GLOBE SPECIALTY METALS INC Form 424B3 February 19, 2010

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GLOBE SPECIALTY METALS, INC.

SUPPLEMENT NO. 2 DATED FEBRUARY 19, 2010 TO PROSPECTUS DATED OCTOBER 15, 2009

Summary

We are providing you with this Supplement No. 2, dated February 19, 2010, to update the Prospectus dated October 15, 2009, as supplemented by the Supplement No. 1 dated November 17, 2009. The information in this Supplement No. 2 supplements, modifies and supersedes some of the information contained in the Globe Specialty Metals, Inc. Prospectus. This Supplement No. 2 forms a part of, and must be accompanied or preceded by, the Prospectus.

The purposes of this Supplement No. 2 are to:

Disclose information regarding the restarting of facilities in Niagara Falls, NY and Selma, Alabama; and

Update certain financial information in the Prospectus.

Niagara Falls, NY and Selma, AL Plants

Increased silicon metal demand has led us to reopen our Niagara Falls, NY and Selma, AL plants. Niagara Falls had been closed for more than five years and is now producing silicon metal in both of its furnaces. Selma had been idled since April 2009, and we expect it to be operating at capacity by the end of February.

Certain Financial Information for the Periods Ended December 31, 2009

Our condensed consolidated financial statements at December 31, 2009 and for the three and six month periods then ended are set forth below.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets December 31, 2009 and June 30, 2009 (In thousands, except share and per share amounts) (Unaudited)

	De	ecember 31, 2009	June 30, 2009
ASSETS			
Current assets:			
Cash and cash equivalents	\$	252,231	61,876
Accounts receivable, net of allowance for doubtful accounts of \$1,270 and \$1,390 at			
December 31, 2009 and June 30, 2009, respectively		36,673	24,094
Inventories		54,508	67,394
Prepaid expenses and other current assets		12,123	24,675
Total current assets		355,535	178,039
Property, plant, and equipment, net of accumulated depreciation and amortization		188,803	217,507
Goodwill		51,836	51,828
Other intangible assets		477	1,231
Investments in unconsolidated affiliates		8,171	7,928
Deferred tax assets		49	1,598
Other assets		2,284	15,149
Total assets	\$	607,155	473,280
LIABILITIES AND STOCKHOLDERS EQUIT	Ϋ́		
Current liabilities:			
Accounts payable	\$	36,505	21,341
Current portion of long-term debt		9,641	16,561
Short-term debt		14,013	6,688
Accrued expenses and other current liabilities		58,974	46,725
Total current liabilities		119,133	91,315
Long-term liabilities:			
Long-term debt		12,730	36,364
Deferred tax liabilities		14,549	18,890
Other long-term liabilities		14,782	15,359
Total liabilities		161,194	161,928
Commitments and contingencies (note 13)			
Stockholders equity: Common stock, \$0.0001 par value. Authorized, 150,000,000 shares; issued, 74,320,187 and 66,944,254 shares at December 31, 2009 and June 30, 2009,		7	7

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respectively		
Additional paid-in capital	384,404	303,364
Retained earnings	31,636	4,660
Accumulated other comprehensive loss	(3,676)	(3,644)
Treasury stock at cost, 1,000 shares at December 31, 2009 and June 30, 2009	(4)	(4)
Total Globe Specialty Metals, Inc. stockholders equity Noncontrolling interest	412,367 33,594	304,383 6,969
Total stockholders equity	445,961	311,352
Total liabilities and stockholders equity	\$ 607,155	473,280

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Operations Three and six months ended December 31, 2009 and 2008 (In thousands, except per share amounts) (Unaudited)

	ı	Three Mont Decemb 2009		Six Months Ended December 31, 2009 2008		
Net sales	\$	108,278	119,307	\$ 213,736	268,464	
Cost of goods sold		87,974	91,957	167,952	199,095	
Selling, general, and administrative expenses		13,142	19,668	25,865	33,700	
Research and development		77	283	115	876	
Restructuring charges		(13)		(81)		
Gain on sale of business		(23,368)		(22,907)		
Goodwill and intangible asset impairment			69,560		69,560	
Operating income (loss)		30,466	(62,161)	42,792	(34,767)	
Other income (expense):						
Interest income		65	150	201	553	
Interest expense, net of capitalized interest		(1,101)	(2,118)	(2,419)	(4,169)	
Foreign exchange gain (loss)		871	(2,117)	3,286	(3,426)	
Other income		199	662	192	1,506	
Income (loss) before provision for (benefit from) income						
taxes		30,500	(65,584)	44,052	(40,303)	
Provision for (benefit from) income taxes		12,568	(2,328)	17,951	6,374	
Net income (loss)		17,932	(63,256)	26,101	(46,677)	
Losses attributable to noncontrolling interest, net of tax		602	1,735	875	2,121	
Net income (loss) attributable to Globe Specialty Metals,						
Inc.	\$	18,534	(61,521)	\$ 26,976	(44,556)	
Weighted average shares outstanding:						
Basic		74,314	63,455	72,710	63,296	
Diluted		75,154	63,455	73,844	63,296	
Earnings (loss) per common share:		,	•	,	,	
Basic	\$	0.25	(0.97)	\$ 0.37	(0.70)	
Diluted		0.25	(0.97)	0.37	(0.70)	

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statement of Changes in Stockholders Equity Six months ended December 31, 2009 (In thousands) (Unaudited)

Globe Specialty Metals, Inc. Stockholders Equity

			Additional	A	ccumulate Other T		y		Total
	Comr Stoo Shares	ck	Paid-In Capital	Retaine Co	omprehensi (Loss) Income	v&tocINo at Cost	oncontrol i io Interest	gnprehensis (Loss) Income	cockholders Equity
Balance at June 30, 2009 Warrants exercised UPOs exercised Share-based compensation Stock issuance	66,944 257 1,519 5,600		303,364 1,287 210 3,231 34,768	4,660	(3,644)	(4)	6,969		311,352 1,287 210 3,231 34,768
Sale of noncontrolling interest Realized gain on available-for-sale securities Comprehensive income (loss):			41,544		(10)		27,499		69,043
Foreign currency translation adjustment Unrealized gain on available-for-sale securities (net of provision for					(24)		1	(23)	(23)
income taxes of \$1) Net income (loss)				26,976	2		(875)	2 26,101	2 26,101
Total comprehensive income								26,080	26,080
Balance at December 31, 2009	74,320	\$ 7	384,404	31,636	(3,676)	(4)	33,594	26,080	445,961

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows Six months ended December 31, 2009 and 2008 (In thousands) (Unaudited)

	Six Months December 2009	
Cash flows from operating activities: Net income (loss) Adjustments to reconcile net income (loss) to net cash provided by operating activities:	\$ 26,101	(46,677)
Depreciation and amortization	9,813	9,933
Share-based compensation	3,231	3,196
Gain on sale of business	(22,907)	•
Goodwill and intangible asset impairment		69,560
Deferred taxes	(74)	(4,548)
Changes in operating assets and liabilities:		
Accounts receivable, net	(17,079)	13,061
Inventories	2,984	(12,147)
Prepaid expenses and other current assets	9,413	(2,882)
Accounts payable	21,616	(8,446)
Accrued expenses and other current liabilities	(17,283)	(1,047)
Other	2,946	4,180
Net cash provided by operating activities	18,761	24,183
Cash flows from investing activities:		
Capital expenditures	(9,915)	(34,754)
Sale of business and noncontrolling interest, net of cash disposed of \$16,555	158,445	(= 1,7 = 1)
Held-to-maturity treasury securities	,	2,987
Other investing activities	(4,685)	340
Net cash provided by (used in) investing activities	143,845	(31,427)
Cash flows from financing activities:		
Proceeds from warrants exercised	1,287	833
Proceeds from UPOs exercised	210	022
Net payments of long-term debt	(16,558)	(4,704)
Net borrowings (payments) of short-term debt	7,324	(3,453)
Sale of common stock	36,456	(-,,
Solsil, Inc. common share issuance	,	1,570
Change in restricted cash		(3,580)
Other financing activities	(937)	(2,080)
Net cash provided by (used in) financing activities	27,782	(11,414)

Effect of exchange rate changes on cash and cash equivalents	(33)	(15)
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents at beginning of period	190,355 61,876	(18,673) 73,994
	\$ 252,231	55,321
Cash and cash equivalents at end of period	\$ 232,231	33,321
Supplemental disclosures of cash flow information: Cash paid for interest	1,719	4,285
Cash paid for income taxes, net of refunds totaling \$2,729 and \$0, respectively	3,604	8,029
Cash paid for meome taxes, net of retuinds totaling \$2,729 and \$0, respectively	3,004	0,029

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements
December 31, 2009 and 2008
(Dollars in thousands, except per share data)
(UNAUDITED)

(1) Organization and Business Operations

Globe Specialty Metals, Inc. and subsidiary companies (the Company, we, or our) is among the world s largest producers of silicon metal and silicon-based alloys, important ingredients in a variety of industrial and consumer products. The Company s customers include major silicone chemical, aluminum and steel manufacturers, auto companies and their suppliers, ductile iron foundries, manufacturers of photovoltaic solar cells and computer chips, and concrete producers.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

In the opinion of the Company s management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) of the results for the interim periods presented and such adjustments are of a normal, recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009. There have been no material changes to the Company s significant accounting policies during the six months ended December 31, 2009, except as discussed below under Recently Implemented Accounting Pronouncements.

b. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation, including the reclassification of \$1,815 and \$3,256 from selling, general, and administrative expenses to cost of goods sold for the three and six months ended December 31, 2008, respectively, as, during the first quarter of fiscal year 2010, the Company reevaluated certain expenses and deemed these to be production costs. In addition, the Company reclassified \$461 in transaction costs associated with the Dow Corning transactions (see note 3) incurred during the first quarter of fiscal year 2010 from selling, general, and administrative expenses to gain on sale of business.

c. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and related notes. Significant estimates and assumptions in these condensed consolidated financial statements include the valuation of inventories; the carrying amount of property, plant, and equipment; goodwill and long-lived asset impairment tests; estimates of fair value of investments; provision for (benefit from) income taxes and deferred tax valuation allowances; valuation of derivative instruments; the determination of the discount rate and the rate of return on plan assets for pension expense; and the determination of the fair value of share-based compensation involving assumptions about forfeiture rates, stock volatility, discount rates, and expected time to exercise. During interim periods, provision for (benefit from) income taxes is recognized using an estimated annual effective tax rate. Due to the inherent uncertainty involved in making estimates, actual results could differ from these estimates.

d. Revenue Recognition

Revenue is recognized in accordance with the U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 104 (SAB 104) when a firm sales agreement is in place, delivery has occurred and title and risks of ownership have passed to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Shipping and other transportation costs charged to buyers are recorded in both net sales and cost

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

of goods sold. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales. When the Company provides a combination of products and services to customers, the arrangement is evaluated under Financial Accounting Standards Board (FASB) ASC Subtopic 605-25, *Revenue Recognition Multiple Element Arrangements* (ASC 605.25). ASC 605.25 addresses certain aspects of accounting by a vendor for arrangements under which the vendor will perform multiple revenue-generating activities. If the Company cannot objectively determine the fair value of any undelivered elements under an arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

e. Recently Implemented Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification*tm *and the Hierarchy of Generally Accepted Accounting Principles*. This statement identifies the sources of accounting principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP (the GAAP hierarchy). This statement establishes the *FASB Accounting Standards Codification*tm (the Codification/ASC) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP, except for SEC rules and interpretive releases, which are also authoritative U.S. GAAP for SEC registrants. The Codification standard (FASB ASC Subtopic 105-10 on generally accepted accounting principles) was adopted on July 1, 2009. This change had no effect on the Company s financial position or results of operations.

