \$4.7 million and \$14.0 million of charges during the third quarter of fiscal 2009 to reflect the preliminary impairments of goodwill in the Wisconsin, Louisiana and Arkansas segments, respectively. Additionally, the Company recorded \$5.0 million, \$1.0 million and \$40 thousand of charges during the third quarter of fiscal 2009 to reflect the preliminary impairments of tradenames in the Wisconsin, New Jersey and Louisiana segments, respectively. During the fourth quarter of fiscal 2009, the Company completed the goodwill and tradename impairment analysis and, as a result, recorded an additional \$42.7 million, \$26.9 million, \$1.1 million and \$13.0 million of charges to reflect the impairments of goodwill in the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively, and \$2.1 million and \$3.1 million of charges to reflect the impairments of tradenames in the Wisconsin and New Jersey segments, respectively, and reversed the previous \$40 thousand of charges related to the Louisiana segment.

The Company evaluated its goodwill and tradenames for impairment at January 31, 2009. Given a further decline in the current global economic environment, including the continued deterioration of world financial markets and rising unemployment levels, the Company's revised forecasts indicated additional impairments of goodwill and tradenames. Accordingly, the Company recorded \$8.7 million and \$4.3 million of charges to reflect the impairments of goodwill in the Louisiana and Arkansas segments, respectively, and \$1.4 million, \$.2 million, \$.2 million and \$.2 million of charges to reflect the impairments of tradenames in the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively.

Interest Expense

Interest expense decreased \$1.0 million, or 3.7% to \$24.6 million in fiscal 2009, as compared to \$25.6 million in total for the periods February 1, 2007 through June 15, 2007 (\$10.0 million) and June 16, 2007 through January 31, 2008 (\$15.6 million). The decrease in interest expense was primarily due to (i) a decrease in the amortization of deferred financing costs of \$.6 million in the Wisconsin segment due to the elimination of \$8.6 million of deferred financing costs in connection with the purchase accounting for the DLJ Acquisition and the corresponding decrease in amortization recorded to interest expense for the periods thereafter; (ii) an increase in the amortization of the bond premium of \$.5 million in the Wisconsin segment due to the bond premium recorded in connection with the purchase accounting for the DLJ Acquisition; and (iii) a decrease in the weighted average interest rate on RathGibson's Revolving Credit Facility. These decreases were offset by an increased principal amount of indebtedness for the period.

The Company's debt agreements assessed interest at a weighted average rate of 9.6% and 10.4% at January 31, 2009 and January 31, 2008, respectively.

Income Tax Expense (Benefit)

Income tax benefit amounted \$31.0 million in fiscal 2009, as compared to \$3.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$.9 million of income tax expense) and June 16, 2007 through January 31, 2008 (\$4.1 million of income tax benefit). These tax provisions reflect effective tax rates of 12.5% in fiscal 2009, as compared to 29.8% in total for the periods February 1, 2007 through June 15, 2007 (-58.8%) and June 16, 2007 through January 31, 2008 (45.3%). The effective tax rate for fiscal 2009 was impacted primarily by (i) \$169.8 million (of the total charges of \$215.2 million) of charges for the impairments of goodwill for which the charges have no income tax effect due to the goodwill not being deductible for income tax purposes; (ii) \$.2 million of tax provision to tax return adjustments recorded in fiscal 2009 related to the filing of the Company's income tax returns for the period February 1, 2007 through June 15, 2007 and the period June 16, 2007 through January 31, 2008; and (iii) \$.9 million related to a change in deferred tax rates. The effective tax rate in total for the periods February 1, 2007 through June 15, 2007 and June 16, 2007 through January 31, 2008 was impacted primarily by (i) tax provision to tax return adjustments recorded in the period June 16, 2007 through January 31, 2008 related to the filing of the Company's income tax returns for the period February 8, 2006 through January 31, 2007; (ii) the non-deductibility of incentive unit expense amounting to \$4.0 million recorded in the period February 1, 2007 through June 15, 2007; and (iii) the relationship between the amount of permanent income tax differences and the projected loss before income taxes for the periods. The difference between the actual effective tax rates and the U.S. federal statutory rate is principally due to (i) state income tax provisions; (ii) a deduction for domestic production activity; (iii) non-deductible incentive unit expense; and (iv) charges for the impairments of goodwill not deductible for income tax purposes.

Periods from February 1, 2007 through June 15, 2007 and June 16, 2007 through January 31, 2008 as Compared to the Periods from February 1, 2006 through February 7, 2006 and February 8, 2006 through January 31, 2007

Net Sales

Overall - Net sales increased \$65.7 million, or 22.4%, to \$359.6 million in total for the periods February 1, 2007 through June 15, 2007 (\$138.2 million) and June 16, 2007 through January 31, 2008 (\$221.4 million), as compared to \$293.9 million in total for the periods February 1, 2006 through February 7, 2006 (\$4.0 million) and February 8, 2006 through January 31, 2007 (\$289.9 million). This increase in overall sales was primarily due to (i) the acquisition of Greenville on August 15, 2006 (\$32.3 million); (ii) an increase in the sales volume of nickel products (\$34.2 million), offset by decreases in the sales volume of heat exchanger, high purity/electropolished and general commercial products (\$52.6 million); and (iii) increases in the average selling price of substantially all of the Company's products (\$53.2 million) due to improved alloy and/or size mix and increased raw material market values.

Total feet shipped decreased by 3.0% to 140.2 million feet in total for the periods February 1, 2007 through June 15, 2007 (57.0 million feet) and June 16, 2007 through January 31, 2008 (83.2 million feet), as compared to 144.6 million feet in total for the periods February 1, 2006 through February 7, 2006 (2.3 million feet) and February 8, 2006 through January 31, 2007 (142.3 million feet). This decrease in total feet shipped was primarily due to decreases in the sales volume of heat exchanger, encapsulated wire, food, beverage and pharmaceutical and general commercial products, offset by increases in the sales volume of nickel, pressure coil and subsea umbilical products and the acquisition of Greenville.

Chemical/Petrochemical Processing and Power Generation Products - Net sales of chemical/petrochemical processing and power generation products increased \$34.0 million, or 27.1%, to \$159.3 million in total for the periods February 1, 2007 through June 15, 2007 (\$58.5 million) and June 16, 2007 through January 31, 2008 (\$100.8 million), as compared to \$125.3 million in total for the periods February 1, 2006 through February 7, 2006 (\$1.6 million) and February 8, 2006 through January 31, 2007 (\$123.7 million). This increase in sales was primarily due to (i) the acquisition of Greenville (\$6.9 million); (ii) an increase in the sales volume of nickel products in the Wisconsin segment (\$34.2 million), offset by a decrease in the sales volume of heat exchanger products in the Wisconsin segment (\$15.1 million) which the Company believes was due to the destocking of distribution channel inventories which followed the declining trend of nickel prices during the second half of fiscal 2008; and (iii) an increase in the average selling price of heat exchanger products in the Wisconsin segment (\$14.3 million), offset by a decrease in the average selling price of nickel products in the Wisconsin segment (\$7.1 million).

Feet shipped of chemical/petrochemical processing and power generation products increased by 3.0% to 41.4 million feet in total for the periods February 1, 2007 through June 15, 2007 (15.2 million feet) and June 16, 2007 through January 31, 2008 (26.2 million feet), as compared to 40.2 million feet in total for the periods February 1, 2006 through February 7, 2006 (1.1 million feet) and February 8, 2006 through January 31, 2007 (39.1 million feet). This increase in feet shipped was primarily due to an increase in the sales volume of nickel products in the Wisconsin segment, offset by a decrease in the sales volume of heat exchanger products in the Wisconsin segment.

Energy Products - Net sales of energy products increased \$4.3 million, or 8.2%, to \$56.7 million in total for the periods February 1, 2007 through June 15, 2007 (\$22.5 million) and June 16, 2007 through January 31, 2008 (\$34.2 million), as compared to \$52.4 million in total for the periods February 1, 2006 through February 7, 2006 (\$.5 million) and February 8, 2006 through January 31, 2007 (\$51.9 million). This increase in sales was primarily due to (i) the acquisition of Greenville (\$1.4 million); and (ii) an increase in the average selling price of substantially all of the energy products in the New Jersey segment (\$3.2 million).

Feet shipped of energy products decreased by 2.8% to 37.4 million feet in total for the periods February 1, 2007 through June 15, 2007 (16.0 million feet) and June 16, 2007 through January 31, 2008 (21.4 million feet), as compared to 38.5 million feet in total for the periods February 1, 2006 through February 7, 2006 (.3 million feet) and February 8, 2006 through January 31, 2007 (38.2 million feet). This decrease in feet shipped was primarily due to a decrease in the sales volume of encapsulated wire products in the New Jersey segment due to increased competition, offset by increases in the sales volume of pressure coil and subsea umbilical products in the New Jersey segment to the oil and gas industry and the acquisition of Greenville.

Food, Beverage and Pharmaceutical Products - Net sales of food, beverage and pharmaceutical products increased \$3.0 million, or 7.7%, to \$42.5 million in total for the periods February 1, 2007 through June 15, 2007 (\$16.6 million) and June 16, 2007 through January 31, 2008 (\$25.9 million), as compared to \$39.5 million in total for the periods February 1, 2006 through February 7, 2006 (\$.7 million) and February 8, 2006 through January 31, 2007 (\$38.8 million). This increase in sales was primarily due to an increase in the average selling price of high purity/electropolished products in the Wisconsin segment, offset by a decrease in the sales volume of these products due to increased competition and increased cautiousness among end users in capital expenditure programs.

Feet shipped of food, beverage and pharmaceuticals products decreased by 14.1% to 15.8 million feet in total for the periods February 1, 2007 through June 15, 2007 (7.0 million feet) and June 16, 2007 through January 31, 2008 (8.8 million feet), as compared to 18.4 million feet in total for the periods February 1, 2006 through February 7, 2006 (.1 million feet) and February 8, 2006 through January 31, 2007 (18.3 million feet). This decrease in feet shipped was primarily due to a decrease in the sales volume of substantially all of the food, beverage and pharmaceutical products in the Wisconsin and New Jersey segments.

General Commercial Products - Net sales of general commercial products increased \$24.4 million, or 32.0%, to \$101.1 million in total for the periods February 1, 2007 through June 15, 2007 (\$40.6 million) and June 16, 2007 through January 31, 2008 (\$60.5 million), as compared to \$76.7 million in total for the periods February 1, 2006 through February 7, 2006 (\$1.2 million) and February 8, 2006 through January 31, 2007 (\$75.5 million). This increase in sales was primarily due to (i) the acquisition of Greenville (\$23.5 million); and (ii) an increase in the average selling price of general commercial products in the Wisconsin and New Jersey segments (\$28.8 million and \$2.3 million, respectively), offset by a decrease in the sales volume of general commercial products in the Wisconsin and New Jersey segments (\$24.6 million and \$5.5 million, respectively) which the Company believes was due to the destocking of distribution channel inventories which followed the declining trend of nickel prices during the second half of fiscal 2008.

Feet shipped of general commercial products decreased by 4.1% to 45.6 million feet in total for the periods February 1, 2007 through June 15, 2007 (18.8 million feet) and June 16, 2007 through January 31, 2008 (26.8 million feet), as compared to 47.5 million feet in total for the periods February 1, 2006 through February 7, 2006 (.8 million feet) and February 8, 2006 through January 31, 2007 (46.7 million feet). This decrease in feet shipped was primarily due to a decrease in the sales volume of RathGibson's existing products in the Wisconsin and New Jersey segments, offset by the acquisition of Greenville.

Gross Profit

Gross profit was \$63.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$31.8 million) and June 16, 2007 through January 31, 2008 (\$31.4 million), an increase of \$3.9 million, or 6.6%, as compared to \$59.3 million in total for the periods February 1, 2006 through February 7, 2006 (\$9 million) and February 8, 2006 through January 31, 2007 (\$58.4 million). The increase in gross profit was primarily due to the acquisition of Greenville (\$11.5 million) and organic growth of net sales primarily in the Wisconsin segment, offset by a \$1.9 million increase (increases of \$2.4 million and \$.1 million related to the Wisconsin and Arkansas segments, respectively, and a decrease of \$.6 million related to the New Jersey segment) in non-recurring, non-cash purchase accounting adjustments to \$6.0 million in the period June 16, 2007 through January 31, 2008, as compared to \$4.1 million in the period February 8, 2006 through January 31, 2007. In accordance with the purchase method of accounting under GAAP, certain inventories were valued at fair value in connection with the DLJ Acquisition and CH Acquisition, which were \$6.0 million and \$4.1 million, respectively, greater than their historical cost. \$6.0 million and \$4.1 million of the purchase accounting adjustment was expensed in cost of goods sold within the consolidated statements of operations during the period June 16, 2007 through January 31, 2008 and the period February 8, 2006 through January 31, 2007, respectively, as the associated inventories were sold.

Gross profit margin decreased to 17.6% in total for the periods February 1, 2007 through June 15, 2007 (23.0%) and June 16, 2007 through January 31, 2008 (14.2%), as compared to 20.2% in total for the periods February 1, 2006 through February 7, 2006 (23.7%) and February 8, 2006 through January 31, 2007 (20.1%). The decrease in gross profit margin was primarily due to (i) a \$1.9 million increase in non-recurring, non-cash purchase accounting adjustments to \$6.0 million, as compared to \$4.1 million in the same period in fiscal 2007; and (ii) a reduction in selling prices due to the steep decline in the market value of nickel and the lagging effect of replacement inventory cost during the second half of fiscal 2008. This decrease in gross profit margin was offset by (i) the acquisition of Greenville which contributed a gross profit margin of 37.1% (excluding non-recurring, non-cash purchase accounting adjustments) on increased net sales; and (ii) high costs of production relating to heavy wall subsea umbilical products in the New Jersey segment during the first half of fiscal 2007.

Gross profit per foot shipped amounted to \$.45/foot (\$.49/foot excluding non-recurring, non-cash purchase accounting adjustments amounting to \$.04/foot) in total for the periods February 1, 2007 through June 15, 2007 (\$.56/foot) and June 16, 2007 through January 31, 2008 (\$.38/foot), as compared to \$.41/foot (\$.44/foot excluding non-recurring, non-cash purchase accounting adjustments amounting to \$.03/foot) in total for the periods February 1, 2006 through February 7, 2006 (\$.42/foot) and February 8, 2006 through January 31, 2007 (\$.40/foot).

Operating Expenses

Selling, general and administrative expenses increased \$9.0 million, or 33.2%, to \$36.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$21.0 million) and June 16, 2007 through January 31, 2008 (\$15.2 million), as compared to \$27.2 million in total for the periods February 1, 2006 through February 7, 2006 (\$7.3 million) and February 8, 2006 through January 31, 2007 (\$19.9 million). This increase in selling, general and administrative expenses was primarily due to (i) the acquisition of Greenville (\$1.5 million); and (ii) \$11.8 million in non-recurring expenses recorded primarily in the Wisconsin segment during the period February 1, 2007 through June 15, 2007 in connection with the DLJ Acquisition, as compared to \$7.1 million in non-recurring expenses recorded primarily in the Wisconsin segment during the period February 1, 2006 through February 7, 2006 in connection with the CH Acquisition. During the period February 1, 2007 through June 15, 2007, the Company recorded the following acquisition related expenses: (i) \$4.8 million of fees and related charges for the termination of the Company's management agreement with Castle Harlan; (ii) \$3.0 million of compensation expense relating to employee bonuses; and (iii) \$4.0 million of non-cash incentive unit expense. During the period February 1, 2006 through February 7, 2006, the Company recorded the following acquisition related expenses: (i) the extinguishment of deferred debt expenses of \$.5 million; and (ii) the recognition of compensation expense of \$6.6 million relating to the settlement of outstanding stock options, phantom rights and management bonuses.

Amortization expense decreased \$1.4 million, or 10.2%, to \$12.0 million in total for the periods February 1, 2007 through June 15, 2007 (\$2.4 million) and June 16, 2007 through January 31, 2008 (\$9.6 million), as compared to \$13.4 million in total for the periods February 1, 2006 through February 7, 2006 (less than \$.1 million) and February 8, 2006 through January 31, 2007 (\$13.4 million). The decrease in amortization expense was primarily due to allocations of the DLJ Acquisition purchase price to intangible assets and the corresponding lower amount of amortization expense for the period.

Interest Expense

Interest expense decreased \$3.3 million, or 1.5%, to \$25.6 million in total for the periods February 1, 2007 through June 15, 2007 (\$10.0 million) and June 16, 2007 through January 31, 2008 (\$15.6 million), as compared to \$25.9 million in total for the periods February 1, 2006 through February 7, 2006 (\$3.3 million) and February 8, 2006 through January 31, 2007 (\$25.6 million). The decrease in interest expense was primarily due to (i) the elimination of \$8.6 million of deferred financing costs in the Wisconsin segment in connection with the purchase accounting for the DLJ Acquisition and the corresponding decrease in amortization recorded to interest expense for the period; and (ii) amortization of \$.8 million of the bond premium in the Wisconsin segment recorded in connection with the purchase accounting for the DLJ Acquisition. These decreases were offset by an increased principal amount of indebtedness for the period.

The Company's debt agreements assessed interest at a weighted average rate of 10.4% and 10.8% at January 31, 2008 and January 31, 2007, respectively.

Income Tax Expense (Benefit)

Income tax benefit amounted to \$3.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$.9 million of income tax expense) and June 16, 2007 through January 31, 2008 (\$4.1 million of income tax benefit), as compared to \$3.0 million in total for the periods February 1, 2006 through February 7, 2006 (\$2.6 million) and February 8, 2006 through January 31, 2007 (\$.4 million). These tax provisions reflect effective tax rates of 29.8% in total for the periods February 1, 2007 through June 15, 2007 (-58.8%) and June 16, 2007 through January 31, 2008 (45.3%), as compared to 41.6% in total for the periods February 1, 2006 through February 7, 2006 (39.5%) and February 8, 2006 through January 31, 2007 (71.5%). The decrease in the effective tax rate is primarily due to non-deductible incentive unit expense of \$4.0 million recorded in the period February 1, 2007 through June 15, 2007, offset by the tax provision to tax return adjustments recorded in the period June 16, 2007 through January 31, 2008 related to the filing of the Company's income tax returns for the period February 8, 2007 through January 31, 2007. The difference between the actual effective tax rates and the U.S. federal statutory rate is principally due to (i) state income tax provisions; (ii) deductions for extra territorial income and domestic production activity; and (iii) non-deductible incentive unit expense.

Liquidity and Capital Resources

Overview

The Company's principal liquidity requirements are to service debt and meet working capital and capital expenditure needs.

The Company expects that cash generated from operating activities and availability under its Revolving Credit Facility will be the principal sources of liquidity. The Company's ability to make payments on and to refinance its indebtedness, including the Revolving Credit Facility and Senior Notes, and to fund working capital needs, planned capital expenditures and future acquisitions, will depend on the Company's ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond the Company's control. Based on the current level of operations, the Company believes the cash flow from operations and available borrowings under the Revolving Credit Facility will be adequate to meet liquidity needs for at least the next twelve months. Additionally, the Company does not expect to pay dividends to RGCH Corp. for the foreseeable future to service the interest requirements on RGCH Corp.'s PIK Notes.

As a result of the recent deterioration of the global economic environment and uncertainty about these conditions in the foreseeable future, the Company has focused on effective cash management, controlling and/or reducing costs and evaluating capital expenditures. However, if the Company does not have sufficient cash flow from its operations or availability under its Revolving Credit Facility is insufficient, the Company may need to seek additional capital or financing in the future in order to meet the Company's operating and capital needs. Nevertheless, the Company cannot assure you that it will be able to secure adequate capital or financing on commercially reasonable terms, if at all, at the time when the Company needs such funding. In the event that the Company is unable to raise additional funds, the Company's liquidity will be adversely impacted and its business could suffer. If the Company is able to secure additional funds, these funds could be costly to secure and maintain, which could significantly impact the Company's profitability and liquidity.

Debt and Other Obligations

Concurrently with the closing of the CH Transactions, and as a condition thereof, RathGibson entered into a \$50.0 million Revolving Credit Facility with General Electric Capital Corporation ("GECC") that matures on February 7, 2011. Concurrently with the closings of the Greenville Acquisition and the DLJ Acquisition, RathGibson entered into amendments to the Revolving Credit Facility for which the borrowing capacity was increased by \$10.0 million and \$20.0 million, respectively, to a total of \$80.0 million, subject to borrowing base availability. On April 8, 2008, RathGibson entered into a fifth amendment to its Revolving Credit Facility for which the borrowing capacity was increased by \$10.0 million to \$90.0 million, subject to borrowing base availability, and the interest rate charged on the borrowings under the Revolving Credit Facility was increased to prime plus 1.25% or LIBOR plus 2.25%. RGCH Corp. and Greenville are guarantors of the obligation. Under the Revolving Credit Facility, if the average amount available, after giving effect to the Company's borrowing base requirements, during any thirty day period is less than \$9.0 million, the assets of Greenville will be excluded from the Company's availability after a subsequent thirty day period and until the following: (i) RathGibson enters into an amendment to the Revolving Credit Facility for which RathGibson and Greenville become separate borrowers with separate borrowing bases; (ii) the allocation of any amounts outstanding under the Revolving Credit Facility to each of RathGibson and Greenville relative to their separate borrowing bases; and (iii) the Company delivers to the lenders any documents reasonably requested. Additionally, the borrowing base may be further reduced by \$5.0 million in the event that the Company does not maintain a fixed charge coverage ratio (as defined in the agreement) of at least 1:1 for the most recent four fiscal quarters. Borrowings under the agreement bear interest payable at various dates with floating rates of either (i) prime plus 1.25% (4.50% at January 31, 2009) or (ii) LIBOR plus 2.25% (2.65% at January 31, 2009). The Company also pays a quarterly commitment fee equal to either .375% or .50%, depending on the amount outstanding, of the unused capacity. At January 31, 2009, the Company had \$48.5 million outstanding and \$23.6 million available under the Revolving Credit Facility after giving effect to its borrowing base requirements which consists of eligible accounts receivable, inventories and property, plant and equipment. Borrowings under the Revolving Credit Facility are collateralized by substantially all assets of the Company. The Revolving Credit Facility contains various covenants that, among other things, restrict the Company's ability to incur or guarantee debt, pay dividends, make certain investments, repurchase stock, incur liens, enter into certain transactions with affiliates, enter into certain sales and leaseback transactions and transfer or sell assets. The Revolving Credit Facility also defines various events of default, including cross-default provisions with other debt agreements of the Company and RGCH Corp and solvency requirements of the Company and RGCH Corp.

At January 31, 2009, the Company was not in compliance with the solvency requirement (as defined in the Revolving Credit Facility) with respect to RGCH Corp. and the covenant requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates for certain months within 30 days of month end as required under the Revolving Credit Facility. On May 4, 2009, RathGibson entered into a waiver and sixth amendment to its Revolving Credit Facility with GECC. Pursuant to the waiver and sixth amendment, the solvency requirements pertaining to RGCH Corp. contained in the Revolving Credit Facility have been waived, and specified defaults in connection therewith, for all periods prior to May 4, 2009 and the Revolving Credit Facility has been amended to exclude RGCH Corp. from all solvency requirements under the Revolving Credit Facility from and after May 4, 2009. On May 15, 2009, RathGibson entered into a waiver and seventh amendment to its Revolving Credit Facility with GECC. Pursuant to the waiver and seventh amendment, the requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates within 30 days of month end have been waived, and specified defaults in connection therewith. Additionally, the Revolving Credit Facility has been amended to (i) extend the requirement to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 to May 18, 2009; (ii) increase the interest rate charged on the borrowings under the Revolving Credit Facility to prime plus 3.00% or LIBOR plus 4.00%; (iii) increase the quarterly commitment fee to .75% of the unused capacity; and (iv) establish various covenants that, among other things, further restrict the Company's ability to make restricted payments (as defined in the Revolving Credit Facility), require the Company to maintain minimum amounts available under the Revolving Credit Facility for each of the ten business days ended July 17, 2009 and July 31, 2009 and set forth conditions under which the Company would accelerate periodic reporting to GECC.

In connection with the CH Acquisition, the Company issued \$200.0 million aggregate principal amount of Senior Notes due February 15, 2014. These notes bear interest at 11.25% per annum payable in semi-annual installments on February 15 and August 15 each year commencing August 15, 2006. Greenville is a guarantor of the obligation. The indenture governing the Senior Notes contains covenants that, among other things, restrict the Company's ability to incur or guarantee additional debt, pay dividends and make distributions, make certain investments, repurchase stock, incur liens, enter into certain transactions with affiliates, enter into certain sale and leaseback transactions, merge or consolidate, and transfer or sell assets. The indenture governing the Senior Notes also defines various events of default, including cross-default provisions with other debt agreements of the Company. The Company was in compliance with all such covenants at January 31, 2009.

On December 14, 2007, Greenville closed on a \$2.0 million industrial development revenue bond ("IRB") with the City of Clarksville, Arkansas, due December 30, 2014. The proceeds were used to finance the acquisition and installation of machinery and equipment for a degreasing system and a bench automation project ("IRB Equipment"). RathGibson is a guarantor of the obligation. The IRB requires monthly payments of \$29 thousand with interest payable at 5.32%. In connection with the IRB, RathGibson entered into a third amendment to its Revolving Credit Facility for which the IRB Equipment was released from collateral under the Revolving Credit Facility and permitted Greenville and RathGibson, as guarantor, to enter into the IRB. The \$2.0 million of proceeds from the IRB was reported as restricted cash in the consolidated balance sheet at January 31, 2008 due to its sole purpose of financing the IRB Equipment, and accordingly, was reported as a non-cash investing and financing activity in the consolidated statement of cash flows for the period June 16, 2007 through January 31, 2008. In fiscal 2009, these proceeds were released from restriction, and accordingly, were reported as an investing activity in the consolidated statement of cash flows. The loan agreement governing the IRB contains various covenants that, among other things, restrict Greenville's ability to merge or consolidate and sell, lease, assign, transfer or otherwise dispose of the IRB Equipment. The loan agreement governing the IRB also defines various events of default, including cross-default provisions with other debt agreements of the Company. The Company was in compliance with all such covenants at January 31, 2009.

On June 15, 2007, RathGibson, together with RGCH Corp. and RG Tube, entered into an advisory services agreement, as amended, with DLJ Merchant Banking, Inc. ("DLJMB"), an affiliate of DLJ Funds, under which DLJMB acts as a financial advisor with respect to the following services: (i) assisting in analyzing operations and historical performance; (ii) analyzing future prospects; (iii) assisting with respect to future proposals for tender offers, acquisitions, sales, mergers, financings, exchange offers, recapitalizations, restructurings or other similar transactions; and (iv) assisting in strategic planning. The advisory services agreement is for an initial term expiring June 15, 2012 and is subject to renewal for consecutive one-year terms unless terminated by DLJMB or RathGibson, RGCH Corp. or RG Tube with 30 days notice prior to the expiration of the initial term or any annual renewal. For services rendered, annual advisory fees of \$.9 million and \$.1 million are payable to DLJMB and certain consultants for DLJMB who also serve as directors of RG Tube, respectively, in equal quarterly installments on the first business day of each calendar quarter. For any debt or equity financing or refinancing consummated during the term of this agreement, the Company has an obligation to pay an advisory fee not to exceed the greater of \$.5 million or one percent of the aggregate transaction value. During fiscal 2009 and the period June 16, 2007 through January 31, 2008, \$1.0 million and \$.6 million of annual advisory fees, respectively, was amortized to selling, general and administrative expenses within the consolidated statements of operations.

