McJunkin Red Man Corp
Form POS AM
April 17, 2012
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As filed with the Securities and Exchange Commission on April 17, 2012

Registration No. 333-173037

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

POST-EFFECTIVE

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

McJUNKIN RED MAN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**5084**	**55-0229830**

(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

SEE TABLE OF ADDITIONAL REGISTRANT GUARANTORS

2 Houston Center

909 Fannin, Suite 3100

Houston, Texas 77010

(877) 294-7574

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Daniel J. Churay

2 Houston Center

909 Fannin, Suite 3100

Houston, Texas 77010

(877) 294-7574

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael A. Levitt, Esq.

Fried, Frank, Harris, Shriver & Jacobson LLP

One New York Plaza

New York, New York 10004

(212) 859-8000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act Registration Statement of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Note(1)**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
9.50% Senior Secured Notes due December 15, 2016	(1)	(1)	(1)	(1)
Guarantees of 9.50% Senior Secured Notes due December 15, 2016	(2)	(2)	(2)	(2)

(1) An indeterminate amount of securities are being registered hereby to be offered solely for market-making purposes by specified affiliates of the registrants. Pursuant to Rule 457(q) under the Securities Act of 1933, as amended, no filing fee is required.

(2) No separate filing fee is required pursuant to Rule 457(n) under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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TABLE OF ADDITIONAL REGISTRANT GUARANTORS

Exact Name of Registrant Guarantor as Specified in its Charter(1)	State or Other Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification Number
GREENBRIER PETROLEUM CORPORATION	West Virginia	5084	55-0566559
MCJUNKIN RED MAN DEVELOPMENT CORPORATION	Delaware	5084	55-0825430
MIDWAY-TRISTATE CORPORATION	New York	5084	13-3503059
MILTON OIL & GAS COMPANY	West Virginia	5084	55-0547779
MRC GLOBAL INC.	Delaware	5084	20-5956993
MRC MANAGEMENT COMPANY	Delaware	5084	26-1570465
RUFFNER REALTY COMPANY	West Virginia	5084	55-0547777
THE SOUTH TEXAS SUPPLY COMPANY, INC.	Texas	5084	74-2804317

(1) The address for each of the additional registrant guarantors is c/o McJunkin Red Man Corporation, 2 Houston Center, 909 Fannin, Suite 3100, Houston, Texas 77010.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated April 17, 2012

Prospectus

McJunkin Red Man Corporation

$1,050,000,000

9.50% Senior Secured Notes due December 15, 2016

The 9.50% senior secured notes due December 15, 2016 offered hereby, which we refer to as the notes , relate to an aggregate of $1,050,000,000 of 9.50% senior secured notes due December 15, 2016 that we originally issued on December 21, 2009 and February 11, 2010.

We pay interest on the notes on June 15 and December 15 of each year. We may also redeem the notes, in whole or in part, at any time on or after December 15, 2012 at the redemption prices set forth in this prospectus. In addition, at any time prior to December 15, 2012, we may redeem some or all of the notes at a price equal to 100% of the principal amount of the notes plus a make-whole premium and accrued and unpaid interest to the redemption date. We may also, at any time prior to December 15, 2012, redeem up to 35% of the aggregate principal amount of the notes issued under the indenture governing the notes with the net proceeds of certain equity offerings at the redemption price set forth in this prospectus.

The notes are unconditionally guaranteed, jointly and severally, by all of our wholly owned domestic subsidiaries (together with any other restricted subsidiaries that may guarantee the notes from time to time, the Subsidiary Guarantors) and by MRC Global Inc., our parent company. The notes and the guarantees by the Subsidiary Guarantors are secured on a senior basis (subject to permitted prior liens), together with any other Priority Lien Obligations (as such term is defined in Description of Notes Certain Definitions), equally and ratably by security interests granted to the collateral trustee in all Notes Priority Collateral (as such term is defined in Description of Notes Certain Definitions) from time to time owned by the Issuer or the Subsidiary Guarantors. The guarantee of MRC Global Inc. is not secured. The notes and the guarantees by the Subsidiary Guarantors are also secured on a junior basis (subject to the lien to secure our revolving credit facility and other permitted prior liens) by security interests granted to the collateral trustee in all ABL Priority Collateral (as such term is defined in Description of Notes Certain Definitions) from time to time owned by the Issuer or the Subsidiary Guarantors.

There is no existing public market for the notes offered hereby. We do not intend to list the notes on any securities exchange or seek approval for quotation through any automated trading system.

You should consider carefully the Risk Factors beginning on page 22 of this prospectus.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus has been prepared for and will be used by Goldman, Sachs & Co. in connection with offers and sales of the notes in market-making transactions. These transactions may occur in the open market or may be privately negotiated at prices related to prevailing market prices at the time of sales or at negotiated prices. Goldman, Sachs & Co. may act as principal or agent in these transactions. We will not receive any proceeds of such sales.

Goldman, Sachs & Co.

The date of this prospectus is , 2012.

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You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell, or solicitation of an offer to buy, to any person in any jurisdiction in which such an offer to sell or solicitation would be unlawful. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus.

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McJunkin Red Man Corporation is a Delaware corporation. We are a wholly owned subsidiary of MRC Global Inc., a Delaware corporation. Our principal executive offices are located in 2 Houston Center, 909 Fannin, Suite 3100, Houston, Texas 77010. Our telephone number is (877) 294-7574.

This prospectus contains registered and unregistered trademarks and service marks of McJunkin Red Man Corporation and its affiliates, as well as trademarks and service marks of third parties. All brand names, trademarks and service marks appearing in this prospectus are the property of their respective holders.

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PROSPECTUS SUMMARY

The following summary contains a summary of basic information contained elsewhere in this prospectus. It does not contain all the information that may be important to you. For a more complete understanding, we encourage you to read this entire prospectus carefully, including the Risk Factors section and the financial statements and related notes. Unless otherwise indicated or the context otherwise requires, all references to the Company , MRC , we , us , and our refer to MRC Global Inc. and its consolidated subsidiaries, and all references to the Issuer are to M Red Man Corporation, exclusive of its subsidiaries.

Our Company

We are the largest global industrial distributor of pipe, valves and fittings (PVF) and related products and services to the energy industry based on sales and hold the leading position in our industry across each of the upstream, midstream and downstream sectors. We offer more than 150,000 stock keeping units (SKUs), including an extensive array of PVF, oilfield supply, automation, instrumentation and other general and specialty industry supply products from over 12,000 suppliers. Through our North American and International segments, we serve more than 12,000 customers through over 400 service locations throughout North America, Europe, Asia and Australasia.

Our PVF and oilfield supplies are used in mission critical process applications that require us to provide a high degree of product knowledge, technical expertise and value added services to our customers. We seek to provide best-in-class service and a one-stop shop for our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy and industrial sectors as their primary PVF supplier. We provide services such as product testing, manufacturer assessments, multiple daily deliveries, volume purchasing, inventory and zone store management and warehousing, technical support, just-in-time delivery, truck stocking, order consolidation, product tagging and system interfaces customized to customer and supplier specifications for tracking and replenishing inventory, which we believe result in deeply integrated customer relationships. We believe the critical role we play in our customers supply chain, together with our extensive product offering, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 20 years with our largest 25 customers.

We believe that growth in PVF and industrial supply spending within the energy industry is likely to continue. Several factors have driven the long-term growth in spending, including underinvestment in North American energy infrastructure, production and capacity constraints, and market expectations of future improvements in the oil, natural gas, refined products, petrochemical and other industrial sectors. In addition, the products we distribute are often used in extreme operating environments, leading to the need for a regular replacement cycle. Approximately two-thirds of our sales are attributable to multi-year maintenance, repair and operations (MRO) arrangements. Our average annual retention rate for these contracts since 2000 is 95%. We consider MRO arrangements to be normal, generally repetitive business that primarily addresses the recurring maintenance, repair or operational work to existing energy infrastructure. Project activities, including facility expansions, exploration or new construction projects, are more commonly associated with a customer s capital expenditures budget. Such projects can be more sensitive to global oil and natural gas prices and general economic conditions.

We distribute products globally, including in PVF intensive, rapidly expanding oil and natural gas exploration and production (E&P) areas such as the Bakken, Barnett, Eagle Ford, Fayetteville,

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Haynesville, Marcellus, Niobrara and Utica shales in North America. Furthermore, our Canadian subsidiary Midfield Supply ULC (MRC Midfield), one of the two largest Canadian PVF distributors based on sales, provides PVF products to oil and natural gas companies operating primarily in Western Canada, including the Western Canadian Sedimentary Basin, Alberta Oil Sands and heavy oil regions. These regions are still in the early stages of infrastructure investment with numerous companies seeking to facilitate the long-term harvesting of difficult to extract and process crude oil. Beyond North America, our acquisitions of Transmark Fcx Group BV (together with its subsidiaries, MRC Transmark) and Stainless Pipe and Fittings Australia Pty Ltd. (MRC SPF) have provided us with a well-established and integrated platform for international growth and further positioned us to be the leading global PVF distributor to the energy industry. The following map illustrates our global presence:

MRC Locations 18 Countries

Australia	Kazakhstan
Belgium	Netherlands
Canada	New Zealand
China	Singapore
Finland	South Korea
France	Thailand
Germany	United Arab Emirates
Indonesia	United Kingdom
Italy	United States

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Our business is characterized by diversity in the industry sectors and regions we serve and in the products we supply. The following charts summarize our revenue by sector, geography and product, across both our North American and International segments, for the year ended December 31, 2011:

Due to the demanding operating conditions in the energy industry, high costs and safety risks associated with equipment failure, customers prefer highly reliable products and vendors with established qualifications, reputation and experience. As our PVF products typically are mission critical yet represent a fraction of the total cost of the project, our customers often place a premium on service and high reliability given the high cost to them of maintenance or project delays. Our products are typically used in high-volume, high-stress and abrasive applications or in high-pressure, extreme temperature and high-corrosion applications.

With over 400 global service locations servicing the energy and industrial sectors, we are an important link between our more than 12,000 customers and our more than 12,000 suppliers. We add value to our customers and suppliers in a number of ways:

Broad Product Offering and High Customer Service Levels: The breadth and depth of our product offering enables us to provide a high level of service to our energy and industrial customers. Given our global inventory coverage and branch network, we are able to fulfill orders more quickly, including orders for less common and specialty items, and provide our customers with a greater array of value added services than if we operated on a smaller scale or only at a local or regional level. These value added services include multiple daily deliveries, volume purchasing, product testing, manufacturer assessments, inventory management and warehousing, technical support, just-in-time delivery, order consolidation, product tagging and tracking and system interfaces customized to customer and supplier specifications.

Approved Manufacturer List (AML) Services: Our customers rely on us to provide a high level of quality control for their PVF products. We do this by regularly auditing many of our suppliers for quality assurance through our Supplier Registration Process (SRP). We use our resulting Approved Supplier List (the MRC ASL) to supply products across many of the industries we support, particularly for downstream and midstream customers. Increasingly, many of our customers rely on the MRC ASL and our AML services to help devise and maintain their own approved manufacturer listings.

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Customized and Integrated Service Offering: We offer our customers integrated supply services, including product procurement, quality assurance, physical warehousing and inventory management and analysis, using our proprietary information technology (IT) platform. This is part of an overall strategy to provide a one stop solution for PVF purchases across the upstream-midstream-downstream spectrum through integrated supply agreements and MRO contracts. This enables our customers to focus on their core operations, generate cost savings and increase the overall efficiency of their businesses.

History

McJunkin Corporation (McJunkin) was founded in 1921 in Charleston, West Virginia and initially served the local oil and natural gas industry, focusing primarily on the downstream end market. In 1989, McJunkin broadened its upstream end market presence by merging its oil and natural gas division with Appalachian Pipe & Supply Co. to form McJunkin Appalachian Oilfield Supply Company (McJunkin Appalachian , which was a subsidiary of McJunkin Corporation, but has since been merged with and into McJunkin Red Man Corporation), which focused primarily on upstream oil and natural gas customers.

In April 2007, we acquired Midway-Tristate Corporation (Midway), a regional PVF oilfield distributor, primarily serving the upstream Appalachia and Rockies regions. This extended our leadership position in Appalachia/Marcellus shale region, while adding additional branches in the Rockies.

Red Man Pipe & Supply Co. (Red Man) was founded in 1976 in Tulsa, Oklahoma and began as a distributor to the upstream end market and subsequently expanded into the midstream and downstream end markets. In 2005, Red Man acquired an approximate 51% voting interest in MRC Midfield, giving Red Man a significant presence in the Western Canadian Sedimentary Basin.

In October 2007, McJunkin and Red Man completed a business combination transaction to form the combined company, McJunkin Red Man Corporation. This transformational merger combined leadership positions in the upstream, midstream and downstream end markets, while creating a one stop PVF leader across all end markets with full geographic coverage across North America. Red Man has since been merged with and into McJunkin Red Man Corporation.

On July 31, 2008, we acquired the remaining voting and equity interest in Midfield. Also, in October 2008, we acquired LaBarge Pipe & Steel Company (LaBarge). LaBarge is engaged in the sale and distribution of carbon steel pipe (predominately large diameter pipe) for use primarily in the North American midstream energy infrastructure market. The acquisition of LaBarge expanded our midstream end market leadership, while adding a new product line in large outside diameter pipe.

On October 30, 2009, we acquired MRC Transmark. MRC Transmark is a leading distributor of valves and flow control products in Europe, Southeast Asia and Australasia. MRC Transmark was formed from a series of acquisitions, the most significant being the acquisition of FCX European and Australasian distribution business in July 2005. The acquisition of MRC Transmark provided geographic expansion internationally, additional downstream diversification and enhanced valve market leadership.

During 2010, we acquired The South Texas Supply Company, Inc. (South Texas Supply) and also certain operations and assets from Dresser Oil Tools & Supply. With these two acquisitions, we expanded our footprint in the Eagle Ford and Bakken shale regions, expanding our local presence in two of the emerging active shale basins in North America.

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In June 2011, we acquired MRC SPF. Headquartered in Perth, Western Australia, MRC SPF is a distributor of stainless steel piping products through its seven locations across Australia as well as Korea, the United Kingdom and the United Arab Emirates.

In July 2011, we acquired Curtiss-Wright Flow Control Corporation (VSC). VSC specializes in valve automation for upstream projects and maintenance, repairs and operation in the downstream sector.

In December 2011, we signed an agreement to acquire the operations and assets of OneSteel Piping Systems (OPS). This acquisition was completed in March 2012. OPS is a leading PVF product and service specialist with proven capabilities supplying the oil and gas, mining and mineral processing industries in Australia.

On January 10, 2012, MRC Global Inc. amended its amended and restated certificate of incorporation and amended and restated bylaws to reflect a change in its name from McJunkin Red Man Holding Corporation to MRC Global Inc.

MRC Global Inc. was incorporated in Delaware on November 20, 2006 and McJunkin Red Man Corporation was incorporated in West Virginia on March 21, 1922 and was reincorporated in Delaware on June 14, 2010. Our principal executive office is located at 2 Houston Center, 909 Fannin, Suite 3100, Houston, Texas 77010. Our telephone number is (877) 294-7574. Our website address is www.mrcpvf.com. Information contained on our website or on other external websites mentioned throughout this prospectus is expressly not incorporated by reference into this prospectus.

Recent Developments

Preliminary First Quarter 2012 Results

We expect to report the following results for each of sales, net income, Adjusted EBITDA and total indebtedness for the three months ending March 31, 2012 and as of March 31, 2012, as applicable:

Sales. We expect to report sales of between approximately $1.30 billion and $1.34 billion for the three months ending March 31, 2012, as compared to sales of $991.8 million for the three months ended March 31, 2011.

Net income. We expect to report net income of between approximately $30 million and $36 million for the three months ending March 31, 2012, as compared to a net loss of $(1.1) million for the three months ended March 31, 2011.

Adjusted EBITDA. We expect to report Adjusted EBITDA of between approximately $101 million and $111 million for the three months ending March 31, 2012, as compared to Adjusted EBITDA of $60 million for the three months ended March 31, 2011.

Total indebtedness. We expect that our total indebtedness outstanding at March 31, 2012 will be approximately $1.6 billion to $1.7 billion, as compared to $1.53 billion of total indebtedness as of December 31, 2011.