In December 2007, the FASB issued ASC Subtopic 805-10, *Business Combinations*. This statement establishes principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This accounting standard was adopted on July 1, 2009. This statement will be applied prospectively to the Company s business combinations for which the acquisition date is on or after July 1, 2009.

In December 2007, the FASB issued ASC Subtopic 810-10, Consolidation Consolidation of Entities Controlled by Contract (ASC 810.10) and ASC Subtopic 815-40, Derivatives and Hedging Contracts in Entity s Own Equity (ASC 815.40). The Company adopted ASC 810.10 and ASC 815.40 on July 1, 2009. The objective of these statements is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. In accordance with ASC 810.10 and ASC 815.40, the Company has provided the enhanced disclosures required by ASC 810.10 and ASC 815.40 in the condensed consolidated balance sheets and condensed consolidated statement of changes in stockholders equity for all periods presented. See note 14 (Stockholders Equity) for additional information.

In September 2006, the FASB issued ASC Subtopic 820-10, *Fair Value Measurements and Disclosures* (ASC 820). The Company partially adopted ASC 820 on July 1, 2008. This adoption did not have a material impact to the Company s consolidated results of operations or financial condition. The Company fully adopted ASC 820 on July 1, 2009. ASC 820 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The Company carries its derivative agreements at fair value, determined using observable market based inputs. See note 17 (Fair Value Measures) for additional information.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

In September 2009, the FASB issued an amendment to ASC Subtopic 740-10, *Income Taxes* (ASC 740). The Company adopted this amendment on September 30, 2009. This amendment to ASC 740 adds implementation guidance for all entities about applying the accounting requirements for uncertain tax matters. The implementation guidance is presented in examples and is not intended to change practice for those already applying the requirements. The implementation of this additional guidance had no effect on the Company s financial position or results of operations.

f. Accounting Pronouncements to be Implemented

In June 2009, the FASB issued an amendment to ASC Subtopic 860-10, *Transfers and Servicing* (ASC 860). The objective of this amendment is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. This amendment improves financial reporting by eliminating (1) the exceptions for qualifying special-purpose entities from the consolidation guidance and (2) the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. This amendment is effective for the Company on July 1, 2010. The Company is currently assessing the potential effect of the amendment of ASC 860 on its financial position and results of operations.

In June 2009, the FASB issued an amendment to ASC Subtopic 810-10, *Consolidation Variable Interest Entities* (ASC 810). The objective of this amendment is to improve financial reporting by enterprises involved with variable interest entities by eliminating the quantitative-based risks and rewards calculation and requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling interest in a variable interest entity. In addition, the amendment requires an ongoing reassessment of whether an enterprise is the primary beneficiary of a variable interest entity. This amendment is effective for the Company on July 1, 2010. The Company is currently assessing the potential effect of the amendment to ASC 810 on its financial position and results of operations.

In December 2008, the FASB issued an amendment to ASC Subtopic 715-10, *Compensation Retirement Benefits* (ASC 715). This amendment provides guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The amendment requires employers of public entities to disclose more information about how investment allocation decisions are made, more information about major categories of plan assets, including concentrations of risk and fair-value measurements, and the fair-value techniques and inputs used to measure plan assets. The disclosure requirements of the amendment to ASC 715 are effective for fiscal years ending after December 15, 2009. The Company does not believe the amendment to ASC 715 will have a significant impact on the Company s financial position and results of operations.

In October 2009, the FASB issued an amendment to ASC Subtopic 820-10, *Fair Value Measurements and Disclosures* (ASC 820). This amendment requires reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information about purchases, sales, issuances, and settlements on a gross basis in the reconciliation

of Level 3 fair value measurements. The amendment also clarifies existing fair value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. The disclosure requirements of the amendment to ASC 820, except for the detailed Level 3 roll forward disclosures, is effective for annual and interim reporting periods beginning after December 15, 2009. The new disclosures about purchases, sales, issuances, and settlements in the roll forward activity for Level 3 fair value measurements are effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently assessing the potential effect of the amendment to ASC 820 on its financial position and results of operations.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

(3) Dow Corning Transactions

On November 5, 2009, the Company sold 100% of its interest in Globe Metais Indústria e Comércio S.A. (Globe Metais) pursuant to a purchase agreement entered into on that same date by and among the Company and Dow Corning Corporation (Dow Corning). The cash received by the Company in connection with the disposition was approximately \$65,600, which represents a purchase price of \$75,000 less withholding taxes and certain expenses. Dow Corning assumed Globe Metais cash balances totaling \$16,555 and \$14,000 of export prepayment financing. The final purchase price is subject to adjustment for changes in working capital as provided for in the purchase agreement.

The sale of the Company s equity interest in Globe Metais was executed in connection with the sale of a 49% membership interest in WVA Manufacturing, LLC (WVA LLC), a newly formed entity by the Company, to Dow Corning, the execution of a long-term supply agreement, and an amendment to an existing supply agreement between Dow Corning and the Company to reduce the amount required to be sold in calendar year 2010 to 20,000 metric tons of silicon metal.

For accounting purposes, the Company has allocated \$75,000 of the total purchase price received from Dow Corning to the sale of the equity of Globe Metais and \$100,000 to the sale of membership interests in WVA LLC. The allocation of total purchase price to the separate transactions was based on the relative fair values of Globe Metais and the membership interests in WVA LLC.

ASC 815.40 requires an entity to consolidate all subsidiaries over which it has a controlling financial interest and considers changes in the ownership interest while the entity retains its controlling financial interest in the subsidiary as equity transactions, resulting in no gain or loss recognition in the statement of operations. As the Company retained a controlling financial interest in WVA LLC, no gain has been recognized in net income on the sale of the 49% membership interest. Rather, noncontrolling interest has been adjusted to reflect the change in our ownership interest in WVA LLC. The difference between the fair value of the consideration received, net of transaction costs of \$1,548 and provision for income taxes of \$28,827, and the amount by which noncontrolling interest increased has been recognized as an increase in additional paid-in capital.

(4) Restructuring Charges

During the third quarter of fiscal year 2009, the Company implemented formal restructuring programs, including the temporary shutdown of certain furnace operations and furloughing or terminating employees. Cash payments associated with these restructuring programs are expected to be completed in fiscal year 2010. The restructuring programs include employee severance and benefits, as well as costs associated with lease termination obligations.

Activity during the six months ended December 31, 2009 related to the restructuring liability is as follows:

Liability at

	Lia	ability			
		at ne 30,		Cash	December 31,
	2	2009	Adjustments(2)	Payments	2009
Severance and benefit-related costs(1)	\$	227	(81)	(137)	9

- (1) Includes severance payments made to employees, payroll taxes, and other benefit-related costs in connection with the terminations of employees.
- (2) Adjustments are for employees who were rehired by the Company in conjunction with the restarting of certain furnace operations during the six months ended December 31, 2009.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

Total restructuring expenses of \$1,711 were incurred during fiscal year 2009. The remaining unpaid liability as of December 31, 2009 is included in accrued expenses and other current liabilities. No additional costs are expected to be incurred associated with these restructuring actions.

(5) Treasury Securities

During March 2008, the Company purchased U.S. government treasury securities with a term to maturity of 125 days. The securities were redeemed for \$2,987 during the first quarter of fiscal year 2009.

(6) Inventories

Inventories comprise the following:

	Dece	June 30, 2009	
Finished goods	\$	16,224	23,867
Work in process		2,614	3,462
Raw materials		29,011	31,323
Parts and supplies		6,659	8,742
Total	\$	54,508	67,394

At December 31, 2009, \$46,100 in inventory is valued using the first-in, first-out method and \$8,408 using the average cost method. At June 30, 2009, \$46,712 in inventory is valued using the first-in, first-out method and \$20,682 using the average cost method.

During the three and six months ended December 31, 2008, the Company recorded inventory write-downs totaling \$3,461 due to expected lower net realizable values for certain Solsil, Inc. (Solsil) and Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey) inventories. These write-downs have been recorded in cost of goods sold. There were no significant inventory write-downs during the three and six months ended December 31, 2009.

(7) Property, Plant, and Equipment

Property, plant, and equipment, net of accumulated depreciation and amortization, comprise the following:

December 31, June 30,

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	2009	2009
Land, land improvements, and land use rights	\$ 4,989	13,835
Building and improvements	30,003	24,176
Machinery and equipment	65,920	56,912
Furnaces	103,384	99,429
Other	2,484	15,728
Construction in progress	26,194	47,257
Property, plant, and equipment, gross	232,974	257,337
Less accumulated depreciation and amortization	(44,171)	(39,830)
Property, plant, and equipment, net of accumulated depreciation and amortization	\$ 188,803	217,507

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued) December 31, 2009 and 2008 (Dollars in thousands, except per share data) (UNAUDITED)

Depreciation expense for the three and six months ended December 31, 2009 was \$4,855 and \$9,503, of which \$4,762 and \$9,283 is recorded in cost of goods sold and \$93 and \$220 is recorded in selling, general, and administrative expenses, respectively. Depreciation expense for the three and six months ended December 31, 2008 was \$4,321 and \$8,594, of which \$4,226 and \$8,385 is recorded in cost of goods sold and \$95 and \$209 is recorded in selling, general, and administrative expenses, respectively.

Capitalized interest for the three and six months ended December 31, 2009 was \$70 and \$298, respectively. Capitalized interest for the three and six months ended December 31, 2008 was \$334 and \$514, respectively.

(8) Goodwill and Other Intangibles

Goodwill and other intangibles presented below have been allocated to the Company s operating segments.

a. Goodwill

Changes in the carrying amount of goodwill during the six months ended December 31, 2009 are as follows:

Balance at June 30, 2009	\$ 51,828
Foreign exchange rate changes	8
Balance at December 31, 2009	\$ 51,836

b. Other Intangible Assets

Changes in the carrying amounts of definite lived intangible assets during the six months ended December 31, 2009 are as follows:

		Electricity Contracts		
Cost: Balance at June 30, 2009 Sale of Globe Metais (see note 3)	\$	7,905 (5,073)	323 (78)	
Balance at December 31, 2009	\$	2,832	245	
Accumulated amortization: Balance at June 30, 2009	\$	7,151	323	

Sale of Globe Metais (see note 3) Amortization expense	(4,629) 310	(78)
Balance at December 31, 2009	2,832	245
Net balance at December 31, 2009	\$	

There were no changes in the value of the Company s indefinite lived intangible assets during the six months ended December 31, 2009. The trade name balance at both December 31, 2009 and June 30, 2009 is \$477.

Amortization expense of purchased intangible assets for the three and six months ended December 31, 2009 was \$46 and \$310, respectively, which is recorded in cost of goods sold. Amortization expense of purchased intangible assets for the three and six months ended December 31, 2008 was \$669 and \$1,339, respectively, which is recorded in cost of goods sold.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

c. Goodwill and Intangible Asset Impairment

During the second quarter of fiscal year 2009, the Company experienced a decrease in profitability, and a significant decline in demand for high purity solar-grade silicon. Consistent with the guidance in ASC Subtopic 350, *Intangibles Goodwill and Other*, the Company performed an interim impairment test of goodwill and indefinite-lived intangible assets at the end of the second quarter of fiscal year 2009. In performing this test, the Company made a substantial downward revision in the forecasted cash flows from its Solsil reporting unit as a result of a decrease in the market price for solar-grade silicon and weakness in demand for solar products. The Company recorded a preliminary estimate of impairment charges totaling \$65,196, comprised of \$57,512 of goodwill and \$12,048 of unpatented technology offset by the related deferred taxes totaling \$4,364. These impairment charges were entirely associated with the Company s Solsil business unit. The impairment charges were finalized in the third quarter of fiscal year 2009, in conjunction with the Company s annual impairment assessment, resulting in an additional \$144 goodwill impairment charge.