On February 7, 2006, RathGibson, together with RGCH Corp. and RGCH LLC, entered into a management agreement with Castle Harlan, as manager, under which Castle Harlan provided business and organizational strategy, financial and investment management, advisory, merchant and investment banking services to RathGibson, RGCH Corp. or RGCH LLC. The management agreement was terminated as a result of the DLJ Acquisition. As compensation for these services performed by Castle Harlan for fiscal 2007, the Company paid \$2.0 million to Castle Harlan on the date of the closing of the CH Acquisition. In addition, the Company paid Castle Harlan \$.8 million on the date of the closing of the CH Acquisition for services rendered in connection with the CH Transactions. During the period February 1, 2007 through June 15, 2007 and period February 8, 2006 through January 31, 2007, \$5.6 million (including \$4.8 million of fees and charges related to the termination of the management agreement) and \$2.0 million, respectively, was amortized to selling, general and administrative expenses within the consolidated statements of operations.

Working Capital

At January 31, 2009, the Company had working capital of \$75.2 million, decreasing \$7.2 million from \$82.4 million at January 31, 2008. The decrease in working capital primarily resulted from reductions in accounts receivable, offset by a net decrease in accounts payable and accrued expenses due to lower levels of sales driven by the increased concern about the slowing general manufacturing economy, collapse of world financial markets and lower market value of raw materials. The Company's borrowings under its Revolving Credit Facility is limited to the amount available after giving effect to its borrowing base requirements, which includes eligible accounts receivable and inventories. Therefore, as the Company's accounts receivable and inventories decrease in total, the amount available to the Company under its Revolving Credit Facility will decrease.

Cash Flows

Cash increased \$.8 million in fiscal 2009, ending the period at \$1.4 million. Cash decreased \$5.0 million in total for the periods February 1, 2007 through June 15, 2007 (\$1.2 million) and June 16, 2007 through January 31, 2008 (\$3.8 million), ending the period at \$.6 million. The increase in the generation of cash in fiscal 2009, as compared to the total for the periods February 1, 2007 through June 15, 2007 and June 16, 2007 through January 31, 2008, is primarily due to the following:

Operating Activities - The Company generated cash from operating activities in fiscal 2009 of \$15.9 million, as compared to cash used in operating activities of \$1.3 million in total for the periods February 1, 2007 through June 15, 2007 (used cash of \$11.2 million) and June 16, 2007 through January 31, 2008 (generated cash of \$9.9 million). The increase in the generation of cash flows from operating activities was primarily due to a reduction in working capital needs in the fourth quarter of fiscal 2009 due to lower levels of sales and inventories driven by the increased concern about the slowing general manufacturing economy, collapse of world financial markets and lower market value of raw materials.

The Company used cash in operating activities of \$1.3 million in total for the periods February 1, 2007 through June 15, 2007 (used cash of \$11.2 million) and June 16, 2007 through January 31, 2008 (generated cash of \$9.9 million), as compared to cash generated from operating activities of \$11.4 million in total for the periods February 1, 2006 through February 7, 2006 (used cash of \$3.0 million) and February 8, 2006 through January 31, 2007 (generated cash of \$14.4 million). The decrease in the generation of cash flows from operating activities was primarily due to increases in working capital needs due to higher levels of sales and inventories driven, in part, by increased market value of raw materials.

Investing Activities - The Company used cash for investing activities of \$27.4 million in fiscal 2009, as compared to \$9.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$2.3 million) and June 16, 2007 through January 31, 2008 (\$6.9 million). Capital expenditures to replace and upgrade existing equipment and install new equipment to provide additional operating efficiencies amounted to \$9.3 million in fiscal 2009, as compared to \$9.2 million in total for the periods February 1, 2007 through June 15, 2007 (\$2.3 million) and June 16, 2007 through January 31, 2008 (\$6.9 million). In fiscal 2009, the Company used cash of \$20.1 million, net of cash acquired, to acquire Mid-South. The \$2.0 million of proceeds from the IRB was reported as restricted cash in the consolidated balance sheet at January 31, 2008 due to its sole purpose of financing the IRB Equipment, and accordingly, was reported as a non-cash investing and financing activity in the consolidated statement of cash flows for the period June 16, 2007 through January 31, 2008. In fiscal 2009, these proceeds were released from restriction, and accordingly, were reported as an investing activity in the consolidated statement of cash flows.

The Company used cash for investing activities \$36.4 million in total for the periods February 1, 2006 through February 7, 2006 (\$.5 million) and February 8, 2006 through January 31, 2007 (\$35.9 million). Capital expenditures to replace and upgrade existing equipment and install new equipment to provide additional operating efficiencies amounted to \$6.7 million in total for the periods February 1, 2006 through February 7, 2006 (\$.5 million) and February 8, 2006 through January 31, 2007 (\$6.2 million). In the period February 8, 2006 through January 31, 2007, the Company used cash of \$34.6 million, net of cash acquired, to purchase all of the outstanding equity interests of Greenville and received net proceeds of \$4.9 million from the Sale-Leaseback Transaction.

The Company expects capital expenditures for fiscal 2010 to be approximately \$6.9 million, primarily relating to the purchase of new equipment for the purpose of reducing manufacturing costs, increasing productive capacity and maintenance.

Financing Activities - Financing activities provided cash of \$12.3 million in fiscal 2009, as compared to \$5.5 million in total for the periods February 1, 2007 through June 15, 2007 (provided cash of \$12.3 million) and June 16, 2007 through January 31, 2008 (used cash of \$6.8 million). Net principal proceeds from the Revolving Credit Facility of \$12.7 million in the fiscal 2009 were used primarily to fund the acquisition of Mid-South and working capital requirements. Net principal proceeds from the Revolving Credit Facility of \$7.5 million in total for the periods February 1, 2007 through June 15, 2007 (proceeds of \$12.3 million) and June 16, 2007 through January 31, 2008 (payments of \$4.8 million) were used primarily to fund working capital requirements. In the period June 16, 2007 through January 31, 2008, the Company paid a dividend of \$3.8 million, which was used to finance the contingent payment of \$3.4 million made by RG Tube in connection with the DLJ Acquisition. The \$2.0 million of restricted cash from the IRB was reported as a non-cash investing and financing activity in the consolidated statement of cash flows for the period June 16, 2007 through January 31, 2008.

Financing activities provided cash of \$27.8 million in total for the periods February 1, 2006 through February 7, 2006 (\$3.9 million) and February 8, 2006 through January 31, 2007 (\$23.9 million). In the period February 8, 2006 through January 31, 2007, the net principal proceeds from the Revolving Credit Facility of \$21.3 million were used primarily to fund the Greenville Acquisition and working capital requirements. In the period February 1, 2006 through February 7, 2006, the Company issued \$200.0 million in Senior Notes and borrowed \$7.0 million under the Revolving Credit Facility in connection with the CH Acquisition, which was used for the following corporate purposes: (i) repay existing indebtedness of approximately \$170.4 million; (ii) fund the CH Acquisition through the payment of \$23.1 million to RGCH Corp.; and (iii) payment of financing costs of \$9.6 million. In the period February 8, 2006 through January 31, 2007, the Company received \$2.6 million related to the working capital adjustment in connection with the CH Acquisition.

Contractual Obligations

The following table represents contractual commitments associated with the Company's debt and other obligations as of January 31, 2009 (in thousands):

| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
|--|-------------------|---------------------------------|----------------------|----------------------|----------------------------------|
| Revolving Credit Facility ⁽¹⁾ | \$ 51,478 | \$ 1,456 | \$ 50,022 | \$ - | \$ - |
| IRB ⁽¹⁾ | 2,033 | 344 | 688 | 687 | 314 |
| Senior Notes ⁽¹⁾ | 323,750 | 22,500 | 45,000 | 45,000 | 211,250 |
| Operating leases | 21,374 | 2,534 | 2,989 | 2,847 | 13,004 |
| Advisory service fee ⁽²⁾ | 3,250 | 1,000 | 2,000 | 250 | - |
| Raw materials ⁽³⁾ | 24,037 | 24,037 | - | - | - |
| Capital expenditures ⁽³⁾ | 691 | 691 | - | - | - |
| Total contractual obligations | <u>\$ 426,613</u> | <u>\$ 52,562</u> | <u>\$ 100,699</u> | <u>\$ 48,784</u> | <u>\$ 224,568</u> |

(1) Includes interest payments for the Revolving Credit Facility, IRB and Senior Notes calculated using an interest rate of 3.00%, 5.32% and 11.25%, respectively.

(2) The Company has entered into an advisory services agreement with DLJMB, under which DLJMB acts as a financial advisor with respect to various financial services provided to the Company, RGCH Corp. or RG Tube, and under what the Company pays DLJMB and certain consultants for DLJMB who also serve as directors of RG Tube compensation for those services. See "Liquidity and Capital Resources - Debt and Other Obligations."

(3) Represents ordinary course purchase orders.

Off-balance Sheet Arrangements

At January 31, 2009, the Company did not have any off-balance sheet arrangements.

Inflation

Inflation has not had a material impact on the Company's results of operations or financial condition during the preceding three years.

Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect: (i) the reported amounts of assets and liabilities at the date of the consolidated financial statements; (ii) the disclosures of contingent assets and liabilities at the date of the consolidated financial statements; and (iii) the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and other assumptions that are believed to be reasonable under circumstances, the results of which form the basis for the Company's judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company's actual results may differ from these estimates under different circumstances or conditions. If actual amounts are ultimately different from these estimates, the revisions are included in the Company's results of operations for the period in which the actual amounts become known.

The Company believes the following critical accounting policies represent the more significant judgments and estimates used in preparing the consolidated financial statements. There have been no material changes made to the Company's critical accounting policies and estimates during the periods presented in the consolidated financial statements.

Accounts Receivable

Accounts receivable consist of amounts billed and currently due from customers. The Company extends credit to customers in the normal course of business and generally does not require collateral to support its accounts receivable balances. The Company maintains a reserve for estimated losses resulting from the inability or unwillingness of customers to make required payments. The reserve for estimated losses is based on the Company's historical experience, existing economic conditions and any specific customer collection issues the Company has identified.

Inventories

Inventories are accounted for using the first-in, first-out method and are valued at the lower of cost or market. The Company records a reserve for excess or slow moving inventories based on historical sales and order patterns and assumptions about future demand and market conditions. The Company also records a reserve to adjust inventories to the lower of cost or market.

Long-Lived Assets

The Company accounts for the impairment or disposal of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144") which requires long-lived assets, such as property, plant and equipment and amortizable intangible assets other than goodwill and indefinite-lived intangible assets, which are tested separately for impairment, to be evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When evaluating long-lived and amortizable assets for potential impairment, the Company first compares the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, the Company calculates an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based on estimated future cash flows (discounted and with interest charges). The Company recognizes an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If the Company recognizes an impairment loss, the adjusted carrying amount becomes its new cost basis. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at January 31, 2009 and October 31, 2008. The Company has determined that there were no impairments of property, plant and equipment at January 31, 2009 and October 31, 2008. The Company has determined that there were no indicators of impairment at January 31, 2008.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over tangible and intangible assets acquired less liabilities assumed arising from business combinations. Goodwill is not amortized.

The Company evaluates goodwill for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired, by applying a fair value based test and, if impairment occurs, the amount of impaired goodwill is written off immediately. The provisions of SFAS No. 142 require that a two-step impairment test be performed annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step of the test for impairment compares the book value of each of the Company's reporting units to its estimated fair value. The Company has determined that its reporting units are the same as its reportable segments. Under the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has four reportable segments, Wisconsin, New Jersey, Louisiana and Arkansas. In determining the reporting units under SFAS 142, the Company starts with its reportable segments and evaluates whether the Company is required to identify reporting units one level below the reportable segment level. Management of the Company does not review discreet financial results for levels below the reportable segment and under SFAS 142, the components of each reportable segment are aggregated and deemed a single reporting unit because they have similar economic characteristics. The second step of the goodwill impairment test, which is only required when the net book value of the reporting unit exceeds its estimated fair value, compares the implied fair value of goodwill to its book value to determine the amount of the impairment required.

For purposes of the goodwill analysis, the Company performs its assessment of fair value of each reporting unit using a combination of an income and market approach. Under the income approach, the fair value of a reporting unit is calculated based on the present value of estimated discounted future cash flows. The Company's discounted cash flow model is based on a reporting unit's projection of operating results and related cash flows that are discounted using the weighted average cost of capital of the reporting unit or comparable companies adjusted for specific risks such as forecast risk. The weighted average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise. The basis for the Company's cash flow assumptions includes historical and forecasted sales, operating costs and other relevant factors including projected capital expenditures. These assumptions are determined after giving consideration to historical and current economic trends, including the decline in demand for the Company's products as major U.S. storms disrupted offshore oil production in late summer of fiscal 2009 and general economic conditions took an unprecedented downturn following the collapse of world financial markets in the second half of fiscal 2009. Each reporting unit's sales growth rates are determined after considering current and future economic conditions, recent sales trends for the reporting units, discussions with its customers, planned timing of new product launches and many other variables. Under the market approach, the fair value of reporting unit is estimated based on market multiples of cash flow for comparable companies and similar transactions. Additionally, the Company's goodwill analysis includes an allocation of certain corporate and international selling expenses to each reporting unit.

Tradenames are not amortized. Under the provisions of SFAS 142, the Company evaluates tradenames for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired, by applying a fair value based test and, if impairment occurs, the amount of impaired tradenames is written off immediately.

For purposes of the tradename analysis, the Company performs its assessment of fair value based on an income approach using the relief-from-royalty method. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. The Company determines the fair value of each tradename by applying a royalty rate to a projection of net sales discounted using a risk adjusted cost of capital. The Company believes the relief-from-royalty method to be an acceptable methodology due to its common use by valuation specialists in determining the fair value of intangible assets. Sales growth rates are determined after considering current and future economic conditions, recent sales trends, discussions with customers, planned timing of new product launches and many other variables. Each royalty rate is based on profitability of the business to which it relates and observed market royalty rates.

The methods of assessing fair value for goodwill and tradename impairment purposes require significant judgments to be made by management. Changes in such estimates or the application of alternative assumptions could produce significantly different results. Assuming no other change in assumptions, a decrease of 1.0% in the Company's sales growth rate would increase the goodwill and tradename impairment charges by approximately \$6.0 million; a decrease of 1.0% in the Company's gross profit margin would increase the goodwill impairment charges by approximately \$9.0 million; and an increase of 1.0% in the Company's discount rate would increase the goodwill and tradename impairment charges by approximately \$7.0 million.

Amortizable intangible assets consist primarily of customer lists. Subsequent to the DLJ Acquisition, the Company amortizes customer lists principally by an accelerated method over their estimated useful lives of 15 years. The accelerated method reflects the pattern in which the economic benefits of the customer lists are expected to be realized using assumptions of sales growth and customer attrition rates in relative proportion to the declining cash flows in the original asset valuation. Prior to the DLJ Acquisition and after the CH Acquisition, amortizable intangible assets were amortized principally by the straight-line method over their estimated useful lives of 15 years. Prior to the CH Acquisition, customer lists were amortized principally over 40 years. Under the provisions of SFAS 144, the Company may evaluate customer lists for impairment if events or circumstances indicate that the assets may be impaired and, if impairment occurs, the amount of impaired customer lists is written off immediately. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at January 31, 2009 and October 31, 2008. The Company has determined that there was no impairment of customer lists at January 31, 2009 and October 31, 2008. The Company has determined that there were no indicators of impairment at January 31, 2008.

Deferred Income Taxes

Deferred income taxes are provided using the asset and liability method, whereby deferred income taxes are recognized for temporary differences between the reported amounts of assets and liabilities herein and their income tax basis and for net operating loss and tax credit carryforwards. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are computed using the income tax rates in effect in the years in which the temporary differences are expected to reverse.

Revenue Recognition

Revenues are recognized when persuasive evidence of a selling arrangement exists, delivery has occurred, the Company's price to the customer is fixed or determinable and collectibility is reasonably assured. These criteria are generally satisfied upon shipment of product.

Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 was effective on November 16, 2008. The adoption of SFAS 162 did not have a material impact on the Company's consolidated financial position and results of operations for fiscal 2009.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 establishes the disclosure requirements for derivative instruments and for hedging activities with the intent to provide financial statement users with an enhanced understanding of the entity's use of derivative instruments, the accounting of derivative instruments and related hedged items under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related interpretations, and the effects of these instruments on the entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is assessing the impact the adoption of SFAS 161 will have on the Company's consolidated financial position and results of operations for fiscal 2010.

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations,” (“SFAS 141R”) to create greater consistency in the accounting and financial reporting of business combinations. SFAS 141R requires a company to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity to be measured at their fair values as of the acquisition date. SFAS 141R also requires companies to recognize the fair value of assets acquired, the liabilities assumed and any noncontrolling interest in acquisitions of less than a one hundred percent interest when the acquisition constitutes a change in control of the acquired entity. In addition, SFAS 141R requires that acquisition-related costs and restructuring costs be recognized separately from the business combination and expensed as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will apply the provisions of SFAS 141R to business combinations completed after fiscal 2009.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on the Company’s consolidated financial position and results of operations for fiscal 2009.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurement” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures related to the use of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Statement of Financial Position No. 157-2 (“FSP 157-2”) which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). FSP 157-2 defers the effective date of FAS 157 pertaining to nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The adoption of SFAS 157 pertaining to financial assets and financial liabilities did not have a material impact on the Company’s consolidated financial position and results of operations for fiscal 2009. The Company does not expect the adoption of SFAS 157 pertaining to nonfinancial assets and nonfinancial liabilities will have a material impact on the Company’s consolidated financial position and results of operations for fiscal 2010.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Credit Risk

The Company provides credit in the normal course of business to its customers, which are primarily value-added tubing distributors, OEMs, and engineering firms. The Company performs ongoing credit evaluations of its customers, maintains reserves for potential credit losses and generally does not require collateral to support its accounts receivable balances. The Company’s largest customer, Tubes, accounted for approximately 12% of the Company’s net sales in fiscal 2009 and 15% of the Company’s accounts receivable at January 31, 2009. Accordingly, a bankruptcy or a significant deterioration in the financial condition of this customer or any of the Company’s other significant customers could have a material adverse effect on the Company’s financial condition and results of operations due to a reduction in purchases, a longer collection cycle or an inability to collect accounts receivable.

Commodity Price Risk

The Company purchases certain raw materials such as stainless steel, nickel alloys, titanium, argon and hydrogen that are subject to price volatility caused by unpredictable factors. Stainless steel, principally 304L grade and 316L grade, is the primary raw material the Company uses to manufacture products. Stainless steel prices have historically been dependent on supply and demand and costs of raw materials such as chrome, nickel, molybdenum and titanium. Where possible, the Company employs fixed rate raw material purchase contracts. Historically, the Company has been able to pass along increases in raw material costs to its customers, and the Company expects to continue to pass along such costs to customers. While the Company is able to pass through changes in the cost of raw materials to its customers, significant and sudden changes can lead customers to reduce or delay purchases, substitute materials and/or cancel capital projects, which may have an adverse effect on the Company's results of operations and financial condition due to changes in sales volume and the lagging effect of replacement inventory cost. The Company has not, in the past, used derivatives to manage commodity price risk.

Interest Rate Risk

Changes in interest rates can potentially impact the Company's profitability and its ability to realize assets and satisfy liabilities. Interest rate risk is resident primarily in the Company's Revolving Credit Facility, which typically has variable interest rates based on Prime or LIBOR rates. Assuming no other change in financial structure, an increase of 100 basis points in the Company's variable interest rate would decrease pre-tax earnings for fiscal 2010 by approximately \$.5 million. This amount is determined by considering the impact of a 1% increase in interest rates on the average debt estimated to be outstanding in fiscal 2010.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the Company, together with the related notes and reports of the independent registered public accounting firms are set forth below.

Index to Consolidated Financial Statements

| | <u>Page</u> |
|---|--------------------|
| Report of Independent Registered Public Accounting Firm - KPMG LLP | 50 |
| Report of Independent Registered Public Accounting Firm - Deloitte & Touche LLP | 51 |
| Consolidated Balance Sheets | 52 |
| Consolidated Statements of Operations | 53 |
| Consolidated Statements of Stockholders' Equity (Deficiency) | 54 |
| Consolidated Statements of Cash Flows | 55 |
| Notes to Consolidated Financial Statements | 57 |

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder
RathGibson, Inc.:

We have audited the accompanying consolidated balance sheet of RathGibson, Inc. and subsidiaries as of January 31, 2009 and the related consolidated statement of operations, stockholder's equity (deficiency), and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. An audit includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RathGibson, Inc. and subsidiaries as of January 31, 2009 and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Milwaukee, WI
May 18, 2009

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board Member of
RathGibson, Inc.

We have audited the accompanying consolidated balance sheet of RathGibson, Inc. and subsidiaries (the “Company”) as of January 31, 2008, and the related consolidated statements of operations, stockholders’ equity (deficiency), and cash flows for the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007, the period February 8, 2006 through January 31, 2007 and the period February 1, 2006 through February 7, 2006. Our audits also included the financial statement schedule for 2008 and 2007 listed in the Index at Item 15 for such periods. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of RathGibson, Inc. and subsidiaries at January 31, 2008, and the results of their operations and their cash flows for the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007, the period February 8, 2006 through January 31, 2007 and the period February 1, 2006 through February 7, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for such periods, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Milwaukee, WI
April 28, 2008

RATHGIBSON, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

January 31, 2009 and 2008
(in thousands, except share and per share data)

| | 2009 | 2008 |
|--|-------------|-------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,425 | \$ 680 |
| Restricted cash | - | 2,000 |
| Accounts receivable, net of reserves of \$530 and \$328 at January 31, 2009 and 2008, respectively | 37,536 | 54,754 |
| Inventories, net of reserves of \$7,072 and \$694 at January 31, 2009 and 2008, respectively | 66,247 | 65,597 |
| Prepaid expenses and other | 2,508 | 2,524 |
| Refundable income taxes | 527 | 3,419 |
| Deferred income taxes | 4,832 | 1,438 |
| Total current assets | 113,075 | 130,412 |
| Property, plant and equipment, net | 52,320 | 50,843 |
| Goodwill | 31,023 | 231,769 |
| Other intangible assets, net | 132,536 | 148,516 |
| Deferred financing costs and other | 637 | 383 |
| Total assets | \$ 329,591 | \$ 561,923 |
| Liabilities and Stockholder's Equity (Deficiency) | | |
| Current liabilities: | | |
| Current installments of long-term debt | \$ 257 | \$ 244 |
| Accounts payable | 16,271 | 29,965 |
| Accrued expenses | 21,131 | 17,757 |
| Income taxes payable | 202 | - |
| Total current liabilities | 37,861 | 47,966 |
| Long-term debt, less current installments | 259,180 | 248,045 |
| Deferred income taxes | 39,223 | 62,666 |
| Stockholder's equity (deficiency): | | |
| Common stock, \$.01 par value; 260,000 shares authorized, 100 shares issued and outstanding | - | - |
| Additional paid-in capital | 214,452 | 208,175 |
| Accumulated deficit | (221,125) | (4,929) |
| Total stockholder's equity (deficiency) | (6,673) | 203,246 |
| Total liabilities and stockholder's equity (deficiency) | \$ 329,591 | \$ 561,923 |

The accompanying notes are an integral part of these consolidated financial statements.

RATHGIBSON, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

**For the Fiscal Year Ended January 31, 2009, Period June 16, 2007
through January 31, 2008, Period February 1, 2007
through June 15, 2007, Period February 8, 2006 through January 31, 2007
and Period February 1, 2006 through February 7, 2006
(in thousands)**

| | <u>Successor</u> | | <u>Predecessor II</u> | | <u>Predecessor I</u> |
|---|--------------------|---------------------|-----------------------|---------------------|----------------------|
| | <u>Fiscal</u> | <u>Period</u> | <u>Period</u> | <u>Period</u> | <u>Period</u> |
| | <u>Year Ended</u> | <u>June 16,</u> | <u>February 1,</u> | <u>February 8,</u> | <u>February 1,</u> |
| | <u>January 31,</u> | <u>2007 through</u> | <u>2007 through</u> | <u>2006 through</u> | <u>2006 through</u> |
| | <u>2009</u> | <u>January 31,</u> | <u>June 15,</u> | <u>January 31,</u> | <u>February 7,</u> |
| | | <u>2008</u> | <u>2007</u> | <u>2007</u> | <u>2006</u> |
| Net sales | \$ 324,526 | \$ 221,432 | \$ 138,239 | \$ 289,842 | \$ 4,020 |
| Cost of goods sold | 276,338 | 190,020 | 106,422 | 231,463 | 3,067 |
| Gross profit | 48,188 | 31,412 | 31,817 | 58,379 | 953 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 30,257 | 15,192 | 21,044 | 19,859 | 7,346 |
| Amortization | 12,120 | 9,684 | 2,363 | 13,406 | 11 |
| Impairment of goodwill and other intangible assets | 228,402 | - | - | - | - |
| | 270,779 | 24,876 | 23,407 | 33,265 | 7,357 |
| Income (loss) from operations | (222,591) | 6,536 | 8,410 | 25,114 | (6,404) |
| Interest expense | 24,592 | 15,549 | 9,991 | 25,580 | 336 |
| Loss before income taxes | (247,183) | (9,013) | (1,581) | (466) | (6,740) |
| Income tax expense (benefit) | (30,987) | (4,084) | 930 | (333) | (2,663) |
| Net loss | \$ (216,196) | \$ (4,929) | \$ (2,511) | \$ (133) | \$ (4,077) |

The accompanying notes are an integral part of these consolidated financial statements.

RATHGIBSON, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficiency)

For the Fiscal Year Ended January 31, 2009, Period June 16, 2007
through January 31, 2008, Period February 1, 2007
through June 15, 2007, Period February 8, 2006 through January 31, 2007
and Period February 1, 2006 through February 7, 2006
(in thousands, except share data)

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Stockholders' Equity (Deficiency) |
|------------------------------|-----------------------|--------|----------------------------------|------------------------|---|
| | Shares Outstanding | Amount | | | |
| <u>Predecessor I</u> | | | | | |
| Balances, January 31, 2006 | 215,462 | \$ 2 | \$ 13,247 | \$ (42,591) | \$ (29,342) |
| Net loss | - | - | - | (4,077) | (4,077) |
| Balances, February 7, 2006 | 215,462 | 2 | 13,247 | (46,668) | (33,419) |
| <u>Predecessor II</u> | | | | | |
| Net loss | - | - | - | (133) | (133) |
| Acquisition by RGCH Corp. | (215,362) | (2) | 54,253 | 46,668 | 100,919 |
| Equity contributions | - | - | 560 | - | 560 |
| Incentive unit expense | - | - | 227 | - | 227 |
| Balances, January 31, 2007 | 100 | - | 68,287 | (133) | 68,154 |
| Net loss | - | - | - | (2,511) | (2,511) |
| Incentive unit expense | - | - | 4,079 | - | 4,079 |
| Balances, June 15, 2007 | 100 | - | 72,366 | (2,644) | 69,722 |
| <u>Successor</u> | | | | | |
| Net loss | - | - | - | (4,929) | (4,929) |
| Acquisition by RG Tube | - | - | 139,468 | 2,644 | 142,112 |
| Dividend | - | - | (3,800) | - | (3,800) |
| Incentive unit expense | - | - | 141 | - | 141 |
| Balances, January 31, 2008 | 100 | - | 208,175 | (4,929) | 203,246 |
| Net loss | - | - | - | (216,196) | (216,196) |
| Equity contribution | - | - | 6,000 | - | 6,000 |
| Incentive unit expense | - | - | 277 | - | 277 |
| Balances, January 31, 2009 | 100 | \$ - | \$ 214,452 | \$ (221,125) | \$ (6,673) |

The accompanying notes are an integral part of these consolidated financial statements.