Expected results for the three months ending March 31, 2012 primarily reflect continued strength in each of the upstream, midstream and downstream sectors of our business, including strong drilling activity in North America, particularly in the shale and conventional oil regions. The results estimated

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above include an approximately $1.7 million write-off of deferred financing costs, which we expect to record in the three months ending March 31, 2012 in connection with the refinancing of our ABL Credit Facility. The expected increase in total indebtedness at March 31, 2012 primarily reflects the acquisition of OneSteel Piping Systems and working capital growth.

Management has prepared the estimates presented above in good faith based upon our internal reporting and expectations as of and for the three months ending March 31, 2012. These estimated ranges are preliminary, unaudited, subject to completion, reflect our current good faith estimates and may be revised as a result of results posted during the remainder of the quarter and management s further review of our results. We and our auditors have not completed our normal quarterly review procedures as of and for the three months ending March 31, 2012, and there can be no assurance that our final results for this quarterly period will not differ from these estimates. Any such changes could be material. During the course of the preparation of our consolidated financial statements and related notes as of and for the three months ending March 31, 2012, we may identify items that would require us to make material adjustments to the preliminary financial information. These estimates should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP. In addition, these preliminary estimates as of and for the three months ending March 31, 2012 are not necessarily indicative of the results to be achieved for the remainder of 2012 or any future period. Our consolidated financial statements and related notes as of and for three months ending March 31, 2012 are not expected to be filed with the SEC until after this offering is completed.

Adjusted EBITDA is a non-GAAP measure within the rules of the SEC. The most closely comparable GAAP measure is net income. The following table reconciles Adjusted EBITDA to net income for the ranges presented above for the three months ending March 31, 2012 (estimated) and for the three months ended March 31, 2011 (actual). For more information about our use of Adjusted EBITDA, see footnote 2 to Summary Consolidated Financial Information included elsewhere in this prospectus.

	Three Months Ended March 31,		
	2012 (Estimated Low)	2012 (Estimated High) ($ in millions)	2011 (Actual)
Net income (loss)	$ 30.0	$ 36.1	$ (1.1)
Income tax (benefit) expense	16.9	20.3	(0.7)
Interest expense	33.5	33.9	33.5
Depreciation and amortization	4.1	4.2	4.0
Amortization of intangibles	12.1	12.2	12.4
Change in fair value of derivative instruments	(2.1)	(1.9)	(1.9)
Share based compensation expense	1.8	1.9	1.5
Legal and consulting expenses	(1.1)	(0.9)	1.2
Increase in LIFO Reserve	5.0	5.2	10.1
Other noncash expenses (1)	(0.9)	(1.3)	1.0
Deferred financing costs	1.7	1.7	
Adjusted EBITDA	$ 101.0	$ 111.4	$ 60.0

(1) For the three months ended March 31, 2012, estimated to include foreign exchange gains and losses. For the three months ended March 31, 2011, included transaction-related expenses, pre-acquisition EBITDA of MRC SPF and other items added back to net income pursuant to our then existing ABL credit facility.

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Global ABL Facility

On March 27, 2012, we entered into a new multi-currency Global ABL Facility (the Global ABL Facility) which replaced our existing North American ABL Credit Facility, our European Transmark term loan and revolving credit facility and our UK overdraft facility. The administrative agent and collateral agent for the Global ABL Facility is Bank of America, N.A., and the co-syndication agents of the Global ABL Facility are Barclays Bank PLC and Wells Fargo Capital Finance LLC. The five-year Global ABL Facility contains up to US$1.25 billion of total revolving credit facilities, including US$1.025 billion in the United States, US$145 million in Canada, US$12 million in the United Kingdom, US$52 million in Australia, US$9 million in the Netherlands and US$7 million in Belgium. The facility also contains an accordion feature that allows us to increase the principal amount of the facility by up to US$300 million.

The Global ABL Facility is primarily secured by all of our receivables, inventory and related assets in the relevant countries. Our ability to borrow in each jurisdiction under the facility is limited by a borrowing base in that jurisdiction equal to 85% of eligible receivables, plus the lesser of 70% of eligible inventory and 85% of appraised net orderly liquidation value of the inventory. The facility initially bears interest at LIBOR plus an initial margin of 1.75%, though from and after September 1, 2012 the margin will vary between 1.50% and 2.00% based on our fixed charge coverage ratio. For additional information about the Global ABL Facility, see Management s Discussion and Analysis of Financial Condition and Results of Operations Description of Our Indebtedness Global ABL Facility.

Initial Public Offering

On April 17, 2012, MRC Global Inc. closed its initial public offering of 22,727,273 shares of its common stock. MRC Global Inc. sold 17,045,455 shares and PVF Holdings LLC (PVF Holdings), a selling stockholder and an affiliate of Goldman, Sachs & Co., sold 5,681,818 shares. The initial public offering price of the common stock was $21.00 per share. The selling stockholder in the offering granted the underwriters a 30-day option to purchase up to 3,409,091 additional shares at the initial public offering price less the underwriting discount. The Company used the proceeds of the offering to repay indebtedness. The Company will not receive any proceeds from the sale of stock by the selling stockholder in the offering. The shares are listed on the New York Stock Exchange under the ticker symbol MRC .

The Goldman Sachs Funds

Certain affiliates of The Goldman Sachs Group, Inc., including GS Capital Partners V Fund, L.P., GS Capital Partners VI Fund, L.P. and related entities, or the Goldman Sachs Funds, are the majority owners of PVF Holdings, our largest shareholder.

Since 1986, the Goldman Sachs Merchant Banking Division (GS MBD), which manages The Goldman Sachs Funds, has raised 16 private equity and principal debt investment funds aggregating over $78 billion of capital and invested in over 500 companies globally. GS Capital Partners VI is the current private equity vehicle through which Goldman Sachs conducts its large, privately negotiated, corporate equity investment activities. With six offices in five countries around the world, GS MBD is one of the largest managers of private capital globally.

Since 1998, GS MBD has invested over $8 billion in over 20 companies in the energy and industrial distribution sectors. Investments include, but are not limited to, Bill Barrett Corporation (natural gas exploration and production in the Rocky Mountain region of the U.S.), CCS Corporation

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(provider of integrated energy and environmental waste management services), Cobalt International Energy (deepwater Gulf of Mexico and West Africa oil exploration), CVR Energy (U.S. mid-continent based oil refinery), EF Energy Holdings, LLC (start-up upstream oil and gas company), Expro International (market leader in deepwater well testing and commissioning services), Horizon Wind Energy (one of the largest developers of wind power projects in North America), Kenan Advantage Group (largest provider of last mile fuel delivery services on a dedicated basis in the U.S.), Nalco Corporation (global provider of integrated water treatment and process improvement services), OIG Offshore Installation Group (provider of offshore mooring and subsea installation, module handling and logistics services), Associated Asphalt (largest asphalt terminalling operation in the U.S.) and Ahlsell Sverige (industrial distributor in the Nordic region).

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Summary of the Notes

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. See Description of Notes for a more detailed description of the terms and conditions of the notes.

Issuer	McJunkin Red Man Corporation.
Securities Offered	Up to $1,050,000,000 aggregate principal amount of 9.50% senior secured notes due 2016.
Maturity Date	The notes will mature on December 15, 2016.
Interest Payment Dates	Interest on the notes will be payable in cash on June 15 and December 15 of each year.
Guarantees	The notes are unconditionally guaranteed, jointly and severally, by all of our wholly owned domestic subsidiaries (together with any other restricted subsidiaries that may guarantee the notes from time to time, the Subsidiary Guarantors) and by MRC Global Inc. MRC Global Inc. does not have any material assets other than its ownership of 100% of the Issuer s capital stock.
	Under the indenture relating to the notes, any wholly owned domestic subsidiary (other than immaterial subsidiaries) formed or acquired on or after the date of the indenture and any restricted subsidiary that provides a guarantee with respect to our asset-based revolving credit facility (the Global ABL Facility) or any other indebtedness of the Issuer or any Subsidiary Guarantor will also be required to guarantee the notes. See Description of Notes Certain Covenants Guarantees .
Collateral	The notes and the guarantees by the Subsidiary Guarantors are secured on a senior basis (subject to permitted prior liens), together with any other Priority Lien Obligations (as such term is defined in Description of Notes Certain Definitions), equally and ratably by security interests granted to the collateral trustee in all Notes Priority Collateral (as such term is defined in Description of Notes Certain Definitions) from time to time owned by the Issuer or the Subsidiary Guarantors. The guarantee of MRC Global Inc. is not secured.
	The Notes Priority Collateral generally comprises substantially all of the Issuer s and the Subsidiary Guarantors tangible and intangible assets, other than specified excluded assets. The collateral trustee holds the senior liens on the Notes Priority Collateral in trust for the benefit of the holders of the notes and the holders of any other Priority Lien Obligations. See Description of Notes Security Collateral .

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The notes and the guarantees by the Subsidiary Guarantors are also secured on a junior basis (subject to the lien which secures the Global ABL Facility and other permitted prior liens) by security interests granted to the collateral trustee in all ABL Priority Collateral (as such term is defined in Description of Notes Certain Definitions) from time to time owned by the Issuer or the Subsidiary Guarantors.

The ABL Priority Collateral generally comprises substantially all of the Issuer s and the Subsidiary Guarantors accounts receivable, inventory, general intangibles and other assets relating to the foregoing, deposit and securities accounts (other than the Net Available Cash Account , as such term is defined in the intercreditor agreement), and proceeds and products of the foregoing, other than specified excluded assets. See Description of Notes Security Collateral . The collateral trustee holds the junior liens on the ABL Priority Collateral in trust for the benefit of the holders of the notes and the holders of any other Priority Lien Obligations.

Assets owned by our non-guarantor subsidiaries and by MRC Global Inc. are not part of the collateral securing the notes. See Description of Notes Security and Risk Factors Risks Related to the Collateral and the Guarantees .

Ranking

The notes and the related guarantees are the Issuer s and the Subsidiary Guarantors senior secured obligations and MRC Global Inc. s senior unsecured obligation. The indebtedness evidenced by the notes and subsidiary guarantees ranks:

- senior to any debt of the Issuer and the Subsidiary Guarantors to the extent of the collateral which secures the notes and guarantees on a senior basis;

- equal with all of the Issuer s and the Subsidiary Guarantors existing and future senior indebtedness (before giving effect to security interests);

- senior to all of the Issuer s and the Subsidiary Guarantors existing and future subordinated indebtedness;

- junior in priority to the Global ABL Facility (to the extent of the collateral that secures the Global ABL Facility) and to any other debt incurred after the issue date that has a priority security interest relative to the notes in the collateral that secures the Global ABL Facility;

- equal in priority to any other indebtedness incurred before or after the issue date which is secured on an equal basis with the notes and guarantees; and

- junior in priority to the existing and future claims of creditors and holders of preferred stock of our subsidiaries that do not guarantee the notes, including

	foreign subsidiaries that have guaranteed and secured debt of foreign subsidiaries under the Global ABL Facility.
	As of December 31, 2011, after giving effect to our entry into the Global ABL Facility and assuming the use of proceeds of the initial public offering to repay debt:
	we and the Subsidiary Guarantors would have had \$149.3 million outstanding under the Global ABL Facility and outstanding letters of credit of approximately \$16.7 million (with approximately \$695.3 million of estimated available borrowings under the Global ABL Facility), all of which would rank senior to the notes to the extent of the collateral securing the Global ABL Facility on a senior basis;
	our non-guarantor subsidiaries would have had indebtedness of \$19.0 million and estimated borrowing availability of an additional approximately \$144.9 million, all of which would rank senior to the notes;
	we and the guarantors would have had \$1.05 billion of notes outstanding plus certain outstanding interest rate swap agreements, all of which would rank pari passu with the notes;
	we and the guarantors would have had no subordinated indebtedness; and
	our parent guarantor would have had no indebtedness other than its guarantee of the notes.
	See Description of Notes Brief Description of the Notes and the Note Guarantees .
Intercreditor Agreement	The collateral trustee has entered into an intercreditor agreement with the Issuer, the Subsidiary Guarantors and Bank of America, N.A., as collateral agent under the Global ABL Facility, which governs the relationship of noteholders and the lenders under the Global ABL Facility with respect to collateral and certain other matters. See Description of Notes The Intercreditor Agreement .
Collateral Trust Agreement	The Issuer and the Subsidiary Guarantors have entered into a collateral trust agreement with the collateral trustee and the trustee under the indenture governing the notes. The collateral trust agreement sets forth the terms on which the collateral trustee will receive, hold, administer, maintain, enforce and distribute the proceeds of all liens upon the collateral which it holds in trust. See Description of Notes The Collateral Trust Agreement .
Sharing of Liens and Collateral	The Issuer and the Subsidiary Guarantors may issue additional senior secured indebtedness under the indenture governing the

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	notes. The liens securing the notes may also secure, together on an equal and ratable basis with the notes, other Priority Lien Debt (as such term is defined in Description of Notes Certain Definitions) permitted to be incurred by the Issuer under the indenture governing the notes, including additional notes of the same class under the indenture governing the notes. The Issuer and the Subsidiary Guarantors may also grant additional liens on the collateral securing the notes on a junior basis to secure Subordinated Lien Debt (as such term is defined in Description of Notes Certain Definitions) permitted to be incurred under the indenture governing the notes.
Optional Redemption	We may redeem the notes, in whole or in part, at any time on or after December 15, 2012 at the redemption prices set forth in this prospectus. In addition, at any time prior to December 15, 2012, we may redeem some or all of the notes at a price equal to 100% of the principal amount of the notes plus a make-whole premium and accrued and unpaid interest to the redemption date, in each case, as described in this prospectus under Description of Notes Optional Redemption .
	We may also, at any time prior to December 15, 2012, redeem up to 35% of the aggregate principal amount of the notes issued under the indenture governing the notes with the net proceeds of certain equity offerings at the redemption price set forth in this prospectus. See Description of Notes Optional Redemption .
Offers to Purchase	If we sell certain assets without applying the proceeds in a specified manner, or experience certain change of control events, each holder of notes may require us to purchase all or a portion of its notes at the purchase prices set forth in this prospectus, plus accrued and unpaid interest and special interest, if any, to the purchase date. See Description of Notes Repurchase at the Option of Holders . The Global ABL Facility or other agreements may restrict us from repurchasing any of the notes, including any purchase we may be required to make as a result of a change of control or certain asset sales. See Risk Factors Risks Related to the Notes We may not have the ability to raise the funds necessary to finance the change of control offer or the asset sale offer required by the indenture governing the notes .
Covenants	The indenture governing the notes contains covenants that impose significant restrictions on our business. The restrictions that these covenants place on us and our restricted subsidiaries include limitations on our ability and the ability of our restricted subsidiaries to, among other things:
	incur additional indebtedness;
	issue certain preferred stock or disqualified capital stock;
	create liens;

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	- pay dividends or make other restricted payments; - make certain payments on debt that is subordinated or secured on a basis junior to the notes; - make investments; - sell assets; - create restrictions on the payment of dividends or other amounts to us from restricted subsidiaries; - consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; - enter into transactions with our affiliates; and - designate our subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of important exceptions and qualifications, which are described under Description of Notes .
Original Issue Discount	The notes were issued with original issue discount for United States federal income tax purposes. For United States federal income tax purposes, U.S. Holders will be required to include the original issue discount in gross income (as ordinary income) as it accrues on a constant yield basis in advance of the receipt of the cash payment to which such income is attributable (regardless of whether such U.S. Holders use the cash or accrual method of tax accounting). See Material United States Federal Tax Considerations Stated Interest and Original Issue Discount .
No Assurance of Active Trading Market	The notes are not listed on any securities exchange or on any automated dealer quotation system. We cannot assure you that an active or liquid trading market for the notes will exist or be maintained. If an active or liquid trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected. See Risk Factors Risks Related to the Notes An active or liquid trading market for the notes may not be maintained .

Risk Factors

Investing in our notes involves substantial risk, and our business faces various risks. For example, decreased capital and operating expenditures in the energy industry could lead to decreased demand for our products and services and could therefore have a material adverse effect on our business, results of operations and financial condition. We face other risks including, among others, fluctuations in steel prices, particularly for our tubular product category, volatility of oil and natural gas prices, economic downturns, our lack of long-term contracts with many of our customers and suppliers and the absence of minimum purchase obligations under the long-term customer contracts that we do have. Additionally, we have significant indebtedness. As of December 31, 2011, we had total debt outstanding of $1,526.7 million, borrowing availability of $583.7 million under our credit facilities and

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total liquidity (borrowing capacity plus cash on hand) of $629.8 million, representing leverage of 4.1x as of December 31, 2011 under the terms of our then existing asset-based revolving credit facility (the ABL Credit Facility). Our significant indebtedness could limit our ability to obtain additional financing, our ability to use operating cash flow in other areas of our business, and our ability to compete with other companies that are less leveraged, and could have other negative consequences. See Risk Factors for a more detailed discussion of these risks and other risks associated with the notes and with our business.