(9) Debt

a. Short-Term Debt

Short-term debt comprises the following:

	Outstanding Balance		Weighted Average Interest Rate		Unused Credit Line	
December 31, 2009: Type debt: Revolving credit Export financing Other	\$	14,013	4.49	%	\$	18,070 6,400 191
Total	\$	14,013			\$	24,661
June 30, 2009: Type debt: Revolving credit Export financing Other	\$	6,688	6.69	%	\$	34,560 7,400
Total	\$	6,688			\$	41,960

Revolving Credit Agreements A summary of the Company s revolving credit agreements at December 31, 2009 is as follows:

	Outstanding	Unused	Total
	Balance	Commitment	Commitment
Senior credit facility	\$	18,070	28,000

As part of the Dow Corning transactions discussed in note 3, the Company agreed to modify the terms of its senior credit facility, which included a reduction of revolving credit from \$35,000 to \$28,000 in exchange for the release of the assets of West Virginia Alloys as a security for the senior credit facility. This revolving credit agreement expires in September 2013. Interest on advances under the revolving credit facility accrues at LIBOR plus an applicable margin percentage or, at the Company s option, prime plus an applicable margin percentage. The

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

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amount available under the revolving credit facility is subject to a borrowing base calculation. The total commitment on the revolving credit facility includes \$10,000 for letters of credit associated with foreign supplier contracts. At December 31, 2009, there was no outstanding balance on this revolver. The total commitment on this credit facility includes \$8,120 outstanding letters of credit associated with foreign supplier contracts and \$1,810 outstanding letters of credit associated with a power supply contract. The revolving credit facility is secured by substantially all of the assets of Globe Metallurgical, Inc. (GMI), and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, a maximum ratio of debt to earnings before interest, taxes, depreciation, and amortization, and minimum net worth and interest coverage requirements. The commitment under the revolving credit facility may be withdrawn if the Company defaults under the terms of these covenants or fails to remit payments when due. The Company was in compliance with the loan covenants at December 31, 2009.

Export Financing Agreements The Company s Argentine subsidiary maintains various short-term export financing agreements. Generally, these arrangements are for periods ranging between seven and eleven months, and require the Company to pledge as collateral certain export accounts receivable. There is no export financing debt outstanding at December 31, 2009.

Other The Company s subsidiary, Yonvey, has \$7,324 in outstanding promissory notes, which mature through August 2010. The notes accrue interest at rates ranging from 5.3% to 8.5%. The promissory notes are secured by certain Yonvey assets. In addition, the balance includes \$5,880 in short-term notes payable to Dow Corning related to working capital loans given to WVA LLC, which accrue interest at 3.0%.

b. Long-Term Debt

Long-term debt comprises the following:

	December 31, 2009		June 30, 2009	
Senior term loan Export prepayment financing	\$	21,127	33,684 17,000	
Other		1,244	2,241	
Total Less current portion of long-term debt		22,371 (9,641)	52,925 (16,561)	
Long-term debt, net of current portion	\$	12,730	36,364	

Senior Term Loan The Company s subsidiary, GMI, entered into a five-year senior term loan in an aggregate principal amount of \$40,000 during September 2008. Interest on the senior term loan accrues at LIBOR plus an applicable margin percentage or, at the Company s option, prime plus an applicable margin percentage. Principal payments are due in quarterly installments of \$2,105, commencing on December 31, 2008, and the unpaid principal balance is due in full in September 2013, subject to certain mandatory prepayments. A mandatory prepayment of \$2,347 was made during the second quarter of fiscal year 2010 based on excess cash flow, as defined in the loan agreement, generated during fiscal year 2009. As part of the Dow Corning transactions discussed in note 3, the Company made a \$6,000 prepayment of the senior term loan, applied to the scheduled installments of principal in inverse order of maturity, in exchange for the release of the assets of West Virginia Alloys as security for the senior term loan. The interest rate on this loan was 2.48%, equal to LIBOR plus 2.25%, at December 31, 2009. The senior term loan is secured by substantially all of the assets of GMI and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, a maximum ratio of debt to earnings before interest, taxes, depreciation, and

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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amortization, and minimum net worth and interest coverage requirements. The Company was in compliance with these loan covenants at December 31, 2009.

Export Prepayment Financing The export prepayment financing was related to Globe Metais, which was sold in November 2009 as discussed in note 3.

See note 10 (Derivative Instruments) for discussion of derivative financial instruments entered into to reduce the Company s exposure to interest rate fluctuations on outstanding long-term debt.

c. Fair Value of Debt

The recorded carrying values of our debt balances approximate fair value given our debt is at variable rates tied to market indicators or is short-term in nature.

(10) Derivative Instruments

The Company enters into derivative instruments to hedge certain interest rate risks and previously entered into derivative instruments to hedge certain foreign currency risks. The Company does not engage in interest rate, currency, or commodity speculation, and no derivatives are held for trading purposes. All derivatives are accounted for using mark-to-market accounting. The Company believes it is not practical to designate its derivative instruments as hedging instruments as defined under ASC Subtopic 815-10, *Derivatives and Hedging* (ASC 815). Accordingly, the Company adjusts its derivative financial instruments to current market value through the condensed consolidated statements of operations based on the fair value of the agreement as of period-end. Although not designated as hedged items as defined under ASC 815, these derivative instruments serve to significantly offset the Company s interest rate risks and served to significantly offset foreign exchange risks associated with Globe Metais prior to its sale discussed in note 3. Gains or losses from these transactions offset gains or losses on the assets, liabilities, or transactions being hedged. No credit loss is anticipated as the counterparties to these agreements are major financial institutions that are highly rated.

Interest Rate Risk:

The Company is exposed to market risk from changes in interest rates on certain of its long-term debt obligations.

In connection with GMI s revolving credit facility and senior term loan (note 9), the Company entered into an interest rate cap arrangement and three interest rate swap agreements to reduce our exposure to interest rate fluctuations.

In October 2008, the Company entered into an interest rate cap arrangement to cap LIBOR on a \$20,000 notional amount of debt, with the notional amount decreasing by \$1,053 per quarter through the interest rate cap s expiration on June 30, 2013. Under the interest rate cap, the Company capped LIBOR at a maximum of 4.5% over the life of the agreement.

In November 2008, the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a \$13,333 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.85% over the life of the agreement. The agreement expires in June 2013.

In January 2009, the Company entered into a second interest rate swap agreement involving the exchange of interest obligations relating to a \$12,632 notional amount of debt, with the notional amount decreasing by \$702 per

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 1.66% over the life of the agreement. The agreement expires in June 2013.

In April 2009, the Company entered into a third interest rate swap agreement involving the exchange of interest obligations relating to an \$11,228 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.05% over the life of the agreement. The agreement expires in June 2013.

The remaining notional amount of debt swapped under these three interest rate swaps totals \$29,474 at December 31, 2009. Based on total prepayments of \$8,347 made on GMI s senior term loan in the second quarter of fiscal year 2010 (see note 9), the total remaining balance outstanding on GMI s senior term loan is only \$21,127 at December 31, 2009.

In connection with the Company s export prepayment financing arrangement (note 9), the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a \$14,000 notional amount of debt, with the notional amount decreasing by \$3,000 on a semiannual basis through August 2011, and a final \$2,000 notional amount swapped for the six-month period ended January 2012. Under the interest rate swap, the Company received LIBOR in exchange for a fixed interest rate of 2.66% over the life of the agreement. This agreement, as well as the related export prepayment financing arrangement, was transferred with the sale of Globe Metais discussed in note 3.

Foreign Currency Risk:

The Company is exposed to market risk arising from changes in currency exchange rates as a result of its operations outside the United States, principally in Argentina and China. A portion of the Company s net sales generated from its non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of the Company s operating costs for its non-U.S. operations are denominated in local currencies, principally the Argentine peso and the Chinese renminbi. Consequently, the translated U.S. dollar value of the Company s non-U.S. dollar net sales, and related accounts receivable balances, and our operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk. The Company utilized derivative financial instruments to manage a portion of its net foreign currency exposure to the Brazilian real. All of these contracts were settled prior to the sale of Globe Metais discussed in note 3.

Commodity Price Risk:

The Company is exposed to price risk for certain raw materials and energy used in its production process. The raw materials and energy that the Company uses are largely commodities subject to price volatility caused by changes in global supply and demand and governmental controls. Derivative financial instruments are not used to manage the Company s exposure to fluctuations in the cost of commodity products used in its operations. The Company attempts to reduce the impact of increases in its raw material and energy costs by negotiating long-term contracts and through the acquisition of companies or assets for the purpose of increasing its access to raw materials with favorable pricing terms.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

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The effect of the Company s derivative instruments on the condensed consolidated statements of operations is summarized in the following table:

	(Loss) Gain During tl	U	(Loss) Gain	Recognized	
	Mor Ended Dec 2009		During the Ended Dec 2009		Location of (Loss) Gain
Interest rate derivatives Foreign exchange forward	\$ (267)	(546)	(745)	(827)	Interest expense
contracts	33	(161)	849	(161)	Foreign exchange gain (loss)

The fair values of the Company s derivative instruments at December 31, 2009 are summarized in note 17 (Fair Value Measures). The \$267 liability associated with the Company s interest rate derivatives is included in other long-term liabilities.

(11) Pension Plans

The components of net periodic pension expense for the Company s defined benefit pension plans are as follows:

	Tì	Three Months Ended December 31,			Six Months Ended December 31,		
	2	2009	2008	2009	2008		
Interest cost Expected return on plan assets Amortization of net loss	\$	301 (245) 135	309 (299) 58	604 (493) 286	612 (618) 114		
Net periodic pension expense	\$	191	68	397	108		

The Company expects to contribute approximately \$756 to the plans for the fiscal year ended June 30, 2010, of which \$299 has been contributed through December 31, 2009.

(12) Income Taxes

The following table summarizes our provision for (benefit from) income taxes and effective tax rates for the three and six months ended December 31, 2009 and 2008:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Income (loss) before provision for (benefit from)				
income taxes	\$ 30,500	(65,584)	44,052	(40,303)
Provision for (benefit from) income taxes	12,568	(2,328)	17,951	6,374
Effective tax rate	41.2%	3.5%	40.7%	(15.8)%

The provision for (benefit from) income taxes is based on the current estimate of the annual effective tax rate, adjusted as necessary for quarterly events. In accordance with ASC Topic 740, *Income Taxes*, the Company's quarterly effective tax rate does not reflect a benefit associated with losses related to certain foreign subsidiaries. The effective tax rates for the three and six months ended December 31, 2009 and 2008 were based on our forecasted annualized effective tax rates, adjusted for discrete items that occurred within the respective periods.