RATHGIBSON, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

**For the Fiscal Year Ended January 31, 2009, Period June 16, 2007
through January 31, 2008, Period February 1, 2007
through June 15, 2007, Period February 8, 2006 through January 31, 2007
and Period February 1, 2006 through February 7, 2006
(in thousands)**

| | <u>Successor</u> | | <u>Predecessor II</u> | | <u>Predecessor I</u> |
|---|---|--|--|---|---|
| | <u>Fiscal Year Ended January 31, 2009</u> | <u>Period June 16, 2007 through January 31, 2008</u> | <u>Period February 1, 2007 through June 15, 2007</u> | <u>Period February 8, 2006 through January 31, 2007</u> | <u>Period February 1, 2006 through February 7, 2006</u> |
| Cash flows from operating activities: | | | | | |
| Net loss | \$ (216,196) | \$ (4,929) | \$ (2,511) | \$ (133) | \$ (4,077) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 18,802 | 13,477 | 4,551 | 18,658 | 110 |
| Net amortization of deferred financing costs and bond premium | (1,152) | (715) | 576 | 1,489 | - |
| Extinguishment of deferred financing costs | - | - | - | - | 535 |
| Expensing of write-up of inventories | 564 | 6,048 | - | 4,148 | - |
| (Gain) loss on disposal of property, plant and equipment | 320 | (1) | 16 | 105 | - |
| Deferred income taxes | (30,704) | (3,502) | (1,846) | (4,146) | (2,313) |
| Incentive unit expense | 277 | 141 | 4,079 | 227 | - |
| Compensation expense – transaction cost | - | - | - | - | 54 |
| Impairment of goodwill and other intangible assets | 228,402 | - | - | - | - |
| Change in assets and liabilities, net of acquisition: | | | | | |
| Accounts receivable | 18,905 | 5,560 | (5,850) | (14,963) | (1,403) |
| Inventories | 6,645 | 5,751 | (17,014) | (17,206) | (385) |
| Other current and non-current assets | (187) | 776 | 598 | 509 | (66) |
| Accounts payable | (14,529) | (8,752) | 14,188 | 6,014 | 2,088 |
| Accrued expenses | 1,507 | 929 | (7,767) | 15,199 | 2,771 |
| Income taxes | 3,220 | (4,873) | (202) | 4,495 | (350) |
| Net cash provided by (used in) operating activities | 15,874 | 9,910 | (11,182) | 14,396 | (3,036) |
| Cash flows from investing activities: | | | | | |
| Acquisition of property, plant and equipment | (9,265) | (6,920) | (2,269) | (6,273) | (498) |
| Proceeds from sale of property, plant and equipment | - | 5 | - | 4,939 | - |
| Decrease in restricted cash | 2,000 | - | - | - | - |
| Cash paid for acquisition, net of cash acquired | (20,136) | - | - | (34,580) | - |
| Net cash used in investing activities | (27,401) | (6,915) | (2,269) | (35,914) | (498) |

The accompanying notes are an integral part of these consolidated financial statements.

RATHGIBSON, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

**For the Fiscal Year Ended January 31, 2009, Period June 16, 2007
through January 31, 2008, Period February 1, 2007
through June 15, 2007, Period February 8, 2006 through January 31, 2007
and Period February 1, 2006 through February 7, 2006
(in thousands)**

| | <u>Successor</u> | | <u>Predecessor II</u> | | <u>Predecessor I</u> |
|---------------------------------------|---|--|--|---|---|
| | <u>Fiscal Year Ended January 31, 2009</u> | <u>Period June 16, 2007 through January 31, 2008</u> | <u>Period February 1, 2007 through June 15, 2007</u> | <u>Period February 8, 2006 through January 31, 2007</u> | <u>Period February 1, 2006 through February 7, 2006</u> |
| Cash flows from financing activities: | | | | | |
| Proceeds from (payments on) new | | | | | |
| Revolving Credit Facility | 12,719 | (4,800) | 12,324 | 21,315 | 6,980 |
| Payments on old | | | | | |
| revolving credit facility | - | - | - | - | (30,919) |
| Purchase price adjustment | - | - | - | 2,608 | - |
| Proceeds from (payments to) | | | | | |
| parent company | - | 1,962 | - | - | (23,062) |
| Dividend | - | (3,800) | - | - | - |
| Proceeds from Senior Notes | - | - | - | - | 200,000 |
| Payments on long-term debt | (244) | (15) | - | - | (139,500) |
| Payments of financing fees | (203) | (116) | (50) | (562) | (9,579) |
| Equity contributions | - | - | - | 560 | - |
| Net cash provided by (used in) | | | | | |
| financing activities | 12,272 | (6,769) | 12,274 | 23,921 | 3,920 |
| Net increase (decrease) in cash | 745 | (3,774) | (1,177) | 2,403 | 386 |
| Cash at beginning of period | 680 | 4,454 | 5,631 | 3,228 | 2,842 |
| Cash at end of period | \$ 1,425 | \$ 680 | \$ 4,454 | \$ 5,631 | \$ 3,228 |

The accompanying notes are an integral part of these consolidated financial statements.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(1) ORGANIZATION AND FINANCIAL STATEMENT PRESENTATION

RathGibson, Inc. (“RathGibson”) and its subsidiaries (together with RathGibson, the “Company”) is one of the world’s leading specialty manufacturers of highly engineered premium stainless steel and alloy tubular products. The Company’s products are designed to meet customer specifications and are used in environments that require high-performance characteristics, such as exceptional strength and the ability to withstand highly corrosive materials, extreme temperatures or high-pressure. The Company sells over 1,000 products globally to diverse end-markets, including (i) chemical/petrochemical processing and power generation; (ii) energy; (iii) food, beverage and pharmaceuticals; and (iv) general commercial. The Company sells these products to value-added tubing distributors, original equipment manufacturers, or OEMs, and engineering firms that often recommend the Company’s products for projects on which they are engaged. The Company’s primary trade brands, RathGibson and GTC[®], are recognized as industry leaders and the Company’s products have won numerous awards for quality and reliability from customers.

The accompanying consolidated financial statements have been prepared on a going concern basis.

The Company had a net loss of \$216,196 in the fiscal year ended January 31, 2009, including net losses in the third and fourth quarters of \$122,939 and \$94,760, respectively. The net losses in the third and fourth quarters of fiscal 2009 included charges for the impairments of goodwill and tradenames of \$124,511 and \$103,891, respectively. Net sales declined sharply in the fourth quarter of fiscal 2009 to \$66,534, as compared to \$82,954 in the third quarter of fiscal 2009 and \$86,448 in the fourth quarter of fiscal 2008. As a result of these reported net losses, the Company has an accumulated deficit and a stockholder’s deficiency of \$221,125 and \$6,673, respectively, at January 31, 2009. The Company manufactures stainless steel and specialty alloy tubular products that are used by a variety of specialty industrial and commercial end-users. Demand for the Company’s products is driven by demand for products manufactured or sold by these specialty end-users. The demand for the Company’s end-users’ products fluctuates based on economic conditions or other matters beyond its control, including macroeconomic policies, geopolitical developments and the strength of the U.S. dollar. It is difficult to predict new general economic conditions that could impact demand for the Company’s products or the Company’s ability to manage normal commercial relationships with its customers, suppliers and creditors. The recent emergence of a number of negative economic factors, including the collapse of world financial markets, heightened investor concerns about the credit quality of mortgages, constraints on the supply of credit to households, continuing increases in energy prices, lower equity prices, softening home values, uncertainty and perceived weakness in the labor market and general consumer fears of a deep and prolonged recession or depression have negatively impacted the Company’s business. The timing and nature of any recovery in world financial markets, as well as the global economic environment, continues to remain uncertain, and there is no assurance that market conditions will improve in the near future or that the Company’s results will not continue to be adversely affected.

The Company has taken initiatives in the fourth quarter of fiscal 2009 to reduce the number of workdays, reduce headcount, evaluate capital expenditures and implement other cost reduction measures. In the fiscal year ended January 31, 2010, the Company’s management may be required to act upon its identified contingency plan to significantly reduce operating expenses. These reductions, if necessary, would include such items as temporary plant shutdowns, further headcount reductions, further reductions to capital expenditures and other significant cost reduction measures. While there can be no assurances that these actions will be sufficient, such contingency plans are within the Company’s control. Further, the Company has the intent and ability to execute as necessary and believes such benefits are achievable. However, there can be no assurance that these initiatives will not have a lasting negative impact on the Company’s long term business prospects.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

On June 15, 2007, RGCH Holdings Corp. ("RGCH Corp."), the direct parent of RathGibson, and RGCH Holdings LLC ("RGCH LLC"), an indirect parent of RathGibson, completed the sale of 100% of RGCH Corp.'s equity to RG Tube Holdings LLC ("RG Tube"), an affiliate of DLJ Merchant Banking Partners IV, L.P. and affiliated investment funds ("DLJ Funds"), and certain members of RathGibson's senior management who exchanged a portion of their equity interest in RGCH LLC for equity interest in RG Tube in lieu of cash (referred to as the "DLJ Acquisition"). The aggregate purchase price was \$211,834, including a contingent payment of \$3,376 made by RG Tube. The contingent payment was equal to Adjusted Net Income (as defined in the stock purchase agreement) for the period May 1, 2007 through June 15, 2007, up to a maximum contingent payment of \$4,000. The DLJ Acquisition was financed through a combination of debt and equity. In connection with the DLJ Acquisition, RGCH Corp. issued \$115,000 of 13.5% pay-in-kind notes ("PIK Notes") due on June 15, 2015. The Company, however, is not a party to any agreement related to the PIK Notes and does not have any obligations (including any guarantee obligations) in respect of the PIK Notes and accordingly, the debt and related interest are not recognized in the accompanying financial statements. However, due to RGCH Corp. being a guarantor to RathGibson's senior secured revolving credit facility ("Revolving Credit Facility") and the existence of cross-default provisions within this debt agreement, a default under the PIK Notes agreement could be cause for the acceleration of outstanding indebtedness under the Company's debt agreements. In addition, RathGibson entered into a second amendment to its Revolving Credit Facility for which the borrowing capacity was increased by \$20,000 to \$80,000, subject to borrowing base availability. The contingent payment of \$3,376 made by RG Tube was financed by a dividend of \$3,800 from RathGibson in the period June 16, 2007 through January 31, 2008. In connection with the DLJ Acquisition, the Company recorded (i) \$4,844 of fees and related charges for the termination of its management agreement with Castle Harlan, Inc. ("Castle Harlan"), a private equity investment firm which managed Castle Harlan Partners IV, L.P. ("CHP IV"), a private equity investment fund affiliated with RGCH LLC, which was settled at closing (Note 14); (ii) \$2,973 of compensation expense relating to employee bonuses, of which \$2,000 and \$973 was settled at closing and in the period June 16, 2007 through January 31, 2008, respectively; and (iii) \$3,989 of non-cash incentive unit expense (Note 11). The foregoing transactions were recorded as selling, general and administrative expenses within the Consolidated Statements of Operations for the period February 1, 2007 through June 15, 2007.

The following table summarizes the purchase price allocation in the DLJ Acquisition:

| | |
|------------------------------------|------------|
| Current assets | \$ 153,527 |
| Property, plant and equipment | 46,224 |
| Goodwill | 231,769 |
| Other intangible assets | 153,000 |
| Deferred financing costs and other | 342 |
| Total assets acquired | 584,862 |
| Current liabilities | (57,936) |
| Long-term debt | (251,868) |
| Deferred income tax liability | (63,224) |
| Total liabilities assumed | (373,028) |
| Purchase price paid | \$ 211,834 |

Approximately \$32,600 of the goodwill recorded as part of the DLJ Acquisition has been or will be deductible for income tax purposes. Other intangible assets consist of customer lists and tradenames amounting to \$124,000 and \$29,000, respectively. Amortizable intangible assets consisting of customer lists will be amortized principally by an accelerated method over their estimated useful lives of 15 years.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

On February 7, 2006, RathGibson completed the sale of all of its outstanding equity interests, options and phantom rights to RGCH Corp., a wholly-owned subsidiary of RGCH LLC, an affiliate of CHP IV, and certain members of RathGibson's senior management who exchanged a portion of their equity in RathGibson for equity in RGCH LLC in lieu of cash (referred to as the "CH Acquisition"). The aggregate purchase price was \$66,920, including an earnout payment of \$2,028 made by the Company in the period February 1, 2007 through June 15, 2007. The earnout payment was equal to 3.0 times the excess of Adjusted Consolidated EBITDA (as defined in the stock purchase agreement) for the fiscal year ended January 31, 2007 over \$45,000, up to a maximum earnout payment of \$30,000. The CH Acquisition was financed through a combination of debt and equity. RathGibson issued new 11.25% senior notes due in 2014 ("Senior Notes") in the amount of \$200,000 in connection with the CH Acquisition. In addition, RathGibson entered into a new five-year, \$50,000 Revolving Credit Facility, which was partially drawn on the closing date. All outstanding revolving and long-term debt at the time of the CH Acquisition was paid in full in conjunction with the CH Acquisition. In addition, all stock options and phantom rights outstanding at the time of the CH Acquisition were surrendered in accordance with the stock option plan and the phantom rights plan pursuant to which they were issued and together with other compensatory payments were settled for \$6,616 at closing and recorded as selling, general and administrative expenses within the Consolidated Statements of Operations for the period February 1, 2006 through February 7, 2006. The foregoing financing and equity transactions herein are collectively referred to as the "CH Transactions."

The following table summarizes the purchase price allocation in the CH Acquisition:

| | |
|------------------------------------|-----------|
| Current assets | \$ 87,191 |
| Property, plant and equipment | 43,691 |
| Goodwill | 119,946 |
| Other intangible assets | 92,800 |
| Deferred financing costs and other | 10,334 |
| Total assets acquired | 353,962 |
| Current liabilities | (25,789) |
| Long-term debt | (206,980) |
| Deferred income tax liability | (54,273) |
| Total liabilities assumed | (287,042) |
| Purchase price paid | \$ 66,920 |

Approximately \$33,300 of the goodwill recorded as part of the CH Acquisition has been or will be deductible for income tax purposes. Other intangible assets consist of customer lists and tradenames amounting to \$80,000 and \$12,800, respectively. Amortizable intangible assets consisting of customer lists will be amortized principally by the straight-line method over their estimated useful lives of 15 years.

The results for the fiscal year ended January 31, 2009 include the Company's results after the DLJ Acquisition (Successor). The results for the fiscal year ended January 31, 2008 include the Company's results through June 15, 2007 (Predecessor II) and after the DLJ Acquisition (Successor). The results for the fiscal year ended January 31, 2007 include the Company's results through February 7, 2006 (Predecessor I) and after the CH Acquisition (Predecessor II). As part of the DLJ Acquisition and the CH Acquisition, the Company entered into the various financing arrangements described above and each acquisition was accounted for using the purchase method of accounting and accordingly, the results of operations for periods subsequent to the consummation of each of the acquisitions will not necessarily be comparable to prior periods.

Prior to the CH Acquisition, the consolidated financial statements reflected the accounts of RathGibson, formerly Gibson Tube, Inc., and its subsidiary RMC Holding, Inc. and subsidiary ("RMCHI" or "Rath"). RMCHI was merged into RathGibson in September 2005.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation - All significant intercompany accounts and transactions have been eliminated.

Concentrations of Risk - The Company provides credit in the normal course of business to its customers. The Company performs periodic evaluations of its customers and maintains allowances for potential credit losses and generally does not require collateral to support the accounts receivable balances. See Note 16 for net sales to individual customers representing 10% or more of the Company's net sales and accounts receivable from individual customers representing 10% or more of the Company's accounts receivable.

A significant amount of the Company's purchases of production materials and related accounts payable are concentrated with a few suppliers. The Company's primary raw material used in production is steel which is subject to market price fluctuations. The Company attempts to limit its exposure to price fluctuations by adjusting its selling prices to the Company's customers on a periodic basis.

The Company has cash deposited in financial institutions in which the balances occasionally exceed the federal government agency insured limit of \$250,000. The Company has not experienced any losses on such accounts and management believes it is not exposed to any significant risk.

Fair Value of Financial Instruments - The carrying amounts reported in the Consolidated Balance Sheets for accounts receivable and accounts payable approximate fair value because of the short-term maturity of these financial instruments.

The carrying value of the Company's Revolving Credit Facility approximates fair value because the underlying rate of interest is variable based upon Prime or LIBOR rates and as such, the effective interest rates on the obligations approximate the Company's current cost of borrowing of similar amounts on similar terms.

The fair value of the Company's Senior Notes are based on market quotes. At January 31, 2009, the fair value of the Senior Notes approximates \$44,000 versus their carrying value of \$209,158.

Cash - The Company utilizes controlled disbursement cash accounts which are funded when outstanding checks are presented for payment and an overdraft is the normal book balance. The Company's policy has been to fund these outstanding checks as they clear through the banking system with customer receipts and borrowings under its Revolving Credit Facility. The Company accounts for such outstanding checks that have been issued but not yet cleared through the banking system by reporting them as accounts payable in its Consolidated Balance Sheets and including the change in such amounts in cash flows from operating activities in its Consolidated Statements of Cash Flows. Outstanding checks included in accounts payable at January 31, 2009 and 2008 amounted to \$2,183 and \$4,527, respectively.

Restricted Cash - Restricted cash consists entirely of proceeds from the issuance of a \$2,000 industrial development revenue bond ("IRB") (Note 9) that was used to finance the acquisition and installation of machinery and equipment for the Company's Arkansas segment.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Accounts Receivable - Accounts receivable consist of amounts billed and currently due from customers. The Company extends credit to customers in the normal course of business and generally does not require collateral to support its accounts receivable balances. The Company maintains a reserve for estimated losses resulting from the inability or unwillingness of customers to make required payments. The reserve for estimated losses is based on the Company's historical experience, existing economic conditions and any specific customer collection issues the Company has identified.

Inventories - Inventories are accounted for using the first-in, first-out method and are valued at the lower of cost or market. The Company records a reserve for excess or slow moving inventories based on historical sales and order patterns and assumptions about future demand and market conditions. The Company also records a reserve to adjust inventories to the lower of cost or market.

Property, Plant and Equipment - Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (37-40 years for buildings and structures, 3-12 years for machinery and equipment and office equipment, furniture and other). Leasehold improvements are amortized using the straight-line method over the terms of the respective leases or the useful life of the leasehold improvement, whichever is shorter. Maintenance and repairs are charged to expense, while major renewals and improvements are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in current operations.

Impairment of Long-Lived Assets - The Company accounts for the impairment or disposal of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144") which requires long-lived assets, such as property, plant and equipment and amortizable intangible assets other than goodwill and indefinite-lived intangible assets, which are tested separately for impairment, to be evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When evaluating long-lived and amortizable assets for potential impairment, the Company first compares the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, the Company calculates an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based on estimated future cash flows (discounted and with interest charges). The Company recognizes an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If the Company recognizes an impairment loss, the adjusted carrying amount becomes its new cost basis. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at January 31, 2009 and October 31, 2008. The Company has determined that there were no impairments of property, plant and equipment at January 31, 2009 and October 31, 2008. The Company has determined that there were no indicators of impairment at January 31, 2008.

Goodwill and Other Intangible Assets - Goodwill represents the excess of purchase price over tangible and intangible assets acquired less liabilities assumed arising from business combinations. Goodwill is not amortized.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

The Company evaluates goodwill for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired, by applying a fair value based test and, if impairment occurs, the amount of impaired goodwill is written off immediately. The provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142") require that a two-step impairment test be performed annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step of the test for impairment compares the book value of each of the Company's reporting units to its estimated fair value. The Company has determined that its reporting units are the same as its reportable segments. Under the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company has four reportable segments, Wisconsin, New Jersey, Louisiana and Arkansas. In determining the reporting units under SFAS 142, the Company starts with its reportable segments and evaluates whether the Company is required to identify reporting units one level below the reportable segment level. Management of the Company does not review discreet financial results for levels below the reportable segment and under SFAS 142, the components of each reportable segment are aggregated and deemed a single reporting unit because they have similar economic characteristics. The second step of the goodwill impairment test, which is only required when the net book value of the reporting unit exceeds its estimated fair value, compares the implied fair value of goodwill to its book value to determine the amount of the impairment required.

For purposes of the goodwill analysis, the Company performs its assessment of fair value of each reporting unit using a combination of an income and market approach. Under the income approach, the fair value of a reporting unit is calculated based on the present value of estimated discounted future cash flows. The Company's discounted cash flow model is based on a reporting unit's projection of operating results and related cash flows that are discounted using the weighted average cost of capital of the reporting unit or comparable companies adjusted for specific risks such as forecast risk. The weighted average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise. The basis for the Company's cash flow assumptions includes historical and forecasted sales, operating costs and other relevant factors including projected capital expenditures. These assumptions are determined after giving consideration to historical and current economic trends. Each reporting unit's sales growth rates are determined after considering current and future economic conditions, recent sales trends for the reporting units, discussions with its customers, planned timing of new product launches and many other variables. Under the market approach, the fair value of reporting unit is estimated based on market multiples of cash flow for comparable companies and similar transactions. Additionally, the Company's goodwill analysis includes an allocation of certain corporate and international selling expenses to each reporting unit.

Tradenames are not amortized. Under the provisions of SFAS 142, the Company evaluates tradenames for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired, by applying a fair value based test and, if impairment occurs, the amount of impaired tradenames is written off immediately.

For purposes of the tradename analysis, the Company performs its assessment of fair value based on an income approach using the relief-from-royalty method. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. The Company determines the fair value of each tradename by applying a royalty rate to a projection of net sales discounted using a risk adjusted cost of capital. The Company believes the relief-from-royalty method to be an acceptable methodology due to its common use by valuation specialists in determining the fair value of intangible assets. Sales growth rates are determined after considering current and future economic conditions, recent sales trends, discussions with customers, planned timing of new product launches and many other variables. Each royalty rate is based on profitability of the business to which it relates and observed market royalty rates.

The methods of assessing fair value for goodwill and tradename impairment purposes require significant judgments to be made by management. Changes in such estimates or the application of alternative assumptions could produce significantly different results.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Amortizable intangible assets consist primarily of customer lists. Subsequent to the DLJ Acquisition, the Company amortizes customer lists principally by an accelerated method over their estimated useful lives of 15 years. The accelerated method reflects the pattern in which the economic benefits of the customer lists are expected to be realized using assumptions of sales growth and customer attrition rates in relative proportion to the declining cash flows in the original asset valuation. Prior to the DLJ Acquisition and after the CH Acquisition, amortizable intangible assets were amortized principally by the straight-line method over their estimated useful lives of 15 years. Prior to the CH Acquisition, customer lists were amortized principally over 40 years. Under the provisions of SFAS 144, the Company may evaluate customer lists for impairment if events or circumstances indicate that the assets may be impaired and, if impairment occurs, the amount of impaired customer lists is written off immediately.

Deferred Financing Costs - Deferred financing costs are amortized on a straight-line basis over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense in the Consolidated Statements of Operations. In connection with the DLJ Acquisition, \$8,638 of the existing deferred financing costs were eliminated in purchase accounting.

Income Taxes - After the DLJ Acquisition, RathGibson and its qualifying domestic subsidiary, Greenville Tube Company ("Greenville") are included in the federal income tax return and certain state income tax returns of RG Tube, which made an election to be treated as a corporation for income tax purposes. Prior to the DLJ Acquisition and after the CH Acquisition, RathGibson and Greenville were included in the federal income tax return and certain state income tax returns of RGCH Corp. The provision for income taxes for the Company is determined on a separate return basis in accordance with the terms of the respective tax sharing agreement with RG Tube or RGCH Corp., and payments for federal and certain state income taxes are made by the Company on behalf of RG Tube or RGCH Corp.

Deferred income taxes are provided using the asset and liability method, whereby deferred income taxes are recognized for temporary differences between the reported amounts of assets and liabilities herein and their income tax basis and for net operating loss and tax credit carryforwards. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are computed using the income tax rates in effect in the years in which the temporary differences are expected to reverse.

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted FIN 48 on February 1, 2007. See Note 10 for the impact of the adoption on the Company's financial statements. The Company records interest and penalties in interest expense and selling, general and administrative expenses, respectively, within its Consolidated Statements of Operations.

Revenue Recognition - Revenues are recognized when persuasive evidence of a selling arrangement exists, delivery has occurred, the Company's price to the customer is fixed or determinable and collectibility is reasonably assured. These criteria are generally satisfied upon shipment of product.

Shipping and Handling Costs - Shipping and handling fees billed are reflected in net sales and shipping and handling costs are reflected in cost of goods sold.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Cost of Goods Sold - Cost of goods sold consists of manufacturing costs (primarily material, labor, consumables, utilities, maintenance, occupancy and depreciation), inbound freight charges, shipping and handling costs, certain purchasing costs, receiving costs and warehousing costs (which include internal transfer costs).

Selling, General and Administrative Expenses - Selling, general and administrative expenses consist primarily of management, administrative and sales compensation, benefits, travel, communications, occupancy and insurance expense, legal and professional fees.

Equity Based Compensation - The Company accounts for equity based awards, such as incentive based grants of equity interests in RG Tube or RGCH Corp., using SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires the Company to measure the cost of employee services received in exchange for an equity based award based on the grant-date fair value of the award and to recognize these awards as an expense in the statement of operations over the requisite service period. The grant-date fair value of equity based awards and similar instruments will be estimated using option-pricing models adjusted for unique characteristics of those instruments unless observable market prices for the same or similar instruments are available. Under SFAS 123R, the Company recognizes the fair value of equity based awards granted as an expense within its Consolidated Statements of Operations using the straight-line method.

Comprehensive Loss - Comprehensive loss in all fiscal years herein is equal to the net loss for the same year.

(3) RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 162 was effective on November 16, 2008. The adoption of SFAS 162 did not have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended January 31, 2009.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 establishes the disclosure requirements for derivative instruments and for hedging activities with the intent to provide financial statement users with an enhanced understanding of the entity's use of derivative instruments, the accounting of derivative instruments and related hedged items under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related interpretations, and the effects of these instruments on the entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is assessing the impact the adoption of SFAS 161 will have on the Company's consolidated financial position and results of operations for the fiscal year ended January 31, 2010.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations," ("SFAS 141R") to create greater consistency in the accounting and financial reporting of business combinations. SFAS 141R requires a company to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity to be measured at their fair values as of the acquisition date. SFAS 141R also requires companies to recognize the fair value of assets acquired, the liabilities assumed and any noncontrolling interest in acquisitions of less than a one hundred percent interest when the acquisition constitutes a change in control of the acquired entity. In addition, SFAS 141R requires that acquisition-related costs and restructuring costs be recognized separately from the business combination and expensed as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will apply the provisions of SFAS 141R to business combinations completed after January 31, 2009.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended January 31, 2009.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures related to the use of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Statement of Financial Position No. 157-2 ("FSP 157-2") which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). FSP 157-2 defers the effective date of FAS 157 pertaining to nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. The adoption of SFAS 157 pertaining to financial assets and financial liabilities did not have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended January 31, 2009. The Company does not expect the adoption of SFAS 157 pertaining to nonfinancial assets and nonfinancial liabilities will have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended January 31, 2010.