The data included in this prospectus regarding the industrial and oilfield PVF distribution industry, including trends in the market and our position and the position of our competitors within this industry, are based on our estimates which have been derived from management s knowledge and experience in the areas in which our business operates, and information obtained from customers, suppliers, trade and business organizations, internal research, publicly available information, industry publications and surveys and other contacts in the areas in which our business operates. We have also cited information compiled by industry publications, governmental agencies and publicly available sources.

In this prospectus, unless otherwise indicated, foreign currency amounts are converted into U.S. dollar amounts at the exchange rate in effect on December 31, 2011, the last day of our fiscal year. Income statement figures are converted on a monthly basis, using each month s average conversion rate.

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Summary Consolidated Financial Information

On January 31, 2007, MRC Global Inc. (formerly known as McJunkin Red Man Holding Corporation), an affiliate of The Goldman Sachs Group, Inc., acquired a majority of the equity of the entity now known as McJunkin Red Man Corporation (then known as McJunkin Corporation) (the GS Acquisition). In this prospectus, the term Predecessor refers to McJunkin Corporation and its subsidiaries prior to January 31, 2007 and the term Successor refers to the entity now known as MRC Global Inc. and its subsidiaries on and after January 31, 2007. As a result of the change in McJunkin Corporation s basis of accounting in connection with the GS Acquisition, Predecessor s financial statement data for the one month ended January 30, 2007 and earlier periods are not comparable to Successor s financial data for the eleven months ended December 31, 2007 and subsequent periods.

McJunkin Corporation completed a business combination transaction with Red Man (the Red Man Transaction) on October 31, 2007. At that time, McJunkin Corporation was renamed McJunkin Red Man Corporation. Operating results for the eleven-month period ended December 31, 2007 include the results of MRC Global Inc. for the full period and the results of Red Man for the two months after the business combination on October 31, 2007. Accordingly, our historical results for the years ended December 31, 2011, 2010, 2009 and 2008 and the 11 months ended December 31, 2007 are not comparable to McJunkin Corporation s historical results for the one month ended January 30, 2007.

The summary consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the years ended December 31, 2011, 2010, 2009 and 2008, and the summary consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2011 and December 31, 2010, have been derived from the consolidated financial statements of MRC Global Inc. included elsewhere in this prospectus that Ernst & Young LLP, our independent registered public accounting firm, has audited. The summary consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the one month ended January 30, 2007 and the eleven months ended December 31, 2007, and the summary consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2009, December 31, 2008 and December 31, 2007, have been derived from the consolidated financial statements of MRC Global Inc. not included in this prospectus that Ernst & Young LLP has audited.

All information in this prospectus gives effect to the two-for-one reverse split of MRC Global Inc. s common stock which occurred on February 29, 2012.

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The historical data presented below has been derived from financial statements that have been prepared using United States generally accepted accounting principles (GAAP). This data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Successor					Predecessor
	Year Ended December 31,				Eleven Months Ended December 31,	One Month Ended January 30,
	2011	2010	2009	2008	2007	2007
	(In millions)					
Statement of Operations Data:						
Sales	$ 4,832.4	$ 3,845.5	$ 3,661.9	$ 5,255.2	$ 2,124.9	$ 142.5
Cost of sales	4,124.2	3,327.0	3,067.4	4,273.1	1,761.9	114.9
Inventory write-down		0.4	46.5			
Gross margin	708.2	518.1	548.0	982.1	363.0	27.6
Selling, general and administrative expenses	513.6	451.7	411.6	482.1	218.5	15.9
Goodwill and intangibles impairment charge			386.1			
Operating income (loss)	194.6	66.4	(249.7)	500.0	144.5	11.7
Other (expense) income						
Interest expense	(136.8)	(139.6)	(116.5)	(84.5)	(61.7)	(0.1)
Write off of debt issuance costs	(9.5)					
Change in fair value of derivative instruments	7.0	(4.9)	8.9	(6.2)		
Other, net	0.5	2.9	2.5	(2.6)	(0.8)	(0.4)
Total other (expense) income	(138.8)	(141.6)	(105.1)	(93.3)	(62.5)	(0.5)
Income (loss) before income taxes	55.8	(75.2)	(354.8)	406.7	82.0	11.2
Income taxes	26.8	(23.4)	(15.0)	153.2	32.1	4.6
Net income (loss)	$ 29.0	$ (51.8)	$ (339.8)	$ 253.5	$ 49.9	$ 6.6
Other Financial Data:						
Net cash provided by (used in) operations	$ (102.9)	$ 112.7	$ 505.5	$ (137.4)	$ 110.2	$ 6.6
Net cash provided by (used in) investing activities	(48.0)	(16.2)	(66.9)	(314.2)	(1,788.9)	(0.2)
Net cash provided by (used in) financing activities	140.6	(98.2)	(393.9)	452.0	1,687.2	(8.3)
Adjusted Gross Margin(1)	849.6	663.2	493.5	1,164.0	400.6	27.9
Adjusted EBITDA(2)	360.5	224.2	218.5	744.4	344.9	26.0
Adjusted EBITDA RONA(3)	24.1%	19.6%	18.6%			

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			Successor As of December 31,		
	2011	2010	2009	2008	2007
Balance Sheet Data:					
Cash and cash equivalents	$ 46.1	$ 56.2	$ 56.2	$ 12.1	$ 10.1
Working capital(4)	1,074.7	842.6	930.2	1,208.0	674.1
Total assets	3,227.7	2,991.2	3,083.2	3,919.7	3,083.8
Total debt(5)	1,526.7	1,360.2	1,452.6	1,748.6	868.4
Stockholders equity	720.9	689.8	743.9	987.2	1,262.7

(1) We define Adjusted Gross Margin as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our last in, first out (LIFO) inventory costing methodology. We present Adjusted Gross Margin because we believe it is a useful indicator of our operating performance and facilitates a meaningful comparison to our peers. We believe this for the following reasons:

Our management uses Adjusted Gross Margin for planning purposes, including the preparation of our annual operating budget and financial projections. This measure is also used to assess the performance of our business.

Investors use Adjusted Gross Margin to measure a company s operating performance without regard to items, such as depreciation and amortization, and amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of transactions they have been involved in. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether those companies elect to utilize the LIFO method and depending upon which LIFO method they may elect.

Securities analysts can use Adjusted Gross Margin as a supplemental measure to evaluate overall operating performance of companies.

In particular, we believe that Adjusted Gross Margin is a useful indicator of our operating performance because Adjusted Gross Margin measures our Company s operating performance without regard to acquisition transaction-related amortization expenses.

However, Adjusted Gross Margin does not represent and should not be considered an alternative to gross margin or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted Gross Margin may not be comparable to similar measures that other companies report because other companies may not calculate Adjusted Gross Margin in the same manner as we do. Although we use Adjusted Gross Margin as a measure to assess the operating performance of our business, Adjusted Gross Margin has significant limitations as an analytical tool because it excludes certain material costs. For example, it does not include depreciation and amortization expense. Because we use capital assets, depreciation expense is a significant element of our costs and impacts our ability to generate revenue. In addition, the omission of amortization expense associated with our intangible assets further limits the usefulness of this measure. Furthermore, Adjusted Gross Margin does not account for our LIFO inventory costing methodology and, therefore, to the extent that recently purchased inventory accounts for a relatively large portion of our sales, Adjusted Gross Margin may overstate our operating performance. Because Adjusted Gross Margin does not account for certain expenses, its utility as a measure of our operating performance has material limitations. Because of these limitations, management does not view Adjusted Gross Margin in isolation or as a primary performance measure and also uses other measures, such as net income and sales, to measure operating performance.

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The following table reconciles Adjusted Gross Margin to gross margin (in millions):

	Successor					Predecessor
	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Eleven Months Ended December 31, 2007	One Month Ended January 31, 2007
Gross margin	$ 708.2	$ 518.1	$ 548.0	$ 982.1	$ 363.0	$ 27.6
Depreciation and amortization	17.0	16.6	14.5	11.3	5.4	0.3
Amortization of intangibles	50.7	53.9	46.6	44.4	21.9	
Increase (decrease) in LIFO reserve	73.7	74.6	(115.6)	126.2	10.3	
Adjusted Gross Margin	$ 849.6	$ 663.2	$ 493.5	$ 1,164.0	$ 400.6	$ 27.9

(2) We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles, other non-recurring and non-cash charges (such as gains/losses on the early extinguishment of debt, changes in the fair value of derivative instruments and goodwill impairment) and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted EBITDA because it is an important measure used to determine the interest rate and commitment fee we pay under our Global ABL Facility. In addition, we believe it is a useful indicator of our operating performance. We believe this for the following reasons:

Our management uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections, as well as for determining a significant portion of the compensation of our executive officers.

Adjusted EBITDA is widely used by investors to measure a company s operating performance without regard to items, such as interest expense, income tax expense and depreciation and amortization, that can vary substantially from company to company depending upon their financing and accounting methods, the book value of their assets, their capital structures and the method by which their assets were acquired.

Securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies. In particular, we believe that Adjusted EBITDA is a useful indicator of our operating performance because Adjusted EBITDA measures our Company s operating performance without regard to certain non-recurring, non-cash or transaction-related expenses.

Adjusted EBITDA, however, does not represent and should not be considered as an alternative to net income, cash flow from operations or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similar measures that other companies report because other companies may not calculate Adjusted EBITDA in the same manner as we do. Although we use Adjusted EBITDA as a measure to assess the operating performance of our business, Adjusted EBITDA has significant limitations as an analytical tool because it excludes certain material costs. For example, it does not include interest expense, which has been a significant element of our costs. Because we use capital assets, depreciation expense is a significant element of our costs and impacts our ability to generate revenue. In addition, the omission of the amortization expense associated with our intangible assets further limits the usefulness of this measure. Adjusted EBITDA also does not include the payment of certain taxes, which is also a significant element of our operations. Furthermore, Adjusted EBITDA does not account for our LIFO inventory costing methodology, and therefore, to the extent that recently purchased inventory accounts for a relatively large portion of our sales, Adjusted EBITDA may overstate our operating performance. Because Adjusted EBITDA

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does not account for certain expenses, its utility as a measure of our operating performance has material limitations. Because of these limitations, management does not view Adjusted EBITDA in isolation or as a primary performance measure and also uses other measures, such as net income and sales, to measure operating performance.

The calculation of Adjusted EBITDA is consistent with the computation of Consolidated Cash Flow (as such term is defined in Description of Notes Certain Definitions) except for the change in the LIFO reserve, which would not be an adjustment in determining Consolidated Cash Flow.

The following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

	Successor					Predecessor
	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Eleven Months Ended December 31, 2007	One Month Ended January 31, 2007
Net income (loss)	$ 29.0	$ (51.8)	$ (339.8)	$ 253.5	$ 49.9	$ 6.6
Income tax expense (benefit)	26.8	(23.4)	(15.0)	153.2	32.1	4.6
Interest expense	136.8	139.6	116.5	84.5	61.7	0.1
Write off of debt issuance costs	9.5					
Depreciation and amortization	17.0	16.6	14.5	11.3	5.4	0.3
Amortization of intangibles	50.7	53.9	46.6	44.4	21.9	
Amortization of Purchase Price Accounting			15.7	2.4		
Change in fair value of derivative instruments	(7.0)	4.9	(8.9)	6.2		
Closed locations		(0.7)	1.4	4.4		
Share based compensation expense	8.4	3.7	7.8	10.2	3.0	
Franchise taxes	0.4	0.7	1.4	1.5		
Gain on early extinguishment of debt			(1.3)			
Goodwill and intangibles impairment charge			386.1			
Inventory write-down		0.4	46.5			
IT system conversion costs			2.4	1.4		
M&A transaction & integration expenses	0.5	1.4	17.5	30.4	12.7	
Midway pre-acquisition contribution					2.8	1.0
Legal and consulting expenses	9.9	4.2	1.9	0.4		
Joint venture termination	1.7					
Provision for uncollectible accounts	0.4	(2.0)	1.0	7.7	0.4	
Red Man pre-acquisition contribution					142.2	13.1
Severance and related costs	1.1	3.2	4.4			
MRC Transmark pre-acquisition contribution			38.5			
LIFO	73.7	74.6	(115.6)	126.2	10.3	
Other non-cash expenses	1.6	(1.1)	(3.1)	6.7	2.5	0.3
Adjusted EBITDA	$ 360.5	$ 224.2	$ 218.5	$ 744.4	$ 344.9	$ 26.0

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(3) We define Adjusted EBITDA Return on Net Assets (Adjusted EBITDA RONA) as (a) Adjusted EBITDA divided by (b) accounts receivable, plus inventory, plus the LIFO reserve, plus property, plant & equipment, net, less accounts payable. The calculation of Adjusted EBITDA RONA is set forth below (dollars in thousands):

	Year Ended December 31,		
	2011	**2010**	**2009**
Adjusted EBITDA	$ 360,465	$ 224,124	$ 218,496
Accounts receivable	$ 791,280	$ 596,404	$ 506,194
Inventory at LIFO	899,064	765,367	871,653
LIFO Reserve	175,122	101,419	26,862
Property, plant & equipment, net	107,430	104,725	111,480
Accounts payable	(479,584)	(426,632)	(338,512)
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677
Adjusted EBITDA RONA	24.1%	19.6%	18.6%

We present Adjusted EBITDA RONA because we believe it is a useful indicator of our operating performance. Management believes that Adjusted EBITDA RONA provides meaningful supplemental information regarding our performance by excluding certain income and expense items and assets and liabilities that may not be indicative of the core business operating results and may help in comparing current period results with those of prior periods as well as with our peers. Our management uses Adjusted EBITDA RONA for determining a significant portion of the compensation of our executive officers. In addition, Adjusted EBITDA RONA is a useful indicator of our operating performance because it measures our performance without regard to acquisition transaction-related assets such as intangibles and goodwill.

However, Adjusted EBITDA RONA does not represent and should not be considered an alternative to other GAAP measures of performance such as net income. Also, our definition of Adjusted EBITDA RONA may not be comparable to similar measures that other companies report. Further, Adjusted EBITDA RONA has certain limitations, such as excluding our LIFO inventory costing methodology. In addition, the omission of our substantial intangible assets and goodwill further limits the usefulness of this measure. As a result, management does not view Adjusted EBITDA RONA in isolation or as a primary performance measure and uses other measures such as net income and sales to measure operating performance.

Management believes that the GAAP-based measure which is most comparable to Adjusted EBITDA RONA is a percentage with net income in the numerator and stockholders equity in the denominator. We believe Adjusted EBITDA is a useful measure of performance as compared to net income for the reasons stated above in note 2. We believe that for our Company total adjusted net assets (as calculated above) is a more useful measure than stockholders equity for purposes of a RONA calculation because, among other things, our calculation omits intangible assets and goodwill arising from acquisitions. Given the Company s history of making numerous acquisitions in recent years, the Company believes that the measure it uses is more comparable to similar measures used by other companies if the effects of acquisitions are eliminated.

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For a reconciliation of Adjusted EBITDA (the numerator in our calculation of Adjusted EBITDA RONA) to net income, see footnote 2 above. For a reconciliation of total adjusted net assets (the denominator in our calculation of Adjusted EBITDA RONA) to stockholders equity, see the following table:

	Year Ended December 31, 2011	2010	2009
	(dollars in thousands)		
Stockholders equity	$ 720,862	$ 689,758	$ 743,898
Long term debt	1,526,740	1,360,241	1,452,610
Deferred taxes, net	357,195	373,719	377,948
Other liabilities	143,306	140,844	170,188
Intangible assets	(1,333,137)	(1,366,549)	(1,425,721)
LIFO Reserve	175,122	101,419	26,862
Other assets	(50,649)	(101,947)	(111,864)
Cash	(46,127)	(56,202)	(56,244)
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677

The following table summarizes (1) the numerator and denominator in our calculation of Adjusted EBITDA RONA and (2) the numerator (net income) and denominator (stockholders equity) in the most comparable GAAP-based measure.