The Company s effective tax rate for the three months ended December 31, 2009 was 41.2% compared to a benefit of 3.5% for the three months ended December 31, 2008. The Company s effective tax rate for the six months

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

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ended December 31, 2009 was 40.7% compared to (15.8)% for the six months ended December 31, 2008. These rates differ from the Company s statutory rate of 35% mainly as a result of increases to the effective tax rate from U.S. state tax expense, the exclusion of the impact of net losses from our Chinese operations, the tax benefit of which is not considered more likely than not to be realized due to a history of operating losses. In addition, the Company paid income taxes totaling \$9,395 during the second quarter of fiscal year 2010 in connection with the gain on the sale of Globe Metais discussed in note 3. These increases are offset by the benefit from a tax holiday in Argentina, which is forecasted to be lower in fiscal year 2010 compared with fiscal year 2009, and the benefit from a tax holiday in Brazil for the period that we owned Globe Metais. Our effective tax rate for the three and six months ended December 31, 2008 differs from the Company s statutory rate primarily as a result of the Solsil goodwill impairment charge of \$57,512 recorded in the second quarter of fiscal year 2009, which was not deductible for tax purposes.

During the second quarter of fiscal 2009, the Company recorded a provision for income taxes of \$28,827 as reduction of additional paid-in capital in connection with the sale of the noncontrolling interest in WVA LLC discussed in note 3.

The Company currently operates under a tax holiday in Argentina and operated under a tax holiday in Brazil prior to the sale of Globe Metais. In Argentina, the Company s manufacturing income is taxed at a preferential rate, which varies based on production levels from the Company s Argentine facilities, compared to a statutory rate of 35%. The tax holiday in Argentina expires in 2012. In Brazil, the Company operated under a tax holiday, which resulted in a preferential tax rate of 15.25% of the Company s manufacturing income as compared to a statutory rate of 34%. The anticipated effects of these tax holidays are incorporated into the Company s annualized effective tax rate as noted above. For the three and six months ended December 31, 2009, the foreign tax holidays in Argentina and Brazil provided a benefit of \$5 and \$457, respectively to net income. For the three and six months ended December 31, 2008, the foreign tax holidays in Argentina and Brazil provided a benefit of \$340 and \$1,171, respectively to net loss.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry back and carry forward periods, and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. During the six months ended December 31, 2009, the Company s net valuation allowances increased due to the establishment of additional valuation allowances against net operating losses (NOLs) in China that may not be utilized and changes related to foreign exchange fluctuations associated with our foreign NOLs, and decreased due to the sale of Globe Metais.

(13) Commitments and Contingencies

a. Legal Contingencies

The Company is subject to various lawsuits, claims, and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety, and health matters, as well as claims associated with our historical acquisitions and divestitures. Although it is not presently possible to determine the outcome of these matters, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect

on the Company s consolidated financial position, results of operations, or liquidity.

b. Environmental Contingencies

It is the Company s policy to accrue for costs associated with environmental assessments, remedial efforts, or other environmental liabilities when it becomes probable that a liability has been incurred and the costs can be

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

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reasonably estimated. When a liability for environmental remediation is recorded, such amounts will be recorded without giving effect to any possible future recoveries. At December 31, 2009, there are no significant liabilities recorded for environmental contingencies. With respect to the cost for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred unless there is a long-term monitoring agreement with a governmental agency, in which case a liability is established at the inception of the agreement.

c. Employee Contracts

As of December 31, 2009, there are 39 employees that are covered by a union agreement in the United States expiring within one year.

d. Power Commitments

On May 20, 2008, Empire State Development and New York Power Authority announced that hydropower from the Niagara Power Project would be supplied to the Company, which enabled it to reopen and expand its previously idle manufacturing facility in Niagara Falls, New York. On January 30, 2009, the Company entered into a commodity purchase agreement with New York Power Authority and Niagara Mohawk Power Corporation where the Company is supplied up to a maximum of 40,000 kW of hydropower from the Niagara Power Project to operate its Niagara Falls facility. The hydropower is supplied at preferential power rates plus market-based delivery charges for a period of up to 5 years. Under the terms of the contract, the Company has committed to a \$60,000 capital expansion program and specified employment levels, which, if not met, could reduce the Company s power allocation from the Niagara Power Project. As of December 31, 2009, the Company has spent approximately \$28,000 related to the capital expansion of our Niagara Falls facility.

e. Joint Development Supply Agreement

On April 24, 2008, the Company s subsidiaries, Solsil and GMI, entered into a joint development supply agreement with BP Solar International Inc. (BP Solar) for the sale of solar grade silicon. BP Solar and Solsil will also deploy certain existing BP Solar technology at Solsil s facility and the two entities will jointly develop new technology to enhance Solsil s proprietary upgraded solar silicon metallurgical process. Solsil and BP Solar will both contribute towards the cost of the technology development. As part of this agreement, BP Solar paid Solsil \$10,000 as an advance for research and development services and facilities construction. This amount would be refundable to BP Solar if the Company cancels, terminates, or fails to perform under certain terms of the agreement, including lack of performance of research and development services or facilities construction. Revenue associated with facilities construction will be deferred until specified contract milestones have been achieved, less any penalties resulting from construction delays. Revenue associated with research and development services will be deferred until these services are successful in reducing manufacturing costs and then recognized ratably as product is delivered to BP Solar. If research and development services are performed, but are unsuccessful, revenue will be deferred until contract expiration and then recognized. No revenue associated with this agreement has been recognized in earnings as of December 31, 2009 in accordance with ASC 605.25.

f. Deferred Revenue

In January 2009, the Company entered into a warehousing arrangement with a customer whereby we agreed to deliver and store uncrushed silicon metal based on the customer's purchase instructions. The customer is required to pay for delivered material within 30 days from the date the material is placed in our warehouse. Further, the customer is required to pay a monthly storage fee based on the quantity stored. As the transactions do not meet the revenue recognition criteria contained in SAB 104 given the Company has remaining, specific performance obligations such that the earnings process is not complete, no revenue will be recognized for silicon metal stored under this warehousing arrangement. Revenue is recognized when the remaining, specific performance obligations

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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have been performed and delivery has occurred. As of December 31, 2009, all material previously stored under the warehousing arrangement was delivered to the customer and all remaining performance obligations were met. Accordingly, no liability is recorded for deferred revenue under this agreement at December 31, 2009.

(14) Stockholders Equity

a. Common Stock

In August 2009, the Company closed on an initial public offering on the NASDAQ Global Select Market of 16,100,000 shares of its common stock at \$7.00 per share. Of the shares offered, 5,600,000 new shares were offered by the Company and 10,500,000 existing shares were offered by selling stockholders (which included 2,100,000 shares sold by the selling stockholders pursuant to the exercise of the underwriters—over-allotment option). Total proceeds of the offering were \$112,700, of which the selling stockholders received \$68,355, net of underwriting discounts and commissions totaling \$5,145, and the Company received \$36,456, net of underwriting discounts and commissions totaling \$2,744. In addition, the Company also recognized offering costs of \$1,688.

b. Warrants

In connection with the Company s initial public offering on the AIM market of the London Stock Exchange on October 3, 2005, the Company sold 33,500,000 units, consisting of one share of the Company s common stock and two redeemable common stock purchase warrants. Also in connection with this initial public offering, the Company issued an option to purchase 1,675,000 units (individually, UPO) at an exercise price of \$7.50 per UPO. Each UPO consists of one share of the Company s common stock and two redeemable common stock purchase warrants. All of the Company s warrants had an exercise price of \$5.00 per common share and were scheduled to expire on October 3, 2009.

Prior to the expiration date, the Company received exercise notifications from the holders of substantially all of the outstanding warrants and UPOs. The holders of the UPOs exercising their UPOs also immediately exercised the warrants issuable upon the exercise of their UPOs. As a result of all of these exercises, the Company issued 1,775,933 shares of common stock to the former holders of the warrants and UPOs, and no warrants or UPOs remain outstanding at December 31, 2009. The Company received \$1,497 in cash with respect to these exercises, and the remainder of the shares were issued on a net, cashless basis. The sales and issuances of shares pursuant to the warrant and UPO exercises were deemed to be exempt from registration under the Securities Act of 1933 by virtue of Section 4(2) pertaining to private offers and sales or Regulation S pertaining to foreign offers and sales.

c. Noncontrolling Interest

On November 28, 2008, the Company entered into a subscription agreement for capital increase associated with its ownership interest in Yonvey. Under the terms of this agreement, the Company agreed to contribute an additional \$10,236 in specified installments in exchange for an additional 12% interest in Yonvey. The Company has remitted the entire balance of the capital increase. The subscription agreement provides a call option such that within a period

of three years from the agreement seffective date, the minority shareholder may repurchase up to a maximum 12% ownership interest in Yonvey at a price equal to the relevant percentage of the additional \$10,236 registered capital plus a premium calculated using a specified interest rate. In connection with our adoption of ASC 810.10 and ASC 815.40, as Yonvey is a substantive entity, the subscription agreement does not have any contingent exercise provisions, and the settlement amount is tied to the fair value of the Yonvey equity, the call option is considered an equity instrument. As such, the Company reclassified the fair value of the call option liability at June 30, 2009 of \$1,072 from other long-term liabilities to noncontrolling interest in stockholders equity.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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As discussed in note 3, the Company recorded an increase in noncontrolling interest of \$27,499 in association with the sale of a 49% membership interest in WVA LLC on November 5, 2009.

(15) Earnings (Loss) Per Share

Basic earnings (loss) per common share are calculated based on the weighted average number of common shares outstanding during the three and six months ended December 31, 2009 and 2008, respectively. Diluted earnings (loss) per common share assumes the exercise of stock options, the conversion of warrants, and the exercise of UPOs, provided in each case the effect is dilutive.

The reconciliation of the amounts used to compute basic and diluted earnings (loss) per common share for the three and six months ended December 31, 2009 and 2008 is as follows:

	Three Months Ended December 31,			hs Ended ber 31,
	2009	2008	2009	2008
Basic earnings (loss) per share computation Numerator: Net income (loss) attributable to Globe Specialty Metals, Inc.	\$ 18,534	(61,521)	26,976	(44,556)
Denominator: Weighted average basic shares outstanding	74,313,832	63,454,560	72,709,826	63,295,966
Basic earnings (loss) per common share	\$ 0.25	(0.97)	0.37	(0.70)
Diluted earnings (loss) per share computation Numerator: Net income (loss) attributable to Globe Specialty Metals, Inc.	\$ 18,534	(61,521)	26,976	(44,556)
Denominator: Weighted average basic shares outstanding Effect of dilutive securities	74,313,832 840,373	63,454,560	72,709,826 1,134,137	63,295,966
Weighted average diluted shares outstanding	75,154,205	63,454,560	73,843,963	63,295,966
Diluted earnings (loss) per common share	\$ 0.25	(0.97)	0.37	(0.70)

The following potential common shares were excluded from the calculation of diluted earnings (loss) per common share because their effect would be anti-dilutive:

	Three Months Ended December 31,			nths Ended mber 31,
	2009	2008	2009	2008
Stock options Warrants UPOs	877,001	1,873,000 19,365,747 1,325,414	877,001	1,873,000 19,365,747 1,325,414
Total	877,001	22,564,161	877,001	22,564,161
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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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(16) Share-Based Compensation

The Company s share-based compensation program consists of the Globe Specialty Metals, Inc. 2006 Employee, Director and Consultant Stock Plan (the Stock Plan), which was approved by the Company s stockholders on November 10, 2006. The Stock Plan provides for the issuance of a maximum of 5,000,000 shares of common stock for the granting of incentive stock options, nonqualified options, stock grants, and share-based awards. Any remaining shares available for grant, but not yet granted, will be carried over and used in the following fiscal years. During the six months ended December 31, 2009, share-based compensation awards were limited to the issuance of nonqualified stock options.