(4) BUSINESS COMBINATIONS

On February 27, 2008, RathGibson entered into an asset purchase agreement with Mid-South Control Line, Inc. ("Mid-South") and the stockholders of Mid-South providing for the acquisition by RathGibson of substantially all of the assets and the assumption of certain liabilities of Mid-South, in exchange for an aggregate purchase price of approximately \$26,136 (net of cash acquired of \$1,098). The foregoing transaction is referred to as the "Mid-South Acquisition." Certain stockholders of Mid-South received equity interests in RG Tube of \$6,000 in lieu of cash purchase consideration. Additionally, RG Tube and RathGibson agreed to reduce its cash payment to the stockholders of Mid-South by \$6,000, which was recorded by RathGibson as an equity contribution from RG Tube. Mid-South is a distributor of stainless steel and nickel alloy tubing and accessories to the United States and international oil and gas industry, a significant portion of which is purchased from the Company's New Jersey segment. This transaction was financed with the funds available from RathGibson's Revolving Credit Facility (Note 9). The results of Mid-South's operations have been included in the consolidated financial statements since the date of such acquisition.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

The following table summarizes the purchase price allocation in the Mid-South Acquisition:

| | | |
|---|----|---------------|
| Current assets | \$ | 14,918 |
| Machinery and equipment | | 292 |
| Goodwill | | 14,662 |
| Other intangible assets | | 8,640 |
| Other assets | | 23 |
| Total assets acquired | | 38,535 |
| Current liabilities | | (8,532) |
| Deferred income tax liability | | (3,867) |
| Total liabilities assumed | | (12,399) |
| Purchase price paid, net of cash acquired | \$ | <u>26,136</u> |

Approximately \$20,700 of the goodwill recorded as part of the Mid-South Acquisition will be deductible for income tax purposes. Other intangibles assets consist of customer lists and tradenames amounting to \$7,300 and \$1,340, respectively. Amortizable intangible assets consisting of customer lists will be amortized principally by an accelerated method over their estimated useful lives of 15 years.

The unaudited pro forma financial information in the table below summarizes the consolidated results of operations for the fiscal year ended January 31, 2008 as if the Mid-South Acquisition had occurred on February 1, 2007. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the Mid-South Acquisition had taken place at February 1, 2007. The unaudited pro forma financial information includes the elimination of intersegment sales and profits, purchase accounting adjustments on historical Mid-South inventories, amortization of acquired intangible assets, adjustments to interest expense and related tax effects. The unaudited pro forma financial information does not include pro forma adjustments relating to costs of integration or post-integration cost reductions that may be incurred or realized by the Company in excess of actual amounts incurred or realized.

Fiscal Year Ended January 31, 2008

| | | |
|-----------|----|---------|
| Net sales | \$ | 381,807 |
| Net loss | | (8,086) |

On August 15, 2006, RathGibson acquired all of the outstanding equity interests of Greenville for an aggregate purchase price of approximately \$34,580 (net of cash acquired of \$2,736). The foregoing transaction is referred to as the "Greenville Acquisition." Greenville is a manufacturer of specialty stainless steel and nickel alloy tubular products for use in various end-markets already served by RathGibson. Greenville is strategically focused on serving non-commodity niche tubing markets by providing tubing in custom sizes, small lots and non-traditional grades and delivering orders with short lead times as compared to the industry. This transaction was financed with the funds available from RathGibson's Revolving Credit Facility (Note 9), which was increased to \$60,000 in connection with the Greenville Acquisition. The results of Greenville's operations have been included in the Company's consolidated financial statements since the date of such acquisition.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

The following table summarizes the purchase price allocation in the Greenville Acquisition:

| | | |
|---|----|---------------|
| Current assets | \$ | 12,004 |
| Machinery and equipment | | 4,482 |
| Goodwill | | 14,744 |
| Other intangible assets | | 16,300 |
| Total assets acquired | | 47,530 |
| Current liabilities | | (4,547) |
| Deferred income tax liability | | (8,403) |
| Total liabilities assumed | | (12,950) |
| Purchase price paid, net of cash acquired | \$ | <u>34,580</u> |

Approximately \$4,600 of the goodwill recorded as part of the Greenville Acquisition has been or will be deductible for income tax purposes. Other intangibles assets consist of customer lists and tradenames amounting to \$14,500 and \$1,800, respectively. Amortizable intangible assets consisting of customer lists will be amortized principally by the straight-line method over their estimated useful lives of 15 years.

(5) INVENTORIES, NET

Inventories, net consist of the following at January 31:

| | <u>2009</u> | <u>2008</u> |
|------------------------|------------------|------------------|
| Raw materials | \$ 41,809 | \$ 46,147 |
| Work in process | 4,730 | 6,186 |
| Finished goods | <u>19,708</u> | <u>13,264</u> |
| Total inventories, net | \$ <u>66,247</u> | \$ <u>65,597</u> |

(6) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following at January 31:

| | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| Leasehold improvements | \$ 2,117 | \$ 1,620 |
| Machinery and equipment | 52,536 | 42,994 |
| Office equipment, furniture and other | 1,439 | 926 |
| Construction in progress | <u>6,436</u> | <u>8,955</u> |
| | 62,528 | 54,495 |
| Less accumulated depreciation | <u>(10,208)</u> | <u>(3,652)</u> |
| Total property, plant and equipment, net | \$ <u>52,320</u> | \$ <u>50,843</u> |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Depreciation expense for the fiscal year ended January 31, 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007, the period February 8, 2006 through January 31, 2007 and the period February 1, 2006 through February 7, 2006 amounted to \$6,682, \$3,793, \$2,188, \$5,252 and \$99, respectively.

On December 22, 2006, the Company completed the sale and leaseback of its Janesville, Wisconsin manufacturing/distribution and office facility to AGNL RathGibson, L.L.C. ("AGNL"), an unaffiliated third party. The Company received net proceeds of \$4,939 million for this facility and agreed to lease this facility from AGNL, as described in Note 12. The Company recognized a loss on sale of this facility amounting to \$105. The foregoing transaction is referred to as the "Sale-Leaseback Transaction."

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill - The following table presents a rollforward of goodwill by reportable segment for the respective periods:

| | <u>Wisconsin</u> | <u>New Jersey</u> | <u>Louisiana</u> | <u>Arkansas</u> | <u>Total</u> |
|---|------------------|-------------------|------------------|-----------------|--------------|
| <u>Predecessor I</u> | | | | | |
| Balances, January 31, 2006 | | | | | |
| and February 7, 2006 | \$ 14,552 | \$ 49,665 | \$ - | \$ - | \$ 64,217 |
| <u>Predecessor II</u> | | | | | |
| CH Acquisition | 62,977 | (7,115) | - | - | 55,862 |
| Greenville Acquisition | - | - | - | 14,744 | 14,744 |
| Balances, January 31, 2007 | 77,529 | 42,550 | - | 14,744 | 134,823 |
| CH Acquisition | (133) | - | - | - | (133) |
| Balances, June 15, 2007 | 77,396 | 42,550 | - | 14,744 | 134,690 |
| <u>Successor</u> | | | | | |
| DLJ Acquisition | 79,228 | (15,617) | - | 33,468 | 97,079 |
| Balances, January 31, 2008 | 156,624 | 26,933 | - | 48,212 | 231,769 |
| Mid-South Acquisition | - | - | 14,662 | - | 14,662 |
| Income tax benefit from the amortization of tax deductible goodwill | - | - | (126) | - | (126) |
| Impairments | (142,513) | (26,933) | (14,536) | (31,300) | (215,282) |
| Balances, January 31, 2009 | \$ 14,111 | \$ - | \$ - | \$ 16,912 | \$ 31,023 |

In connection with each of the Mid-South Acquisition, DLJ Acquisition, Greenville Acquisition and CH Acquisition, the Company recorded the excess purchase price over their respective fair values of the identifiable assets and liabilities to goodwill (Notes 1 and 4).

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Other Intangible Assets - The gross carrying amount and accumulated amortization of the Company's intangible assets, other than goodwill, at January 31 are as follows:

| | 2009 | | | 2008 | | |
|-------------------------|------------------------------|---------------------------------|-----------------------|------------------------------|---------------------------------|-----------------------|
| | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> |
| Customer lists | \$ 131,300 | \$ 15,984 | \$ 115,316 | \$ 124,000 | \$ 4,484 | \$ 119,516 |
| Tradenames | 17,220 | - | 17,220 | 29,000 | - | 29,000 |
| Total intangible assets | <u>\$ 148,520</u> | <u>\$ 15,984</u> | <u>\$ 132,536</u> | <u>\$ 153,000</u> | <u>\$ 4,484</u> | <u>\$ 148,516</u> |

The Company recorded intangible assets, other than goodwill, in connection with each of the Mid-South Acquisition, DLJ Acquisition, Greenville Acquisition and CH Acquisition (Notes 1 and 4).

The Company recorded backlog of \$620 in connection with the Mid-South Acquisition which was fully amortized in the fiscal year ended January 31, 2009. The Company recorded backlog of \$5,200 in connection with the DLJ Acquisition which was fully amortized in the period June 16, 2007 through January 31, 2008. The Company also recorded backlog of \$7,330 and \$300 in connection with the CH Acquisition and Greenville Acquisition, respectively, which were fully amortized in the period February 8, 2006 through January 31, 2007.

Amortization expense consists of the following:

| | Successor | | Predecessor II | | Predecessor I |
|----------------------------|---|--|--|---|---|
| | <u>Fiscal Year Ended January 31, 2009</u> | <u>Period June 16, 2007 through January 31, 2008</u> | <u>Period February 1, 2007 through June 15, 2007</u> | <u>Period February 8, 2006 through January 31, 2007</u> | <u>Period February 1, 2006 through February 7, 2006</u> |
| Intangible assets | \$ 11,500 | \$ 4,484 | \$ 2,363 | \$ 5,776 | \$ 11 |
| Backlog | 620 | 5,200 | - | 7,630 | - |
| Total amortization expense | <u>\$ 12,120</u> | <u>\$ 9,684</u> | <u>\$ 2,363</u> | <u>\$ 13,406</u> | <u>\$ 11</u> |

The estimated future amortization expense of intangible assets at January 31, 2009 is as follows:

| Fiscal years ending January 31, | |
|---------------------------------|-----------|
| 2010 | \$ 11,428 |
| 2011 | 10,885 |
| 2012 | 10,375 |
| 2013 | 9,859 |
| 2014 | 9,400 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Impairment Charges - SFAS 142 requires that the Company evaluates goodwill for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at October 31, 2008. The Company performed a preliminary assessment of the fair value of each reporting unit's goodwill at October 31, 2008. Accordingly, the Company recorded \$99,803, \$4,667 and \$14,001 of charges during the third quarter of fiscal 2009 to reflect the preliminary impairments of goodwill in the Wisconsin, Louisiana and Arkansas segments, respectively. During the fourth quarter of fiscal 2009, the Company completed the goodwill impairment analysis and, as a result, recorded an additional \$42,710, \$26,933, \$1,206 and \$12,958 of charges to reflect the impairments of goodwill in the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively.

The Company evaluated its goodwill for impairment at January 31, 2009. Given a further decline in the current global economic environment, including the continued deterioration of world financial markets and rising unemployment levels, the Company's revised forecasts indicated additional impairments of goodwill. Accordingly, the Company recorded \$8,663 and \$4,341 of charges in the fourth quarter of fiscal 2009 to reflect the impairments of goodwill in the Louisiana and Arkansas segments, respectively.

The Company previously evaluated its goodwill at January 31, 2008, and determined that there were no impairments of goodwill.

SFAS 142 requires that the Company evaluates tradenames for impairment at least annually (at January 31), or more frequently if events or circumstances indicate that the assets may be impaired. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at October 31, 2008. The Company performed a preliminary assessment of the fair value of each tradename at October 31, 2008. Accordingly, the Company recorded \$5,000, \$1,000 and \$40 of charges during the third quarter of fiscal 2009 to reflect the preliminary impairments of tradenames in the Wisconsin, New Jersey and Louisiana segments, respectively. During the fourth quarter of fiscal 2009, the Company completed the tradename impairment analysis and, as a result, recorded an additional \$2,100 and \$3,100 of charges to reflect the impairments of tradenames in the Wisconsin and New Jersey segments, respectively, and reversed the previous \$40 of charges related to the Louisiana segment.

The Company evaluated its tradenames for impairment at January 31, 2009. Given a further decline in the current global economic environment, including the continued deterioration of world financial markets and rising unemployment levels, the Company's revised sales forecasts indicated additional impairments of tradenames. Accordingly, the Company recorded \$1,400, \$160, \$160 and \$200 of charges in the fourth quarter of fiscal 2009 to reflect the impairments of tradenames in the Wisconsin, New Jersey, Louisiana and Arkansas segments, respectively.

The Company previously evaluated its tradenames at January 31, 2008, and determined that there were no impairments of tradenames.

The primary causes of the goodwill and tradenames impairment charges in the fiscal year ended January 31, 2009 were reduced expectations on future sales growth and gross profit margin and increased discount rates as compared to those used to allocate the purchase prices of each of the Mid-South Acquisition and DLJ Acquisition and in the annual impairment analysis performed at January 31, 2008. Discount rates increased due to the increased risk in the current marketplace and more costly access to capital.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

SFAS 144 requires the Company to evaluate customer lists for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Based on a combination of factors, including the current global economic environment and the corresponding collapse of world financial markets, and the Company's operating results, the Company has determined that indicators of impairment existed at January 31, 2009 and October 31, 2008. The Company has determined that there was no impairment of customer lists at January 31, 2009 and October 31, 2008. The Company has determined that there were no indicators of impairment at January 31, 2008.

(8) ACCRUED EXPENSES

Accrued expenses consist of the following at January 31:

| | <u>2009</u> | <u>2008</u> |
|------------------------|------------------|------------------|
| Accrued compensation | \$ 4,236 | \$ 4,315 |
| Interest payable | 10,483 | 10,385 |
| Customer advances | 3,579 | - |
| Other | 2,833 | 3,057 |
| Total accrued expenses | <u>\$ 21,131</u> | <u>\$ 17,757</u> |

(9) LONG-TERM DEBT

A summary of the Company's long-term debt is as follows at January 31:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Revolving Credit Facility | \$ 48,538 | \$ 35,819 |
| Senior Notes | 209,158 | 210,485 |
| IRB | 1,741 | 1,985 |
| Long-term debt | 259,437 | 248,289 |
| Less current installments | (257) | (244) |
| Long-term debt, less current installments | <u>\$ 259,180</u> | <u>\$ 248,045</u> |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Concurrently with the closing of the CH Transactions, and as a condition thereof, RathGibson entered into a five-year, \$50,000 senior secured Revolving Credit Facility with General Electric Capital Corporation ("GECC") and repaid in full the revolving credit facility then outstanding. Concurrently with the closing of the Greenville Acquisition and the DLJ Acquisition, RathGibson entered into amendments to the Revolving Credit Facility for which the borrowing capacity was increased by \$10,000 and \$20,000, respectively, to a total of \$80,000, subject to borrowing base availability. On April 8, 2008, RathGibson entered into a fifth amendment to its Revolving Credit Facility for which the borrowing capacity was increased by \$10,000 to \$90,000, subject to borrowing base availability, and the interest rate charged on the borrowings under the Revolving Credit Facility was increased to prime plus 1.25% or LIBOR plus 2.25%. There were no material changes to the covenants as a result of the amendments. RGCH Corp. and Greenville are guarantors of the obligation. Under the Revolving Credit Facility, if the average amount available, after giving effect to the Company's borrowing base requirements, during any thirty day period is less than \$9,000, the assets of Greenville will be excluded from the Company's availability after a subsequent thirty day period and until the following: (i) RathGibson enters into an amendment to the Revolving Credit Facility for which RathGibson and Greenville become separate borrowers with separate borrowing bases; (ii) the allocation of any amounts outstanding under the Revolving Credit Facility to each of RathGibson and Greenville relative to their separate borrowing bases; and (iii) the Company delivers to the lenders any documents reasonably requested. Additionally, the borrowing base may be further reduced by \$5,000 in the event that the Company does not maintain a fixed charge coverage ratio (as defined in the agreement) of at least 1:1 for the most recent four fiscal quarters. Borrowings under the Revolving Credit Facility bear interest payable at various dates with floating rates of either (i) prime plus 1.25% (4.50% at January 31, 2009) or (ii) LIBOR plus 2.25% (2.65% at January 31, 2009). The Company also pays a quarterly commitment fee equal to either .375% or .50%, depending on the amount outstanding, of the unused capacity. At January 31, 2009, the Company had \$23,627 available under the Revolving Credit Facility after giving effect to its borrowing base requirements. Borrowings under the Revolving Credit Facility are collateralized by substantially all assets of the Company. The Revolving Credit Facility contains various covenants that, among other things, restrict the Company's ability to incur or guarantee debt, pay dividends, make certain investments, repurchase stock, incur liens, enter into certain transactions with affiliates, enter into certain sales and leaseback transactions and transfer or sell assets. The Revolving Credit Facility also defines various events of default, including cross-default provisions with other debt agreements of the Company and RGCH Corp and solvency requirements of the Company and RGCH Corp.

At January 31, 2009, the Company was not in compliance with the solvency requirement (as defined in the Revolving Credit Facility) with respect to RGCH Corp. and the covenant requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates for certain months within 30 days of month end as required under the Revolving Credit Facility. In May 2009, RathGibson received waivers from GECC under the Revolving Credit Facility of the solvency requirements pertaining to RGCH Corp. and the failure to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates within 30 days of month end, and specified defaults in connection therewith, which is more fully discussed in Note 19.

In connection with the CH Acquisition, RathGibson issued \$200,000 aggregate principal amount of Senior Notes due February 15, 2014. These notes bear interest at 11.25% per annum payable in semi-annual installments on February 15 and August 15 each year commencing August 15, 2006. Greenville is a guarantor of the obligation. The indenture governing the Senior Notes contains covenants that, among other things, restrict the Company's ability to incur or guarantee additional debt, pay dividends and make distributions, make certain investments, repurchase stock, incur liens, enter into certain transactions with affiliates, enter into certain sale and leaseback transactions, merge or consolidate, and transfer or sell assets. The indenture governing the Senior Notes also defines various events of default, including cross-default provisions with other debt agreements of the Company. The Company was in compliance with all such covenants at January 31, 2009.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

In connection with the purchase accounting for the DLJ Acquisition, the Company adjusted the fair value of its Senior Notes to \$211,250. The bond premium associated with this adjustment is amortized into interest expense over the remaining term of the Senior Notes using the interest method. Amortization of this bond premium amounted to \$1,327 and \$765 for the fiscal year ended January 31, 2009 and the period June 16, 2007 through January 31, 2008, respectively. The unamortized bond premium included in the Senior Notes was \$9,158 and \$10,485 at January 31, 2009 and 2008, respectively.

On December 14, 2007, Greenville closed on a \$2,000 IRB with the City of Clarksville, Arkansas, due December 30, 2014. The proceeds were used to finance the acquisition and installation of machinery and equipment for a degreasing system and a bench automation project ("IRB Equipment"). RathGibson is a guarantor of the obligation. The IRB requires monthly payments of \$29 with interest payable at 5.32%. In connection with the IRB, RathGibson entered into a third amendment to its Revolving Credit Facility for which the IRB Equipment was released from collateral under the Revolving Credit Facility and permitted Greenville and RathGibson, as guarantor, to enter into the IRB. The loan agreement governing the IRB contains various covenants that, among other things, restrict Greenville's ability to merge or consolidate and sell, lease, assign, transfer or otherwise dispose of the IRB Equipment. The loan agreement governing the IRB also defines various events of default, including cross-default provisions with other debt agreements of the Company. The Company was in compliance with all such covenants at January 31, 2009.

The old revolving credit facility, term loan payable and notes payable to related party were paid in full on February 7, 2006 in connection with the CH Acquisition (Note 1).

Aggregate scheduled maturities of long-term debt at January 31, 2009 are as follows:

| Fiscal Years Ending January 31, | |
|--|-------------------|
| 2010 | \$ 257 |
| 2011 | 271 |
| 2012 | 48,824 |
| 2013 | 302 |
| 2014 | 318 |
| Thereafter | 200,307 |
| | <u>250,279</u> |
| Unamortized bond premium | 9,158 |
| | <u>\$ 259,437</u> |

(10) INCOME TAXES

The Company adopted FIN 48 on February 1, 2007. The Company did not have any material uncertain income tax positions or unrecognized tax benefits at the date of adoption and, as such, the adoption did not have a material impact on the Company's financial position or results of operations. At January 31, 2009 and 2008, the Company had no material unrecognized tax benefits. RG Tube or RGCH Corp.'s federal tax returns for fiscal 2008 and thereafter remain subject to examination by tax authorities. RG Tube, RGCH Corp., RathGibson or Greenville's major state tax returns for fiscal 2005 and thereafter generally remain subject to examination by taxing authorities. Additionally, the Company has indemnification agreements with the sellers of RathGibson in the CH Acquisition and the sellers of Greenville in the Greenville Acquisition which provide for reimbursement to the Company for payments made in satisfaction of tax liabilities relating to pre-acquisition periods.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Income tax expense (benefit) is comprised of the following:

| | Successor | | Predecessor II | | Predecessor I |
|------------------------------------|---|--|--|---|---|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Current | \$ (283) | \$ (582) | \$ 2,776 | \$ 3,813 | \$ (350) |
| Deferred | (30,704) | (3,502) | (1,846) | (4,146) | (2,313) |
| Total income tax expense (benefit) | <u>\$ (30,987)</u> | <u>\$ (4,084)</u> | <u>\$ 930</u> | <u>\$ (333)</u> | <u>\$ (2,663)</u> |

Income tax expense (benefit) differs from that which would be obtained by applying the U.S. federal statutory income tax rate to loss before income taxes as follows:

| | Successor | | Predecessor II | | Predecessor I |
|---|---|--|--|---|---|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Income taxes at U.S. federal statutory rate | \$ (84,042) | \$ (3,064) | \$ (537) | \$ (158) | \$ (2,292) |
| State income taxes, net of | | | | | |
| federal tax benefit | (4,454) | (513) | (8) | (134) | (549) |
| Impairment of goodwill not | | | | | |
| deductible for income tax purposes | 57,720 | - | - | - | - |
| Extra territorial income deduction and | | | | | |
| domestic production activity deduction | - | - | (72) | (245) | - |
| Revisions to prior year current and | | | | | |
| deferred tax items | (1,120) | (519) | (34) | - | - |
| Income tax benefit recorded to goodwill | | | | | |
| from amortization of tax deductible | | | | | |
| goodwill | 126 | - | - | - | - |
| Non-deductible incentive unit expense | 69 | 35 | 1,387 | 77 | - |
| Non deductible expenses and other | 714 | (23) | 194 | 127 | 178 |
| Total income tax expense (benefit) | <u>\$ (30,987)</u> | <u>\$ (4,084)</u> | <u>\$ 930</u> | <u>\$ (333)</u> | <u>\$ (2,663)</u> |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Significant components of the Company's net deferred income taxes are as follows at January 31:

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| Deferred income tax assets: | | |
| Inventories | \$ 2,620 | \$ 483 |
| Accrued expenses and reserves | 2,073 | 286 |
| Deferred financing costs | 2,459 | 3,108 |
| Unamortized bond premium | 3,480 | 4,089 |
| Net operating tax loss carryforwards | 899 | 513 |
| Total gross deferred income tax assets | <u>11,531</u> | <u>8,479</u> |
| Deferred income tax liabilities: | | |
| Property, plant and equipment | (9,691) | (10,453) |
| Goodwill and other intangibles | (36,231) | (59,254) |
| Total gross deferred income tax liabilities | <u>(45,922)</u> | <u>(69,707)</u> |
| Net deferred income tax liability | <u>\$ (34,391)</u> | <u>\$ (61,228)</u> |
| Classification of net deferred income tax liability in Consolidated Balance Sheets: | | |
| Current net deferred income tax asset | \$ 4,832 | \$ 1,438 |
| Non-current net deferred income tax liability | <u>(39,223)</u> | <u>(62,666)</u> |
| Net deferred income tax liability | <u>\$ (34,391)</u> | <u>\$ (61,228)</u> |

The Company has not recorded a valuation allowance as of January 31, 2009 and 2008. In assessing the realizability of deferred tax assets, the Company's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences are expected to become deductible. Based upon the level of historical taxable income and projections of future taxable income, including the expected future reversals of existing taxable temporary differences, over the periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not that the Company will realize the benefits of these deductible differences at January 31, 2009.

The Company has approximately \$899 of tax-effected state net operating tax loss carryforwards generated in certain states which will expire on various dates between fiscal 2014 and fiscal 2029.

(11) EQUITY BASED COMPENSATION

Successor - RG Tube has allocated certain of its Class B units for incentive based grants primarily to executive officers, key employees and members of the board of directors. The incentive units primarily vest based on the following: (i) 33% vest ratably over certain specified periods of continuing employment; and (ii) 67% vest on the achievement of certain performance-based targets. Vesting of certain units may be accelerated upon a change of control.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

A summary of incentive unit activity is presented below:

| | Number of Incentive Units | Weighted Average Fair Value | Weighted Average Remaining Period (Years) |
|---------------------------------|--|--|--|
| Outstanding at June 15, 2007 | - | \$ - | |
| Granted | 164,572 | 16.33 | |
| Forfeited | (9,594) | 16.41 | |
| Repurchased | - | - | |
| Outstanding at January 31, 2008 | 154,978 | 16.33 | 4.5 |
| Granted | 72,778 | 12.85 | |
| Forfeited | (66,000) | 15.88 | |
| Repurchased | (2,756) | 16.41 | |
| Outstanding at January 31, 2009 | 159,000 | 15.00 | 3.8 |
| Vested at January 31, 2009 | 38,320 | 16.41 | |

The fair value of each incentive unit granted is estimated on the date of grant using the following weighted average assumptions:

| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 |
|-------------------------|---|--|
| Risk free interest rate | 1.7% | 4.9% |
| Expected dividend yield | 0.0% | 0.0% |
| Expected term | 2.0 years | 2.0 years |
| Expected volatility | 46.2% | 46.2% |

Although the incentive units are issued by RG Tube, the incentive units relate to the employment of executive officers, key employees and members of the board of directors; accordingly, the expense is recognized in the Company's consolidated financial statements. Incentive unit expense recognized within the Consolidated Statements of Operations amounted to \$277 and \$141 for the fiscal year ended January 31, 2009 and the period June 16, 2007 through January 31, 2008, respectively. At January 31, 2009, total unrecognized incentive unit cost was approximately \$594.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Predecessor II – Prior to the DLJ Acquisition, RGCH LLC allocated certain of its Class B units for incentive based grants to executive officers, key employees and members of the board of directors. The incentive units primarily vested based on the following: (i) 25% vested ratably over certain specified periods of continuing employment; (ii) 35% vested on the achievement of certain performance-based targets established annually by the board of directors; and (iii) 40% vested upon the occurrence of a change of control or a public equity offering given the achievement of specified target internal rates of return by CHP IV and its affiliates. Vesting of units may be accelerated upon a change of control.

No incentive units were granted during the period February 1, 2007 through June 15, 2007. 79,295 incentive units were granted during the period February 8, 2006 through January 31, 2007. No incentive units were forfeited during the period February 1, 2007 through June 15, 2007 and the period February 8, 2006 through January 31, 2007. No incentive units were vested at January 31, 2007. In connection with the DLJ Acquisition, 70,278 nonvested incentive units became vested. Accordingly, the Company recognized incentive unit expense of \$3,989 within the Consolidated Statements of Operations during the period February 1, 2007 through June 15, 2007. 79,295 incentive units were purchased in connection with the DLJ Acquisition.