	Year Ended December 31, 2011	2010	2009
	(dollars in thousands)		
Adjusted EBITDA	$ 360,465	$ 224,124	$ 218,496
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677
Adjusted EBITDA RONA	24.1%	19.6%	18.6%
Net income (loss)	$ 28,984	$ (51,824)	$ (339,771)
Stockholders equity	$ 720,862	$ 689,758	$ 743,898
Net income / stockholders equity	4.02%	(7.5)%	(45.7)%

(4) Working capital is defined as current assets less current liabilities.

(5) Includes current portion.

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RISK FACTORS

Before investing in the securities offered through this prospectus, you should carefully consider the following risk factors as well as the other information that this prospectus provides. If one or more of these risks or uncertainties actually occurs, they could materially and adversely affect our business, financial condition and operating results. In this prospectus, unless the context expressly requires a different reading, when we state that a factor could adversely affect us , have a material adverse effect , adversely affect our business and similar expressions, we mean that the factor could materially and adversely affect our business, financial condition and operating results.

Risks Related to the Notes

Our substantial level of indebtedness could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our obligations under the notes.

We have now and will likely continue to have a significant amount of indebtedness. As of December 31, 2011, we had total debt outstanding of $1,526.7 million, borrowing availability of $583.7 million under our credit facilities and total liquidity (borrowing capacity plus cash on hand) of $629.8 million, representing leverage of 4.1x under the terms of our then existing ABL Credit Facility. In addition, as of December 31, 2011 on an adjusted basis, after giving effect to our use of proceeds of the initial public offering and our entry into the Global ABL Facility; we would have had total indebtedness outstanding of $1,200.1 million, representing leverage of 3.2x under the terms of the Global ABL Facility. In addition, we may incur significant additional indebtedness in the future. If new indebtedness is added to our current indebtedness, the risks described below could increase.

Our significant level of indebtedness could have important consequences to you, including the following:

- it may be more difficult for us to satisfy our obligations with respect to the notes;
- our ability to obtain additional financing for working capital, debt service requirements, general corporate purposes or other purposes may be impaired;
- we must use a substantial portion of our cash flow to pay interest and principal on the notes and our other indebtedness, which will reduce the funds available to us for other purposes;
- we may be subject to restrictive financial and operating covenants in the agreements governing our and our subsidiaries long term indebtedness;
- we may be exposed to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries debt instruments that could have a material adverse effect on our business, results of operations and financial condition;
- we may be vulnerable to economic downturns and adverse industry conditions, including a downturn in pricing of the products we distribute;
- our ability to capitalize on business opportunities and to react to pressures and changing market conditions in our industry and in our customers industries as compared to our competitors may be compromised due to our high level of indebtedness;

our ability to compete with other companies who are not as highly leveraged may be limited; and

our ability to refinance our indebtedness, including the notes, may be limited.

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We may be unable to service our indebtedness, including the notes.

Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets, properties and systems software, as well as to provide capacity for the growth of our business, depends on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available to us under our credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may seek to sell assets to fund our liquidity needs but may not be able to do so.

In addition, we can give no assurance that we will be able to refinance any of our debt, including the Global ABL Facility, on commercially reasonable terms or at all. If we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as sales of assets, sales of equity and/or negotiations with our lenders to restructure the applicable debt. The Global ABL Facility and the indenture governing the notes may restrict, or market or business conditions may limit, our ability to avail ourselves of some or all of these options.

The borrowings under certain of our credit facilities bear interest at variable rates and other debt we incur could likewise be variable-rate debt. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

Despite our current indebtedness level, we and our subsidiaries may still be able to incur substantially more debt, which could exacerbate the risks associated with our substantial indebtedness.

As of December 31, 2011, we had $456.4 million of secured indebtedness outstanding under our and our subsidiaries revolving credit facilities and up to approximately $711.3 million available for borrowing under our and our subsidiaries revolving credit facilities. In addition, as of December 31, 2011 on an adjusted basis, after giving effect to the use of proceeds of the initial public offering and our entry into the Global ABL Facility, we would have had total indebtedness outstanding of $1,200.1 million, representing leverage of 3.2x under the terms of the Global ABL Facility. The terms of the indenture governing the notes and the Global ABL Facility permit us to incur substantial additional indebtedness in the future, including secured indebtedness. If we incur any additional indebtedness that ranks equal to the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of us. In particular, the terms of the indenture allow us to incur a substantial amount of incremental debt which ranks equal to the notes and is secured by the same collateral as the notes, including various amounts of debt permitted under the definition of Permitted Liens in the Description of Notes. See Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock . If new debt is added to our or our subsidiaries current debt levels, the related risks that we now face could intensify.

Our debt instruments, including the indenture governing the notes and the Global ABL Facility, impose significant operating and financial restrictions on us. If we default under any of these debt instruments, we may not be able to make payments on the notes.

The indenture and the Global ABL Facility impose significant operating and financial restrictions on us. These restrictions limit our ability to, among other things:

incur additional indebtedness or guarantee obligations;

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- issue certain preferred stock or disqualified capital stock;
- pay dividends or make certain other restricted payments;
- make certain payments on debt that is subordinated or secured on a basis junior to the notes;
- make investments or acquisitions;
- create liens or other encumbrances;
- transfer or sell certain assets or merge or consolidate with another entity;
- create restrictions on the payment of dividends or other amounts to us from restricted subsidiaries;
- engage in transactions with affiliates; and
- engage in certain business activities.

Any of these restrictions could limit our ability to plan for or react to market conditions and could otherwise restrict corporate activities. See Management s Discussion and Analysis of Financial Condition and Results of Operations Description of Our Indebtedness and Description of Notes .

Our ability to comply with these covenants may be affected by events beyond our control, and an adverse development affecting our business could require us to seek waivers or amendments of covenants, alternative or additional sources of financing or reductions in expenditures. We can give no assurance that such waivers, amendments or alternative or additional financings could be obtained or, if obtained, would be on terms acceptable to us.

A breach of any of the covenants or restrictions contained in any of our existing or future financing agreements could result in a default or an event of default under those agreements. Such a default or event of default could allow the lenders under our financing agreements, if the agreements so provide, to discontinue lending, to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies, and to declare all borrowings outstanding thereunder to be due and payable. In addition, the lenders could terminate any commitments they had made to supply us with further funds. If the lenders require immediate repayments, we may not be able to repay them and also repay the notes in full.

Your right to receive payments on the notes is effectively subordinated to the rights of lenders under the Global ABL Facility to the extent of the value of the collateral securing the Global ABL Facility on a senior lien basis.

The notes and the guarantees by our subsidiaries are secured by (1) a senior lien on substantially all of our and such guarantors tangible and intangible assets, other than the collateral securing the Global ABL Facility and (2) a junior lien on our and such guarantors accounts receivable, inventory and related assets which secure the Global ABL Facility on a senior lien basis, in each case subject to certain excluded assets and permitted liens. The lenders under the Global ABL Facility and certain other permitted secured debt will have claims that are prior to the claims of holders of the notes to the extent of the value of the assets securing that other indebtedness on a senior basis. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, the lenders under the Global ABL Facility will have a prior claim to those of our assets that constitute their collateral. After claims of the lenders under the Global ABL Facility have been satisfied in full, to the extent of the value of the collateral securing the Global ABL Facility on a senior lien basis, there may be no assets remaining under the Global ABL Facility collateral that may be applied to satisfy the claims of holders of the notes. As a result, holders of notes may receive less, ratably, than the lenders under the Global ABL Facility.

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As of December 31, 2011, after giving effect to our entry into the Global ABL Facility and the use of proceeds of the initial public offering, the notes and the related guarantees would have been subordinated to $149.3 million of secured debt of the Issuer and the guarantors under the Global ABL Facility to the extent of the collateral securing debt of the Issuer and the guarantors under the Global ABL Facility on a senior basis, and up to approximately $695.3 million was available for borrowing as additional secured debt of the Issuer and the guarantors under the Global ABL Facility. In addition, the indenture governing the notes allows us to increase the size of the Global ABL Facility, or refinance or replace the Global ABL Facility, and the notes and guarantees would be effectively subordinated to amounts borrowed under such increased, refinanced or replacement revolving credit facility. We expect that this subordination will continue until the notes are retired, repaid or otherwise redeemed.

Your right to receive payment on the notes will be structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Not all of our subsidiaries will be required to guarantee the notes. For example, our foreign subsidiaries, certain immaterial subsidiaries and our subsidiaries (other than wholly owned domestic subsidiaries) that do not guarantee the Global ABL Facility or any other indebtedness of the Issuer or the Subsidiary Guarantors will not guarantee the notes. Creditors of our non-guarantor subsidiaries (including trade creditors) will generally be entitled to payment from the assets of those subsidiaries before those assets can be distributed to us. As a result, the notes will be structurally subordinated to the prior payment of all of the debts (including trade payables) of our non-guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

As of December 31, 2011, on an adjusted basis, after giving effect to our entry into the Global ABL Facility and the use of the proceeds of the initial public offering, our non-guarantor subsidiaries would have had debt and trade payables of $168.0 million, all of which would rank senior to the notes and guarantees.

We may not have the ability to raise the funds necessary to finance the change of control offer or the asset sale offer required by the indenture governing the notes.

Upon the occurrence of a change of control , as defined in the indenture governing the notes, we must offer to buy back the notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest, if any, to the date of the repurchase. Similarly, we must offer to buy back the notes (or repay other indebtedness in certain circumstances) at a price equal to 100% of the principal amount of the notes (or other debt) purchased, together with accrued and unpaid interest, if any, to the date of repurchase, with the proceeds of certain asset sales (as defined in the indenture). Our failure to purchase, or give notice of purchase of, the notes would be a default under the indenture governing the notes, which would also trigger a cross default under the Global ABL Facility. See Description of Notes Repurchase at the Option of Holders Change of Control .

If a change of control or asset sale occurs that would require us to repurchase the notes, it is possible that we may not have sufficient liquidity or assets to make the required repurchase of notes or to satisfy all obligations under the Global ABL Facility and the indenture governing the notes. A change of control would also trigger a default under the Global ABL Facility. In order to satisfy our obligations, we could seek to refinance the indebtedness under the Global ABL Facility and the indenture governing the notes or obtain a waiver from the lenders or you as a holder of the notes. We can give no assurance that we would be able to obtain a waiver or refinance our indebtedness on terms acceptable to us, if at all.

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Certain restrictive covenants in the indenture governing the notes will be suspended if the notes achieve investment grade ratings.

Most of the restrictive covenants in the indenture governing the notes will not apply for so long as the notes achieve investment grade ratings from Moody s Investors Service, Inc. and Standard & Poor s Rating Services, and no default or event of default has occurred. If these restrictive covenants cease to apply, we may take actions, such as incurring additional debt, undergoing a change of control transaction or making certain dividends or distributions that would otherwise be prohibited under the indenture. Ratings are given by these rating agencies based upon analyses that include many subjective factors. We can give no assurance that the notes will achieve investment grade ratings, nor that investment grade ratings, if granted, will reflect all of the factors that would be important to holders of the notes.

Certain affiliates of The Goldman Sachs Group, Inc. own a significant majority of the equity of our principal stockholder. Conflicts of interest may arise because affiliates of our principal stockholder have continuing agreements and business relationships with us.

Certain affiliates of The Goldman Sachs Group, Inc. (the Goldman Sachs Funds), an affiliate of Goldman, Sachs & Co., are the majority owners of PVF Holdings LLC, our largest stockholder. The Goldman Sachs Funds will have the power, subject to certain exceptions, to direct our affairs and policies. A majority of the voting power of the Board of Directors of PVF Holdings LLC is held by directors who have been designated by the Goldman Sachs Funds. Through such representation on the Board of Directors of PVF Holdings LLC, the Goldman Sachs Funds will be able to substantially influence the appointment of management, the entering into of mergers and sales of substantially all assets and other extraordinary transactions. Furthermore, an affiliate of the Goldman Sachs Funds is a lender under the Global ABL Facility.

The interests of the Goldman Sachs Funds and their respective affiliates could conflict with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of the Goldman Sachs Funds as an equity holder might conflict with your interests as a note holder. The Goldman Sachs Funds may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of notes.

The Goldman Sachs Funds are in the business of making investments in companies and may directly, or through affiliates, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us and they may either directly, or through affiliates, also maintain business relationships with companies that may directly compete with us. In general, the Goldman Sachs Funds or their affiliates could pursue business interests or exercise their power as majority owners of PVF Holdings LLC in ways that are detrimental to you as a holder of notes but beneficial to themselves or to other companies in which they invest or with whom they have a material relationship. Conflicts of interest could also arise with respect to business opportunities that could be advantageous to the Goldman Sachs Funds and they may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Under the terms of our certificate of incorporation, the Goldman Sachs Funds have no obligation to offer us corporate opportunities. See Principal Stockholders , Certain Relationships and Related Party Transactions , and Description of Notes .

As a result of these relationships, the interests of the Goldman Sachs Funds may not coincide with your interests as holders of notes. So long as the Goldman Sachs Funds continue to own a significant majority of our equity, the Goldman Sachs Funds will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions.

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An active or liquid trading market for the notes may not be maintained.

We do not intend to apply for the notes to be listed on any securities exchange or to arrange for quotation of the notes on any automated dealer quotation systems. The liquidity of any market for the notes will depend on a number of factors, including:

- prevailing interest rates;
- our operating performance and financial condition;
- the interest of securities dealers in making a market;
- the number of holders of notes; and
- the market for similar securities.

The notes were issued to, and we believe the notes are owned by, a relatively small number of beneficial owners. Goldman, Sachs & Co., or the Initial Purchaser, was an initial purchaser of the notes, pursuant to a purchase agreement among us, the guarantors, Goldman, Sachs & Co. and the other initial purchasers named therein, dated December 16, 2009. The Initial Purchaser has advised us that they presently intend to make a market in the notes as permitted by applicable law. However, the Initial Purchaser is under no obligation to do so and may cease its market-making at any time without notice. Accordingly, the market for the notes may cease to exist. Because we are an affiliate of the Initial Purchaser, the Initial Purchaser is required to deliver a current market-maker prospectus, such as this prospectus, and otherwise comply with the registration requirements of the Securities Act in connection with any secondary market sale of the notes, which may affect its ability to continue market-making activities. We have agreed to make a market-maker prospectus generally available to the Initial Purchaser to permit it to engage in market-making transactions. However, the registration rights agreements also provide that we may, for valid business reasons, allow the market-maker prospectus to cease to be effective and usable for a period of time set forth in the registration rights agreement. As a result, the liquidity of the secondary market for the notes may be materially adversely affected by the unavailability of a current market-maker prospectus.

Assuming the issuance of notes on February 11, 2010 constituted a qualified reopening of our 9.50% senior secured notes due December 15, 2016 for United States federal income tax purposes, the notes issued in exchange for those notes will be treated as issued with the same amount of original issue discount as the notes issued in exchange for the notes issued on December 21, 2009 for United States federal income tax purposes.

We issued $1,000,000,000 and $50,000,000 aggregate principal amount of our 9.50% senior secured notes due December 15, 2016 on December 21, 2009 and February 11, 2010, respectively.

The stated principal amount of the notes issued on December 21, 2009 (the December notes) exceeded the issue price of the December notes by an amount in excess of the statutory de minimis amount. Accordingly, the December notes were issued with original issue discount for United States federal income tax purposes.

We have taken the position that the issuance of notes on February 11, 2010 (the February notes) constituted a qualified reopening of our 9.50% senior secured notes due December 15, 2016 for United States federal income tax purposes. Accordingly, we have treated all of the February notes as having the same issue price as the December notes and therefore as having been issued with the same amount of original issue discount as the December notes for United States federal income tax purposes.

However, the application of the qualified reopening rules is not entirely clear, and it is possible that the February notes could be treated as a separate issue from the December notes, with an issue

price determined by the first price at which a substantial amount of the February notes was sold (other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). In that event, the February notes would have been issued with original issue discount in an amount different from the amount of original issue discount on the December notes, the February notes would not have been fungible with the December notes for United States federal income tax purposes and the notes received in exchange for the February notes would not be fungible with the notes received in exchange for the December notes for United States federal income tax purposes. See Material United States Federal Tax Considerations Qualified Reopening .