At December 31, 2009, there were 685,000 shares available for grant. 3,505,000 outstanding incentive stock options vest and become exercisable in equal one-quarter increments every six months from the date of grant or date of modification. 810,000 option grants vest and become exercisable in equal one-third increments on the first, second, and third anniversaries of the date of grant. All option grants have maximum contractual terms ranging from 5 to 10 years.

A summary of the changes in options outstanding under the Stock Plan during the six months ended December 31, 2009 is presented below:

	Number of Options	Veighted- Average Exercise Price	Weighted- Average Remaining Contractual Term in Years	Ir	gregate ntrinsic Value
Outstanding as of June 30, 2009 Granted Exercised Forfeited and expired	4,315,000 10,000 (10,000)	\$ 5.12 8.40 4.00	4.83	\$	5,095
Outstanding as of December 31, 2009	4,315,000	\$ 5.13	4.33	\$	20,093
Exercisable as of December 31, 2009	1,606,249	\$ 5.93	4.13	\$	6,022

During the six months ended December 31, 2009, 1,076,250 options vested, resulting in total vested options of 1,606,249. There are 2,708,751 nonvested options outstanding with a grant date fair value, as modified, of \$1.63. The weighted average per share fair value of stock option grants at December 31, 2009 is \$4.13.

For the three and six months ended December 31, 2009, share-based compensation expense was \$1,476 (\$797 after tax) and \$3,231 (\$1,743 after tax), respectively. For the three and six months ended December 31, 2008, share-based compensation expense was \$791 (\$430 after tax) and \$3,196 (\$1,725 after tax), respectively. The expense is reported within selling, general, and administrative expenses.

As of December 31, 2009, the Company has unearned compensation expense of \$6,496, before income taxes, related to nonvested stock option awards. The unrecognized compensation expense is expected to be recognized over the following periods ending on June 30:

	2010	2011	2012	2013	2014
Share-based compensation (pretax)	\$ 2,383	4,034	77	2	

It is the Company s policy to issue new shares to satisfy the requirements of its share-based compensation plan. The Company does not expect to repurchase shares in the future to support its share-based compensation plan.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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(17) Fair Value Measures

Effective July 1, 2009, the Company completed its adoption of ASC Subtopic 820, which establishes a fair value hierarchy for disclosure of fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability. For example, cash flow modeling using inputs based on management s assumptions.

The Company does not have any assets that are required to be remeasured at fair value at December 31, 2009. The following table summarizes liabilities measured at fair value on a recurring basis at December 31, 2009:

	Total	Level 1	Level 2	Level 3
Interest rate derivatives	\$ 267		267	

Derivative liabilities relate to the interest rate cap and interest rate swap agreements summarized in note 10 (Derivative Instruments). Fair values are determined by independent brokers using quantitative models based on readily observable market data. See note 9 (Debt) for information regarding the fair value of our outstanding debt.

In connection with our adoption of ASC 810.10 and ASC 815.40, the Yonvey call option, previously included as a Level 3 liability, was reclassified to noncontrolling interest in stockholders equity. See note 14 (Stockholders Equity) for additional information.

(18) Related Party Transactions

From time to time, the Company enters into transactions in the normal course of business with related parties. Management believes that such transactions are at arm s length and for terms that would have been obtained from unaffiliated third parties.

A current and a former member of the board of directors are affiliated with Marco International and Marco Realty. During the three and six months ended December 31, 2009 and 2008, the Company:

Paid Marco Realty \$51 and \$59 during the three months ended December 31, 2009 and 2008, respectively, and \$98 and \$142 during the six months ended December 31, 2009 and 2008, respectively, to rent office space for its corporate headquarters in New York City, New York.

Entered into agreements with Marco International to purchase carbon electrodes. Marco International billed \$1,361 and \$0 during the three months ended December 31, 2009 and 2008, respectively, and \$3,023 and \$0 during the six months ended December 31, 2009 and 2008, respectively, under these agreements.

Entered into an agreement to sell ferrosilicon to Marco International. Net sales were \$81 and \$176 during the three months ended December 31, 2009 and 2008, respectively, and \$266 and \$176 during the six months ended December 31, 2009 and 2008, respectively, under this agreement.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

Entered into agreements to purchase sodium carbonate from Marco International. During the three months ended December 31, 2009 and 2008 purchases totaled \$0 and \$86, respectively. During the six months ended December 31, 2009 and 2008 purchases totaled \$0 and \$86, respectively.

The Company is affiliated with Norchem, Inc. (Norchem) through its 50.0% equity interest. During the three months ended December 31, 2009 and 2008, the Company sold Norchem product valued at \$633 and \$972, respectively. During the six months ended December 31, 2009 and 2008, the Company sold Norchem product valued at \$1,266 and \$2,115, respectively. At December 31, 2009, receivables from Norchem totaled \$278.

Certain entities of the D.E. Shaw group are stockholders of the Company. The Company had outstanding financing arrangements totaling \$17,000 with certain entities of the D.E. Shaw group at June 30, 2008. The notes were paid in full in September 2008. Interest expense on these financing arrangements totaled \$389 during the three and six months ended December 31, 2008.

Prior to our Yonvey business combination, Yonvey s predecessor had entered into a lending agreement with the remaining minority stockholder. At December 31, 2009, \$845 remained payable to Yonvey from this related party.

(19) Operating Segments

Operating segments are based upon the Company s management reporting structure and include the following six reportable segments:

GMI a manufacturer of silicon metal and silicon-based alloys located in the United States.

Globe Metais a distributor of silicon metal manufactured in Brazil. This segment includes the historical Brazilian manufacturing operations, comprised of a manufacturing plant in Breu Branco, mining operations, and forest reserves, which were sold on November 5, 2009.

Globe Metales a manufacturer of silicon-based alloys located in Argentina.

Solsil a manufacturer of upgraded metallurgical grade silicon metal located in the United States.

Corporate general corporate expenses, investments, and related investment income.

Other segments that do not fit into the above reportable segments and are immaterial for purposes of separate disclosure. The operating segments include Yonvey s electrode production operations and certain other distribution operations for the sale of silicon metal and silicon-based alloys.

Each of our reportable segments distributes its products in both its country of domicile as well as to other international customers. The following presents the Company s consolidated net sales by product line:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Silicon metal	\$ 74,184	72,816	143,586	157,876
Silicon-based alloys	30,340	39,658	59,906	92,597
Other, primarily by-products	3,754	6,833	10,244	17,991
Total	\$ 108,278	119,307	213,736	268,464

a. Segment Data

The Company began to allocate certain general corporate expenses in fiscal year 2009. Segment results for the three and six months ended December 31, 2008 have been updated to conform to this reporting convention.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued) December 31, 2009 and 2008 (Dollars in thousands, except per share data) (UNAUDITED)

Summarized financial information for our reportable segments as of, and for the three and six months ended December 31, 2009 and 2008, is shown in the following tables:

	T	hree Months End	led	Three Months Ended			
		December 31,	December 31,		December 31,		
		2009					
		Operating	Income (Loss) Before Income		Operating	Income (Loss) Before Income	
		Income			Income		
	Net Sales	(Loss)	Taxes	Net Sales	(Loss)	Taxes	
GMI	\$ 76,514	9,062	8,792	78,925	15,522	14,760	
Globe Metais	19,389	1,917	2,882	27,167	5,277	2,377	
Globe Metales	12,495	2,736	2,298	12,542	3,686	3,346	
Solsil	(25)	(637)	(667)	587	(73,831)	(73,716)	
Corporate		18,873	18,832		(9,872)	(9,356)	
Other	2,573	(1,404)	(1,556)	5,220	(3,077)	(3,129)	
Eliminations	(2,668)	(81)	(81)	(5,134)	134	134	
	\$ 108,278	30,466	30,500	119,307	(62,161)	(65,584)	

		December 31, 2009			<i></i>	December 31, 2008			
	Net Sales	Operating Income (Loss)	Income (Loss) Before Income	Total Assets	Net Sales	Operating Income (Loss)	Income (Loss) Before Income		
GMI	\$ 147,375	21,927	21,097	248,020	174,895	39,122	37,846		
Globe Metais	40,980	3,949	7,281	15,610	58,466	39,122 11,469	6,474		
Globe Metales Solsil	23,523	6,234 (891)	5,504 (921)	68,596 26,087	32,638 2,005	11,221 (77,729)	10,826 (77,569)		
Corporate		13,870	13,473	447,084		(14,350)	(13,053)		

Six Months Ended

Six Months Ended

Other	5,623	(2,651)	(2,736)	42,871	11,398	(3,102)	(3,429)
Eliminations	(3,785)	354	354	(241,113)	(10,938)	(1,398)	(1,398)
	\$ 213,736	42,792	44,052	607,155	268,464	(34,767)	(40,303)

The accounting policies of our operating segments are the same as those disclosed in note 2 (Summary of Significant Accounting Policies) to our June 30, 2009 financial statements. We evaluate segment performance principally based on operating income (loss). Intersegment net sales are not material.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued) December 31, 2009 and 2008 (Dollars in thousands, except per share data) (UNAUDITED)

b. Geographic Data

Net sales are attributed to geographic regions based upon the location of the selling unit. Net sales by geographic region for the three and six months ended December 31, 2009 and 2008 consist of the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
United States	\$ 92,020	93,865	175,403	204,038
Argentina	10,087	10,199	20,210	27,120
Brazil	3,706	12,486	12,820	30,667
China	16	1,254	424	3,009
Poland	2,449	1,503	4,879	3,630
Total	\$ 108,278	119,307	213,736	268,464

Long-lived assets by geographical region at December 31, 2009 and June 30, 2009 consist of the following:

	December 31, 2009		
United States	\$	180,484	180,392
Argentina		31,821	32,515
Brazil			29,760
China		27,992	27,060
Poland		819	839
Total	\$	241,116	270,566

Long-lived assets consist of property, plant, and equipment, net of accumulated depreciation and amortization, and goodwill and other intangible assets.

c. Major Customer Data

The following is a summary of the Company s major customers and their respective percentages of consolidated net sales for the three and six months ended December 31, 2009 and 2008:

		Three Months Ended December 31,		hs Ended ber 31,
	2009	2008	2009	2008
Dow Corning	28%	14%	26%	14%
Wacker Chemie AG	14	11	13	9
All other customers	58	75	61	77
	100%	100%	100%	100%
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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

The Company currently has one contract with Dow Corning. The agreement is a four year arrangement in which Dow Corning was to purchase 30,000 metric tons of silicon metal per calendar year through December 31, 2010. This contract was amended in November 2008 to provide for the sale of an additional 17,000 metric tons of silicon metal to be purchased in calendar year 2009. The contract was further amended in connection with the Dow Corning transactions discussed in note 3 to reduce the amount required to be sold in calendar year 2010 to 20,000 metric tons of silicon metal. Under a prior arrangement, effective December 1, 2007 through January 31, 2009, the Company supplied Dow Corning 13,000 metrics tons of silicon metal.

(20) Subsequent Events

We evaluated subsequent events through February 16, 2010, the date the financial statements were issued, and determined there have been no events that have occurred that would require adjustments to our condensed consolidated financial statements.

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54,756,950 Shares

Common Stock

The selling stockholders named in this prospectus are offering up to 54,756,950 shares of our common stock. The selling stockholders will receive all proceeds from the sale of the common stock, and therefore we will not receive any of the proceeds from their sale of the common stock.