Although the incentive units were issued by RGCH LLC, the incentive units related to the employment of executive officers, key employees and members of the board of directors; accordingly, the expense was recognized in the Company's consolidated financial statements. Incentive unit expense recognized within the Consolidated Statements of Operations amounted to \$4,079 and \$227 for the period February 1, 2007 through June 15, 2007 and the period February 8, 2006 through January 31, 2007, respectively.

Predecessor I - In connection with the CH Acquisition, all stock options and phantom rights were surrendered in accordance with the stock option plan and the phantom rights plan. Compensation expense related to the stock options, phantom rights and management bonuses totaled \$6,616 and was recorded as selling, general and administrative expense in the period February 1, 2006 through February 7, 2006 and paid on February 7, 2006.

(12) COMMITMENTS AND CONTINGENCIES

Leases - The Company leases certain facilities and equipment under various non-cancelable operating lease agreements. Certain leases contain renewal options for periods of up to ten years, exercisable at the Company's option; require payment of property taxes, insurance and maintenance costs in addition to the rent payments; and contain either scheduled rent increases or increases based on a cost of living index. Minimum lease payments are recognized on a straight-line basis over the minimum lease term. The difference between rent expense calculated using the straight-line method and minimum rent paid is recorded as a deferred rent liability, which is included in other accrued expenses in the Consolidated Balance Sheets. It is anticipated that expiring leases will be renewed or replaced.

Concurrently with the Sale-Leaseback Transaction described in Note 6, the Company's leased warehouse facility, also located in Janesville, Wisconsin, was acquired by AGNL. The existing lease on the warehouse facility was terminated and the Company and AGNL entered into a lease relating to both of the Company's Janesville, Wisconsin facilities. This lease has an initial 20-year term with quarterly rent payments adjusted annually to reflect increases in a consumer price index agreed upon by the parties to be used for such purpose. This lease contains two, 10-year renewal options. This lease also requires the Company to pay property taxes, insurance and maintenance costs in addition to the rent payments described above.

In connection with the Mid-South Acquisition, RathGibson assumed Mid-South's existing facility leases with a company owned 50% by an executive officer of the Company. The leases expire on February 29, 2016 and April 30, 2018. During the fiscal year ended January 31, 2009, the Company recorded \$220 of rental expense related to these leases.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007 (in thousands, except share data)

Rental expense, which relates principally to the facility leases, for all operating leases was approximately \$2,995, \$1,698, \$947, \$1,788 and \$95 for the fiscal year ended January 31, 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007, the period February 8, 2006 through January 31, 2007 and the period February 1, 2006 through February 7, 2006, respectively.

Future minimum lease payments required under long-term non-cancelable operating leases in effect at January 31, 2009 is as follows:

| Fiscal Years Ending January 31, | | |
|---------------------------------|----|---------------|
| 2010 | \$ | 2,534 |
| 2011 | | 1,525 |
| 2012 | | 1,464 |
| 2013 | | 1,422 |
| 2014 | | 1,425 |
| Thereafter | | 13,004 |
| | \$ | <u>21,374</u> |

Litigation - The Company is a party to litigation matters and claims, which are normal in the course of its operations. While the results of such litigation and claims cannot be predicted with certainty, management believes that the final outcome of such matters will not have a materially adverse effect on the Company's financial condition and result of operations.

Additionally, on January 26, 2009, Salem Tube, Inc. ("Salem Tube") commenced a legal proceeding against the Company by filing a Praecipe for Writ of Summons in the Court of Common Pleas of Mercer County, Pennsylvania docketed at Salem Tube, Inc. v. Greenville Tube Company and RathGibson, Inc., No. GD-2009-315. The Writ of Summons is not a complaint and does not provide a statement of the underlying allegations or the amount of damages that may be claimed. Salem Tube has advised the Company that it has become aware of releases of hazardous substances in the soils, surface water and groundwater at certain real property owned by Salem Tube and that it initiated the action because Greenville may be a prior owner of this real estate and, potentially, a responsible party. Based on the Company's review of the chain of ownership of the subject real estate and asset sales conducted by the predecessors to Greenville, the Company believes the allegations by Salem Tube are without merit and Greenville has no responsibility with respect to this matter.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(13) RETIREMENT PLANS

The Company sponsors 401(k) profit sharing plans that cover substantially all employees. Eligibility for participation in the plans is based on an employee meeting certain minimum age and service requirements. Participants may make voluntary, pre-tax contributions through salary deferrals to the plans. The Company may make discretionary contributions to such plans. The Company recorded expense of \$601, \$746, \$465 and \$1,137 for the fiscal year ended January 31, 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007 and the period February 8, 2006 through January 31, 2007, respectively. No expense was recorded for the period February 1, 2006 through February 7, 2006.

(14) ADVISORY AND MANAGEMENT FEES

RathGibson, together with RGCH Corp. and RG Tube, entered into an advisory services agreement, as amended, with DLJ Merchant Banking, Inc. ("DLJMB"), an affiliate of DLJ Funds, under which DLJMB acts as a financial advisor with respect to the following services: (i) assisting in analyzing operations and historical performance; (ii) analyzing future prospects; (iii) assisting with respect to future proposals for tender offers, acquisitions, sales, mergers, financings, exchange offers, recapitalizations, restructurings or other similar transactions; and (iv) assisting in strategic planning. The advisory services agreement is for an initial term expiring June 15, 2012 and is subject to renewal for consecutive one-year terms unless terminated by DLJMB or RathGibson, RGCH Corp. or RG Tube with 30 days notice prior to the expiration of the initial term or any annual renewal. For services rendered, annual advisory fees of \$900 and \$100 are payable to DLJMB and certain consultants for DLJMB who also serve as directors of RG Tube, respectively, in equal quarterly installments on the first business day of each calendar quarter. During the fiscal year ended January 31, 2009 and the period June 16, 2007 through January 31, 2008, the Company recorded an expense of \$1,000 and \$625, respectively, to selling, general and administrative expenses within the Consolidated Statements of Operations.

RathGibson, together with RGCH Corp. and RGCH LLC, entered into a management agreement with Castle Harlan, as manager, under which Castle Harlan provided business and organizational strategy, financial and investment management, advisory, merchant and investment banking services to RathGibson, RGCH Corp. or RGCH LLC. The management agreement was terminated as a result of the DLJ Acquisition. During the period February 1, 2007 through June 15, 2007, the Company recorded an expense of \$5,577 (including \$4,844 of fees and charges related to the termination of the management agreement) to selling, general and administrative expenses. In the period February 8, 2006 through January 31, 2007, the Company recorded an expense of \$1,965 under this management agreement.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(15) SUPPLEMENTAL CASH FLOW INFORMATION

The following table presents supplemental cash flow information for the respective periods:

| | Successor | | Predecessor II | | Predecessor I |
|--|---|---|---|--|--|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Cash paid (refunded) during the period for: | | | | | |
| Interest | \$ 25,746 | \$ 13,689 | \$ 12,281 | \$ 13,830 | \$ 501 |
| Income taxes | (3,472) | 4,291 | 2,978 | (680) | - |
| Non-cash operating activities: | | | | | |
| Outstanding checks in accounts payable at the end of the period | 2,183 | 4,527 | 6,101 | 6,003 | 3,805 |
| Non-cash investing activities: | | | | | |
| Additions to property, plant and equipment in accounts payable at the end of the period | 601 | 1,679 | 183 | - | - |
| Non-cash investing and financing activities: | | | | | |
| Equity contribution from RG Tube in lieu of cash payment to stockholders of Mid-South (Note 4) | 6,000 | - | - | - | - |
| Restricted cash proceeds from issuance of the IRB (Note 9) | - | 2,000 | - | - | - |

(16) SEGMENT REPORTING

Business Segments - The Company is primarily a manufacturer of highly engineered premium stainless steel and alloy tubular products. The Company has determined it has four reportable segments, Wisconsin, New Jersey, Louisiana and Arkansas, due to the historical economic characteristics of each business. The accounting practices for each reportable segment is the same as those described in the Summary of Significant Accounting Policies (Note 2). Straight tubing products are manufactured primarily in the Wisconsin (welded) and Arkansas (seamless) segments and coiled tubing products are manufactured primarily in the New Jersey segment. The Company's Louisiana segment is primarily a distribution facility where a significant portion of its products are purchased generally at market-based prices from the New Jersey segment. Additionally, the Company's reportable segments may from time to time record sales transactions with other reportable segments except the Louisiana segment, however, these products are generally sold at burdened cost. The Wisconsin segment includes corporate expenses and assets such as certain general and administrative expenses, international selling expenses, depreciation and interest expense.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Information about each reportable segment is summarized as follows:

| | Successor | | | | |
|--|-----------|------------|-----------|-----------|------------|
| | Wisconsin | New Jersey | Louisiana | Arkansas | Total |
| Fiscal year ended January 31, 2009: | | | | | |
| Net sales from external customers | | | | | |
| Chemical/petrochemical processing | | | | | |
| and power generation products | \$ 96,961 | \$ 7,118 | \$ - | \$ 19,002 | \$ 123,081 |
| Energy products | - | 18,503 | 46,238 | 1,693 | 66,434 |
| Food, beverage and | | | | | |
| pharmaceutical products | 39,995 | 4,682 | - | - | 44,677 |
| General commercial products | 39,835 | 18,604 | - | 31,895 | 90,334 |
| | 176,791 | 48,907 | 46,238 | 52,590 | 324,526 |
| Intersegment net sales | 3,669 | 28,211 | - | 410 | 32,290 |
| Loss from operations | (153,579) | (31,402) | (13,415) | (23,360) | (221,756) |
| Interest expense (income) | 24,660 | - | - | (68) | 24,592 |
| Income tax expense (benefit) | (31,979) | - | - | 1,300 | (30,679) |
| Depreciation and amortization | 8,349 | 5,897 | 1,559 | 2,997 | 18,802 |
| Capital expenditures | 5,452 | 2,062 | 28 | 1,723 | 9,265 |

| | Successor | | | |
|---|-----------|------------|----------|------------|
| | Wisconsin | New Jersey | Arkansas | Total |
| Period June 16, 2007 through January 31, 2008: | | | | |
| Net sales from external customers | | | | |
| Chemical/petrochemical processing | | | | |
| and power generation products | \$ 85,926 | \$ 7,214 | \$ 7,653 | \$ 100,793 |
| Energy products | - | 32,829 | 1,395 | 34,224 |
| Food, beverage and | | | | |
| pharmaceutical products | 23,348 | 2,120 | 455 | 25,923 |
| General commercial products | 26,391 | 12,401 | 21,700 | 60,492 |
| | 135,665 | 54,564 | 31,203 | 221,432 |
| Intersegment net sales | 4,608 | 144 | 270 | 5,022 |
| Income (loss) from operations | (162) | 196 | 6,502 | 6,536 |
| Interest expense (income) | 15,677 | - | (128) | 15,549 |
| Income tax expense (benefit) | (6,468) | - | 2,384 | (4,084) |
| Depreciation and amortization | 7,141 | 4,070 | 2,266 | 13,477 |
| Capital expenditures | 3,283 | 2,253 | 1,384 | 6,920 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

| | Predecessor II | | | |
|---|----------------|---------------|---------------|----------------|
| | Wisconsin | New Jersey | Arkansas | Total |
| Period February 1, 2007 through June 15, 2007: | | | | |
| Net sales from external customers | | | | |
| Chemical/petrochemical processing and power generation products | \$ 50,655 | \$ 3,059 | \$ 4,813 | \$ 58,527 |
| Energy products | - | 21,332 | 1,118 | 22,450 |
| Food, beverage and pharmaceutical products | 14,481 | 1,709 | 418 | 16,608 |
| General commercial products | 19,821 | 8,067 | 12,766 | 40,654 |
| | <u>84,957</u> | <u>34,167</u> | <u>19,115</u> | <u>138,239</u> |
| Intersegment net sales | 273 | 34 | - | 307 |
| Income (loss) from operations | (927) | 3,163 | 6,174 | 8,410 |
| Interest expense (income) | 10,062 | - | (71) | 9,991 |
| Income tax expense (benefit) | (1,276) | - | 2,206 | 930 |
| Depreciation and amortization | 2,165 | 1,832 | 554 | 4,551 |
| Capital expenditures | 664 | 965 | 640 | 2,269 |

| | Predecessor II | | | |
|---|----------------|---------------|---------------|----------------|
| | Wisconsin | New Jersey | Arkansas | Total |
| Period February 8, 2006 through January 31, 2007: | | | | |
| Net sales from external customers | | | | |
| Chemical/petrochemical processing and power generation products | \$ 108,767 | \$ 9,420 | \$ 5,514 | \$ 123,701 |
| Energy products | - | 50,746 | 1,095 | 51,841 |
| Food, beverage and pharmaceutical products | 34,757 | 3,555 | 510 | 38,822 |
| General commercial products | 41,034 | 23,502 | 10,942 | 75,478 |
| | <u>184,558</u> | <u>87,223</u> | <u>18,061</u> | <u>289,842</u> |
| Intersegment net sales | 121 | 79 | - | 200 |
| Income from operations | 19,228 | 1,593 | 4,293 | 25,114 |
| Interest expense (income) | 25,627 | - | (47) | 25,580 |
| Income tax expense (benefit) | (1,865) | - | 1,532 | (333) |
| Depreciation and amortization | 9,562 | 8,101 | 995 | 18,658 |
| Capital expenditures | 3,628 | 2,565 | 80 | 6,273 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

| | Predecessor I | | |
|---|---------------|------------|--------------|
| | Wisconsin | New Jersey | Total |
| Period February 1, 2006 through February 7, 2006: | | | |
| Net sales from external customers | | | |
| Chemical/petrochemical processing and power generation products | \$ 1,653 | \$ - | \$ 1,653 |
| Energy products | - | 515 | 515 |
| Food, beverage and pharmaceutical products | 671 | 5 | 676 |
| General commercial products | 999 | 177 | 1,176 |
| | <u>3,323</u> | <u>697</u> | <u>4,020</u> |
| Intersegment net sales | - | - | - |
| Income (loss) from operations | (6,708) | 304 | (6,404) |
| Interest expense | 197 | 139 | 336 |
| Income tax benefit | (2,663) | - | (2,663) |
| Depreciation and amortization | 48 | 62 | 110 |
| Capital expenditures | 483 | 15 | 498 |

The following table presents a reconciliation of income (loss) from operations from the reportable segment totals to the Company's consolidated totals:

| | Successor | | Predecessor II | | Predecessor I |
|--|------------------------------------|---|---|--|--|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Total income (loss) | | | | | |
| from operations | | | | | |
| for reportable segments | \$ (221,756) | \$ 6,536 | \$ 8,410 | \$ 25,114 | \$ (6,404) |
| Elimination of intersegment profits | (835) | - | - | - | - |
| Consolidated income (loss) from operations | <u>\$ (222,591)</u> | <u>\$ 6,536</u> | <u>\$ 8,410</u> | <u>\$ 25,114</u> | <u>\$ (6,404)</u> |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

The following table presents a reconciliation of income tax expense (benefit) from the reportable segment totals to the Company's consolidated totals:

| | Successor | | Predecessor II | | Predecessor I |
|---|---|--|--|---|---|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Total income tax expense (benefit) for reportable segments | \$ (30,679) | \$ (4,084) | \$ 930 | \$ (333) | \$ (2,663) |
| Income tax benefit from elimination of intersegment profits | (308) | - | - | - | - |
| Consolidated income tax expense (benefit) | \$ (30,987) | \$ (4,084) | \$ 930 | \$ (333) | \$ (2,663) |

The following table presents identifiable asset information by reportable segment at January 31:

| | 2009 | 2008 |
|---------------------------|-------------|-------------|
| Total assets: | | |
| Wisconsin | \$ 359,425 | \$ 533,727 |
| New Jersey | 83,013 | 118,378 |
| Louisiana | 26,064 | - |
| Intercompany eliminations | (145,342) | (108,834) |
| | 323,160 | 543,271 |
| Arkansas | 85,399 | 118,009 |
| Intercompany eliminations | (78,968) | (99,357) |
| Total assets | \$ 329,591 | \$ 561,923 |

The following table presents goodwill information by reportable segment at January 31:

| | 2009 | 2008 |
|----------------|-------------|-------------|
| Goodwill: | | |
| Wisconsin | \$ 14,111 | \$ 156,624 |
| New Jersey | - | 26,933 |
| Arkansas | 16,912 | 48,212 |
| Total goodwill | \$ 31,023 | \$ 231,769 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Geographic Segments - Geographic information about the Company's net sales is summarized as follows:

| | Successor | | Predecessor II | | Predecessor I |
|-----------------|---|--|--|---|---|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| United States | \$ 252,361 | \$ 173,677 | \$ 117,469 | \$ 237,735 | \$ 3,974 |
| Other countries | 72,165 | 47,755 | 20,770 | 52,107 | 46 |
| Total net sales | <u>\$ 324,526</u> | <u>\$ 221,432</u> | <u>\$ 138,239</u> | <u>\$ 289,842</u> | <u>\$ 4,020</u> |

Substantially all assets of the Company are located within the United States.

Major Customers - Net sales to individual customers representing 10% or more of the Company's net sales are summarized as follows:

| | Successor | | Predecessor II | | Predecessor I |
|----------------|---|--|--|---|---|
| | Fiscal Year Ended January 31, 2009 | Period June 16, 2007 through January 31, 2008 | Period February 1, 2007 through June 15, 2007 | Period February 8, 2006 through January 31, 2007 | Period February 1, 2006 through February 7, 2006 |
| Customer A | 12 % | 13 % | 9 % | 11 % | 4 % |
| Customer B (1) | - | 7 | 8 | 9 | 1 |
| | <u>12 %</u> | <u>20 %</u> | <u>17 %</u> | <u>20 %</u> | <u>5 %</u> |

The following table presents accounts receivable to individual customers representing 10% or more of the Company's accounts receivable at January 31:

| | 2009 | 2008 |
|----------------|-------------|-------------|
| Customer A | 15 % | 19 % |
| Customer B (1) | - | 11 |
| | <u>15 %</u> | <u>30 %</u> |

(1) On February 27, 2008, RathGibson acquired Customer B, Mid-South (Note 4).

Net sales to and accounts receivable from Customer A are reported in the Wisconsin, New Jersey and Arkansas segments. Net sales to and accounts receivable from Customer B were primarily reported in the New Jersey and Arkansas segments.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(17) QUARTERLY DATA (UNAUDITED)

The following is a summary of the quarterly results of operations for the fiscal years ended January 31:

| | Successor | | | | |
|-------------------------------|------------------------|------------------------|------------------------|----------------------------|--------------|
| | 2009 | | | | |
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter (1) | Total |
| Net sales | \$ 86,423 | \$ 88,615 | \$ 82,954 | \$ 66,534 | \$ 324,526 |
| Gross profit (loss) | 16,447 | 18,900 | 13,715 | (874) | 48,188 |
| Income (loss) from operations | 6,705 | 8,446 | (123,007) | (114,735) | (222,591) |
| Net income (loss) | 322 | 1,181 | (122,939) | (94,760) | (216,196) |

| | Predecessor II | | Successor | | | |
|-------------------|------------------------|---|---|------------------------|------------------------|--------------|
| | | | 2008 | | | |
| | 1st Quarter | Period May 1, 2007 through June 15, 2007 | Period June 16, 2007 through July 31, 2007 | 3rd Quarter | 4th Quarter | Total |
| Net sales | \$ 89,006 | \$ 49,233 | \$ 48,674 | \$ 86,448 | \$ 86,310 | \$ 359,671 |
| Gross profit | 19,849 | 11,968 | 6,717 | 11,692 | 13,003 | 63,229 |
| Income (loss) | | | | | | |
| from operations | 12,191 | (3,781) | (627) | 2,041 | 5,122 | 14,946 |
| Net income (loss) | 3,430 | (5,941) | (3,268) | (1,790) | 129 | (7,440) |

(1) The Company made the following adjustments in the fourth quarter of the fiscal year ended January 31, 2009:

- a. Increase in inventory reserves - \$5,200; and
- b. Impairment of goodwill and other intangible assets - \$103,891.

(18) SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

On February 7, 2006, RathGibson issued its Senior Notes. Upon the Greenville Acquisition and pursuant to the terms of the Senior Notes, Greenville, a wholly-owned subsidiary of RathGibson, has fully and unconditionally guaranteed on a joint and several basis RathGibson's obligations to pay principal, premium and interest relative to the Senior Notes.

The following supplemental guarantor financial information presents: (i) consolidating balance sheets at January 31, 2009 and 2008; (ii) consolidating statements of operations for the fiscal year ended January 31, 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007 and the period February 8, 2006 through January 31, 2007; and (iii) consolidating statements of cash flows for the fiscal year ended January 31, 2009, the period June 16, 2007 through January 31, 2008, the period February 1, 2007 through June 15, 2007 and the period February 8, 2006 through January 31, 2007. RathGibson has non-guarantor foreign subsidiaries providing sales functions to the Company, the results of which are combined with RathGibson for presentation purposes due to immateriality.

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Balance Sheet January 31, 2009

| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-------------------|-------------------|---------------------|---------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 970 | \$ 455 | \$ - | \$ 1,425 |
| Accounts receivable, net | 30,970 | 6,566 | - | 37,536 |
| Intercompany account and note receivable | - | 9,661 | (9,661) | - |
| Inventories, net | 52,228 | 14,051 | (32) | 66,247 |
| Prepaid expenses and other | 2,216 | 292 | - | 2,508 |
| Refundable income taxes | 635 | 371 | (479) | 527 |
| Deferred income taxes | 3,852 | 980 | - | 4,832 |
| Total current assets | 90,871 | 32,376 | (10,172) | 113,075 |
| Property, plant and equipment, net | 45,447 | 6,873 | - | 52,320 |
| Goodwill | 14,111 | 16,912 | - | 31,023 |
| Other intangible assets, net | 103,336 | 29,200 | - | 132,536 |
| Deferred financing costs and other | 599 | 38 | - | 637 |
| Investment in subsidiary | 68,796 | - | (68,796) | - |
| Total assets | \$ 323,160 | \$ 85,399 | \$ (78,968) | \$ 329,591 |
| Liabilities and Stockholder's Equity (Deficiency) | | | | |
| Current liabilities: | | | | |
| Current installments of long-term debt | \$ - | \$ 257 | \$ - | \$ 257 |
| Accounts payable | 14,828 | 1,443 | - | 16,271 |
| Intercompany account and note payable | 9,661 | - | (9,661) | - |
| Accrued expenses | 19,410 | 1,721 | - | 21,131 |
| Income taxes payable | 584 | 108 | (490) | 202 |
| Total current liabilities | 44,483 | 3,529 | (10,151) | 37,861 |
| Long-term debt, less current installments | 257,696 | 1,484 | - | 259,180 |
| Deferred income taxes | 27,633 | 11,590 | - | 39,223 |
| Mandatorily redeemable preferred stock | - | 2,100 | (2,100) | - |
| Stockholder's equity (deficiency): | | | | |
| Common stock | - | 1 | (1) | - |
| Additional paid-in capital | 214,452 | 87,041 | (87,041) | 214,452 |
| Accumulated deficit | (221,104) | (20,346) | 20,325 | (221,125) |
| Total stockholder's equity (deficiency) | (6,652) | 66,696 | (66,717) | (6,673) |
| Total liabilities and stockholder's equity (deficiency) | \$ 323,160 | \$ 85,399 | \$ (78,968) | \$ 329,591 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Balance Sheet January 31, 2008

| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|-------------------|-------------------|---------------------|---------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 237 | \$ 443 | \$ - | \$ 680 |
| Restricted cash | - | 2,000 | - | 2,000 |
| Accounts receivable, net | 48,541 | 6,213 | - | 54,754 |
| Intercompany account and note receivable | 181 | 2,415 | (2,596) | - |
| Inventories, net | 45,182 | 20,415 | - | 65,597 |
| Prepaid expenses and other | 2,131 | 393 | - | 2,524 |
| Refundable income taxes | 6,781 | 11 | (3,373) | 3,419 |
| Deferred income taxes | 1,325 | 113 | - | 1,438 |
| Total current assets | 104,378 | 32,003 | (5,969) | 130,412 |
| Property, plant and equipment, net | 44,855 | 5,988 | - | 50,843 |
| Goodwill | 183,557 | 48,212 | - | 231,769 |
| Other intangible assets, net | 116,776 | 31,740 | - | 148,516 |
| Deferred financing costs and other | 317 | 66 | - | 383 |
| Investment in subsidiary | 93,388 | - | (93,388) | - |
| Total assets | \$ 543,271 | \$ 118,009 | \$ (99,357) | \$ 561,923 |
| Liabilities and Stockholder's Equity | | | | |
| Current liabilities: | | | | |
| Current installments of long-term debt | \$ - | \$ 244 | \$ - | \$ 244 |
| Accounts payable | 25,963 | 4,002 | - | 29,965 |
| Intercompany account and note payable | 2,415 | 181 | (2,596) | - |
| Accrued expenses | 16,490 | 1,267 | - | 17,757 |
| Income taxes payable | - | 3,373 | (3,373) | - |
| Total current liabilities | 44,868 | 9,067 | (5,969) | 47,966 |
| Long-term debt, less current installments | 246,304 | 1,741 | - | 248,045 |
| Deferred income taxes | 48,853 | 13,813 | - | 62,666 |
| Mandatorily redeemable preferred stock | - | 2,100 | (2,100) | - |
| Stockholder's equity: | | | | |
| Common stock | - | 1 | (1) | - |
| Additional paid-in capital | 208,175 | 87,041 | (87,041) | 208,175 |
| Retained earnings (accumulated deficit) | (4,929) | 4,246 | (4,246) | (4,929) |
| Total stockholder's equity | 203,246 | 91,288 | (91,288) | 203,246 |
| Total liabilities and stockholder's equity | \$ 543,271 | \$ 118,009 | \$ (99,357) | \$ 561,923 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Operations For the Fiscal Year Ended January 31, 2009

| | Successor | | | |
|---|--------------|-------------|--------------|--------------|
| | RathGibson | Greenville | Eliminations | Consolidated |
| Net sales | \$ 274,544 | \$ 53,000 | \$ (3,018) | \$ 324,526 |
| Cost of goods sold | 239,563 | 39,761 | (2,986) | 276,338 |
| Gross profit | 34,981 | 13,239 | (32) | 48,188 |
| Operating expenses: | | | | |
| Selling, general and administrative | 27,498 | 2,759 | - | 30,257 |
| Amortization | 9,780 | 2,340 | - | 12,120 |
| Impairment of goodwill and other intangible assets | 196,902 | 31,500 | - | 228,402 |
| | 234,180 | 36,599 | - | 270,779 |
| Loss from operations | (199,199) | (23,360) | (32) | (222,591) |
| Interest expense (income) | 24,660 | (68) | - | 24,592 |
| Loss before equity in loss of subsidiary and income taxes | (223,859) | (23,292) | (32) | (247,183) |
| Equity in loss of subsidiary | 24,592 | - | (24,592) | - |
| Loss before income taxes | (248,451) | (23,292) | 24,560 | (247,183) |
| Income tax expense (benefit) | (32,276) | 1,300 | (11) | (30,987) |
| Net loss | \$ (216,175) | \$ (24,592) | \$ 24,571 | \$ (216,196) |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Operations For the Period June 16, 2007 through January 31, 2008