For United States federal income tax purposes, U.S. Holders will be required to include the original issue discount in gross income (as ordinary income) as it accrues on a constant yield basis in advance of the receipt of the cash payment to which such income is attributable (regardless of whether such U.S. Holders use the cash or accrual method of tax accounting). See Material United States Federal Tax Considerations Stated Interest and Original Issue Discount . Additionally, in the event we enter into bankruptcy, you may not have a claim for all or a portion of any unamortized amount of the original issue discount on the notes.

Risks Related to the Collateral and the Guarantees

The value of the collateral securing the notes may not be sufficient to satisfy our obligations under the notes.

No appraisal of the fair market value of the collateral securing the notes has been made and the value of the collateral depends on market and economic conditions, the availability of buyers and other factors. We can give no assurance to you of the value of the collateral or that the net proceeds received upon a sale of the collateral would be sufficient to repay all, or would not be substantially less than, amounts due on the notes following a foreclosure upon the collateral (and any payments in respect of prior liens) or a liquidation of our assets or the assets of the guarantors that may grant these security interests.

In the event of a liquidation or foreclosure, the value of the collateral securing the notes is subject to fluctuations based on factors that include general economic conditions, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers and similar factors. The value of the assets pledged as collateral for the notes also could be impaired in the future as a result of our failure to implement our business strategy, competition or other future trends. In addition, courts could limit recoverability with respect to the collateral if they apply laws of a jurisdiction other than the State of New York to a proceeding and deem a portion of the interest claim usurious in violation of applicable public policy. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. Likewise, we can give no assurance to you that the collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation. A portion of the collateral includes assets that may only be usable, and thus retain value, as part of our existing operating business. Accordingly, any such sale of the collateral separate from the sale of certain of our operating businesses may not be feasible or of significant value. To the extent that liens, rights and easements granted to third parties encumber assets located on property owned by us or the subsidiary guarantors or constitute senior, pari passu or subordinate liens on the collateral, those third parties have or may exercise rights and remedies with respect to the property subject to such encumbrances (including rights to require marshalling of assets) that could adversely affect the value of the collateral located at a particular site and the ability of the collateral trustee to realize or foreclose on the collateral at that site.

In addition, the asset sale covenant and the definition of asset sale in the indenture governing the notes have a number of significant exceptions pursuant to which we are able to sell Notes Priority

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Collateral (as such term is defined in the indenture governing the notes) without being required to reinvest the proceeds of such sale into assets that will comprise Notes Priority Collateral or to make an offer to the holders of the notes to repurchase the notes.

The intercreditor agreement limits the ability of holders of notes to exercise rights and remedies with respect to the ABL Priority Collateral.

The rights of the holders of the notes with respect to the ABL Priority Collateral (as such term is defined in the indenture governing the notes) securing the notes on a junior basis are substantially limited by the terms of the lien ranking and other provisions in the intercreditor agreement. Under the terms of the intercreditor agreement, at any time that any obligations that have the benefit of senior liens on the ABL Priority Collateral are outstanding, almost any action that may be taken in respect of the ABL Priority Collateral, including the rights to exercise remedies with respect to, release liens on, challenge the liens on or object to actions taken by the administrative agent under the Global ABL Facility with respect to, the ABL Priority Collateral, will be at the direction of the holders of the obligations secured by the senior liens on the ABL Priority Collateral, and the collateral trustee, on behalf of noteholders with junior liens on the ABL Priority Collateral, will not have the ability to control or direct such actions, even if the rights of noteholders are adversely affected. The lenders under the Global ABL Facility may cause the collateral agent for such facility to dispose of, release or foreclose on or take other actions with respect to, the ABL Priority Collateral with which holders of the notes may disagree or that may be contrary to the interests of holders of the notes.

In addition, the intercreditor agreement contains certain provisions benefiting holders of indebtedness under the Global ABL Facility that prevent the collateral trustee from objecting to a number of important matters regarding the ABL Priority Collateral following the filing of a bankruptcy. After such filing, the value of the ABL Priority Collateral could materially deteriorate and noteholders would be unable to raise an objection.

See Description of Notes The Intercreditor Agreement .

The rights of the holders of notes to the ABL Priority Collateral are subject to any exceptions, defects, encumbrances, liens and other imperfections that are accepted by the lenders under the Global ABL Facility and rights of the holders of the notes to the notes priority collateral are similarly subject to any exceptions, defects, encumbrances, liens and other imperfections permitted by the indenture.

The ABL Priority Collateral is subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the lenders under the Global ABL Facility and other creditors that have the benefit of first priority liens on the collateral from time to time, whether on or after the date the notes and guarantees are issued. The indenture for the notes and the related security documents also permit the collateral for the notes to be subject to specified exceptions, defects, encumbrances, liens and other imperfections, generally referred to as Permitted Liens .

The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agent to realize or foreclose on such collateral. The initial purchasers of the notes did not analyze the effect of such exceptions, defects, encumbrances, liens and imperfections, and the existence thereof could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agent to realize or foreclose on such collateral.

The collateral securing the notes may be diluted under certain circumstances.

The loan agreement governing the Global ABL Facility and the indenture governing the notes permit us to issue additional senior secured indebtedness, including additional notes, subject to our

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compliance with the restrictive covenants in the indenture governing the notes and the loan agreement governing the Global ABL Facility at the time we issue such additional senior secured indebtedness.

Any additional notes issued under the indenture governing the notes would be guaranteed by the same guarantors and would have the same security interests, with the same priority, as currently secure the notes. As a result, the collateral securing the notes would be shared by any additional notes the Issuer may issue under the indenture, and an issuance of such additional notes would dilute the value of the collateral compared to the aggregate principal amount of notes issued.

In addition, the indenture and our other security documents permit us and certain of our subsidiaries to incur additional priority lien debt and subordinated lien debt up to respective maximum priority lien and subordinated lien debt threshold amounts by issuing additional debt securities under one or more new indentures or by borrowing additional amounts under new credit facilities. Any additional priority lien debt or subordinated lien debt secured by the collateral would dilute the value of the rights of the holders of notes to the collateral.

The rights of holders of notes in the collateral may be adversely affected by the failure to perfect security interests in the collateral (or record mortgages) and other issues generally associated with the realization of security interests in the collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The senior liens in all Notes Priority Collateral from time to time owned by the Issuer or the guarantors and/or the junior liens in all ABL Priority Collateral from time to time owned by the Issuer or the guarantors may not be perfected with respect to the notes and the note guarantees if the grantor of such liens (or, if applicable, the collateral trustee) has not taken the actions necessary to perfect any of those liens upon or prior to the issuance of the notes. For example, the collateral trustee for the notes will not have the benefit of control agreements to perfect its security interest in deposit accounts or securities accounts of the Issuer or the Subsidiary Guarantors, except that we have agreed to use our commercially reasonable efforts to maintain a specified deposit account at PNC Bank (or any replacement of such account) subject to an account control agreement. The inability or failure of any party to take all actions necessary to create properly perfected security interests in the collateral may result in the loss of the priority of the security interest for the benefit of the noteholders to which they would have been entitled as a result of such non-perfection.

In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. The Issuer and the guarantors have limited obligations to perfect the security interest of the holders of notes in specified collateral. Moreover, if owned real property is acquired by us or our guarantor subsidiaries in the future, a lien to secure the notes with such real property would only be created and perfected by a mortgage, deed of trust or similar instrument entered into after such acquisition. We can give no assurance to you that the collateral trustee for the notes or the administrative agent under the Global ABL Facility will monitor, or that the Issuer or the guarantors will inform such collateral trustee or administrative agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The collateral trustee for the notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest and will have no responsibility for any resulting loss of the security interest in the collateral or the priority of the security interest in favor of the notes and the note guarantees against third parties.

The security interest of the collateral trustee is subject to practical challenges generally associated with the realization of security interests in the collateral. For example, the collateral trustee

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may need to obtain the consent of a third party to obtain or enforce a security interest in an asset. We can give no assurance to you that the collateral trustee will be able to obtain any such consent or that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. As a result, the collateral trustee may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

The collateral for the notes does not include certain Excluded Assets .

The collateral for the notes does not include Excluded Assets . These Excluded Assets include, among other things, all of the shares or other securities issued by us or our subsidiaries. Accordingly, the collateral trustee for the notes would not be able to foreclose on the shares or other securities issued by us or our subsidiaries as a remedy after an event of default. In addition , the guarantee of the notes provided by MRC Global Inc. is unsecured. See Description of Notes Certain Definitions Excluded Assets .

Because each guarantor s liability under its guarantee may be reduced to zero, voided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.

The notes have the benefit of the guarantees of the guarantors. However, the guarantees by the guarantors are limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, a guarantor s liability under its guarantee could be reduced to zero, depending upon the amount of other obligations of such guarantor. Furthermore, under the circumstances discussed more fully below, a court under federal or state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the guarantor. In addition, the notes will lose the benefit of a particular guarantee if it is released under certain circumstances described under Description of Notes .

Federal and state laws allow courts, under specific circumstances, to void guarantees and grants of security and require holders of the notes to return payments received from guarantors.

The issuer s creditors and the creditors of the guarantors could challenge the note guarantees as fraudulent transfers or on other grounds. Under U.S. federal bankruptcy law and comparable provisions of state fraudulent transfer laws, the delivery of any note guarantee and the grant of security by the applicable guarantor could be found to be a fraudulent transfer and declared void, or subordinated to all indebtedness and other liabilities of such guarantor, if a court determined that the applicable guarantor, at the time it incurred the indebtedness evidenced by its note guarantee (1) delivered such note guarantee with the intent to hinder, delay or defraud its existing or future creditors or (2) received less than reasonably equivalent value or did not receive fair consideration for the delivery of such note guarantee and any one of the following three conditions apply:

- the applicable guarantor was insolvent or was rendered insolvent as a result of such transaction;
- the applicable guarantor was engaged in a business or transaction, or was about to engage in a business or transaction, for which its remaining assets constituted unreasonably small capital to carry on its business; or
- the applicable guarantor intended to incur, or believed that it would incur, debt beyond its ability to pay such debt as it matured.

A court likely would find that a guarantor did not receive equivalent value or fair consideration for its note guarantee unless it benefited directly or indirectly from the issuance of the notes. If a court

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declares the issuance of the notes, any note guarantee or the related security agreements to be void, or if any note guarantee must be limited or voided in accordance with its terms, any claim holders may make against us or the guarantors for amounts payable on the notes or, in the case of the security agreements, a claim with respect to the related collateral, would, with respect to amounts claimed against the applicable guarantor, be unenforceable to the extent of any such limitation or voidance. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. Moreover, the court could order holders to return any payments previously made by the applicable guarantor to a fund for the benefit of our creditors if such payment is made to an insider within a one year period prior to the a bankruptcy filing or within 90 days for any outside party and such payment would give the creditors more than such creditors would have received in a distribution under Title 11 of the U.S. Bankruptcy Code. In addition, the loss of a guarantee (other than in accordance with the terms of the indenture) will constitute a default under the indenture, which default could cause all notes to become immediately due and payable. If the liens were voided, holders of the notes would not have the benefits of being a secured creditor against the applicable guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that, after giving effect to the offering of the outstanding notes and the application of the proceeds therefrom, we were not insolvent, did not have unreasonably small capital for the business in which we are engaged and did not incur debts beyond our ability to pay such debts as they mature. However, we can give no assurance as to what standard a court would apply in making these determinations or, regardless of the standard, that a court would not limit or void any of the note guarantees.

In addition, although each guarantee will contain a provision intended to limit that guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor s obligation to an amount that effectively makes its guarantee worthless.

In the event that any of the guarantees are voided, the notes will become structurally subordinated to any debt, leases or any other liabilities at that guarantor.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination, if the court determines that: (i) the holder of the notes is engaged in some type of inequitable conduct; (ii) such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holder of the notes; and (iii) equitable subordination is not inconsistent with the provisions of the U.S. Bankruptcy Code.

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The collateral is subject to casualty risks.

The indenture governing the notes, the loan agreement governing the Global ABL Facility and the security documents require the Issuer and the guarantors to maintain adequate insurance or otherwise insure against risks to the extent customary with companies in the same or similar business operating in the same or similar locations. There are, however, certain losses, including losses resulting from terrorist acts, which may be either uninsurable or not economically insurable, in whole or in part. As a result, we can give no assurance that the insurance proceeds will compensate us fully for our losses. If there is a total or partial loss of any of the collateral securing the notes, we can give no assurance that any insurance proceeds received by us will be sufficient to satisfy all the secured obligations, including the notes.

In the event of a total or partial loss to any of the mortgaged facilities, certain items of equipment and inventory may not be easily replaced. Accordingly, even though there may be insurance coverage, the extended period needed to manufacture replacement units or inventory could cause significant delays.

Any future note guarantees or additional liens on collateral could also be avoided by a trustee in bankruptcy.

The indenture governing the notes provides that certain of our future subsidiaries will guarantee the notes and secure their note guarantees with liens on their assets. The indenture governing the notes also requires the Issuer and the Subsidiary Guarantors to grant liens on certain assets that they acquire. Any future note guarantee or additional lien in favor of the collateral trustee for the benefit of the holders of the notes might be avoidable by the grantor (as debtor-in-possession) or by its trustee in bankruptcy or other third parties if certain events or circumstances exist or occur. For instance, if the entity granting the future note guarantee or additional lien were insolvent at the time of the grant and if such grant was made within 90 days before that entity commenced a bankruptcy proceeding (or one year before commencement of a bankruptcy proceeding if the creditor that benefited from the note guarantee or lien is an insider under the U.S. Bankruptcy Code), and the granting of the future note guarantee or additional lien enabled the holders to receive more than they would if the grantor were liquidated under chapter 7 of the U.S. Bankruptcy Code, then such note guarantee or lien could be avoided as a preferential transfer.

The value of the collateral securing the notes may not be sufficient to secure post-petition interest. Should the Issuer s obligations under the notes equal or exceed the fair market value of the collateral securing the notes, holders of notes may be deemed to have an unsecured claim.

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against the Issuer or the guarantors, holders of the notes will be entitled to post-petition interest under the U.S. Bankruptcy Code only if the value of their security interest in the collateral is greater than their pre-bankruptcy claim. Note holders may be deemed to have an unsecured claim if the Issuer s obligations under the notes equal or exceed the fair market value of the collateral securing the notes. Note holders that have a security interest in the collateral with a value equal to or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the U.S. Bankruptcy Code. The bankruptcy trustee, the debtor-in-possession or competing creditors could possibly assert that the fair market value of the collateral with respect to the notes on the date of the bankruptcy filing was less than the then-current principal amount of the notes. Upon a finding by a bankruptcy court that the notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of note holders to receive post-petition interest and a lack of entitlement on the part

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of the unsecured portion of the notes to receive other adequate protection under U.S. federal bankruptcy laws. In addition, if any payments of post-petition interest were made at the time of such a finding of under-collateralization, such payments could be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to notes. No appraisal of the fair market value of the collateral securing the notes has been prepared in connection with this offering and, therefore, the value of the collateral trustee s interest in the collateral may not equal or exceed the principal amount of the notes. We can give no assurance that there will be sufficient collateral to satisfy our and the Subsidiary Guarantors obligations under the notes.

U.S. federal bankruptcy laws may significantly impair the ability of note holders to realize value from the collateral.

The right of the collateral trustee to repossess and dispose of the collateral securing the notes upon the occurrence of an event of default under the indenture governing the notes is likely to be significantly impaired by U.S. federal bankruptcy law if bankruptcy proceedings were to be commenced by or against the Issuer or any guarantor prior to or possibly even after the collateral trustee has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor is prohibited from repossessing its security from a debtor in a bankruptcy proceeding, or from disposing of security repossessed from such debtor, without the approval of the bankruptcy court. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and to use the collateral, and the proceeds, products, rents or profits of the collateral, even after the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection . The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor s interest in the collateral and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy proceeding. Generally, adequate protection payments, in the form of interest or otherwise, are not required to be paid by a debtor to a secured creditor unless the bankruptcy court determines that the value of the secured creditor s interest in the collateral is declining during the pendency of the bankruptcy case. In addition, the bankruptcy court may determine not to provide cash payments as adequate protection to the holders of the notes if, among other possible reasons, the bankruptcy court determines that the fair market value of the collateral with respect to the notes on the date of the bankruptcy filing was less than the then-current principal amount of the notes. In view of the broad discretionary powers of a bankruptcy court, the imposition of the stay, and the lack of a precise definition of the term adequate protection , we cannot predict (1) how long payments on the notes could be delayed following commencement of a bankruptcy proceeding, (2) whether or when the collateral trustee would repossess or dispose of the collateral or (3) whether or to what extent note holders would be compensated for any delay in payment of loss of value of the collateral through the requirements of adequate protection . Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the notes, holders would have undersecured claims . U.S. federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorneys fees for undersecured claims during the debtor s bankruptcy proceeding.