Our common stock is listed on the Nasdaq Global Select Market under the symbol GSM. We expect that the selling stockholders will sell their shares of our common stock at prevailing market prices or privately negotiated prices. See also Plan of Distribution.

Investing in our common stock involves risks. See Risk Factors on page 5.

The date of this prospectus is October 15, 2009

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell securities. The information in this document may only be accurate on the date of this document.

PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. As this is a summary, it does not contain all of the information that you should consider in making an investment decision. You should read the entire prospectus carefully, including the information under Risk Factors and our financial statements including the proforma financial statement and the related notes included in this prospectus, before investing. Unless otherwise stated in this prospectus, references to we, us or our company refer to Globe Specialty Metals, Inc. and its subsidiaries. In addition, references to MT mean metric tons, each of which equals 2,204.6 pounds.

Our Business

Overview

We are one of the world s largest and most efficient producers of silicon metal and silicon-based alloys, with approximately 156,400 metric tons (MT) of silicon metal capacity and 72,800 MT of silicon-based alloys capacity. Silicon metal, our principal product, is used as a primary raw material in making silicone compounds, aluminum and polysilicon. Our silicon-based alloys are used as raw materials in making steel and ductile iron. We control the supply of most of our raw materials and we capture, recycle and sell most of the by-products generated in our production processes.

Our products are currently produced in four principal operating facilities located in the United States, Brazil and Argentina. Additionally, we operate facilities in Poland and China. Our flexible manufacturing capabilities allow us to optimize production and focus on products that enhance profitability. We also benefit from the lowest average operating costs of any large Western World producer, according to CRU International Limited (CRU), a leading metals industry consultant. CRU defines Western World as all countries supplying or consuming silicon metal with the exception of China and the former republics of the Soviet Union, including Russia.

We currently own and operate seven manufacturing facilities principally in three reportable business segments: GMI, our U.S. operations; Globe Metais, our Brazilian operations; and, Globe Metales, our Argentine operations.

Risks Associated with our Business

Please read the section entitled Risk Factors for a discussion of the risk factors you should carefully consider before deciding to invest in our common stock.

Other Information

Globe Specialty Metals, Inc. was incorporated in December 2004 pursuant to the laws of the State of Delaware under the name International Metal Enterprises, Inc. for the initial purpose of serving as a vehicle for the acquisition of companies operating in the metals and mining industries. In November 2006, we changed our name to Globe Specialty Metals, Inc. Our web site is www.glbsm.com. The information on our web site does not constitute part of this prospectus.

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The Offering

Issuer Globe Specialty Metals, Inc.

Common Stock offered by the selling

stockholders

A total of up to 54,756,950 shares held by the selling stockholders. The selling stockholders may or may not sell any or all of the shares that have

been registered by us.

Common Stock outstanding 74,320,188 shares of common stock. Our outstanding shares exclude:

4,315,000 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2009 at a weighted-average exercise

price of \$5.12 per share; and

685,000 shares of common stock reserved for future awards under our

stock plan.

Use of Proceeds We will not receive any proceeds from the sale of our common stock by

the selling stockholders pursuant to this prospectus.

Risk Factors Please read Risk Factors beginning on page 5 of this prospectus for a

discussion of factors you should carefully consider before deciding to

purchase shares of our common stock.

NASDAQ Global Select Market symbol GSM

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize certain selected consolidated financial data, which should be read in conjunction with our consolidated financial statements and the notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The selected consolidated financial data presented below for the fiscal years ended June 30, 2009, 2008, 2007, 2006 and 2005 are derived from our audited consolidated financial statements. The selected consolidated financial data presented below for the period from July 1, 2006 to November 12, 2006 are derived from audited financial statements. Successor entity refers to Globe Specialty Metals, Inc. (GSM), formerly known as International Metal Enterprises, Inc. (IME). IME, which was a special purpose acquisition vehicle, acquired Globe Metallurgical, Inc. (GMI), the Predecessor, on November 13, 2006 and IME changed its name to Globe Specialty Metals, Inc. The operations of GSM were insignificant compared with our subsequent acquisitions. Therefore, GMI is the Predecessor because it was the first and most significant acquisition, some of the founding investors in GSM were also investors in GMI, and GMI is the entity that has the most influence on the group of entities that have been acquired by GSM since November 13, 2006. The financial statements for the Successor periods are not comparable to the Predecessor periods, because the Predecessor periods do not include results of subsequent acquisitions, including Globe Metales.

	Successor			Predecessor					
			Peri	od from					
				July 1					
				to	Year E	nded			
	Year Ended June 30,			November 12,	June 30,				
	2009	2008	2007	2006	2006	2005			
		(Dollars in thousands, except per share data)							
Statement of operations data:									
Net sales	\$ 426,291	\$ 452,639	221,928	\$ 73,173	173,008	132,223			
Cost of goods sold	324,535	346,227	184,122	66,683	147,682	103,566			
Selling, general and									
administrative expenses	61,823	48,548	18,541	7,409	14,261	9,180			
Research and development	1,394	901	120						
Goodwill and intangible asset									
impairment	69,704								
Restructuring charges	1,711								
2 2	ŕ								
Operating (loss) income	(32,876)	56,963	19,145	(919)	11,065	19,477			
Interest and other (expense)		•	•	, ,	•				
income	(899)	(5,285)	504	(7,579)	(6,010)	(5,291)			
	, ,			, , ,	,	, , ,			
(Loss) income before income									
taxes, deferred interest subject									
to redemption and minority									
interest	(33,775)	51,678	19,649	(8,498)	5,055	14,186			
Provision for income taxes	11,609	15,936	7,047	(2,800)	1,914	4,968			
	ŕ	,	•	,	•	ŕ			
Net (loss) income before									
deferred interest subject to									
redemption and minority									
interest	(45,384)	35,742	12,602	(5,698)	3,141	9,218			
	-								

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Deferred interest subject to redemption			(768)			
Losses attributable to minority interest, net of tax	3,403	721				
Net (loss) income attributable to common stock	\$ (41,981)	\$ 36,463	11,834	\$ (5,698)	3,141	9,218
Net (loss) income per common share basic	\$ (0.65)	\$ 0.62	0.25	\$ (2,947.26)	2,067.04	9,218.06
Net (loss) income per common share diluted	\$ (0.65)	\$ 0.50	0.24	\$ (2,947.26)	2,067.04	9,218.06
Cash dividends declared per common share	\$	\$	0.07	\$		

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		Successor		Predecessor			
Balance Sheet Data:	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005		
		(Dollars in thousands)					
Cash and cash equivalents	\$ 61,876	\$ 73,994	67,741	\$			
Total assets	473,280	548,174	389,343	140,572	99,660		
Total debt including current portion	59,613	89,205	75,877	50,431	54,055		
Total stockholders equity	304,383	342,281	222,621	58,425	20,309		
•	4	1					

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this prospectus, including the consolidated financial statements and the related notes appearing at the end of this prospectus before deciding to invest in our common stock. If any of the following events actually occur, our business, business prospects, financial condition, results of operations or cash flows could be materially affected. In any such case, the trading price of our common stock could decline, and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below.

Risks Associated with our Business and Industry

The metals industry, including silicon-based metals, is cyclical and has been subject in the past to swings in market price and demand which could lead to volatility in our revenues.

Our business has historically been subject to fluctuations in the price of our products and market demand for them, caused by general and regional economic cycles, raw material and energy price fluctuations, competition and other factors. Historically, GMI has been particularly affected by recessionary conditions in the end-markets for its products. In April 2003, GMI sought protection under Chapter 11 of the United States Bankruptcy Code following its inability to restructure or refinance its indebtedness in light of the confluence of several negative economic and other factors, including an influx of low-priced, dumped imports, which caused it to default on then-outstanding indebtedness. A recurrence of such economic factors could have a material adverse effect on our business prospects, condition (financial or otherwise) and results of operations.

The world silicon metals industry has recently suffered from unfavorable market conditions. The weakened economic environment of national and international metals markets may continue or worsen; any decline could have a material adverse effect on our business prospects, condition (financial or otherwise), and results of operations. In addition, our business is directly related to the production levels of our customers, whose businesses are dependent on highly cyclical markets, such as the automotive, residential and non-residential construction, consumer durables, polysilicon, and chemical markets. In response to unfavorable market conditions, customers may request delays in contract shipment dates or other contract modifications. If we grant modifications, they could adversely affect our anticipated revenues and results of operations. In view of the current economic conditions, we cannot assure you that we will not grant contract modifications in the future. Also, many of our products are internationally traded products with prices that are significantly affected by worldwide supply and demand. Consequently, our financial performance will fluctuate with the general economic cycle, which could have a material adverse effect on our business prospects, condition (financial or otherwise) and results of operations.

Worldwide economic conditions have been extremely volatile in the last several months, leading to slowing economic activity, particularly in the United States, Western Europe and Japan. In addition, many commodity prices have declined significantly. There is a risk that silicon metal market conditions will weaken further due to the economic environment, which could materially adversely affect our results of operations.

Our business is particularly sensitive to increases in energy costs which could materially increase our cost of production.

Electricity is one of our largest production cost components, comprising approximately 28% of cost of cost of goods sold. The level of power consumption of our electric production furnaces is highly dependent on which products are being produced and typically fall in the following ranges: (i) silicon-based alloys require between 3.5 and 8 megawatt hours to produce one MT of product and (ii) silicon metal requires approximately 11 megawatt hours to produce one MT of product. Accordingly, consistent access to low cost, reliable sources of electricity is essential to our business.

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Electrical power to our U.S. facilities is supplied mostly by AEP, Alabama Power and Brookfield Power through dedicated lines. Our Alloy, West Virginia facility obtains approximately 45% of its power needs under a 15-year fixed-price contract with a nearby hydroelectric facility. This facility is over 70 years old and any breakdown could result in the Alloy facility having to pay much higher rates for electric power from third parties. Our energy supply for our facilities located in Argentina is supplied through the Edemsa hydroelectric facilities located in Mendoza, Argentina under a contract expiring in October 2009; we expect prices to increase under a new contract. Our energy needs for our facility in Brazil comes from the Tucurui hydroelectric plant, the fifth largest in the world, situated only a few kilometers away from our manufacturing facility. Because energy constitutes such a high percentage of our production costs, we are particularly vulnerable to cost fluctuations in the energy industry. Accordingly, the termination or non-renewal of any of our energy contracts, or an increase in the price of energy could materially adversely affect our future earnings, if any, and may prevent us from effectively competing in our markets.

Losses caused by disruptions in the supply of power would reduce our profitability.

Our operations are heavily dependent upon a reliable supply of electrical power. We may incur losses due to a temporary or prolonged interruption of the supply of electrical power to our facilities, which can be caused by unusually high demand, blackouts, equipment failure, natural disasters or other catastrophic events, including failure of the hydroelectric facilities that currently provide power under contract to our West Virginia, Argentina and Brazil facilities. Large amounts of electricity are used to produce silicon metal and silicon-based alloys, and any interruption or reduction in the supply of electrical power would adversely affect production levels and result in reduced profitability. Our insurance coverage may not be sufficient to cover any or all losses, and such policies do not cover all events. Certain of our insurance policies will not cover any losses that may be incurred if our suppliers are unable to provide power during periods of unusually high demand.