| | Successor | | | |
|--|-------------------|-------------------|---------------------|---------------------|
| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Net sales | \$ 193,731 | \$ 31,473 | \$ (3,772) | \$ 221,432 |
| Cost of goods sold | 172,788 | 21,004 | (3,772) | 190,020 |
| Gross profit | 20,943 | 10,469 | - | 31,412 |
| Operating expenses: | | | | |
| Selling, general and administrative | 13,185 | 2,007 | - | 15,192 |
| Amortization | 7,724 | 1,960 | - | 9,684 |
| | 20,909 | 3,967 | - | 24,876 |
| Income from operations | 34 | 6,502 | - | 6,536 |
| Interest expense (income) | 15,677 | (128) | - | 15,549 |
| Income (loss) before equity in earnings of subsidiary and income taxes | (15,643) | 6,630 | - | (9,013) |
| Equity in earnings of subsidiary | (4,246) | - | 4,246 | - |
| Income (loss) before income taxes | (11,397) | 6,630 | 4,246 | (9,013) |
| Income tax expense (benefit) | (6,468) | 2,384 | - | (4,084) |
| Net income (loss) | <u>\$ (4,929)</u> | <u>\$ 4,246</u> | <u>\$ 4,246</u> | <u>\$ (4,929)</u> |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Operations For the Period February 1, 2007 through June 15, 2007

| | Predecessor II | | | |
|--|-------------------|-------------------|---------------------|---------------------|
| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Net sales | \$ 119,245 | \$ 19,115 | \$ (121) | \$ 138,239 |
| Cost of goods sold | 95,384 | 11,159 | (121) | 106,422 |
| Gross profit | 23,861 | 7,956 | - | 31,817 |
| Operating expenses: | | | | |
| Selling, general and administrative | 19,625 | 1,419 | - | 21,044 |
| Amortization | 2,000 | 363 | - | 2,363 |
| | 21,625 | 1,782 | - | 23,407 |
| Income from operations | 2,236 | 6,174 | - | 8,410 |
| Interest expense (income) | 10,062 | (71) | - | 9,991 |
| Income (loss) before equity in earnings of subsidiary and income taxes | (7,826) | 6,245 | - | (1,581) |
| Equity in earnings of subsidiary | (4,039) | - | 4,039 | - |
| Income (loss) before income taxes | (3,787) | 6,245 | (4,039) | (1,581) |
| Income tax expense (benefit) | (1,276) | 2,206 | - | 930 |
| Net income (loss) | \$ (2,511) | \$ 4,039 | \$ (4,039) | \$ (2,511) |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Operations For the Period February 8, 2006 through January 31, 2007

| | Predecessor II | | | |
|--|----------------|------------|--------------|--------------|
| | RathGibson | Greenville | Eliminations | Consolidated |
| Net sales | \$ 271,926 | \$ 18,061 | \$ (145) | \$ 289,842 |
| Cost of goods sold | 220,485 | 11,123 | (145) | 231,463 |
| Gross profit | 51,441 | 6,938 | - | 58,379 |
| Operating expenses: | | | | |
| Selling, general and administrative | 17,957 | 1,902 | - | 19,859 |
| Amortization | 12,663 | 743 | - | 13,406 |
| | 30,620 | 2,645 | - | 33,265 |
| Income from operations | 20,821 | 4,293 | - | 25,114 |
| Interest expense (income) | 25,627 | (47) | - | 25,580 |
| Income (loss) before equity in earnings of subsidiary and income taxes | (4,806) | 4,340 | - | (466) |
| Equity in earnings of subsidiary | (2,808) | - | 2,808 | - |
| Income (loss) before income taxes | (1,998) | 4,340 | 2,808 | (466) |
| Income tax expense (benefit) | (1,865) | 1,532 | - | (333) |
| Net income (loss) | \$ (133) | \$ 2,808 | \$ 2,808 | \$ (133) |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Cash Flows For the Fiscal Year Ended January 31, 2009

| | Successor | | | |
|---|--------------|-------------|--------------|--------------|
| | RathGibson | Greenville | Eliminations | Consolidated |
| Cash flows from operating activities: | | | | |
| Net loss | \$ (216,175) | \$ (24,592) | \$ 24,571 | \$ (216,196) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 15,805 | 2,997 | - | 18,802 |
| Net amortization of deferred financing costs and bond premium | (1,158) | 6 | - | (1,152) |
| Expensing of write-up of inventories | 564 | - | - | 564 |
| Loss on disposal of property, plant and equipment | 320 | - | - | 320 |
| Deferred income taxes | (27,614) | (3,090) | - | (30,704) |
| Incentive unit expense | 277 | - | - | 277 |
| Impairment of goodwill and other intangible assets | 196,902 | 31,500 | - | 228,402 |
| Equity in loss of subsidiary | 24,592 | - | (24,592) | - |
| Change in assets and liabilities, net of acquisition: | | | | |
| Accounts receivable | 19,258 | (353) | - | 18,905 |
| Intercompany account receivable and payable | 209 | (209) | - | - |
| Inventories | 249 | 6,364 | 32 | 6,645 |
| Other current and non-current assets | (288) | 101 | - | (187) |
| Accounts payable | (12,151) | (2,378) | - | (14,529) |
| Accrued expenses | 1,053 | 454 | - | 1,507 |
| Income taxes | 6,856 | (3,625) | (11) | 3,220 |
| Net cash provided by operating activities | 8,699 | 7,175 | - | 15,874 |
| Cash flows from investing activities: | | | | |
| Acquisition of property, plant and equipment | (7,542) | (1,723) | - | (9,265) |
| Decrease in restricted cash | - | 2,000 | - | 2,000 |
| Intercompany note receivable | - | (7,218) | 7,218 | - |
| Cash paid for acquisition, net of cash acquired | (20,136) | - | - | (20,136) |
| Net cash used in investing activities | (27,678) | (6,941) | 7,218 | (27,401) |
| Cash flows from financing activities: | | | | |
| Net proceeds from new Revolving Credit Facility | 12,719 | - | - | 12,719 |
| Payments on long-term debt | - | (244) | - | (244) |
| Intercompany note payable | 7,218 | - | (7,218) | - |
| Payments (refunds) of financing fees | (225) | 22 | - | (203) |
| Net cash provided by (used in) financing activities | 19,712 | (222) | (7,218) | 12,272 |
| Net increase in cash | 733 | 12 | - | 745 |
| Cash at beginning of period | 237 | 443 | - | 680 |
| Cash at end of period | \$ 970 | \$ 455 | \$ - | \$ 1,425 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Cash Flows For the Period June 16, 2007 through January 31, 2008

| | Successor | | | |
|--|------------|------------|--------------|--------------|
| | RathGibson | Greenville | Eliminations | Consolidated |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ (4,929) | \$ 4,246 | \$ (4,246) | \$ (4,929) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 11,211 | 2,266 | - | 13,477 |
| Amortization of deferred financing costs and bond premium | (717) | 2 | - | (715) |
| Expensing of write-up of inventories | 5,694 | 354 | - | 6,048 |
| Gain on disposal of property, plant and equipment | (1) | - | - | (1) |
| Deferred income taxes | (2,489) | (1,013) | - | (3,502) |
| Incentive unit expense | 141 | - | - | 141 |
| Equity in earnings of subsidiary | (4,246) | - | 4,246 | - |
| Change in assets and liabilities: | | | | |
| Accounts receivable | 4,782 | 778 | - | 5,560 |
| Intercompany account receivable and payable | (147) | 147 | - | - |
| Inventories | 17,483 | (11,732) | - | 5,751 |
| Other current and non-current assets | 717 | 59 | - | 776 |
| Accounts payable | (11,868) | 3,116 | - | (8,752) |
| Accrued expenses | 1,212 | (283) | - | 929 |
| Income taxes | (5,243) | 370 | - | (4,873) |
| Net cash provided by (used in) operating activities | 11,600 | (1,690) | - | 9,910 |
| Cash flows from investing activities: | | | | |
| Acquisition of property, plant and equipment | (5,536) | (1,384) | - | (6,920) |
| Proceeds from sale of property, plant and equipment | 5 | - | - | 5 |
| Intercompany note receivable | - | 2,994 | (2,994) | - |
| Net cash provided by (used in) investing activities | (5,531) | 1,610 | (2,994) | (6,915) |
| Cash flows from financing activities: | | | | |
| Net payments on new Revolving Credit Facility | (4,800) | - | - | (4,800) |
| Proceeds from parent company | 1,962 | - | - | 1,962 |
| Dividend | (3,800) | - | - | (3,800) |
| Payments on long-term debt | - | (15) | - | (15) |
| Payments of financing fees | (48) | (68) | - | (116) |
| Intercompany note payable | (2,994) | - | 2,994 | - |
| Net cash used in financing activities | (9,680) | (83) | 2,994 | (6,769) |
| Net decrease in cash | (3,611) | (163) | - | (3,774) |
| Cash at beginning of period | 3,848 | 606 | - | 4,454 |
| Cash at end of period | \$ 237 | \$ 443 | \$ - | \$ 680 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Cash Flows For the Period February 1, 2007 through June 15, 2007

| | Predecessor II | | | |
|--|-------------------|-------------------|---------------------|---------------------|
| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ (2,511) | \$ 4,039 | \$ (4,039) | \$ (2,511) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 3,997 | 554 | - | 4,551 |
| Amortization of deferred financing costs | 576 | - | - | 576 |
| Loss on disposal of property, plant and equipment | - | 16 | - | 16 |
| Deferred income taxes | (1,541) | (305) | - | (1,846) |
| Incentive unit expense | 4,079 | - | - | 4,079 |
| Equity in earnings of subsidiary | (4,039) | - | 4,039 | - |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (3,666) | (2,184) | - | (5,850) |
| Intercompany account receivable and payable | (8) | 8 | - | - |
| Inventories | (17,846) | 832 | - | (17,014) |
| Other current and non-current assets | 316 | 282 | - | 598 |
| Accounts payable | 15,547 | (1,359) | - | 14,188 |
| Accrued expenses | (7,249) | (518) | - | (7,767) |
| Income taxes | (1,403) | 1,201 | - | (202) |
| Net cash provided by (used in) operating activities | (13,748) | 2,566 | - | (11,182) |
| Cash flows from investing activities: | | | | |
| Acquisition of property, plant and equipment | (1,629) | (640) | - | (2,269) |
| Intercompany note receivable | - | (1,525) | 1,525 | - |
| Net cash used in investing activities | (1,629) | (2,165) | 1,525 | (2,269) |
| Cash flows from financing activities: | | | | |
| Net proceeds from new Revolving Credit Facility | 12,324 | - | - | 12,324 |
| Intercompany note payable | 1,525 | - | (1,525) | - |
| Payments of financing fees | (50) | - | - | (50) |
| Net cash provided by financing activities | 13,799 | - | (1,525) | 12,274 |
| Net increase (decrease) in cash | (1,578) | 401 | - | (1,177) |
| Cash at beginning of period | 5,426 | 205 | - | 5,631 |
| Cash at end of period | \$ 3,848 | \$ 606 | \$ - | \$ 4,454 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

Consolidating Statement of Cash Flows For the Period February 8, 2006 through January 31, 2007

| | Predecessor II | | | |
|--|-------------------|-------------------|---------------------|---------------------|
| | <u>RathGibson</u> | <u>Greenville</u> | <u>Eliminations</u> | <u>Consolidated</u> |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ (133) | \$ 2,808 | \$ (2,808) | \$ (133) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 17,663 | 995 | - | 18,658 |
| Amortization of deferred financing costs | 1,489 | - | - | 1,489 |
| Expensing of write-up of inventories | 3,934 | 214 | - | 4,148 |
| Loss on disposal of property, plant and equipment | 105 | - | - | 105 |
| Deferred income taxes | (3,597) | (549) | - | (4,146) |
| Incentive unit expense | 227 | - | - | 227 |
| Equity in earnings of subsidiary | (2,808) | - | 2,808 | - |
| Change in assets and liabilities, net of acquisition: | | | | |
| Accounts receivable | (14,258) | (705) | - | (14,963) |
| Intercompany account receivable and payable | (26) | 26 | - | - |
| Inventories | (14,516) | (2,690) | - | (17,206) |
| Other current and non-current assets | 551 | (42) | - | 509 |
| Accounts payable | 5,875 | 139 | - | 6,014 |
| Accrued expenses | 15,560 | (361) | - | 15,199 |
| Income taxes | 2,897 | 1,598 | - | 4,495 |
| Net cash provided by operating activities | 12,963 | 1,433 | - | 14,396 |
| Cash flows from investing activities: | | | | |
| Acquisition of property, plant and equipment | (6,193) | (80) | - | (6,273) |
| Proceeds from sale of property, plant and equipment | 4,939 | - | - | 4,939 |
| Intercompany note receivable | - | (3,884) | 3,884 | - |
| Cash paid for acquisition, net of cash acquired | (37,316) | - | 2,736 | (34,580) |
| Net cash used in investing activities | (38,570) | (3,964) | 6,620 | (35,914) |
| Cash flows from financing activities: | | | | |
| Proceeds from new Revolving Credit Facility | 21,315 | - | - | 21,315 |
| Purchase price adjustment | 2,608 | - | - | 2,608 |
| Intercompany note payable | 3,884 | - | (3,884) | - |
| Payments of financing fees | (562) | - | - | (562) |
| Equity contributions | 560 | - | - | 560 |
| Net cash provided by financing activities | 27,805 | - | (3,884) | 23,921 |
| Net increase (decrease) in cash | 2,198 | (2,531) | 2,736 | 2,403 |
| Cash at beginning of period | 3,228 | 2,736 | (2,736) | 3,228 |
| Cash at end of period | \$ 5,426 | \$ 205 | \$ - | \$ 5,631 |

RATHGIBSON, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 31, 2009, 2008 and 2007
(in thousands, except share data)

(19) SUBSEQUENT EVENTS

On May 15, 2009, RathGibson entered into a waiver and seventh amendment to its Revolving Credit Facility with GECC. The waiver and seventh amendment was entered into due to the failure to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates for certain months within 30 days of month end, and to change certain terms of the Revolving Credit Facility. Pursuant to the waiver and seventh amendment, the requirements to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 within 90 days of fiscal year end and monthly consolidated financial statements of RGCH Corp. and its subsidiaries and compliance certificates for certain months within 30 days of month end have been waived, and specified defaults in connection therewith, and the Revolving Credit Facility has been amended to (i) extend the requirement to provide audited consolidated financial statements of RGCH Corp. and its subsidiaries at and for the fiscal year ended January 31, 2009 to May 18, 2009; (ii) increase the interest rate charged on the borrowings under the Revolving Credit Facility to prime plus 3.00% or LIBOR plus 4.00%; (iii) increase the quarterly commitment fee to .75% of the unused capacity; and (iv) establish various covenants that, among other things, further restrict the Company's ability to make restricted payments (as defined in the Revolving Credit Facility), require the Company to maintain minimum amounts available under the Revolving Credit Facility for each of the ten business days ended July 17, 2009 and July 31, 2009 and set forth conditions under which the Company would accelerate periodic reporting to GECC.

On May 4, 2009, RathGibson entered into a waiver and sixth amendment to its Revolving Credit Facility with GECC. The waiver and sixth amendment was entered into due to the breach of a solvency requirement (as defined in the Revolving Credit Facility) with respect to RGCH Corp., at January 31, 2009. Pursuant to the waiver and sixth amendment, the solvency requirements pertaining to RGCH Corp. contained in the Revolving Credit Facility have been waived, and specified defaults in connection therewith, for all periods prior to May 4, 2009 and the Revolving Credit Facility has been amended to exclude RGCH Corp. from all solvency requirements under the Revolving Credit Facility from and after May 4, 2009.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

On May 1, 2008, the board of directors of RG Tube and acting on the Company's behalf, dismissed Deloitte & Touche LLP ("D&T") as the Company's independent registered public accounting firm.

D&T's audit reports on the Company's consolidated financial statements as of and for the fiscal years ended January 31, 2008 and 2007 did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended January 31, 2008 and 2007 and during the subsequent period through May 1, 2008, there were no disagreements with D&T on any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedures. During the fiscal years ended January 31, 2008 and 2007 and during the subsequent period through May 1, 2008, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Company has provided a copy of the disclosures above to D&T and requested D&T to furnish the Company with a letter addressed to the SEC stating whether or not D&T agrees with the foregoing statements and, if not, the respects in which it disagrees. A copy of the letter dated May 7, 2008 from D&T to the SEC is filed as Exhibit 16.1 of the Company's Current Report on Form 8-K dated May 7, 2008.

Simultaneously with the dismissal of D&T, the board of directors approved the engagement of KPMG LLP ("KPMG") as its independent registered public accounting firm for the fiscal year ended January 31, 2009. During the fiscal years ended January 31, 2008 and 2007 and during the subsequent period through May 1, 2008, the Company has not consulted with KPMG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed; (ii) the type of audit opinion that might be rendered on the Company's financial statements; or (iii) any matter that was either the subject of disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

Item 9A(T). Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded, based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate, and allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's management conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control - Integrated Framework, management of the Company concluded that the Company's internal control over financial reporting was effective as of January 31, 2009.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None

PART III**Item 10. Directors, Executive Officers and Corporate Governance.****Directors**

The following table sets forth certain information regarding the Company's board of directors, the board of directors of RGCH Corp. and the board of directors of RG Tube as of April 30, 2009. Each of the individuals has served as a member of the applicable board of directors since the dates indicated below in their biographical data.

| Name | Age | Position |
|---------------------|------------|--|
| Michael G. Schwartz | 50 | President, Chief Executive Officer and Chief Operating Officer of RathGibson; President of Greenville; Member of RathGibson's board of directors, the board of directors of Greenville, the board of directors of RGCH Corp. and the board of directors of RG Tube |
| Jon M. Smith | 53 | Chief Financial Officer of RathGibson and Greenville; Member of RathGibson's board of directors, the board of directors of Greenville, the board of directors of RGCH Corp. and the board of directors of RG Tube |
| Edward A. Johnson | 46 | Member of the board of directors of RG Tube |
| John A. Janitz | 66 | Chairman of RathGibson's board of directors; Member of the board of directors of RG Tube |
| Dominick J. Schiano | 54 | Member of the board of directors of RG Tube |
| Allen Yurko | 57 | Member of the board of directors of RG Tube |

Michael G. Schwartz joined the Company in April 2008 as President and Chief Operating Officer and was appointed Chief Executive Officer of RathGibson in January 2009. Mr. Schwartz has been President and a director of Greenville since January 2009. Mr. Schwartz has been a member of the Company's board of directors, the board of directors of RGCH Corp., the board of directors of RG Tube since January 2009. Prior to joining the Company, Mr. Schwartz served as President and Chief Executive Officer of Airoom, Inc. ("Airoom") from 2006 to 2007. Before Airoom, Mr. Schwartz had over 15 years of progressively responsible experience with companies within Lennox International Inc., including President and COO for Heatcraft Worldwide Refrigeration from 2003 to 2005, Lennox North American Distributed Products from 2000 to 2003 and Armstrong Air from 1997 to 2000; Vice-President for Heatcraft Commercial Products from 1995 to 1997; and Sales and Marketing Director for the Heatcraft Heat Transfer Group from 1990 to 1994. Mr. Schwartz received a B.S. in Mechanical Engineering from Iowa State University.

Jon M. Smith joined the Company in February 2009 as Chief Financial Officer of RathGibson and Greenville. Mr. Smith has been a member of the Company's board of directors, the board of directors of Greenville, the board of directors of RGCH Corp., the board of directors of RG Tube since February 2009. Prior to joining the Company, Mr. Smith was Senior Director of Finance of the Engine and Transmission Components group of Magna Powertrain ("Magna") from 2008 to 2009. Before Magna, Mr. Smith held various management positions with privately held Teksid Aluminum from 2004 to 2008, including Chief Financial Officer. Prior to this, Mr. Smith's 30 year career included senior positions at public companies, TRW Inc. ("TRW") and Textron Inc. ("Textron"). Mr. Smith received a B.S. in Accounting from Kansas State University.

Edward A. Johnson became a member of the board of directors of RG Tube in June 2007 upon the consummation of the DLJ Acquisition. Mr. Johnson is a Managing Director and Partner in DLJ Merchant Banking Partners ("DLJMBP"). Mr. Johnson joined DLJMBP in 2000 upon the merger of Credit Suisse ("CS") and Donaldson Lufkin & Jenrette ("DLJ"), having initially joined CS in September 1998 to focus on the growth capital investment program for CS's domestic private equity fund, Credit Suisse First Boston Equity Partners, L.P. Since 2001, he has focused on investments for DLJ Growth Capital Partners. Prior to joining CS, he spent four years at E.M. Warburg Pincus, LLC where he was a generalist in the private equity area, and two years as a consultant for the Boston Consulting Group. Prior to earning his M.B.A., he spent six years with Chevron Corporation as a refinery planner. Mr. Johnson received a B.S. in Chemical Engineering with Honors from Stevens Institute of Technology in 1984 and an M.B.A. from The Wharton School of the University of Pennsylvania in 1992, where he was a Palmer Scholar. He is a director of Deffenbaugh Industries, Inc., Den-Mat Holdings, LLC, The Service Companies, Inc. and United Site Services, Inc.

John A. Janitz became a member of the board of directors of RG Tube in June 2007 upon the consummation of the DLJ Acquisition. Mr. Janitz is an Industry Partner in DLJMBP. Mr. Janitz joined DLJMBP in March of 2007 as Chairman-Global Industrial Partners. Mr. Janitz has over 40 years of management and investment experience in the industrial sector. Mr. Janitz is responsible for sourcing investment opportunities, and for providing management guidance to DLJMBP with respect to industrial portfolio companies. Prior to joining DLJMBP, Mr. Janitz served as Co-Managing Principal for Questor Partners Funds ("Questor"), a \$1 billion private equity turnaround fund, from 2003 to 2007. Prior to joining Questor, from 1996 to 2001 Mr. Janitz was President and COO of Textron, a NYSE-listed multi-industry company with over \$12 billion in worldwide sales. Before Textron, Mr. Janitz was an Executive Vice President with TRW, an international company providing advanced technology products and services. In addition, he served as President of Wickes Manufacturing Company ("Wickes"), and held a number of key executive positions with Wickes' predecessor company, Gulf & Western Industries, Inc. ("Gulf & Western"). Mr. Janitz holds a B.S. degree in mechanical engineering from Villanova University, an M.B.A. from Eastern Michigan University and is a graduate of the Harvard University Advanced Management Program. Mr. Janitz is a director of STR Holdings LLC.

Dominick J. Schiano became a member of the board of directors of RG Tube in June 2007 upon the consummation of the DLJ Acquisition. Mr. Schiano is an Industry Partner in DLJMBP. Mr. Schiano joined DLJMBP in 2007 as Vice Chairman - Global Industrial Partners. Bringing over 30 years of experience in management, finance and operations, he is responsible for sourcing investment opportunities, and for providing strategic, operational and financial guidance to DLJMBP with respect to portfolio company investments in the industrial sector. Mr. Schiano joined DLJMBP from Questor, where he served as a Managing Director and member of its Investment Committee from 2003 to 2007. Prior to joining Questor, from 1997 to 2003 Mr. Schiano served in various executive roles at Textron, including Executive Vice President and CFO of Textron Automotive, Executive Vice President and CFO of Textron Fastening Systems, Inc., and finally as Executive Vice President and General Manager of Textron Fastening Systems Inc. - Threaded Products Group. Prior to Textron, Mr. Schiano held senior positions at TRW, where he was responsible for mergers and acquisitions, joint ventures, licensing and strategic alliances. Prior to that, Mr. Schiano held progressively responsible finance, M&A and operating roles at Wickes Companies Inc., Gulf & Western and Emerson Electric Company Inc. Mr. Schiano attended Long Island University, majoring in Finance, and has completed the University of Pennsylvania - Wharton School Management Development Program and the Northwestern University - Kellogg School Mergers and Acquisitions Program. Mr. Schiano is a director of STR Holdings LLC, Material Sciences Corporation and Paradigm Precision Holdings LLC.

Allen Yurko became a member of the board of directors of RG Tube in April 2009. Mr. Yurko joined DLJMBP in 2007 as the European Industrial Partner and is based in London. Prior to DLJMBP, Mr. Yurko was at Compass Partners ("Compass"), where he served from 2002 to 2007 as an Operating Partner and Director focused on industrial, electronic and general manufacturing buyouts. While at Compass Mr. Yurko served as Chairman of three successful buyouts: SSD Drives plc, FlaktWoods ag and ECO Group Spa. Prior to Compass, Mr. Yurko was the CEO of Invensys plc ("Invensys"), which was formed through the merger of Siebe and BTR in 1999. Before Invensys, Mr. Yurko served at Siebe as a VP, President, COO and finally as CEO from 1993 to 1999. Prior to Siebe, Mr. Yurko served as the CFO of Mueller Holdings Inc. ("Mueller"), where he was the financial architect of Mueller's leveraged buyout from the Mueller family and its subsequent sale to Tyco Incorporated Ltd. in 1988. Mr. Yurko's early career was in finance and accounting at Eaton Corporation and Joy Manufacturing. Mr. Yurko holds a Bachelors of Business and Economics degree from Lehigh University and an M.B.A. from Baldwin-Wallace College. Mr. Yurko is currently a director of Guala Closures SpA and has previously been a director of 18 other public and private companies in a total of 7 countries.

Executive Officers

The following table sets forth certain information regarding the Company's executive officers at April 30, 2009. Each of the individuals has served as an employee of the Company since the dates indicated below in their biographical data.

| Name | Age | Position |
|----------------------|-----|---|
| Michael G. Schwartz | 50 | President, Chief Executive Officer and Chief Operating Officer of RathGibson; President of Greenville |
| Jon M. Smith | 53 | Chief Financial Officer of RathGibson and Greenville |
| Timothy L. Thomsen | 50 | Vice President - Global Sourcing |
| Richard E. Lore, Sr. | 55 | President - Mid-South Control Line |
| Jeffrey J. Nelb | 52 | Vice President and General Manager - North Branch |

For the biographical summary of Messrs. Schwartz and Smith, see "DIRECTORS."

Timothy L. Thomsen joined the Company in November 2007 as Vice President - Global Sourcing. Prior to joining the Company, Mr. Thomsen was Managing Director, Procurement and Supply Chain Services for ADI Group ("ADI") from 2006 to 2007. Before ADI, Mr. Thomsen held various management positions with LSG Sky Chefs AG, including Senior Vice President, Global Procurement from 2001 to 2004 and Vice President, Procurement from 2000 to 2001. Mr. Thomsen received a B.S./B.A. in Marketing from the University of Missouri - Columbia and M.B.A. from the University of Missouri - St. Louis.

Richard E. Lore, Sr. joined the Company in February 2008 after his company, Mid-South, was acquired by RathGibson. Mr. Lore founded Mid-South in 1989 and built it into one of the world leaders of downhole control line products. Prior to starting up Mid-South, Mr. Lore worked from 1981 to 1989 for Baker Hughes Incorporated in the oil and gas industry. Mr. Lore is currently President of Mid-South Control Line, a division of RathGibson.

Jeffrey J. Nelb joined the Company in September 2006 as Vice President and General Manager - North Branch. Prior to joining the Company, Mr. Nelb was Vice President, North American Operations for Dyno Nobel Inc ("Dyno") from 2003 to 2006. Before Dyno, Mr. Nelb held various management positions with The Ensign-Bickford Company, including Commercial Products Manager from 1997 to 2003 and Corporate Controller from 1993 to 1997. Mr. Nelb received an A.B. in Economics from Dartmouth College and M.B.A. from the University of Michigan.

Audit Committee

The audit committee of RG Tube functions as the Company's audit committee. The audit committee consists of Mr. Schiano (Chairman) and Mr. Yurko. Mr. Yurko was appointed to the audit committee in April 2009 to replace Brian Zaumeyer, who resigned from the board of directors of RG Tube in February 2009.