In the event of a bankruptcy proceeding, holders of the notes may not be entitled to recover the principal amount of the notes to the extent of any unamortized original issue discount.

In the event of a bankruptcy proceeding, the bankruptcy court could decide that holders of the notes are only entitled to recover the amortized portion of the original issue discount on the notes. Accordingly, to the extent the original issue discount on the notes has not been amortized, holders of the notes may not be entitled to recover the full principal amount of the notes.

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Risks Related to Our Business

Decreased capital and other expenditures in the energy industry, which can result from decreased oil and natural gas prices, among other things, can adversely impact our customers demand for our products and our revenue.

A large portion of our revenue depends upon the level of capital and operating expenditures in the oil and natural gas industry, including capital and other expenditures in connection with exploration, drilling, production, gathering, transportation, refining and processing operations. Demand for the products we distribute and services we provide is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital and other expenditures by, oil and natural gas companies. A material decline in oil or natural gas prices could depress levels of exploration, development and production activity and, therefore, could lead to a decrease in our customers capital and other expenditures. If our customers expenditures decline, our business will suffer.

Volatile oil and gas prices affect demand for our products.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control. For example, oil and natural gas prices during much of 2008 were at levels much higher than historical long term averages, and worldwide oil and natural gas drilling and exploration activity during much of 2008 was also at record high levels. Oil and natural gas prices decreased during the second half of 2008 and during 2009. This sustained decline in oil and natural gas prices resulted in decreased capital expenditures in the oil and natural gas industry and had an adverse effect on our business, results of operations and financial condition. Any sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on us.

Many factors affect the supply of and demand for energy and, therefore, influence oil and natural gas prices, including:

- the level of domestic and worldwide oil and natural gas production and inventories;
- the level of drilling activity and the availability of attractive oil and natural gas field prospects, which governmental actions may affect, such as regulatory actions or legislation, or other restrictions on drilling, including those related to environmental concerns (e.g., the temporary moratorium on deepwater drilling in the Gulf of Mexico following the Deepwater Horizon drilling rig accident and subsequent oil spill);
- the discovery rate of new oil and natural gas reserves and the expected cost of developing new reserves;
- the actual cost of finding and producing oil and natural gas;
- depletion rates;
- domestic and worldwide refinery overcapacity or undercapacity and utilization rates;
- the availability of transportation infrastructure and refining capacity;
- increases in the cost of products and services that the oil and gas industry uses, such as those that we provide, which may result from increases in the cost of raw materials such as steel;

shifts in end-customer preferences toward fuel efficiency and the use of natural gas;

the economic or political attractiveness of alternative fuels, such as coal, hydrocarbon, wind, solar energy and biomass-based fuels;

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- increases in oil and natural gas prices or historically high oil and natural gas prices, which could lower demand for oil and natural gas products;
- worldwide economic activity including growth in non-OECD countries, including China and India;
- interest rates and the cost of capital;
- national government policies, including government policies that could nationalize or expropriate oil and natural gas exploration, production, refining or transportation assets;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and prices for oil;
- the impact of armed hostilities, or the threat or perception of armed hostilities;
- environmental regulation;
- technological advances;
- global weather conditions and natural disasters;
- currency fluctuations; and
- tax policies.

Oil and natural gas prices have been and are expected to remain volatile. This volatility has historically caused oil and natural gas companies to change their strategies and expenditure levels from year to year. We have experienced in the past, and we will likely experience in the future, significant fluctuations in operating results based on these changes. In particular, volatility in the oil and natural gas sectors could adversely affect our business.

General economic conditions may adversely affect our business.

U.S. and global general economic conditions affect many aspects of our business, including demand for the products we distribute and the pricing and availability of supplies. General economic conditions and predictions regarding future economic conditions also affect our forecasts. A decrease in demand for the products we distribute or other adverse effects resulting from an economic downturn may cause us to fail to achieve our anticipated financial results. General economic factors beyond our control that affect our business and customers include interest rates, recession, inflation, deflation, customer credit availability, consumer credit availability, consumer debt levels, performance of housing markets, energy costs, tax rates and policy, unemployment rates, commencement or escalation of war or hostilities, the threat or possibility of war, terrorism or other global or national unrest, political or financial instability, and other matters that influence our customers spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency or increase in magnitude. In addition, worldwide economic conditions, including those associated with the current European sovereign debt crisis, could have an adverse effect on our business, prospects, operating results, financial condition and cash flows going forward. The global economic downturn in 2009 and 2010 significantly adversely affected our business, results of operations and financial condition. Continued adverse economic conditions would have an adverse effect on us.

We may be unable to compete successfully with other companies in our industry.

We sell products and services in very competitive markets. In some cases, we compete with large oilfield services providers with substantial resources. In other cases, we compete with smaller regional players that may increasingly be willing to provide similar products and services at lower prices. Competitive actions, such as price reductions, consolidation in the industry, improved delivery and other actions, could adversely affect our revenue and earnings. We could experience a material

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adverse effect to the extent that our competitors are successful in reducing our customers purchases of products and services from us. Competition could also cause us to lower our prices, which could reduce our margins and profitability. Furthermore, consolidation in our industry could heighten the impacts of competition on our business and results of operations discussed above, particularly if such consolidation results in competitors with stronger financial and strategic resources, and could also result in increases to the prices we are required to pay for acquisitions we may make in the future.

Demand for the products we distribute could decrease if the manufacturers of those products were to sell a substantial amount of goods directly to end users in the sectors we serve.

Historically, users of PVF and related products have purchased certain amounts of these products through distributors and not directly from manufacturers. If customers were to purchase the products that we sell directly from manufacturers, or if manufacturers sought to increase their efforts to sell directly to end users, we could experience a significant decrease in profitability. These or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace and reduce our sales and earnings.

We may experience unexpected supply shortages.

We distribute products from a wide variety of manufacturers and suppliers. Nevertheless, in the future we may have difficulty obtaining the products we need from suppliers and manufacturers as a result of unexpected demand or production difficulties that might extend lead times. Also, products may not be available to us in quantities sufficient to meet our customer demand. Our inability to obtain products from suppliers and manufacturers in sufficient quantities, or at all, could adversely affect our product offerings and our business.

We may experience cost increases from suppliers, which we may be unable to pass on to our customers.

In the future, we may face supply cost increases due to, among other things, unexpected increases in demand for supplies, decreases in production of supplies or increases in the cost of raw materials or transportation. Any inability to pass supply price increases on to our customers could have a material adverse effect on us. For example, we may be unable to pass increased supply costs on to our customers because significant amounts of our sales are derived from stocking program arrangements, contracts and MRO arrangements, which provide our customers time limited price protection, which may obligate us to sell products at a set price for a specific period. In addition, if supply costs increase, our customers may elect to purchase smaller amounts of products or may purchase products from other distributors. While we may be able to work with our customers to reduce the effects of unforeseen price increases because of our relationships with them, we may not be able to reduce the effects of the cost increases. In addition, to the extent that competition leads to reduced purchases of products or services from us or a reduction of our prices, and these reductions occur concurrently with increases in the prices for selected commodities which we use in our operations, including steel, nickel and molybdenum, the adverse effects described above would likely be exacerbated and could result in a prolonged downturn in profitability.

We do not have contracts with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business.

Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. We generally make our purchases through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Approximately

50% of our total purchases during the year ended December 31, 2011 were from our 25 largest suppliers. Although we believe there are numerous manufacturers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers or develop relationships with new suppliers, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers.

Price reductions by suppliers of products that we sell could cause the value of our inventory to decline. Also, these price reductions could cause our customers to demand lower sales prices for these products, possibly decreasing our margins and profitability on sales to the extent that we purchased our inventory of these products at the higher prices prior to supplier price reductions.

The value of our inventory could decline as a result of manufacturer price reductions with respect to products that we sell. We have been selling the same types of products to our customers for many years and, therefore, do not expect that our inventory will become obsolete. However, there is no assurance that a substantial decline in product prices would not result in a write-down of our inventory value. Such a write-down could have an adverse effect on our financial condition.

Also, decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us. These price reductions could reduce our margins and profitability on sales with respect to the lower-priced products. Reductions in our margins and profitability on sales could have a material adverse effect on us.

A substantial decrease in the price of steel could significantly lower our gross profit or cash flow.

We distribute many products manufactured from steel. As a result, the price and supply of steel can affect our business and, in particular, our tubular product category. When steel prices are lower, the prices that we charge customers for products may decline, which affects our gross profit and cash flow. At times pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, consolidation of steel producers, fluctuations in the costs of raw materials necessary to produce steel, steel manufacturers plant utilization levels and capacities, import duties and tariffs and currency exchange rates. Currently, steel pipe producers in the Western Hemisphere are in the process of adding more than two million tons of welded and seamless production capacity, most of which is due to come on line over the next three years. The increase in capacity could put pressure on the prices we receive for our tubular products. When steel prices decline, customer demands for lower prices and our competitors responses to those demands could result in lower sale prices and, consequently, lower gross profit or cash flow.

If steel prices rise, we may be unable to pass along the cost increases to our customers.

We maintain inventories of steel products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel products in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with customers and market conditions. Our commitments to purchase steel products are generally at prevailing market prices in effect at the time we place our orders. If steel prices increase between the time we order steel products and the time of delivery of the products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during the period. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on steel cost increases and surcharges to our customers, and we may be unsuccessful in doing so.

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We do not have long-term contracts or agreements with many of our customers. The contracts and agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.

Given the nature of our business, and consistent with industry practice, we do not have long-term contracts with many of our customers. In addition, our contracts, including our MRO contracts, generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers, including our MRO customers, may terminate their relationships with us or reduce their purchasing volume at any time. Furthermore, the long-term customer contracts that we do have are generally terminable without cause on short notice. Our 25 largest customers represented approximately half of our sales for the year ended December 31, 2011. The products that we may sell to any particular customer depend in large part on the size of that customer s capital expenditure budget in a particular year and on the results of competitive bids for major projects. Consequently, a customer that accounts for a significant portion of our sales in one fiscal year may represent an immaterial portion of our sales in subsequent fiscal years. The loss of a significant customer, or a substantial decrease in a significant customer s orders, may have an adverse effect on our sales and revenue.

In addition, we are subject to customer audit clauses in many of our multi-year contracts. If we are not able to provide the proper documentation or support for invoices per the contract terms, we may be subject to negotiated settlements with our major customers.

Changes in our customer and product mix could cause our gross margin percentage to fluctuate.

From time to time, we may experience changes in our customer mix or in our product mix. Changes in our customer mix may result from geographic expansion, daily selling activities within current geographic markets and targeted selling activities to new customer segments. Changes in our product mix may result from marketing activities to existing customers and needs communicated to us from existing and prospective customers. If customers begin to require more lower-margin products from us and fewer higher-margin products, our business, results of operations and financial condition may suffer.

Customer credit risks could result in losses.

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for potential credit losses, we cannot assure such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

We may be unable to successfully execute or effectively integrate acquisitions.

One of our key operating strategies is to selectively pursue acquisitions, including large scale acquisitions, in order to continue to grow and increase profitability. However, acquisitions, particularly of a significant scale, involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions in the future, increased leverage due to additional debt financing that may be required to complete an acquisition, dilution of our stockholders net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms, assumption of undisclosed

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or unknown liabilities and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets. For example, we incurred $17.5 million in fees and expenses during 2009 related to our acquisition of MRC Transmark.

In addition, even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

- failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;
- strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources;
- difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;
- amortization of acquired assets, which would reduce future reported earnings;
- possible adverse short-term effects on our cash flows or operating results;
- diversion of management s attention from the ongoing operations of our business;
- integrating personnel with diverse backgrounds and organizational cultures;
- coordinating sales and marketing functions;
- failure to obtain and retain key personnel of an acquired business; and
- assumption of known or unknown material liabilities or regulatory non-compliance issues.

Failure to manage these acquisition growth risks could have an adverse effect on us. We also agreed to acquire the piping systems business of OneSteel Ltd., and subsequently closed the acquisition in the first quarter of 2012. We may experience any of the risks described herein in closing and integrating the piping systems business of OneSteel Ltd.

We are a holding company and depend upon our subsidiaries for our cash flow.

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or to pay dividends or make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries payment of funds to us in the form of dividends, tax sharing payments or otherwise.

The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on the ability to make distributions. In particular, our subsidiaries credit facilities currently impose significant limitations on the ability of our subsidiaries to make distributions to us and consequently our ability to pay dividends to our stockholders. Subject to limitations in our credit facilities, our subsidiaries may also enter into additional agreements that contain covenants prohibiting them from distributing or advancing funds or transferring assets to us under certain circumstances, including to pay dividends.

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary s creditors, including trade creditors and holders of debt that the subsidiary issued.

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Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.

Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices, particularly given our high level of outstanding indebtedness. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us.

If tariffs and duties on imports into the U.S. of line pipe, OCTG or certain of the other products that we sell are lifted, we could have too many of these products in inventory competing against less expensive imports.

U.S. law currently imposes tariffs and duties on imports from certain foreign countries of line pipe and OCTG and, to a lesser extent, on imports of certain other products that we sell. If these tariffs and duties are lifted or reduced or if the level of these imported products otherwise increases, and our U.S. customers accept these imported products, we could be materially and adversely affected to the extent that we would then have higher-cost products in our inventory or increased supplies of these products drive down prices and margins. If prices of these products were to decrease significantly, we might not be able to profitably sell these products, and the value of our inventory would decline. In addition, significant price decreases could result in a significantly longer holding period for some of our inventory.

We are subject to strict environmental, health and safety laws and regulations that may lead to significant liabilities and negatively impact the demand for our products.

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes, the responsibility to investigate and clean up contamination and occupational health and safety. Regulations and courts may impose fines and penalties for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Our failure to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions.

Certain laws and regulations, such as the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or the U.S. federal Superfund law) or its state and foreign equivalents, may impose the obligation to investigate and remediate contamination at a facility on current and former owners or operators or on persons who may have sent waste to that facility for disposal. These laws and regulations may impose liability without regard to fault or to the legality of the activities giving rise to the contamination. Although we are not aware of any active litigation against us under the U.S. federal Superfund law or its state or foreign equivalents, contamination has been identified at several of our current and former facilities, and we have incurred and will continue to incur costs to investigate and remediate these conditions.

Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our existing, prior or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. We believe that indemnities contained in certain of our acquisition agreements may cover certain environmental conditions existing at the time of

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the acquisition, subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address.

In addition, environmental, health and safety laws and regulations applicable to our business and the business of our customers, including laws regulating the energy industry, and the interpretation or enforcement of these laws and regulations, are constantly evolving. It is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation or enforcement, may have on us. Should environmental laws and regulations, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on us.

In particular, legislation and regulations limiting emissions of greenhouse gases, including carbon dioxide associated with the burning of fossil fuels, are at various stages of consideration and implementation, at the international, national, regional and state levels. In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which established a binding set of emission targets for greenhouse gases, became binding on the countries that ratified it. Attention is now focused on the development of a post-2012 international policy framework to guide international action to address climate change when the Kyoto protocol expires in 2012. Certain states and regions have adopted or are considering legislation or regulation imposing overall caps on greenhouse gas emissions from certain facility categories or mandating the increased use of electricity from renewable energy sources. Similar legislation has been proposed at the federal level. In addition, the U.S. Environmental Protection Agency (the EPA) has begun to implement regulations that require permits for and reductions in greenhouse gas emissions for certain categories of facilities, the first of which became effective in January 2011. Pursuant to the terms of a settlement agreement, the EPA also intends to finalize greenhouse gas emissions standards, known as New Source Performance Standards (NSPS), for power plants in May 2012 and plans to issue such NSPS for refineries in the future. These laws and regulations could negatively impact the market for the products we distribute and, consequently, our business.