Investments in Argentina s and Brazil s electricity generation and transmission systems have been lower than the increase in demand in recent years. If this trend is not reversed, there could be electricity supply shortages as the result of inadequate generation and transmission capacity. Given the heavy dependence on electricity of our manufacturing operations, any electricity shortages could adversely affect our financial results.

Government regulations of electricity in Argentina give priority access of hydroelectric power to residential users and subject violators of these restrictions to significant penalties. This preference is particularly acute during Argentina s winter months due to a lack of natural gas. We have previously successfully petitioned the government to exempt us from these restrictions given the demands of our business for continuous supply of electric power. If we are unsuccessful in our petitions or in any action we take to ensure a stable supply of electricity, our production levels may be adversely affected and our profitability reduced.

Any decrease in the availability, or increase in the cost, of raw materials or transportation could materially increase our costs.

Principal components in the production of silicon metal and silicon-based foundry alloys include metallurgical-grade coal, charcoal, carbon electrodes, quartzite, wood chips, steel scrap, and other metals, such as magnesium. We buy some raw materials on a spot basis. We are dependent on certain suppliers of these products, their labor union relationships, mining and lumbering regulations and output and general local economic conditions in order to obtain raw materials in a cost efficient and timely manner. An increase in costs of raw materials or transportation, or the decrease in their production or deliverability in a timely fashion, or other disruptions in production, could result in increased costs to us and lower productivity levels. We may not be able to obtain adequate supplies of raw materials from alternative sources on terms as favorable as our current arrangements or at all. Any increases in the price or shortfall in the production and delivery of raw materials, could materially adversely affect our business prospects, condition (financial or otherwise) or results of operation.

Cost increases in raw material inputs may not be passed on to our customers with fixed contracts, which could negatively impact our profitability.

The availability and prices of raw material inputs may be influenced by supply and demand, changes in world politics, unstable governments in exporting nations and inflation. The market prices of our products and

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raw material inputs are subject to change. We may not be able to pass a significant amount of increased input costs on to our customers. Additionally, we may not be able to obtain lower prices from our suppliers should our sale prices decrease.

We make a significant portion of our sales to a limited number of customers, and the loss of a portion of the sales to these customers could have a material adverse effect on our revenues and profits.

In the year ended June 30, 2009, we made approximately 47% of our consolidated net sales to our top ten customers and approximately 29% to our top two customers. We expect that we will continue to derive a significant portion of our business from sales to these customers. If we were to experience a significant reduction in the amount of sales we make to some or all of these customers and could not replace these sales with sales to other customers, it could have a material adverse effect on our revenues and profits.

Our U.S.-based businesses benefit from U.S. antidumping duties and laws that protect U.S. companies by taxing imports from foreign companies. If these laws change, foreign companies will be able to compete more effectively with us. Conversely, our foreign operations are adversely affected by these U.S. duties and laws.

Antidumping duties are currently in place covering silicon metal imports from China and Russia. The orders imposing these duties benefit our U.S. operations by constraining supply and increasing U.S. market prices and sales of domestic silicon metal. Rates of duty can change as a result of administrative reviews and new shipper reviews of antidumping orders. These orders can also be revoked as a result of periodic sunset reviews, which determine whether the orders will continue to apply to imports from particular countries. A sunset review of the order covering imports from China will be initiated in 2011. Thus, the current orders may not remain in effect and continue to be enforced from year to year, the goods and countries now covered by antidumping orders may no longer be covered, and duties may not continue to be assessed at the same rates. Changes in any of these factors could adversely affect our business and profitability. Finally, at times, in filing trade actions, we find ourselves acting against the interests of our customers. Some of our customers may not continue to do business with us because of our having filed a trade action. Antidumping rules may, conversely, also adversely impact our foreign operations.

The European Union, like the U.S., can provide antidumping relief from imports sold at unfairly low prices. Our Brazilian facility is our primary source to supply most of our European demand. The European Union responded to claims of dumping by Chinese silicon metal suppliers in 1997 by imposing a 49% duty. Our Brazilian facility would be adversely affected if these duties were revoked or if antidumping measures were imposed against imports from Brazil.

We may be unable to successfully integrate and develop our prior and future acquisitions.

We acquired four private companies between November 2006 and February 2008, and entered into a business combination in May 2008. We expect to acquire additional companies in the future. Integration of our prior and future acquisitions with our existing business is a complex, time-consuming and costly process requiring the employment of additional personnel, including key management and accounting personnel. Additionally, the integration of these acquisitions with our existing business may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Unanticipated problems, delays, costs or liabilities may also be encountered in the development of these acquisitions. Failure to successfully and fully integrate and develop these businesses and operations may have a material adverse effect on our business, financial condition, results of operations and cash flows. The difficulties of combining the acquired operations include, among other things:

operating a significantly larger combined organization;

coordinating geographically disparate organizations, systems and facilities; consolidating corporate technological and administrative functions; integrating internal controls and other corporate governance matters;

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the diversion of management s attention from other business concerns;

unexpected customer or key employee loss from the acquired businesses;

hiring additional management and other critical personnel;

negotiating with labor unions;

a significant increase in our indebtedness; and

potential environmental or regulatory liabilities and title problems.

In addition, we may not realize all of the anticipated benefits from any prior and future acquisitions, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher and unexpected acquisition and operating costs, unknown liabilities, inaccurate reserve estimates and fluctuations in markets. If these benefits do not meet the expectations of financial or industry analysts, the market price of our shares may decline.

We are subject to the risk of union disputes and work stoppages at our facilities, which could have a material adverse effect on our business.

Hourly workers at our Alabama and West Virginia facilities are covered by collective bargaining agreements with the Industrial Division of the Communications Workers of America, under a contract running through July 2010 and with The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union under a contract running through April 24, 2011. Our union employees in Brazil are working under a contract running through October 2009. Our union employees in Argentina are working under a contract running through April 2010. New labor contracts will have to be negotiated to replace expiring contracts from time to time. If we are unable to satisfactorily renegotiate those labor contracts on terms acceptable to us or without a strike or work stoppage, the effects on our business could be materially adverse. Any strike or work stoppage could disrupt production schedules and delivery times, adversely affecting sales. In addition, existing labor contracts may not prevent a strike or work stoppage, and any such work stoppage could have a material adverse effect on our business.

We are dependent on key personnel.

Our operations depend to a significant degree on the continued employment of our core senior management team. In particular, we are dependent on the skills, knowledge and experience of Alan Kestenbaum, our Executive Chairman, Jeff Bradley, our Chief Executive Officer, Arden Sims, our Chief Operating Officer, Malcolm Appelbaum, our Chief Financial Officer, and Stephen Lebowitz, our Chief Legal Officer. If these employees are unable to continue in their respective roles, or if we are unable to attract and retain other skilled employees, our results of operations and financial condition could be adversely affected. We currently have employment agreements with Alan Kestenbaum, Jeff Bradley, Arden Sims, Malcolm Appelbaum and Stephen Lebowitz, each of which contains non-compete provisions. Such provisions may not be enforceable by us. Additionally, we are substantially dependent upon key personnel in our financial and information technology staff who enable us to meet our regulatory and contractual financial reporting obligations, including reporting requirements under our credit facilities.

Metals manufacturing is an inherently dangerous activity.

Metals manufacturing generally, and smelting, in particular, is inherently dangerous and subject to fire, explosion and sudden major equipment failure. This can and has resulted in accidents resulting in the serious injury or death of production personnel and prolonged production shutdowns. We have experienced fatal accidents and equipment malfunctions in our manufacturing facilities in recent years and may experience fatal accidents or equipment malfunctions again, which could materially affect our business and operations.

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Unexpected equipment failures may lead to production curtailments or shutdowns.

Many of our business activities are characterized by substantial investments in complex production facilities and manufacturing equipment. Because of the complex nature of our production facilities, any interruption in manufacturing resulting from fire, explosion, industrial accidents, natural disaster, equipment failures or otherwise could cause significant losses in operational capacity and could materially and adversely affect our business and operations.

We depend on proprietary manufacturing processes and software. These processes may not yield the cost savings that we anticipate and our proprietary technology may be challenged.

We rely on proprietary technologies and technical capabilities in order to compete effectively and produce high quality silicon metals and silicon-based alloys. Some of these proprietary technologies that we rely on are:

computerized technology that monitors and controls production furnaces;

production software that monitors the introduction of additives to alloys, allowing the precise formulation of the chemical composition of products; and

flowcaster equipment, which maintains certain characteristics of silicon-based alloys as they are cast.

We are subject to a risk that:

we may not have sufficient funds to develop new technology and to implement effectively our technologies as competitors improve their processes;

if implemented, our technologies may not work as planned; and

our proprietary technologies may be challenged and we may not be able to protect our rights to these technologies.

Patent or other intellectual property infringement claims may be asserted against us by a competitor or others. Our intellectual property may not be enforceable and it may not prevent others from developing and marketing competitive products or methods. An infringement action against us may require the diversion of substantial funds from our operations and may require management to expend efforts that might otherwise be devoted to operations. A successful challenge to the validity of any of our proprietary intellectual property may subject us to a significant award of damages or we may be enjoined from using our proprietary intellectual property, which could have a material adverse effect on our operations.

We also rely on trade secrets, know-how and continuing technological advancement to maintain our competitive position. We may not be able to effectively protect our rights to unpatented trade secrets and know-how.

We are subject to environmental, health and safety regulations, including laws that impose substantial costs and the risk of material liabilities.

We are subject to extensive foreign, federal, national, state, provincial and local environmental, health and safety laws and regulations governing, among other things, the generation, discharge, emission, storage, handling, transportation, use, treatment and disposal of hazardous substances; land use, reclamation and remediation; and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations. We

may not have been and may not be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be subject to penalties, fines, restrictions on operations or other sanctions. Under these laws, regulations and permits, we could also be held liable for any and all consequences arising out of human exposure to hazardous substances or environmental damage we may cause or that relates to our operations or properties.

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Under certain environmental laws, we could be required to remediate or be held responsible for all of the costs relating to any contamination at our or our predecessors past or present facilities and at third party waste disposal sites. We could also be held liable under these environmental laws for sending or arranging for hazardous substances to be sent to third party disposal or treatment facilities if such facilities are found to be contaminated. Under these laws we could be held liable even if we did not know of, or were not responsible for, such contamination, or even if we never owned or operated the contaminated disposal or treatment facility.

There are a variety of laws and regulations in place or being considered at the international, federal, regional, state and local levels of government that restrict or are reasonably likely to restrict the emission of carbon dioxide and other greenhouse gases. These legislative and regulatory developments may cause us to incur material costs if we are required to reduce or offset greenhouse gas emissions and may result in a material increase in our energy costs due to additional regulation of power generators.

Environmental laws are complex, change frequently and are likely to become more stringent in the future. Therefore, our costs of complying with current and future environmental laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances may adversely affect our business, results of operations and financial condition.

We operate in a highly competitive industry.

The silicon-based alloy and silicon metal markets are capital intensive and competitive. Our primary competitors are Elkem AS, owned by Orkla ASA, a large Norwegian public company, Grupo Ferroatlantica S.L. and various producers in China. Our competitors may have greater financial resources, as well as other strategic advantages to maintain, improve and possibly expand their facilities; and as a result, they may be better positioned to adapt to changes in the industry or the global economy. The advantages that our competitors have over us could have a material adverse effect on our business. In addition, new entrants may increase competition in our industry, which could materially adversely affect our business. An increase in the use of substitutes for certain of our products also could have a material adverse effect on our financial condition and operations.

We have historically operated at near the maximum capacity of our operating facilities. Because the cost of increasing capacity may be prohibitively expensive, we may have difficulty increasing our production and profits.