The primary purpose of the audit committee is oversight. The audit committee shall assist the board of directors in fulfilling its responsibility to oversee (i) the conduct by the Company's management of the Company's financial reporting process; (ii) the integrity of the financial statements and other financial information provided by the Company to the SEC and the public; (iii) the Company's system of internal accounting and financial controls, including, if applicable, the internal audit function; (iv) the independent registered public accounting firm's qualifications, performance and independence; and (v) the annual independent audit of the Company's financial statements.

Audit Committee Financial Expert

The audit committee and board of directors of RG Tube have determined that each member of the audit committee is financially literate and that Mr. Schiano qualifies as an "audit committee financial expert" as defined by applicable SEC rules.

Code of Ethics

The Company has adopted a Code of Business Conduct that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller and other Company employees performing similar functions. The Code of Business Conduct is posted on the Company's internet website at www.RathGibson.com. In addition, the Company filed its Code of Business Conduct as an exhibit to its Annual Report on Form 10-K for the fiscal year ended January 31, 2008. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K, if applicable, regarding any amendment to, or waiver from, a provision of the Code of Business Conduct by posting such information on the Company's internet website.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

Overview

RG Tube's compensation committee has the responsibility for establishing, monitoring and implementing the Company's compensation program. The Company's compensation program for the executive officers named in the Summary Compensation Table ("Executives"), is specifically designed to attract, retain, motivate and appropriately reward talented executive officers who can contribute significantly to the Company's financial growth and success. Base salary and performance-based cash incentive payments are determined and paid annually and are designed to reward current performance. Incentive unit awards in RG Tube are designed to reward longer term performance. The goal of the compensation committee is to motivate Executives through the Company's compensation program to build value for stockholders over the long term. During fiscal 2009, the Executives were party to employment agreements with the Company governing the terms of their compensation.

Objectives of Compensation Program

The compensation program's primary objective is to increase stockholder value. The compensation program attempts to achieve this goal by compensating Executives in a way that reinforces decisions and actions that will drive long-term sustainable growth.

What the Company's Compensation Program is Designed to Reward

The compensation committee focuses on long-term goals of the business and designs reward programs that recognize business achievements it believes are likely to promote sustainable growth. The compensation committee believes compensation programs should reward Executives who take actions that are best for the long-term performance of the Company while delivering annual operating results.

The compensation committee combines this approach with an integrated performance management process that includes strategies, business planning, metrics, management routines, individual performance and rewards in order to closely link rewards to the interests of stockholders. The compensation committee does take into consideration external market practices.

Management provides recommendations to the compensation committee regarding most compensation matters, including executive and director compensation. However, the compensation committee does not delegate any of its functions to others in setting compensation. The Company does not currently engage any consultant related to executive and/or director compensation matters.

Executive Compensation Components

The principal components of compensation for the Executives are:

- base salary;
- performance-based cash incentive compensation; and
- long-term equity incentive compensation.

Base Salary

Base salaries are important in attracting Executives and provide a secure base of cash compensation. Increases are not preset and take into account the individual's performance, responsibilities of the position, experience and the methods used to achieve results, as well as external market practices. Generally, base salaries will not be decreased, even if an Executive has not performed as expected, unless and until the failure to perform is continuous. The Company recognizes that a decrease to base salaries may be appropriate in the current economic environment.

Salary planning begins with a percentage guideline for increases, based on the rate of increase in the Consumer Price Index for Urban Wage earners and Clerical Workers, as compiled by the U.S. Bureau of Labor Statistics for the preceding year, which is adjusted up or down for individual performance based on recommendations from Mr. Schwartz, the Company's President, Chief Executive Officer and Chief Operating Officer. The guidelines are set after considering competitive market data, affordability and current salary levels, as appropriate. At the end of the year, Mr. Schwartz evaluates each Executive's performance in light of the individual's objectives. Base salary compensates each Executive for the primary responsibilities of his/her position and is set at levels the Company believes enables it to attract and retain talent. The compensation committee relies to a large extent on Mr. Schwartz's evaluations of each Executive's performance in adjusting base salaries. Mr. Schwartz's performance is reviewed annually by the compensation committee which recommends changes in base salary for approval by the board of directors.

In fiscal 2009, none of the Executives received increases in base salary.

Performance-Based Cash Incentive Compensation

Pursuant to the Executives' employment agreements, performance-based cash incentive amounts are the responsibility of the compensation committee under a plan established by the Company and approved by the board of directors. The Executives are eligible to receive an annual performance-based cash incentive payment of up to 200% of base salary with the Executive's target bonus equaling up to 100% of base salary. The annual performance-based cash incentive payments are paid in cash. Actual awards are based on financial and individual performance.

Financial Performance - Financial performance is determined at the end of the year based on business results versus preset annual financial performance goals of EBITDA and working capital and the Company's strategic performance initiatives. Depending on the Executive's responsibilities, performance is set and measured at the corporate level or a combination of corporate or operating level, as appropriate.

Individual Performance - Individual performance is determined based on his or her objectives established prior to the beginning of the fiscal year. The compensation committee may also take into account additional considerations that it deems fundamental.

Using these guidelines, the compensation committee evaluates the performance of each of the Company's Executives. Based on such evaluations, the compensation committee determines the annual performance-based cash incentive payment for Mr. Schwartz and approves the recommendations of Mr. Schwartz regarding performance-based cash incentive payments to other Executives, in each case based on individual performance consistent with the Company's general compensation philosophy.

In April 2009, the compensation committee reviewed Mr. Schwartz's performance against those goals using actual fiscal 2009 results and the other criteria in the employment agreement and decided on Mr. Schwartz's performance-based cash incentive. The compensation committee reviewed and approved Mr. Schwartz's recommendations for the other Executives' performance-based cash incentive. In light of the Company's performance for fiscal 2009, Messrs. Schwartz, Lore and Nelb waived their performance-based cash incentives for fiscal 2009. Mr. Thomsen received the minimum amount of performance-based cash incentive of \$100,000 pursuant to his employment agreement. Mr. Smith joined the Company in February 2009 and was not eligible to receive any performance-based cash incentive for fiscal 2009.

Long-term Equity Incentive Compensation

The long-term equity incentive that the compensation committee employs is an equity incentive plan consisting of equity interests of RG Tube, in the form of Class B units, for issuance to executive officers, key employees and members of the board of directors. The Class B units primarily vest based on the following: (i) ratably over certain specified periods of continuing employment, generally on a monthly basis over 5 years; and (ii) the achievement of certain annual performance-based targets. Annual performance-based targets are based on shareholder value and are measured by applying an established multiple to actual Adjusted EBITDA, less net debt of the Company. Vesting of certain units may be accelerated upon a change of control. The long-term equity incentive compensation is intended to motivate the Executives to make stronger business decisions, improve financial performance, focus on both short-term and long-term objectives and encourage behavior that protects and enhances the long-term interests of the stockholders. This is a significant portion of the total compensation package of the Executives and is an important retention tool.

Compensation Committee Report

The compensation committee oversees the Company's executive compensation program on behalf of the board of directors. In fulfilling its oversight responsibilities, the compensation committee reviewed and discussed with Company management the Compensation Discussion and Analysis set forth in this Annual Report on Form 10-K. Based on such review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

COMPENSATION COMMITTEE

Edward A. Johnson
Michael G. Schwartz

Summary Compensation Table

The following table sets forth the Company's information regarding compensation for the last three fiscal years awarded to, earned by, or paid to each of the Company's current and former Chief Executive Officer, former Chief Financial Officer and three other most highly compensated executive officers at the end of fiscal 2009 ("Named Executive Officers"), excluding any pre-acquisition equity based compensation and bonuses payable upon the consummation of the CH Acquisition:

| Name and Principal Position | Year | Salary | Equity Awards ⁽¹⁾ | Non-Equity Incentive Plan Compensation ⁽²⁾ | All Other Compensation ⁽³⁾ | Total |
|---|------|------------|------------------------------|---|---------------------------------------|------------|
| Michael G. Schwartz⁽⁴⁾ President, Chief Executive Officer and Chief Operating Officer (Principal Executive Officer) | 2009 | \$ 310,096 | \$ 21,560 | \$ - | \$ 81,661 | \$ 413,317 |
| Harley B. Kaplan⁽⁵⁾ Former President and Chief Executive Officer | 2009 | 233,654 | 44,376 | - | 1,330,006 | 1,608,036 |
| | 2008 | 450,000 | 1,319,934 | 289,688 | 1,332,696 | 3,392,318 |
| | 2007 | 424,000 | 74,916 | 451,000 | 62,407 | 1,012,323 |
| Barry C. Nuss⁽⁶⁾ Former Chief Financial Officer | 2009 | 291,500 | 12,684 | - | 708,467 | 1,012,651 |
| | 2008 | 291,500 | 397,242 | 187,653 | 323,355 | 1,199,750 |
| | 2007 | 216,827 | 23,040 | 250,000 | 130,455 | 620,322 |
| Timothy L. Thomsen⁽⁷⁾ Vice President - Global Sourcing | 2009 | 275,000 | 6,276 | 100,000 | 101,757 | 483,033 |
| | 2008 | 58,173 | 1,308 | - | 67,159 | 126,640 |
| Richard E. Lore, Sr.⁽⁸⁾ President - Mid-South Control Line | 2009 | 286,057 | 8,987 | - | 67,312 | 362,356 |
| Jeffrey J. Nelb⁽⁹⁾ Vice President and General Manager - North Branch | 2009 | 246,000 | 12,684 | - | 119,805 | 378,489 |
| | 2008 | 246,000 | 358,129 | 158,363 | 257,277 | 1,019,769 |
| | 2007 | 92,308 | 9,105 | 100,000 | 86,182 | 287,595 |

- (1) Equity awards are comprised of amounts recognized for incentive units in the Company's consolidated financial statements under SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). After the DLJ Acquisition, the incentive units are for Class B units in RG Tube. After the CH Acquisition until the DLJ Acquisition, the incentive units were for Class B units in RGCH LLC. Substantially all of the expense recognized in fiscal 2008 is related to the acceleration of vesting in incentive units of RGCH LLC that occurred in connection with the DLJ Acquisition.
- (2) Non-equity incentive plan compensation represents performance-based cash incentives earned under the Company's annual performance-based cash incentive plan. Amounts presented are reported for the fiscal year in which they are earned, though they may have been paid in the following fiscal year. Messrs. Schwartz, Lore and Nelb waived their performance-based cash incentives for fiscal 2009. Non-equity incentive plan compensation for Mr. Thomsen in fiscal 2009 is comprised of the minimum amount payable pursuant to his employment agreement of \$100,000.
- (3) The table below shows the components of "All Other Compensation" for the Named Executive Officers.
- (4) Mr. Schwartz joined the Company on March 31, 2008 as President and Chief Operating Officer. In January 2009, Mr. Schwartz was appointed Chief Executive Officer of the Company.
- (5) Mr. Kaplan's employment was terminated by the Company on August 6, 2008.
- (6) Mr. Nuss joined the Company on April 17, 2006. Mr. Nuss' employment was terminated by the Company on January 31, 2009.
- (7) Mr. Thomsen joined the Company on November 12, 2007.
- (8) Mr. Lore joined the Company on February 27, 2008 in connection with the Mid-South Acquisition.
- (9) Mr. Nelb joined the Company on September 11, 2006.

All Other Compensation Table

| Name | Year | Other Bonuses | Severance | Relocation, Housing Allowance and Related Expenses | College Reimbursement Scholarship Program | 401(k) Contribution | Country Club Dues | Income Tax Gross-Up | Total |
|----------------------|------|--------------------------|--------------------------|--|---|---------------------|-------------------|--------------------------|-----------|
| Michael G. Schwartz | 2009 | \$ - | \$ - | \$ - | \$ 20,173 | \$ 300 | \$ - | \$ 61,188 ^(F) | \$ 81,661 |
| Harley B. Kaplan | 2009 | - | 1,235,443 ^(C) | 77,541 | 11,114 | - | 5,909 | - | 1,330,007 |
| | 2008 | 1,125,000 ^(A) | - | 59,066 | 17,819 | 8,373 | - | 122,438 ^(F) | 1,332,696 |
| | 2007 | - | - | 43,420 | 8,763 | 10,224 | - | - | 62,407 |
| Barry C. Nuss | 2009 | - | 642,000 ^(D) | 66,167 | - | 300 | - | - | 708,467 |
| | 2008 | 280,000 ^(A) | - | - | - | 8,373 | - | 34,982 ^(F) | 323,355 |
| | 2007 | - | - | 130,455 | - | - | - | - | 130,455 |
| Timothy L. Thomsen | 2009 | - | - | 81,617 | 19,840 | 300 | - | - | 101,757 |
| | 2008 | 50,000 ^(B) | - | - | - | - | - | 17,159 ^(F) | 67,159 |
| Richard E. Lore, Sr. | 2009 | - | - | 27,485 ^(E) | - | 8,132 | 6,094 | 25,601 ^(F) | 67,312 |
| Jeffrey J. Nelb | 2009 | - | - | 112,905 | - | 6,900 | - | - | 119,805 |
| | 2008 | 140,000 ^(A) | - | 43,895 | - | - | - | 73,382 ^(G) | 257,277 |
| | 2007 | 86,182 ^(B) | - | - | - | - | - | - | 86,182 |

- (A) Other bonuses for fiscal 2008 are comprised of amounts paid to Named Executive Officers in connection with the DLJ Acquisition.
- (B) Other bonus for Mr. Thomsen in fiscal 2008 is comprised of a signing bonus; other bonus for Mr. Nelb in fiscal 2007 is comprised of a signing bonus.
- (C) Mr. Kaplan's employment was terminated by the Company on August 6, 2008. Severance for Mr. Kaplan in fiscal 2009 is comprised of the total amount payable under the terms of the separation agreement. At January 31, 2009, the Company has accrued severance benefits of \$702,854 remaining to be paid monthly over the remaining term of approximately eighteen and one-half months.
- (D) Mr. Nuss' employment was terminated by the Company on January 31, 2009. Severance for Mr. Nuss in fiscal 2009 is comprised of the total amount payable under the terms of the separation agreement. At January 31, 2009, the Company has accrued severance benefits of \$642,000 with \$341,500 to be paid in February 2009 and the remaining balance of \$300,500 to be paid monthly over the remaining term of approximately twelve months.
- (E) Relocation, housing allowance and related expenses for Mr. Lore in fiscal 2009 is comprised of the following: \$16,500 for housing allowance and 10,985 for auto allowance.
- (F) Income tax gross-up for fiscal 2009 and 2008 is comprised of an income tax reimbursement paid in connection with income tax elections made by the Named Executive Officers related to incentive units of RG Tube.
- (G) Income tax gross-up for Mr. Nelb in fiscal 2008 is comprised of the following: \$38,990 for an income tax reimbursement paid in connection with income tax elections made by Mr. Nelb related to incentive units of RG Tube and \$34,392 for an income tax reimbursement paid in connection with a relocation payment.

Grants of Plan-Based Awards

The following table provides information concerning grants of plan-based awards to the Company's Named Executive Officers in fiscal 2009.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾ | | | Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾ | All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾ | Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾ |
|----------------------|-------------------|--|------------|------------|--|---|---|
| | | Threshold | Target | Maximum | Target | | |
| Michael G. Schwartz | - | \$ - | \$ 310,096 | \$ 620,192 | - | - | \$ - |
| | March 31, 2008 | - | - | - | 15,453 | 7,726 | 129,340 |
| Timothy L. Thomsen | - | 100,000 | - | 137,500 | - | - | - |
| | - | - | - | - | - | - | - |
| Richard E. Lore, Sr. | - | - | 286,057 | 572,114 | - | - | - |
| | February 27, 2008 | - | - | - | 5,795 | 2,897 | 49,024 |
| Jeffrey J. Nelb | - | - | 246,000 | 492,000 | - | - | - |
| | - | - | - | - | - | - | - |

- (1) Estimated future payouts under non-equity incentive plan awards represent potential threshold, target and maximum performance-based cash incentive available to the Named Executive Officers under the Company's annual performance-based cash incentive plan. The actual amounts earned under this plan for fiscal 2009 are shown in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.
- (2) Estimated future payouts under equity incentive plan awards represent grants of incentive units in RG Tube to the Named Executive Officers. The incentive units vest equally if annual performance targets are achieved in each of the periods from fiscal 2008 through fiscal 2012. No incentive units in RGCH LLC were granted to the Company's Named Executive Officers in fiscal 2008.
- (3) All other stock awards represent grants of incentive units in RG Tube to the Named Executive Officers. The incentive units vest ratably over certain specified periods of continuing employment, generally on a monthly basis over 5 years.
- (4) The grant date fair value was determined in accordance with SFAS 123R and represents the total amount of compensation expense to be recorded in the Company's consolidated financial statements.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The following is a discussion of material factors necessary to an understanding of the information disclosed in the Summary Compensation Table and the Grants of Plan-Based Awards Table.

Employment Agreements

On March 31, 2008, the Company entered into an employment agreement with Mr. Schwartz to serve as the President and Chief Operating Officer of the Company. The initial term of Mr. Schwartz's employment agreement is one year, unless earlier terminated, and will renew for successive one-year terms unless either party provides notice of non-renewal in accordance with the agreement. Mr. Schwartz receives an initial base salary of \$375,000, subject to increase, and an annual performance-based cash incentive of up to 200% of base salary under a plan established by the Company or the board of directors of the Company or a committee thereof. The performance-based cash incentive will be prorated for fiscal 2009. Mr. Schwartz is entitled, to the extent eligible, to participate in all of the Company's benefit plans which may be available to other executive officers.

In January 2009, the Company appointed Mr. Schwartz the Chief Executive Officer of the Company, replacing Mr. Kaplan who had been terminated by the Company. In connection with the appointment, Mr. Schwartz's employment agreement was amended on January 29, 2009. Under the terms of the amended and restated employment agreement, Mr. Schwartz base salary was increased to \$400,000 from \$375,000.

Upon a termination of Mr. Schwartz's employment by the Company without "cause," as defined in the amended and restated employment agreement, or a termination by Mr. Schwartz for "good reason," as defined in the amended and restated employment agreement, Mr. Schwartz will be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; a prorated performance-based cash incentive for the year of his termination; and continued medical and dental coverage for 12 months after the date of termination. In the event of a termination of Mr. Schwartz's employment by the Company for "cause," by Mr. Schwartz without "good reason," or due to Mr. Schwartz's death or disability, Mr. Schwartz would only be entitled to accrued but unpaid base salary and benefits to the date of the termination. In the event of a termination of Mr. Schwartz's employment due to the Company's election not to renew the term of his employment, Mr. Schwartz would be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; a prorated performance-based cash incentive for the year of his termination; and continued medical and dental coverage for 12 months after the date of termination.

On February 3, 2009, the Company entered into an employment agreement with Mr. Smith to serve as the Chief Financial Officer of the Company, replacing Mr. Nuss who had been terminated by the Company. The initial term of Mr. Smith's employment agreement is one year, unless earlier terminated, and will renew for successive one-year terms unless either party provides notice of non-renewal in accordance with the agreement. Mr. Smith receives an initial base salary of \$250,000, subject to increase, and an annual performance-based cash incentive of up to 100% of base salary under a plan established by the Company or the board of directors of the Company or a committee thereof. Mr. Smith is entitled, to the extent eligible, to participate in all of the Company's benefit plans which may be available to other executive officers.

Upon a termination of Mr. Smith's employment by the Company without "cause," as defined in the employment agreement, or a termination by Mr. Smith for "good reason," as defined in the employment agreement, Mr. Smith will be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation, if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; and continued medical and dental coverage for 12 months after the date of termination. In the event of a termination of Mr. Smith's employment by the Company for "cause," by Mr. Smith without "good reason," or due to Mr. Smith's death or disability, Mr. Smith would only be entitled to accrued but unpaid base salary and benefits to the date of the termination. In the event of a termination of Mr. Smith's employment due to the Company's election not to renew the term of his employment, Mr. Smith would be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; continued base salary for 9 months after the date of termination, payable in monthly installments; and continued medical and dental coverage for 9 months after the date of termination.

On November 12, 2007, the Company, RGCH Corp. and RG Tube entered into an employment agreement with Mr. Thomsen to serve as Vice President – Global Sourcing. The initial term of Mr. Thomsen's employment agreement is from November 12, 2007 until August 11, 2009, unless earlier terminated, and will renew for successive one-year terms unless either party provides notice of non-renewal in accordance with the agreement. Mr. Thomsen receives an initial base salary of \$275,000, subject to increase, and an annual performance-based cash incentive of up to 50% of base salary under a plan established by the Company or the board of directors of the Company or a committee thereof. For fiscal 2009, Mr. Thomsen's performance-based cash incentive shall be a minimum of \$100,000. Mr. Thomsen is entitled, to the extent eligible, to participate in all of the Company's benefit plans which may be available to other executive officers.

Upon a termination of Mr. Thomsen's employment by the Company without "cause," as defined in the employment agreement, or a termination by Mr. Thomsen for "good reason," as defined in the employment agreement, Mr. Thomsen will be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; and continued medical and dental coverage for 12 months after the date of termination. In the event of a termination of Mr. Thomsen's employment by the Company for "cause," by Mr. Thomsen without "good reason," or due to Mr. Thomsen's death or disability, Mr. Thomsen would only be entitled to accrued but unpaid base salary and benefits to the date of the termination. In the event of a termination of Mr. Thomsen's employment due to the Company's election not to renew the term of his employment, Mr. Thomsen would be entitled to his accrued but unpaid base salary and benefits to the date of termination.

On February 27, 2008, the Company entered into an employment agreement with Mr. Lore to serve as the President - Mid-South Control Line. The initial term of Mr. Lore's employment agreement is two years, unless earlier terminated, and will renew for successive one-year terms unless either party provides notice of non-renewal in accordance with the agreement. Mr. Lore receives an initial base salary of \$312,500, subject to increase, and an annual performance-based cash incentive of up to 200% of base salary under a plan established by the Company or the board of directors of the Company or a committee thereof. Mr. Lore is entitled, to the extent eligible, to participate in all of the Company's benefit plans which may be available to other executive officers.

Upon a termination of Mr. Lore's employment by the Company without "cause," as defined in the employment agreement, or a termination by Mr. Lore for "good reason," as defined in the employment agreement, Mr. Lore will be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; and continued medical and dental coverage for 12 months after the date of termination. In the event of a termination of Mr. Lore's employment by the Company for "cause," by Mr. Lore without "good reason," or due to Mr. Lore's death or disability, Mr. Lore would only be entitled to accrued but unpaid base salary and benefits to the date of the termination. In the event of a termination of Mr. Lore's employment due to the Company's election not to renew the term of his employment, Mr. Lore would be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; and continued base salary for 6 months after the date of termination, payable in monthly installments.

On September 11, 2006, the Company, RGCH Corp. and RGCH LLC entered into an employment agreement with Mr. Nelb. On April 25, 2007, the Company, RGCH Corp., RGCH LLC and Mr. Nelb entered into an amended and restated employment agreement. The initial term of Mr. Nelb's employment agreement is for one year, unless earlier terminated, and will renew for successive one-year periods unless either party provides notice of non-renewal in accordance with the agreement. Mr. Nelb receives an initial base salary of \$240,000, subject to increase, and an annual performance-based cash incentive of up to 100% of the base salary under a plan established by the Company or the board of directors or a committee thereof. Mr. Nelb is entitled, to the extent eligible, to participate in all of the Company's benefit plans which may be available to other senior executives.

In connection with the DLJ acquisition, Mr. Nelb's amended and restated employment agreement was amended on June 15, 2007. Under the terms of the amendments to the amended and restated employment agreement, Mr. Nelb receives an annual performance-based cash incentive of up to 200% of base salary under a plan established by the Company or the board of directors or a committee thereof. Additionally, the amendment assigned RGCH LLC's rights and obligations under the employment agreement to RG Tube.

Upon a termination of Mr. Nelb's employment by the Company without "cause," as defined in the amended and restated employment agreement, or a termination by Mr. Nelb for "good reason," as defined in the amended and restated employment agreement, Mr. Nelb will be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; and continued medical and dental coverage for 12 months after the date of termination. In the event of a termination of Mr. Nelb's employment by the Company for "cause," by Mr. Nelb without "good reason," or due to Mr. Nelb's death or disability, Mr. Nelb would be entitled to receive his accrued but unpaid base salary and benefits to the date of termination. In the event of a termination of Mr. Nelb's employment due to the Company's election not to renew the term of his employment, Mr. Nelb would be entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; and continued base salary for 6 months after the date of termination, payable in monthly installments.

On December 9, 2008, each of the Named Executive Officer's employment agreement was amended to comply with Section 409A of the Internal Revenue Code. Each of the Named Executive Officers is also subject to certain nondisparagement, confidentiality, non-solicitation, no-hire and non-competition covenants pursuant to their employment agreements.

Incentive Units

RG Tube has allocated equity interests of RG Tube, in the form of Class B units, as incentive based grants for issuance to the Company's executive officers, key employees and members of the board of directors.

The incentive units primarily vest based on the following: (i) ratably over certain specified periods of continuing employment, generally on a monthly basis over 5 years; and (ii) the achievement of certain annual performance-based targets. Annual performance-based targets are based on shareholder value and are measured by applying an established multiple to actual Adjusted EBITDA, less net debt of the Company. Vesting of certain units may be accelerated upon a change of control.

Outstanding Equity Awards at Fiscal Year End

The following table provides information concerning incentive units of RG Tube for the Company's Named Executive Officers as of January 31, 2009.

| Name | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested⁽¹⁾ | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested⁽²⁾ |
|---------------------------------|--|--|
| Michael G. Schwartz | 18,801 | \$ - |
| Harley B. Kaplan ⁽³⁾ | - | - |
| Barry C. Nuss ⁽⁴⁾ | - | - |
| Timothy L. Thomsen | 4,571 | - |
| Richard E. Lore, Sr. | 7,002 | - |
| Jeffrey J. Nelb | 8,821 | - |

(1) Incentive units are subject to vesting based on a combination of ratably over certain specified periods of continuing employment, generally on a monthly basis over 5 years, and annual performance-based targets.

(2) Market value for the incentive units, which approximated \$0.00 per unit, were determined based on the estimated fair value of the Company as of January 31, 2009.

(3) 36,282 incentive units were forfeited on August 6, 2008 in connection with Mr. Kaplan's termination of employment.

(4) 10,367 incentive units were forfeited on January 31, 2009 in connection with Mr. Nuss' termination of employment.

Option Exercises and Stock Vested

The following table provides information concerning incentive units of RG Tube that vested during fiscal 2009 for the Company's Named Executive Officers.

| Name | Number of Shares Acquired on Vesting⁽¹⁾ | Value Realized on Vesting⁽²⁾ |
|----------------------|---|--|
| Michael G. Schwartz | 1,288 | \$ - |
| Harley B. Kaplan | 4,282 | - |
| Barry C. Nuss | 1,223 | - |
| Timothy L. Thomsen | 451 | - |
| Richard E. Lore, Sr. | 531 | - |
| Jeffrey J. Nelb | 1,223 | - |

(1) Incentive units of RG Tube are subject to vesting based on a combination of ratably over certain specified periods of continuing employment, generally on a monthly basis over 5 years, and annual performance-based targets.

(2) Market value for the incentive units of RG Tube, which approximated \$0.00 per unit, was determined based on the estimated fair value of the Company as of January 31, 2009.

Pension Benefits

The Company does not maintain a defined benefit pension plan.

Non-qualified Plans

The Company does not maintain any non-qualified deferred compensation or defined contribution plans; none of the Named Executive Officers had any non-qualified deferred compensation with the Company.