In addition, some states have adopted, and other states and the federal government are considering adopting, regulations that could impose more stringent permitting, disclosure, wastewater disposal and well construction requirements on hydraulic fracturing, a practice involving the injection of water containing more limited amounts of certain substances into rock formations (after perforating the formation with explosive charges) to stimulate production of hydrocarbons, particularly natural gas, from shale basin regions. These effective and potential regulations include a variety of well construction, set back, wastewater disposal and disclosure requirements limiting how fracturing can be performed and requiring various degrees of disclosures regarding the contents of chemicals injected into the rock formations, as well as moratoria on all hydraulic fracturing activity. Any increased federal, regional or state regulation of hydraulic fracturing could significantly reduce the demand for our products in the high-growth shale regions of the U.S.

We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.

In the ordinary course of business, we have and in the future may become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, employees and other matters, including potential claims by individuals alleging exposure to hazardous materials as a result of the products we distribute or our operations. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute are sold primarily for use in the energy industry, which is subject to inherent risks that could result in death, personal injury, property damage, pollution, release of hazardous substances or loss of production. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages.

We maintain insurance to cover certain of our potential losses, and we are subject to various self-retentions, deductibles and caps under our insurance. It is possible, however, that judgments could be rendered against us in cases in which we would be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for these matters. Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Furthermore, we may not be able to continue to obtain insurance on commercially reasonable terms in the future, and we may incur losses from interruption of our business that exceed our insurance coverage. Finally, even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery.

Due to our position as a distributor, we are subject to personal injury, product liability and environmental claims involving allegedly defective products.

Our customers use certain of the products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location where end users use the products we distribute may result in us being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture the products. Applicable law may render us liable for damages without regard to negligence or fault. In particular, certain environmental laws provide for joint and several and strict liability for remediation of spills and releases of hazardous substances. Certain of these risks are reduced by the fact that we are a distributor of products that third-party manufacturers produce, and, thus, in certain circumstances, we may have third-party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be able financially to provide protection. There is no assurance that our insurance coverage will be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims).

We are a defendant in asbestos-related lawsuits. Exposure to these and any future lawsuits could have a material adverse effect on us.

We are a defendant in lawsuits involving approximately 981 claims as of December 31, 2011 alleging, among other things, personal injury, including mesothelioma and other cancers, arising from exposure to asbestos-containing materials included in products that we distributed in the past. Each claim involves allegations of exposure to asbestos-containing materials by a single individual, his or her spouse or family members. The complaints in these lawsuits typically name many other defendants. In the majority of these lawsuits, little or no information is known regarding the nature of the plaintiffs alleged injuries or their connection with the products we distributed. Based on our experience with asbestos litigation to date, as well as the existence of certain insurance coverage, we do not believe that the outcome of these pending claims will have a material impact on us. However, the potential liability associated with asbestos claims is subject to many uncertainties, including negative trends with respect to settlement payments, dismissal rates and the types of medical conditions alleged in pending or future claims, negative developments in the claims pending against us, the current or future insolvency of co-defendants, adverse changes in relevant laws or the interpretation of those laws and the extent to which insurance will be available to pay for defense costs, judgments or settlements. Further, while we anticipate that additional claims will be filed against us in the future, we are unable to predict with any certainty the number, timing and magnitude of future claims. Therefore, we can give no assurance that pending or future asbestos litigation will not ultimately have a material adverse effect on us. See Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations, Commitments and Contingencies Legal Proceedings and Business Legal Proceedings for more information.

If we lose any of our key personnel, we may be unable to effectively manage our business or continue our growth.

Our future performance depends to a significant degree upon the continued contributions of our management team and our ability to attract, hire, train and retain qualified managerial, sales and marketing personnel. In particular, we rely on our sales and marketing teams to create innovative ways to generate demand for the products we distribute. The loss or unavailability to us of any member of our management team or a key sales or marketing employee could have a material adverse effect on us to the extent we are unable to timely find adequate replacements. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. We may be unsuccessful in attracting, hiring, training and retaining qualified personnel.

Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs or decreases in revenues.

The proper functioning of our information systems is critical to the successful operation of our business. We depend on our IT systems to process orders, track credit risk, manage inventory and monitor accounts receivable collections. Our information systems also allow us to efficiently purchase products from our vendors and ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. However, our information systems are vulnerable to natural disasters, power losses, telecommunication failures and other problems. If critical information systems fail or are otherwise unavailable, our ability to procure products to sell, process and ship customer orders, identify business opportunities, maintain proper levels of inventories, collect accounts receivable and pay accounts payable and expenses could be adversely affected. Our ability to integrate our systems with our customers systems would also be significantly affected. We maintain information systems controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our information systems. If our information systems controls do not function properly, we face increased risks of unexpected errors and unreliable financial data or theft of proprietary Company information.

The loss of third-party transportation providers upon whom we depend, or conditions negatively affecting the transportation industry, could increase our costs or cause a disruption in our operations.

We depend upon third-party transportation providers for delivery of products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, increases in fuel prices and adverse weather conditions, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis. We cannot predict whether or to what extent increases or anticipated increases in fuel prices may impact our costs or cause a disruption in our operations going forward.

We may need additional capital in the future, and it may not be available on acceptable terms.

We may require more capital in the future to:

- fund our operations;

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- finance investments in equipment and infrastructure needed to maintain and expand our distribution capabilities;
- enhance and expand the range of products we offer; and
- respond to potential strategic opportunities, such as investments, acquisitions and international expansion.

We can give no assurance that additional financing will be available on terms favorable to us, or at all. The terms of available financing may place limits on our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could reduce our competitiveness.

Adverse weather events or natural disasters could negatively affect our local economies or disrupt our operations.

Certain areas in which we operate are susceptible to adverse weather conditions or natural disasters, such as hurricanes, tornadoes, floods and earthquakes. These events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Additionally, we may experience communication disruptions with our customers, vendors and employees. These events can cause physical damage to our branches and require us to close branches. Additionally, our sales order backlog and shipments can experience a temporary decline immediately following these events.

We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

We have a substantial amount of goodwill and other intangibles recorded on our balance sheet, partly because of our recent acquisitions and business combination transactions. The amortization of acquired assets will reduce our future reported earnings. Furthermore, if our goodwill or other intangible assets become impaired, we may be required to recognize charges that would reduce our income.

As of December 31, 2011, we had $1.3 billion of goodwill and other intangibles recorded on our balance sheet. A substantial portion of these intangible assets result from our use of purchase accounting in connection with the acquisitions we have made over the past several years. In accordance with the purchase accounting method, the excess of the cost of an acquisition over the fair value of identifiable tangible and intangible assets is assigned to goodwill. The amortization expense associated with our identifiable intangible assets will have a negative effect on our future reported earnings. Many other companies, including many of our competitors, will not have the significant acquired intangible assets that we have because they have not participated in recent acquisitions and business combination transactions similar to ours. Thus, the amortization of identifiable intangible assets will not negatively affect their reported earnings to the same degree as ours.

Additionally, under GAAP, goodwill and certain other intangible assets are not amortized, but must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for the impairment of goodwill, which would reduce our net income even though there would be

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no impact on our underlying cash flow. For example, we recorded a non-cash impairment charge in the amount of $386 million during the year ended December 31, 2009. This charge was based on the results of our annual impairment tests for goodwill and intangible assets, which indicated that the book value of these assets exceeded their fair value by this amount.

We face risks associated with conducting business in markets outside of North America.

We currently conduct substantial business in countries outside of North America. In addition, we are evaluating the possibility of establishing distribution networks in certain other foreign countries, particularly in Europe, Asia, the Middle East and South America. We could be materially and adversely affected by economic, legal, political and regulatory developments in the countries in which we do business in the future or in which we expand our business, particularly those countries which have historically experienced a high degree of political or economic instability. Examples of risks inherent in such non-North American activities include:

- changes in the political and economic conditions in the countries in which we operate, including civil uprisings and terrorist acts;
- unexpected changes in regulatory requirements;
- changes in tariffs;
- the adoption of foreign or domestic laws limiting exports to or imports from certain foreign countries;
- fluctuations in currency exchange rates and the value of the U.S. dollar;
- restrictions on repatriation of earnings;
- expropriation of property without fair compensation;
- governmental actions that result in the deprivation of contract or proprietary rights; and
- the acceptance of business practices which are not consistent with or are antithetical to prevailing business practices we are accustomed to in North America including export compliance and anti-bribery practices and governmental sanctions.

If we begin doing business in a foreign country in which we do not presently operate, we may also face difficulties in operations and diversion of management time in connection with establishing our business there.

We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions, and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the Foreign Corrupt Practices Act (FCPA), export controls and economic sanctions programs, including those administered by the U.S. Treasury Department s Office of Foreign Assets Control (OFAC). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to

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keep books and records that accurately and fairly reflect the Company s transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the United Kingdom Bribery Act (the Bribery Act) has been enacted and came into effect on July 1, 2011. The provisions of the Bribery Act extend beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. The provisions of the Bribery Act are also more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Our continued expansion outside the U.S., including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act as a distributor, we face the risk that our customers might further distribute our products to a sanctioned person or entity, or an ultimate end-user in a sanctioned country, which might subject us to an investigation concerning compliance with OFAC or other sanctions regulations.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs administered by OFAC, and have trained our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, agents or other associated persons will not take actions in violation of our policies and these laws and regulations, and that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have a material adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect the market for our common stock or our other securities.

We face risks associated with international instability and geopolitical developments.

In some countries, there is an increased chance for economic, legal or political changes that may adversely affect the performance ***of*** our services, sale of our products or repatriation of our profits. We do not know the impact that these regulatory, geopolitical and other factors may have on our business in the future and any of these factors could adversely affect us.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act and the NYSE, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the NYSE. These requirements may place a strain on our management, systems and resources. The Exchange Act requires us to file annual, quarterly and current reports with respect to our business and financial condition within specified time periods and to prepare proxy statements with respect to our annual meeting of shareholders. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. The NYSE will require that we comply with various corporate governance requirements. To maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting and comply with the Exchange Act and NYSE requirements, significant resources and management oversight will be required. This may divert management s attention from other business concerns, which could have a material adverse effect on us.

We also expect that it could be difficult and will be significantly more expensive to obtain directors and officers liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors (the Board) or as executive officers. Advocacy efforts by shareholders and third parties may also prompt even more changes in governance and reporting requirements. We cannot predict or estimate the amount of additional costs we may incur or the timing of these costs.

We will be exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.

We are in the process of evaluating our internal controls systems to allow management to report on, and our independent auditors to audit, our internal controls over financial reporting. We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, and will be required to comply with Section 404 in full (including an auditor attestation on management s internal controls report) in our annual report on Form 10-K for the year ending December 31, 2012 (subject to any change in applicable SEC rules). Furthermore, upon completion of this process, we may identify control deficiencies of varying degrees of severity under applicable SEC and Public Company Accounting Oversight Board (PCAOB) rules and regulations that remain unremediated. As a publicly reporting company, we will be required to report, among other things, control deficiencies that constitute a material weakness or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A material weakness is a significant deficiency or combination of significant deficiencies in internal control over financial reporting that results in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

If we fail to implement the requirements of Section 404 in a timely manner, regulatory authorities such as the SEC or the PCAOB might subject us to sanctions or investigation. If we do not implement improvements to our disclosure controls and procedures or to our internal controls in a timely manner, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal controls over financial reporting pursuant to an audit of our controls. This may subject us to adverse regulatory consequences or a loss of confidence in the reliability of our financial statements. We could also suffer a loss of confidence in the reliability of our financial statements if our independent registered public accounting firm reports a material weakness in our internal controls, if we do not develop and maintain effective controls and procedures or if we are otherwise unable to deliver timely and reliable financial information. Any loss of confidence in the reliability of our financial statements or other negative reaction to our failure to develop timely or adequate disclosure controls and procedures or internal controls could result in a decline in our stock price. In addition, if we fail to remedy any material weakness, our financial statements may be inaccurate and we may face restricted access to the capital markets.

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We are a controlled company within the meaning of the NYSE rules and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements.

A company of which more than 50% of the voting power is held by an individual, a group or another company is a controlled company within the meaning of the NYSE rules and may elect not to comply with certain corporate governance requirements of the NYSE, including:

- the requirement that a majority of the Board consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities.

MRC Global Inc. is relying on all of the exemptions listed above. Accordingly, our bondholders will not have the same protections afforded to bondholders of companies that are subject to all of the corporate governance requirements of the NYSE.

The SEC s move toward a single set of international accounting standards could materially impact our results of operations.

The SEC continues to move forward with a convergence to a single set of international accounting standards (such as International Financial Reporting Standards (IFRS)). The associated changes in regulatory accounting may negatively impact the way we record revenues, expenses, assets and liabilities. Currently, under IFRS, the LIFO method of valuing inventory is not permitted. If we had ceased valuing our inventory under the LIFO method at December 31, 2011, we would have been required to make tax payments approximating $136 million over the subsequent four years.

The financial statements presented in this prospectus may not provide an accurate indication of what our future results of operations are likely to be.

Given our recent history of consummating numerous acquisitions, our financial statements may not represent an accurate picture of what our future performance will be. We acquired the remaining 15% majority voting interest in McJunkin Appalachian in January 2007; we acquired Midway in April 2007; we entered into a business combination with Red Man in October 2007 (effectively doubling our size); we acquired the remaining approximately 49% noncontrolling interest in MRC Midfield in July 2008; we acquired LaBarge in October 2008; we acquired MRC Transmark in October 2009; we acquired MRC SPF in June 2011; and we acquired the piping systems business of OneSteel Ltd. in March 2012. Our limited combined operating history may make it difficult to forecast our future operating results and financial condition. In particular, because of the significance of the Red Man combination, the financial statements for periods prior to that transaction are not comparable with those after the transaction.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our Company s image, all of which could negatively impact our financial results

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our Company s image, and private data exposure. We have implemented solutions, processes, and procedures to help mitigate this risk, but these measures, as well as our organization s increased awareness of our risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements are not guarantees of future performance. These statements are based on management s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including the factors described under Risk Factors , that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Such risks and uncertainties include, among other things:

- our significant indebtedness;
- decreases in oil and natural gas prices;
- decreases in oil and natural gas industry expenditure levels, which may result from decreased oil and natural gas prices or other factors;
- increased usage of alternative fuels, which may negatively affect oil and natural gas industry expenditure levels;
- U.S. and international general economic conditions;
- our ability to compete successfully with other companies in our industry;
- the risk that manufacturers of the products we distribute will sell a substantial amount of goods directly to end users in the industry sectors we serve;
- unexpected supply shortages;
- cost increases by our suppliers;
- our lack of long-term contracts with most of our suppliers;
- increases in customer, manufacturer and distributor inventory levels;
- suppliers price reductions of products that we sell, which could cause the value of our inventory to decline;
- decreases in steel prices, which could significantly lower our profit;

increases in steel prices, which we may be unable to pass along to our customers, which could significantly lower our profit;

our lack of long-term contracts with many of our customers and our lack of contracts with customers that require minimum purchase volumes;

changes in our customer and product mix;

risks related to our customers credit;

the potential adverse effects associated with integrating acquisitions into our business and whether these acquisitions will yield their intended benefits;

the success of our acquisition strategies;

the dependence on our subsidiaries for cash to meet our debt obligations;

changes in our credit profile;

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a decline in demand for certain of the products we distribute if import restrictions on these products are lifted;

environmental, health and safety laws and regulations and the interpretation or implementation thereof;

the sufficiency of our insurance policies to cover losses, including liabilities arising from litigation;

product liability claims against us;

pending or future asbestos-related claims against us;

the potential loss of key personnel;

interruption in the proper functioning of our information systems;

loss of third-party transportation providers;

potential inability to obtain necessary capital;

risks related to adverse weather events or natural disasters;

impairment of our goodwill or other intangible assets;

changes in tax laws or adverse positions taken by taxing authorities in the countries in which we operate;

adverse changes in political or economic conditions in the countries in which we operate;

exposure to U.S. and international laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act and other economic sanction programs;

potential increases in costs and distraction of management resulting from the requirements of being a publicly reporting company;

risks relating to evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act;

the operation of our Company as a controlled company ; and

- the limited usefulness of our historic financial statements.

Undue reliance should not be placed on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent law requires.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our ratio of earnings to fixed charges for the period indicated. For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes and change in accounting principle, net of taxes, plus fixed charges, exclusive of capitalized interest. Fixed charges consist of interest expense, capitalized interest and a portion of operating rental expense that management believes is representative of the interest component of rental expense.