Our facilities are able to manufacture collectively approximately 156,400 MT of silicon metal and 72,800 MT of silicon-based alloys on an annual basis. GMI intends to reopen its idled silicon metal production facility in Niagara Falls, New York, in fiscal 2010, which will increase our silicon metal capacity by approximately 30,000 MT. After we reopen this plant and it is operating at full capacity, and after reopening the Selma, Alabama plant, our ability to increase production and revenues will depend on expanding existing facilities or opening new ones. Increasing capacity is difficult because:

adding new production capacity to an existing silicon plant to produce approximately 14,000 MT of metallurgical grade silicon would cost approximately \$25,000,000 per smelting furnace and take at least 12 to 18 months to complete;

a greenfield development project would take at least three to five years to complete and would require significant capital expenditure and environmental compliance costs; and

obtaining sufficient and dependable power at competitive rates near areas with the required natural resources is difficult to accomplish.

We may not have sufficient funds to expand existing facilities or open new ones and may be required to incur significant debt to do so, which could have a material adverse effect on our business.

Some of our subsidiaries are subject to restrictive covenants under credit facilities. These covenants could significantly affect the way in which we conduct our business. Our failure to comply with these covenants could lead to an acceleration of our debt.

Credit facilities maintained by some of our subsidiaries contain covenants that, among other things, restrict our ability to sell assets; incur, repay or refinance indebtedness; create liens; make investments; engage

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in mergers or acquisitions; pay dividends, including to us; repurchase stock; or make capital expenditures. These credit facilities also require compliance with specified financial covenants, including minimum interest coverage and maximum leverage ratios. These subsidiaries cannot borrow under their credit facilities if the additional borrowings would cause them to breach the financial covenants. Further, a significant portion of GMI s and Globe Metais assets are pledged to secure indebtedness.

Our ability to continue to comply with applicable covenants may be affected by events beyond our control. The breach of any of the covenants contained in a credit facility, unless waived, would be a default under the facility. This would permit the lenders to terminate their commitments to extend credit under, and accelerate the maturity of, the facility. The acceleration of debt could have a material adverse effect on our financial condition and liquidity. If we were unable to repay our debt to the lenders and holders or otherwise obtain a waiver from the lenders and holders, the lenders and holders could proceed against the collateral securing the credit facility and exercise all other rights available to them. We may not have sufficient funds to make these accelerated payments and may not be able to obtain any such waiver on acceptable terms or at all.

Certain of our subsidiaries are restricted from making distributions to us which limits our ability to pay dividends.

Substantially all of our assets are held by and our revenues are generated by our subsidiaries. Our subsidiaries borrow funds in order to finance our operations. The terms of certain of those financings place restrictions on distributions of funds to us. If these limitations prevent distributions to us or our subsidiaries do not generate positive cash flows, we will be limited in our ability to pay dividends and may be unable to transfer funds between subsidiaries if required to support our subsidiaries.

Our insurance costs may increase and we may experience additional exclusions and limitations on coverage in the future.

We have maintained various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations. Our existing property and liability insurance coverages contain exclusions and limitations on coverage. From time-to-time, in connection with renewals of insurance, we have experienced additional exclusions and limitations on coverage, larger self-insured retentions and deductibles and significantly higher premiums. As a result, in the future our insurance coverage may not cover claims to the extent that it has in the past and the costs that we incur to procure insurance may increase significantly, either of which could have an adverse effect on our results of operations.

Solsil may never operate profitably or generate substantial revenues.

We acquired an 81% interest in Solsil in February 2008, and although we expect to expand its operations through the construction of new facilities, its financial prospects are uncertain. Solsil s continued growth, including the construction of new facilities, will require a commitment of significant financial resources that we may determine are not available given the expansion of other existing operations and continuing research and development efforts. In addition, Solsil s continued growth requires a commitment of personnel, including key positions in management that may not be available to us when needed. Unanticipated problems, construction delays, cost overruns, raw material shortages, environmental and/or governmental regulation, limited power availability or unexpected liabilities may also be encountered. Furthermore, Solsil s future profitability is dependent on its ability to produce UMG at significantly larger scales than it currently produces today and with commercially viable costs. Some of the other challenges we may encounter include:

technical challenges, including further improving Solsil s proprietary metallurgical process;

increasing the size and scale of our operations on a cost-effective basis;

capitalizing on market demands and potentially rapid market supply and demand fluctuations;

continued acceptance by the market of our current and future products, including the use of UMG in the photovoltaic (solar) market;

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a rapidly growing competitive environment with more new players entering the photovoltaic (solar) market;

achieving the objectives and responsibilities under our joint development and supply agreement with BP Solar International;

alternative competing technologies such as thin films, ribbon string and nano-technology; and

responding to rapid technological changes.

Failure to successfully address these and other challenges may hinder or prevent our ability to achieve our objectives in a timely manner.

We have operations and assets in the U.S., Argentina, Brazil, China and Poland, and may have operations and assets in other countries in the future. Our international operations and assets may be subject to various economic, social and governmental risks.

Our international operations and sales will expose us to risks that could negatively impact our future sales or profitability. Our operations may not develop in the same way or at the same rate as might be expected in a country with an economy similar to the United States. The additional risks that we may be exposed to in these cases include, but are not limited to:

tariffs and trade barriers;

currency fluctuations which could decrease our revenues or increase our costs in U.S. dollars;

regulations related to customs and import/export matters;

tax issues, such as tax law changes and variations in tax laws;

limited access to qualified staff;

inadequate infrastructure;

cultural and language differences;

inadequate banking systems;

different and more stringent environmental laws and regulations;

restrictions on the repatriation of profits or payment of dividends;

crime, strikes, riots, civil disturbances, terrorist attacks or wars;

nationalization or expropriation of property;

law enforcement authorities and courts that are weak or inexperienced in commercial matters; and

deterioration of political relations among countries.

Our competitive strength as a low-cost silicon metal producer is partly tied to the value of the U.S. dollar compared to other currencies. The U.S. dollar has fluctuated significantly in value in comparison to major currencies in recent months. Should the value of the U.S. dollar rise in comparison to other currencies, we may lose this competitive strength.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited and can be expected to continue to limit the availability of international credit. In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. These restrictions have been substantially eased, including those requiring the Central Bank s prior authorization for the transfer of funds abroad in order to pay dividends. However, Argentina may re-impose exchange control or transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the peso. In addition, the government adopted various rules and regulations in June 2005 that established new controls on capital inflows, requiring, among other things, that 30% of all capital inflows (subject to certain exceptions) be deposited for one year in a non-assignable non-interest bearing account in Argentina. Additional controls could have a negative effect on the economy and Globe Metales business if imposed in an economic environment where access to local capital is substantially constrained. Moreover, in such event, restrictions on the transfers of funds abroad may impede our ability to receive dividend payments as a holder of Globe Metales shares.

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Risks Related to the Offering

Our stock price may be volatile, and purchasers of our common stock could incur substantial losses.

Our stock price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above the price at which you purchase the shares. The market price for our common stock may be influenced by many factors, including:

the success of competitive products or technologies;

regulatory developments in the United States and foreign countries;

developments or disputes concerning patents or other proprietary rights;

the recruitment or departure of key personnel;

quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;

market conditions in the industries in which we compete and issuance of new or changed securities analysts reports or recommendations;

the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;

the inability to meet the financial estimates of analysts who follow our common stock;

investor perception of our company and of the industry in which we compete; and

general economic, political and market conditions.

A substantial portion of our total outstanding shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

After the expiration of the lock-up agreements to which 43,914,029 shares are subject, all of the shares being sold in this offering will be freely tradable without restrictions or further registration under the federal securities laws, unless purchased by our affiliates as that term is defined in Rule 144 under the Securities Act. Because only a limited number of shares are available for sale shortly presently due to existing contractual and legal restrictions on resale, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. We intend to register 5,000,000 shares of our common stock that we may issue under our stock plan, some of which shares are not subject to lock-up agreements. Once we register these shares, they can be freely sold in the public market upon issuance, subject to certain lock-up agreements. Sales of a substantial number of shares of our common stock, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

The concentration of our capital stock ownership among our largest stockholders, and their affiliates, will limit your ability to influence corporate matters.

Our four largest stockholders, including our Executive Chairman, together beneficially own approximately 46% of our outstanding common stock. Consequently, these stockholders have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of

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significant corporate transactions. This concentration of ownership will limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

Prior material weaknesses and significant deficiencies in internal control over financial reporting may not have been adequately remediated and may adversely affect our ability to comply with financial reporting regulations and to publish accurate financial statements.

We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our Principal Executive Officers and Principal Financial Officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

As a public company, we will have significant additional requirements for enhanced financial reporting and internal controls. We will be required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company.

While we believe that we have remediated the material weaknesses and certain significant deficiencies identified in the fiscal year ended June 30, 2008, the corrective actions we have taken may not have completely remediated the remaining the significant deficiencies. As a result of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions. Any projections of any evaluation of effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could incur further remediation costs, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations to the SEC and third parties (including lenders under our financing arrangements) on a timely basis and there could be a material adverse effect on the price of our securities.

We have not yet completed our evaluation of our internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act.

We will be required to comply with the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act in fiscal 2010. We have not yet completed our evaluation of our internal control over financial reporting. During the course of our evaluation, we have identified and may identify more areas requiring improvement and may be required to design enhanced processes and controls to address issues identified through this review. We may experience higher than anticipated operating expenses as well as outside auditing, consulting and other professional fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order for us to complete our evaluation and remedy our deficiencies, as well as to maintain effective internal control over financial reporting. If we are unable to implement these changes effectively or efficiently, it could harm our operations,

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financial reporting or financial results and could result in our conclusion that our internal control over financial reporting is not effective.

We do not expect to pay any cash dividends in the foreseeable future.

We intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock may be your sole source of gain for the foreseeable future.

Provisions of our certificate of incorporation and by-laws could discourage potential acquisition proposals and could deter or prevent a change in control.

Some provisions in our certificate of incorporation and by-laws, as well as Delaware statutes, may have the effect of delaying, deferring or preventing a change in control. These provisions, including those providing for the possible issuance of shares of our preferred stock and the right of the Board of Directors to amend the bylaws, may make it more difficult for other persons, without the approval of our Board of Directors, to make a tender offer or otherwise acquire a substantial number of shares of our common stock or to launch other takeover attempts that a stockholder might consider to be in his or her best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business. These statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Forward-looking statements include statements about:

the anticipated benefits and risks associated with our business strategy;

our future operating results and the future value of our common stock;

the anticipated size or trends of the markets in which we compete and the anticipated competition in those markets;

our ability to attract customers in a cost-efficient manner;

our ability to attract and retain qualified management personnel;

our future capital requirements and our ability to satisfy our capital needs;

the potential for additional issuances of our securities; and

the possibility of future acquisitions of businesses or assets.

In some cases, you can identify forward-looking statements by terms such as anticipates, estimates. plans, potential, predicts, projects, should, will, would and similar express identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. We discuss many of these risks in this prospectus in greater detail under the heading Risk Factors beginning on page 5. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update any forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

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DIVIDEND POLICY

Although we paid a one-time special dividend in December 2006, at the present time, we intend to retain all of our available earnings generated by operations for the development and growth of the business. The decision to pay dividends is at the discretion of our Board of Directors and depends on our financial condition, results of operations, capital requirements and other factors that our Board of Directors deems relevant.

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