Potential Payments Upon Termination or Change in Control

The table and discussion below sets forth the amount of compensation and/or other benefits due to each of the Named Executive Officers: (i) in the event of a change in control; and (ii) upon the termination of the Named Executive Officer's employment, including in connection with a death or disability. The amounts shown assume that such change in control occurred on, or that such termination was effective as of January 31, 2009. Thus, the amounts shown below include amounts earned through such time and are estimates of the amounts that would be paid out to the Named Executive Officers upon the occurrence of a change in control or their termination, as applicable. The actual amounts to be paid out can only be determined at the time of a change in control or the Named Executive Officer's separation from the Company.

| <u>Name</u> | <u>Termination Without Cause or for Good Reason</u> | <u>Termination for Cause</u> | <u>Termination Without Good Reason</u> | <u>Death or Disability</u> | <u>Election Not to Renew the Term of Employment</u> | <u>Change in Control</u> |
|--|---|----------------------------------|--|--------------------------------|---|----------------------------------|
| Michael G. Schwartz | | | | | | |
| Severance pay ⁽¹⁾ | \$ 400,000 | \$ - | \$ - | \$ - | \$ 400,000 | \$ - |
| Medical and dental benefits | 16,034 | - | - | - | 16,034 | - |
| Purchase of incentive units ⁽²⁾ | - | - | - | - | - | - |
| Total | <u>\$ 416,034</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 416,034</u> | <u>\$ -</u> |
| Timothy L. Thomsen | | | | | | |
| Severance pay | \$ 275,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Medical and dental benefits | 16,034 | - | - | - | - | - |
| Purchase of incentive units ⁽²⁾ | - | - | - | - | - | - |
| Total | <u>\$ 291,034</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Richard E. Lore, Sr. | | | | | | |
| Severance pay | \$ 312,500 | \$ - | \$ - | \$ - | \$ 156,250 | \$ - |
| Medical and dental benefits | 9,162 | - | - | - | - | - |
| Purchase of incentive units ⁽²⁾ | - | - | - | - | - | - |
| Total | <u>\$ 321,662</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 156,250</u> | <u>\$ -</u> |
| Jeffrey J. Nelb | | | | | | |
| Severance pay | \$ 246,000 | \$ - | \$ - | \$ - | \$ 123,000 | \$ - |
| Medical and dental benefits | 16,034 | - | - | - | - | - |
| Purchase of incentive units ⁽²⁾ | - | - | - | - | - | - |
| Total | <u>\$ 260,511</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 123,000</u> | <u>\$ -</u> |

(1) For a termination of Mr. Schwartz's employment without cause, by Mr. Schwartz with good reason or election not to renew the term of his employment, Mr. Schwartz would also be entitled to receive a prorated performance-based cash incentive for the fiscal year of termination.

(2) For a termination of employment without cause, by the employee with good reason or election not to renew the term of employment, all of the nonvested incentive units of RG Tube that are subject to specified periods of continuing employment and performance targets after the fiscal year of termination will immediately be forfeited.

For a termination for cause, all of the vested and nonvested incentive units of RG Tube that are either subject to specified periods of continuing employment or performance targets will immediately be forfeited.

For a termination without good reason or death or disability, all of the nonvested incentive units of RG Tube that are either subject to specified periods of continuing employment or performance targets will immediately be forfeited.

For a change in control, all of the nonvested incentive units of RG Tube that are subject to specified periods of continuing employment will immediately be vested. Additionally, all of the nonvested incentive units of RG Tube that are subject to performance targets will immediately be vested subject to the achievement of the performance targets.

For each of the above scenarios except a termination for cause and change in control, the purchase price of the vested incentive units of RG Tube shall be the market value as determined in good faith by RG Tube's board of directors. For a termination of employment for any reason, the nonvested incentive units of RG Tube will be forfeited without purchase consideration.

Market value for the incentive units of RG Tube was determined based on the estimated fair value of the Company as of January 31, 2009, which approximated \$0.00 per unit.

On August 6, 2008, Mr. Kaplan's employment was terminated by the Company. Pursuant to the separation agreement between Mr. Kaplan and the Company, RGCH Corp. and RG Tube, Mr. Kaplan is entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation, if any, to the date of termination; continued base salary for 24 months after the date of termination, payable in monthly installments; a prorated performance-based cash incentive for the year of his termination; continued medical and dental coverage for 24 months after the date of termination; and payment under the college reimbursement scholarship program with respect to Mr. Kaplan's daughter for the fall semester of 2008.

On January 31, 2009, Mr. Nuss' employment was terminated by the Company. Pursuant to the separation agreement between Mr. Nuss and the Company, RGCH Corp. and RG Tube, Mr. Nuss is entitled to the following: his accrued but unpaid base salary and benefits to the date of termination; accrued and unpaid vacation, if any, to the date of termination; continued base salary for 12 months after the date of termination, payable in monthly installments; a prorated performance-based cash incentive for the year of his termination; continued medical and dental coverage for 24 months after the date of termination; and a retention bonus.

Compensation of Directors

The following table sets forth the Company's information regarding compensation for non-employee directors of the Company, RGCH Corp. and RG Tube for fiscal 2009:

| Name ⁽¹⁾ | Fees Earned or Paid in Cash | Stock Awards | All Other Compensation ⁽²⁾ | Total |
|---------------------|---|-----------------|---|--------|
| Edward A. Johnson | - | - | - | - |
| John A. Janitz | - | - | 50,000 | 50,000 |
| Dominick J. Schiano | - | - | 50,000 | 50,000 |

(1) Each of the directors is a member of the board of directors of RG Tube.

(2) All other compensation for each of Messrs. Janitz and Schiano is comprised of advisory service fees earned under the advisory services agreement between RathGibson, together with RGCH Corp. and RG Tube, and DLJMB.

Narrative Disclosure to Director Compensation Table

All of the members of the Company, RGCH Corp. and RG Tube's board of directors are either employees of the Company or DLJMB, therefore, no fees were awarded to, earned by or paid to the members for services rendered. Messrs. Schiano and Janitz are parties to the advisory services agreement with DLJMB. Additional information regarding the advisory services agreement is contained in Item 13 of this Form 10-K. All members of the Company, RGCH Corp. and RG Tube's board of directors are reimbursed for actual expenses incurred in connection with attendance at meetings of the respective boards on which they serve and of committees thereof.

Compensation Committee Interlocks and Insider Participation

None of the Company's Named Executive Officers has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity or insider participation in compensation decisions.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

All of the Company's issued and outstanding capital stock is held by RGCH Corp. RGCH Corp. is a direct, wholly-owned subsidiary of RG Tube and approximately 83% and 5%, respectively, of the equity interests of RG Tube are owned by DLJMB and its affiliates, and certain members of management.

The following table sets forth information as of April 30, 2009 with respect to the beneficial ownership of RG Tube's equity interests by:

- each person who is known by the Company to beneficially own 5% or more of RG Tube's outstanding equity interests;
- each member of RG Tube's board of directors;
- each of the Company's executive officers named in the table under "Summary Compensation Table;" and
- all members of the RG Tube's board of directors and the Company's executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. To the Company's knowledge, each of the holders of units of ownership interests listed below has sole voting and investment power as to the units owned unless otherwise noted.

| Name and Address of Beneficial Owner | Number of Class A Units | Percentage of Total Class A Units (%) |
|--|--------------------------------|--|
| DLJ Merchant Banking Partners and affiliates ⁽¹⁾ | 881,250.5 | 83.1 % |
| Michael G. Schwartz ⁽²⁾ | - | - |
| Harley B. Kaplan ⁽²⁾⁽⁴⁾ | 10,000.0 | * |
| Jon M. Smith ⁽²⁾ | - | - |
| Barry C. Nuss ⁽²⁾⁽⁵⁾ | 2,000.0 | * |
| Edward A. Johnson ⁽³⁾ | - | - |
| John A. Janitz ⁽³⁾ | - | - |
| Dominick J. Schiano ⁽³⁾ | - | - |
| Allen Yurko ⁽³⁾ | - | - |
| Timothy L. Thomsen ⁽²⁾ | - | - |
| Richard E. Lore, Sr. ⁽²⁾ | 50,000.0 | 4.7 |
| Jeffrey J. Nelb ⁽²⁾ | 3,500.0 | * |
| All directors and executive officers as a group (9 persons) | 53,500.0 | 5.0 % |

* Denotes beneficial ownership of less than 1% of the class of units.

- (1) Includes Class A units owned by DLJ Merchant Banking Partners IV (Pacific), L.P., DLJ Offshore Partners IV, L.P., DLJ Merchant Banking Partners IV, L.P., and MBP IV Plan Investors, L.P. MBP IV Pacific LLC is the general partner of DLJ Merchant Banking Partners IV (Pacific), L.P. DLJ Merchant Banking IV, L.P. is the domestic general partner of DLJ Offshore Partners IV, L.P., the general partner of DLJ Merchant Banking Partners IV, L.P. and the owner of MBP IV Pacific LLC. DLJ Merchant Banking IV (Cayman), L.P. is the overseas general partner of DLJ Offshore Partners IV, L.P. DLJ Merchant Banking, Inc. is the general partner of DLJ Merchant Banking IV, L.P. and DLJ Merchant Banking IV (Cayman), L.P. DLJ LBO Plans Management Corporation is the general partner of MBP IV Plan Investors, L.P.

Also includes Class A units owned by IP III Plan Investors, L.P., DLJ Investment Partners III, L.P. and DLJ Investment Partners, L.P. DLJ LBO Plans Management Corporation is the general partner of IP III Plan Investors, L.P. DLJ Investment Associates III, L.P. is the general partner of DLJ Investment Partners III, L.P. and DLJ Investment Partners, L.P. The general partner of DLJ Investment Associates III, L.P. is DLJ Investment Partners, Inc.

Additionally, includes Class A units owned by DLJ Merchant Banking Funding, Inc. and Credit Suisse Securities (USA) LLC.

Each of the owners of Class A units are collectively referred to as the "DLJ Funds."

DLJ Merchant Banking, Inc., DLJ LBO Plans Management Corporation and DLJ Investment Partners, Inc. are indirect wholly-owned subsidiaries of Credit Suisse (USA) Inc. ("CS USA"). DLJ Merchant Banking Funding, Inc. and Credit Suisse Securities (USA) LLC are also direct or indirect wholly-owned subsidiaries of CS USA and thus they are affiliates of each of the foregoing entities.

Credit Suisse, a Swiss bank, owns the majority of the voting stock of Credit Suisse Holdings (USA), Inc., which in turn owns all of the voting stock of CS USA. The ultimate parent company of Credit Suisse is Credit Suisse Group ("CSG"). CSG disclaims beneficial ownership of the Class A units.

The mailing address of each of the foregoing is c/o DLJ Merchant Banking Partners, 11 Madison Avenue, New York, New York 10010, except that: the mailing address of each of IP III Plan Investors, L.P., DLJ Investment Partners III, L.P., DLJ Investment Partners, L.P., DLJ Investment Associates III, L.P. and DLJ Investment Partners, Inc. is c/o DLJ Investment Partners, 11 Madison Avenue, New York, New York 10010; the mailing address of each of DLJ LBO Plans Management Corporation and DLJ Merchant Banking Funding, Inc. is c/o Credit Suisse Private Equity, Inc., 11 Madison Avenue, New York, New York 10010; the mailing address of each of CS USA, Credit Suisse Holdings (USA), Inc. and Credit Suisse Securities (USA) LLC is 11 Madison Avenue, New York, New York 10010; and the mailing address of each of Credit Suisse and CSG is Paradeplatz 8, Zurich 8001 - Switzerland.

- (2) The address for Mr. Schwartz and the Company's other executive officers named in the table, including the former executive officers, is 475 Half Day Road, Suite 210, Lincolnshire, Illinois 60069.
- (3) The business address of each of Messrs. Johnson, Janitz, Schiano and Yurko is Eleven Madison Avenue, New York, New York 10010. Mr. Johnson is a Managing Director of DLJMBP, Mr. Janitz is Chairman – Global Industrial Partners at DLJMBP, Mr. Schiano is Vice Chairman – Global Industrial Partners at DLJMBP and Mr. Yurko is European Industrial Partner at DLJMBP. Each of Messrs. Johnson, Janitz, Schiano and Yurko disclaims beneficial ownership of the Class A units referred to in the preceding note (1).
- (4) Mr. Kaplan's employment was terminated by the Company on August 6, 2008.
- (5) Mr. Nuss' employment was terminated by the Company on January 31, 2009.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Advisory Services Agreement

On June 15, 2007, RathGibson, together with RGCH Corp. and RG Tube, entered into an advisory services agreement, as amended, with DLJMB, an affiliate of DLJ Funds, under which DLJMB acts as a financial advisor with respect to the following services: (i) assisting in analyzing operations and historical performance; (ii) analyzing future prospects; (iii) assisting with respect to future proposals for tender offers, acquisitions, sales, mergers, financings, exchange offers, recapitalizations, restructurings or other similar transactions; and (iv) assisting in strategic planning. The advisory services agreement is for an initial term expiring June 15, 2012 and is subject to renewal for consecutive one-year terms unless terminated by DLJMB or RathGibson, RGCH Corp. or RG Tube with 30 days notice prior to the expiration of the initial term or any annual renewal. For services rendered, annual advisory fees of \$.9 million and \$.1 million are payable to DLJMB and certain consultants for DLJMB who also serve as directors of RG Tube, respectively, in equal quarterly installments on the first business day of each calendar quarter. For any debt or equity financing or refinancing consummated during the term of this agreement, the Company has an obligation to pay an advisory fee not to exceed the greater of \$.5 million or one percent of the aggregate transaction value. During fiscal 2009, \$1.0 million of annual advisory fees, respectively, was amortized to selling, general and administrative expenses within the consolidated statements of operations.

Management Equity

In connection with the Mid-South Acquisition, certain stockholders of Mid-South received equity interests in RG Tube of \$6.0 million in lieu of cash purchase consideration. Additionally, RG Tube and the Company agreed to reduce its cash payment to the stockholders of Mid-South by \$6.0 million, which was recorded by the Company as an equity contribution from RG Tube.

In connection with the Mid-South Acquisition, RathGibson assumed Mid-South's existing facility leases with a company owned 50% by Mr. Lore, an executive officer of the Company. The leases expire on February 29, 2016 and April 30, 2018. During fiscal 2009, the Company recorded \$.2 million of rental expense related to these leases.

In connection with the DLJ Acquisition, certain members of management, including the Company's executive officers, made an equity investment in the aggregate amount of approximately \$4.1 million in RG Tube, through the exchange of RGCH LLC's equity interests held by management.

RG Tube has allocated equity interests of RG Tube, in the form of Class B units, for issuance to the Company's executive officers, key employees and members of the board of directors. See Item 12 of this Annual Report on Form 10-K, "Executive Compensation - Compensation Discussion and Analysis - Long-term Equity Incentive Compensation."

Related Party Transaction Approval Policy

The Company does not have a policy for the approval of related party transactions, but will consider in fiscal 2010, whether adopting such a policy is appropriate.

Item 14. Principal Accounting Fees and Services.

The audit committee of the board of directors appointed the firm of KPMG and D&T, independent registered public accounting firms, to audit the Company's books, records and accounts for fiscal 2009 and 2008, respectively.

The following table presents aggregate fees for professional services billed by KPMG and D&T to the Company for the fiscal years ended January 31:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|-------------------|-------------------|
| Audit fees ⁽¹⁾ | \$ 278,250 | \$ 293,180 |
| Audit-related fees ⁽²⁾ | 248,222 | 28,150 |
| Tax fees | - | 8,500 |
| All other fees ⁽³⁾ | - | - |
| Total fees | <u>\$ 526,472</u> | <u>\$ 329,830</u> |

- (1) Audit fees consist of fees billed to the Company by KPMG and D&T for professional services for the audit of the Company's financial statements filed with the Company's Annual Report on Form 10-K and review of the financial statements included in the Company's Quarterly Reports on Form 10-Q.
- (2) Audit related fees consist of fees billed to the Company by KPMG and D&T for professional services for assurance and related services that are reasonably related to the audit or review of the Company's financial statements. For fiscal 2009, these services include due diligence and audit procedures in connection with the Mid-South Acquisition. For fiscal 2008, these services include a review by D&T of management's assessment on internal control over financial reporting.
- (3) Tax fees consist of fees billed to the Company by D&T for professional services for tax compliance.

Pre-Approval Policies and Procedures

The Audit Committee approves all services rendered by KPMG to the Company and approves all fees paid to KPMG. The audit committee requires that management obtain the prior approval of the audit committee for all audit and permissible non-audit services to be provided by KPMG. The audit committee considers and approves anticipated audit and permissible non-audit services to be provided by KPMG during the year and estimated fees. The audit committee will not approve non-audit engagements that would violate rules of the SEC or impair the independence of KPMG. In fiscal 2009, the audit committee pre-approved 100% of the services performed by KPMG relating to "audit-related fees."

PART IV

Item 15. Exhibits.

- (a) The following documents are filed as part of this Annual Report on Form 10-K:

- (1) Financial Statements

A list of the consolidated financial statements, related notes and report of independent registered public accounting firm is set forth in Item 8 of this Annual Report on Form 10-K.

- (2) Financial Statement Schedules

Schedule II – Valuation and Qualifying Accounts, filed as exhibit 99.1.

- (3) Exhibit Index

| EXHIBIT NUMBER | DESCRIPTION |
|---------------------------|--|
| 1.1** | Purchase Agreement, dated as of February 1, 2006, by and among RathGibson, Inc., Bear, Stearns & Co. Inc. and Wachovia Capital Markets, LLC. |
| 3.1** | Certificate of Incorporation of RathGibson, Inc. |
| 3.2** | Bylaws of RathGibson, Inc. |
| 3.3** | Certificate of Incorporation of Greenville Tube Company. |
| 3.4** | Bylaws of Greenville Tube Company. |
| 4.1** | Indenture dated February 7, 2006 by and among RathGibson, Inc. and The Bank of New York, as Trustee. |
| 4.2** | Form of 11.25% Senior Notes due 2014 (included in Exhibit 4.1). |
| 4.3** | Registration Rights Agreement, dated as of February 7, 2006, by and among RathGibson, Inc., Bear, Stearns & Co. Inc. and Wachovia Capital Markets, LLC. |
| 4.4** | Form of Guarantee (included in Exhibit 4.1). |
| 4.5** | First Supplemental Indenture dated August 15, 2006 by and among RathGibson, Inc., Greenville Tube Company and The Bank of New York, as Trustee. |
| 10.1** | Credit Agreement, dated as of February 7, 2006, by and among RathGibson, Inc., the other persons designated as “Credit Parties” on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. |
| 10.2** | Security Agreement, dated as of February 7, 2006, among RathGibson, Inc. and RGCH Holdings Corp. and General Electric Capital Corporation, individually and in its capacity as Agents for Lenders. |
| 10.3** | Pledge Agreement, dated as of February 7, 2006, between RGCH Holdings Corp. and General Electric Capital Corporation in its capacity as Agent for Lenders. |
| 10.4** | Trademark Security Agreement, dated as of February 7, 2006, by RathGibson, Inc., RGCH Holdings Corp., in favor of General Electric Capital Corporation, in its capacity as Agents for Lenders. |
| 10.5** | Employment Agreement, dated as of February 7, 2006, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Harley B. Kaplan. |
| 10.6** | Employment Agreement, dated as of April 17, 2006, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Barry Nuss. |
| 10.7** | Amendment No. 1 to Credit Agreement, dated as of August 15, 2006, by and among RathGibson, Inc., the other persons designated as “Credit Parties” on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. |
| 10.8** | Stock Purchase Agreement, dated as of August 15, 2006, by and among RathGibson, Inc., Greenville Tube Company and the Sellers named therein. |

- 10.9 Leasehold Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing, dated December 22, 2006, by RathGibson, Inc., Leasehold Mortgagor, to General Electric Capital Corporation, as Agent and Leasehold Mortgagee. Incorporated herein by reference to Exhibit 10.15 of RathGibson, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007.
- 10.10 Lease Agreement, dated December 22, 2006, by and between AGNL RathGibson L.L.C., as Landlord, and RathGibson, Inc., as Tenant. Incorporated herein by reference to Exhibit 10.16 of RathGibson, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007.
- 10.11 Amended and Restated Employment Agreement, dated as of April 25, 2007, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Jeffrey J. Nelb. Incorporated herein by reference to Exhibit 10.17 of RathGibson, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007.
- 10.12 Stock Purchase Agreement, dated as of April 28, 2007, by and among RG Tube Holdings LLC, RGCH Holdings Corp. and RGCH Holdings LLC. Incorporated herein by reference to Exhibit 99.1 of RathGibson, Inc.'s Current Report on Form 8-K dated May 2, 2007.
- 10.13 Amendment No. 2 to Credit Agreement, dated as of June 15, 2007, by and among RathGibson, Inc., the other persons designated as "Credit Parties" on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.14 Advisory Services Agreement, dated as of June 15, 2007, by and among RG Tube Holdings, Inc., RGCH Holdings Corp., RathGibson, Inc. and DLJ Merchant Banking, Inc. Incorporated herein by reference to Exhibit 10.2 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.15 Amendment No. 1 to Employment Agreement, dated as of June 15, 2007, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Harley B. Kaplan. Incorporated herein by reference to Exhibit 10.3 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.16 Amendment No. 1 to Employment Agreement, dated as of June 15, 2007, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Barry Nuss. Incorporated herein by reference to Exhibit 10.4 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.17 Amendment No. 1 to Amended and Restated Employment Agreement, dated as of June 15, 2007, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Jeffrey J. Nelb. Incorporated herein by reference to Exhibit 10.8 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.18 Joinder and Amendment No. 1 to Stock Purchase Agreement, dated as of June 15, 2007, by and among RG Tube Holdings LLC, RGCH Holdings Corp. and RGCH Holdings LLC. Incorporated herein by reference to Exhibit 99.1 of RathGibson, Inc.'s Current Report on Form 8-K dated June 21, 2007.
- 10.19 Loan Agreement, dated as of December 1, 2007, by and among Greenville Tube Company, GE Government Finance, Inc., as Lender, and the City of Clarksville, Arkansas, as Issuer. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.'s Current Report on Form 8-K dated December 19, 2007.
- 10.20 Corporate Guaranty Agreement, dated as of December 1, 2007, by and among RathGibson, Inc. and the other parties named therein. Incorporated herein by reference to Exhibit 10.2 of RathGibson, Inc.'s Current Report on Form 8-K dated December 19, 2007.

- 10.21 Amendment No. 3 to Credit Agreement, dated as of December 13, 2007, by and among RathGibson, Inc., the other persons designated as “Credit Parties” on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. Incorporated herein by reference to Exhibit 10.3 of RathGibson, Inc.’s Current Report on Form 8-K dated December 19, 2007.
- 10.22 Asset Purchase Agreement, dated as of February 27, 2008, by and among RathGibson, Inc., Mid-South Control Line, Inc., Richard E. Lore, Sr., both individually and as Trustee of: (i) the REL Grantor Retainer Annuity Trust No. 1, (ii) the REL Grantor Retainer Annuity Trust No. 2, and (iii) the REL Grantor Retainer Annuity Trust No. 3, and Barry J. Hebert. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Current Report on Form 8-K dated March 3, 2008.
- 10.23 Amendment No. 4 to Credit Agreement, dated as of February 27, 2008, by and among RathGibson, Inc., the other persons designated as “Credit Parties” on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. Incorporated herein by reference to Exhibit 10.2 of RathGibson, Inc.’s Current Report on Form 8-K dated March 3, 2008.
- 10.24 Amendment No. 1 to Advisory Services Agreement, dated as of October 9, 2007, by and among RG Tube Holdings, Inc., RGCH Holdings Corp., RathGibson, Inc. and DLJ Merchant Banking, Inc. Incorporated herein by reference to Exhibit 10.28 of RathGibson, Inc.’s Annual Report on Form 10-K for the fiscal year ended January 31, 2008.
- 10.25 Amendment No. 5 to Credit Agreement, dated as of April 8, 2008, by and among RathGibson, Inc., the other persons designated as “Credit Parties” on the signature pages thereof, the financial institutions who are or thereafter become parties to the Agreement as Lenders, and General Electric Capital Corporation, as the initial L/C Issuer and as Agent. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Current Report on Form 8-K dated April 11, 2008.
- 10.26 Employment Agreement, dated as of March 31, 2008, by and among RathGibson, Inc. and Michael G. Schwartz. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Current Report on Form 8-K dated April 24, 2008.
- 10.27 Separation Agreement and General Release, dated as of August 6, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Harley B. Kaplan. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2008.
- 10.28 Employment Agreement, dated as of February 3, 2009, by and among RathGibson, Inc. and Jon Smith. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Current Report on Form 8-K dated January 30, 2009.
- 10.29 Amended and Restated Employment Agreement, dated as of January 26, 2009, by and among RathGibson, Inc. and Michael G. Schwartz. Incorporated herein by reference to Exhibit 10.1 of RathGibson, Inc.’s Current Report on Form 8-K dated April 13, 2009.
- 10.30* Employment Agreement, dated as of November 12, 2007, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Timothy L. Thomsen.
- 10.31* Employment Agreement, dated as of February 27, 2008, by and among RathGibson, Inc. and Richard E. Lore, Sr.

| | |
|--------|--|
| 10.32* | Amendment No. 2 to Employment Agreement, dated as of October 17, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RGCH Holdings LLC and Barry Nuss. |
| 10.33* | Amendment #1 to Employment Agreement, dated as of November 10, 2008, by and among RathGibson, Inc. and Michael G. Schwartz. |
| 10.34* | Amendment #2 to Employment Agreement, dated as of December 9, 2008, by and among RathGibson, Inc. and Michael G. Schwartz. |
| 10.35* | Amendment No. 3 to Employment Agreement, dated as of December 9, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Barry Nuss. |
| 10.36* | Amendment #1 to Employment Agreement, dated as of December 9, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Timothy L. Thomsen. |
| 10.37* | Amendment #1 to Employment Agreement, dated as of December 9, 2008, by and among RathGibson, Inc. and Richard E. Lore, Sr. |
| 10.38* | Amendment No. 2 to Amended and Restated Employment Agreement, dated as of December 9, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Jeffrey J. Nelb. |
| 10.39* | Separation Agreement and General Release, dated as of December 16, 2008, by and among RathGibson, Inc., RGCH Holdings Corp. and RG Tube Holdings LLC and Barry Nuss. |
| 12* | Computation of Ratio of Earnings to Fixed Charges. |
| 14 | Code of Business Conduct. Incorporated herein by reference to Exhibit 14 of RathGibson, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2008. |
| 21* | Subsidiaries of the Company. |
| 23.1* | Consent of Independent Registered Public Accounting Firm - KPMG LLP |
| 23.2* | Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certifications. |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certifications. |
| 99.1* | Report of Independent Registered Public Accounting Firm on Financial Statement Schedule - KPMG LLP and Schedule II - Valuation and Qualifying Accounts - Fiscal Years Ended January 31, 2009, 2008 and 2007. |

* Filed herewith.

** Incorporated herein by reference to an exhibit of the Company's Registration Statement on Form S-4 (File No. 333-134875).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RATHGIBSON, INC.

Date: May 18, 2009

/s/ Michael G. Schwartz

Michael G. Schwartz
President, Chief Executive Officer
and Chief Operating Officer
(Authorized Signatory and
Principal Executive Officer)

Date: May 18, 2009

/s/ Jon M. Smith

Jon M. Smith
Chief Financial Officer
(Authorized Signatory and
Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|--------------|
| <u>/s/ Michael G. Schwartz</u> Michael G. Schwartz | President, Chief Executive Officer, Chief Operating Officer and Director | May 18, 2009 |
| <u>/s/ Jon M. Smith</u> Jon M. Smith | Chief Financial Officer and Director | May 18, 2009 |