	Successor					Predecessor
	Year Ended December 31,				Eleven Months Ended December 31, 2007	One Month Ended January 30, 2007
	2011	2010*	2009*	2008		
Ratio of earnings to fixed charges	1.4x			5.8x	2.3x	107.7x

* Earnings were insufficient to cover fixed charges by $75 million and $355 million for the years ended December 31, 2010 and 2009, respectively.

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USE OF PROCEEDS

This prospectus is delivered in connection with the sale of notes by Goldman, Sachs & Co. in market-making transactions. We will not receive any of the proceeds from such transactions.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of December 31, 2011:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance by MRC Global Inc. of common stock in the initial public offering, the application of proceeds from that offering and our entry into the Global ABL Facility as if each had occurred on December 31, 2011.

You should read this table in conjunction with Selected Historical Consolidated Financial and Other Data , Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes that we include elsewhere in this prospectus.

	As of December 31, 2011	
	Actual	As Adjusted
	(Dollars in millions)	
Cash and cash equivalents	$ 46.1	$ 46.1
Total Debt (including current portion):		
9.50% senior secured notes due 2016, net of discount	$ 1,031.6	$ 1,031.6
Global ABL Facility(1)		167.8
ABL Credit Facility(2)	456.4	
MRC Transmark term loan(3)	30.8	
MRC Transmark factoring facility	7.2	
MRC Transmark revolving credit facility		
Other	0.7	0.7
Total debt	1,526.7	1,200.1
Stockholders equity:		
Common stock, $0.01 par value per share; 400,000,000 shares authorized, 84,427,000 shares issued and outstanding actual; 500,000,000 shares authorized and 101,487,198 shares issued and outstanding as adjusted(4)	0.8	1.0
Preferred stock, $0.01 par value per share; 150,00,000 shares authorized, no shares issued and outstanding actual; 100,000,000 shares authorized as adjusted, no shares issued and outstanding as adjusted		
Additional paid-in capital	1,283.0	1,616.7
Retained (deficit)	(536.8)	(536.8)
Other comprehensive (loss)	(26.1)	(26.1)
Total equity	720.9	1,054.8
Total capitalization	$ 2,247.6	$ 2,254.9

(1) We entered into the Global ABL Facility on March 27, 2012. The facility also includes a $300 million accordion, which may be drawn upon subject to certain conditions. The amount shown in the As Adjusted column reflects the repayment of $333.9 million under the Global ABL Facility with the proceeds of the initial public offering of MRC Global Inc. s common stock and includes $7.3 million of borrowings under the Global ABL Facility to pay expenses incurred in connection with our entry into the facility. The As Adjusted column does not reflect the write-off of certain debt issuance costs associated with our previously existing ABL Credit Facility which are not material.

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(2) As of December 31, 2011, we had availability of $538.7 million under our ABL Credit Facility. As of April 11, 2012, approximately $609 million was outstanding under the Global ABL Facility, due in part to borrowing to finance the acquisition of OneSteel Piping Systems and working capital growth.

(3) As of December 31, 2011, we had availability of $45.0 million under the MRC Transmark revolving credit facility.

(4) The number of shares of MRC Global Inc. s common stock outstanding on an actual and as adjusted basis as of December 31, 2011:

- gives effect to the two-for-one reverse split of MRC Global Inc. s common stock which occurred on February 29, 2012;

- excludes 2,845,688 shares of MRC Global Inc. s common stock issuable upon the exercise of stock options granted to certain of our employees pursuant to our 2007 Stock Option Plan; and

- excludes 127,301 shares of non-vested restricted stock awarded to certain of our employees and directors pursuant to our 2007 Restricted Stock Plan.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

On January 31, 2007, MRC Global Inc. (formerly known as McJunkin Red Man Holding Corporation), an affiliate of The Goldman Sachs Group, Inc., acquired a majority of the equity of the entity now known as McJunkin Red Man Corporation (then known as McJunkin Corporation) (the GS Acquisition). In this prospectus, the term Predecessor refers to McJunkin Corporation and its subsidiaries prior to January 31, 2007 and the term Successor refers to the entity now known as MRC Global Inc. and its subsidiaries on and after January 31, 2007. As a result of the change in McJunkin Corporation s basis of accounting in connection with the GS Acquisition, Predecessor s financial statement data for the one month ended January 30, 2007 and earlier periods are not comparable to Successor s financial data for the eleven months ended December 31, 2007 and subsequent periods.

McJunkin Corporation completed a business combination transaction with Red Man (the Red Man Transaction) on October 31, 2007. At that time, McJunkin Corporation was renamed McJunkin Red Man Corporation. Operating results for the eleven-month period ended December 31, 2007 include the results of MRC Global Inc. for the full period and the results of Red Man for the two months after the business combination on October 31, 2007. Accordingly, our historical results for the years ended December 31, 2011, 2010, 2009 and 2008 and the 11 months ended December 31, 2007 are not comparable to McJunkin Corporation s historical results for the one month ended January 30, 2007.

The selected consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the years ended December 31, 2011, 2010, 2009 and 2008, and the selected consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2011 and December 31, 2010, have been derived from the consolidated financial statements of MRC Global Inc. included elsewhere in this prospectus that Ernst & Young LLP, our independent registered public accounting firm, has audited. The selected consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the one month ended January 30, 2007 and the eleven months ended December 31, 2007, and the selected consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2009, December 31, 2008 and December 31, 2007, have been derived from the consolidated financial statements of MRC Global Inc. not included in this prospectus that Ernst & Young LLP has audited.

All information in this prospectus gives retroactive effect to the two-for-one reverse split of MRC Global Inc. s common stock which occurred on February 29, 2012.

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The selected historical consolidated financial data presented below has been derived from financial statements that have been prepared using accounting principles generally accepted in the United States of America (in millions, except share and per share amounts). This data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Successor					Predecessor
	Year Ended December 31,				Eleven Months Ended December 31,	One Month Ended January 30,
	2011	2010	2009(1)	2008	2007	2007
Statement of Operations Data:						
Sales	$ 4,832.4	$ 3,845.5	$ 3,661.9	$ 5,255.2	$ 2,124.9	$ 142.5
Cost of sales	4,124.2	3,327.0	3,067.4	4,273.1	1,761.9	114.9
Inventory write-down		0.4	46.5			
Gross margin	708.2	518.1	548.0	982.1	363.0	27.6
Selling, general and administrative expenses	513.6	451.7	411.6	482.1	218.5	15.9
Goodwill and intangibles impairment charge			386.1			
Operating income (loss)	194.6	66.4	(249.7)	500.0	144.5	11.7
Other (expenses) income:						
Interest expense	(136.8)	(139.6)	(116.5)	(84.5)	(61.7)	(0.1)
Write off of debt issuance costs	(9.5)					
Change in fair value of derivatives	7.0	(4.9)	8.9	(6.2)		
Other, net	0.5	2.9	2.5	(2.6)	(0.8)	(0.4)
Total other (expense) income	(138.8)	(141.6)	(105.1)	(93.3)	(62.5)	(0.5)
Income (loss) before income taxes	55.8	(75.2)	(354.8)	406.7	82.0	11.2
Income taxes	26.8	(23.4)	(15.0)	153.2	32.1	4.6
Net (loss) income	29.0	(51.8)	(339.8)	253.5	49.9	6.6
Earnings (loss) per share amounts:						
Basic	$ 0.34	$ (0.61)	$ (4.30)	$ 3.26	$ 1.44	
Diluted	$ 0.34	$ (0.61)	$ (4.30)	$ 3.26	$ 1.44	
Weighted average shares, basic (in thousands)	84,417	84,384	79,067	77,646	34,663	
Weighted average shares, diluted (in thousands)	84,655	84,384	79,067	77,828	34,731	
Basic Class A						$ 376.70
Diluted Class A						$ 376.70
Basic Class B						$ 376.70
Diluted Class B						$ 376.70
Dividends	$	$	$ 0.04	$ 6.10	$	
Balance Sheet Data:						
Cash	$ 46.1	$ 56.2	$ 56.2	$ 12.1	$ 10.1	$ 2.0
Working capital	1,074.7	842.6	930.2	1,208.0	674.1	211.1
Total assets	3,227.7	2,991.2	3,083.2	3,919.7	3,083.8	474.2
Total debt	1,526.7	1,360.2	1,452.6	1,748.6	868.4	4.8
Stockholders equity	720.9	689.8	743.9	987.2	1,262.7	245.2
Other Financial Data:						
Adjusted Gross Margin	$ 849.6	$ 663.2	$ 493.5	$ 1,164.0	$ 400.6	$ 27.9
Adjusted EBITDA	$ 360.5	$ 224.2	$ 218.5	$ 744.4	$ 344.9	$ 26.0
Adjusted EBITDA RONA	24.1%	19.6%	18.6%			

Net cash:						
Operating Activities	(102.9)	112.7	505.5	(137.4)	110.2	6.6
Investing Activities	(48.0)	(16.2)	(66.9)	(314.2)	(1,788.9)	(0.2)
Financing Activities	140.6	(98.2)	(393.9)	452.0	1,687.2	(8.3)

(1) Includes $46.5 million inventory write-down and $386.1 million goodwill and intangibles impairment charge.

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We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles, other non-recurring and non-cash charges (such as gains/losses on the early extinguishment of debt, changes in the fair value of derivative instruments and goodwill impairment) and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted EBITDA because it is an important measure used to determine the interest rate and commitment fee we pay under our Global ABL Facility. In addition, we believe it is a useful indicator of our operating performance. We believe this for the following reasons:

- Our management uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections, as well as for determining a significant portion of the compensation of our executive officers;

- Adjusted EBITDA is widely used by investors to measure a company s operating performance without regard to items, such as interest expense, income tax expense and depreciation and amortization, that can vary substantially from company to company depending upon their financing and accounting methods, the book value of their assets, their capital structures and the method by which their assets were acquired; and

- Securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies.

In particular, we believe that Adjusted EBITDA is a useful indicator of our operating performance because Adjusted EBITDA measures our Company s operating performance without regard to certain non-recurring, non-cash or transaction-related expenses.

Adjusted EBITDA, however, does not represent and should not be considered as an alternative to net income, cash flow from operations or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similar measures that other companies report because other companies may not calculate Adjusted EBITDA in the same manner as we do. Although we use Adjusted EBITDA as a measure to assess the operating performance of our business, Adjusted EBITDA has significant limitations as an analytical tool because it excludes certain material costs. For example, it does not include interest expense, which has been a significant element of our costs. Because we use capital assets, depreciation expense is a significant element of our costs and impacts our ability to generate revenue. In addition, the omission of the amortization expense associated with our intangible assets further limits the usefulness of this measure. Adjusted EBITDA also does not include the payment of certain taxes, which is also a significant element of our operations. Furthermore, Adjusted EBITDA does not account for our LIFO inventory costing methodology, and therefore, to the extent that recently purchased inventory accounts for a relatively large portion of our sales, Adjusted EBITDA may overstate our operating performance. Because Adjusted EBITDA does not account for certain expenses, its utility as a measure of our operating performance has material limitations. Because of these limitations, management does not view Adjusted EBITDA in isolation or as a primary performance measure and also uses other measures, such as net income and sales, to measure operating performance.

The calculation of Adjusted EBITDA is consistent with the computation of Consolidated Cash Flow (as such term is defined in Description of Notes Certain Definitions) except for the change in the LIFO reserve, which would not be an adjustment in determining Consolidated Cash Flow.

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The following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

	Successor					Predecessor
	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Eleven Months Ended December 31, 2007	One Month Ended January 30, 2007
Net (loss) income	$ 29.0	$ (51.8)	$ (339.8)	$ 253.5	$ 49.9	$ 6.6
Income taxes	26.8	(23.4)	(15.0)	153.2	32.1	4.6
Interest expense	136.8	139.6	116.5	84.5	61.7	0.1
Write off of debt issuance costs	9.5					
Depreciation and Amortization	17.0	16.6	14.5	11.3	5.4	0.3
Amortization of intangibles	50.7	53.9	46.6	44.4	21.9	
Amortization of purchase price accounting			15.7	2.4		
Change in fair value of derivative instruments	(7.0)	4.9	(8.9)	6.2		
Closed locations		(0.7)	1.4	4.4		
Share based compensation	8.4	3.7	7.8	10.2	3.0	
Franchise taxes	0.4	0.7	1.4	1.5		
Gain on early extinguishment of debt			(1.3)			
Goodwill and intangibles impairment			386.1			
Inventory write-down		0.4	46.5			
IT system conversion costs			2.4	1.4		
M&A transaction & integration expenses	0.5	1.4	17.5	30.4	12.7	
Midway pre-acquisition contribution					2.8	1.0
Legal and consulting expenses	9.9	4.2	1.9	0.4		
Joint venture termination	1.7					
Provision for uncollectible accounts	0.4	(2.0)	1.0	7.7	0.4	
Red Man pre-acquisition Contribution					142.2	13.1
Severance and related costs	1.1	3.2	4.4			
MRC Transmark pre-Acquisition contribution			38.5			
LIFO	73.7	74.6	(115.6)	126.2	10.3	
Other non-cash expenses	1.6	(1.1)	(3.1)	6.7	2.5	0.3
Adjusted EBITDA	$ 360.5	$ 224.2	$ 218.5	$ 744.4	$ 344.9	$ 26.0

We define Adjusted Gross Margin as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Margin because we believe it is a useful indicator of our operating performance and facilitates a meaningful comparison to our peers. We believe this for the following reasons:

Our management uses Adjusted Gross Margin for planning purposes, including the preparation of our annual operating budget and financial projections. This measure is also used to assess the performance of our business;

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Investors use Adjusted Gross Margin to measure a company s operating performance without regard to items, such as depreciation and amortization, and amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of transactions they have been involved in. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether those companies elect to utilize the LIFO method and depending upon which LIFO method they may elect; and

Securities analysts can use Adjusted Gross Margin as a supplemental measure to evaluate overall operating performance of companies.

In particular, we believe that Adjusted Gross Margin is a useful indicator of our operating performance because Adjusted Gross Margin measures our Company s operating performance without regard to acquisition transaction-related amortization expenses.

However, Adjusted Gross Margin does not represent and should not be considered an alternative to gross margin or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted Gross Margin may not be comparable to similar measures that other companies report because other companies may not calculate Adjusted Gross Margin in the same manner as we do. Although we use Adjusted Gross Margin as a measure to assess the operating performance of our business, Adjusted Gross Margin has significant limitations as an analytical tool because it excludes certain material costs. For example, it does not include depreciation and amortization expense. Because we use capital assets, depreciation expense is a significant element of our costs and impacts our ability to generate revenue. In addition, the omission of amortization expense associated with our intangible assets further limits the usefulness of this measure. Furthermore, Adjusted Gross Margin does not account for our LIFO inventory costing methodology and, therefore, to the extent that recently purchased inventory accounts for a relatively large portion of our sales, Adjusted Gross Margin may overstate our operating performance. Because Adjusted Gross Margin does not account for certain expenses, its utility as a measure of our operating performance has material limitations. Because of these limitations, management does not view Adjusted Gross Margin in isolation or as a primary performance measure and also uses other measures, such as net income and sales, to measure operating performance.

The following table reconciles Adjusted Gross Margin to gross margin (in millions):

	Successor					Predecessor
	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Eleven Months Ended December 31, 2007	One Month Ended January 30, 2007
Gross margin	**$ 708.2**	$ 518.1	$ 548.0	$ 982.1	$ 363.0	$ 27.6
Depreciation and amortization	**17.0**	16.6	14.5	11.3	5.4	0.3
Amortization of intangibles	**50.7**	53.9	46.6	44.4	21.9	
Increase (decrease) in LIFO reserve	**73.7**	74.6	(115.6)	126.2	10.3	
Adjusted Gross Margin	**$ 849.6**	$ 663.2	$ 493.5	$ 1,164.0	$ 400.6	$ 27.9

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We define Adjusted EBITDA Return on Net Assets (Adjusted EBITDA RONA) as (a) Adjusted EBITDA divided by (b) accounts receivable, plus inventory, plus the LIFO reserve, plus property, plant & equipment, net, less accounts payable. The calculation of Adjusted EBITDA RONA is set forth below (dollars in thousands):

	Year Ended December 31,		
	2011	**2010**	**2009**
Adjusted EBITDA	$ 360,465	$ 224,124	$ 218,496
Accounts receivable	$ 791,280	$ 596,404	$ 506,194
Inventory at LIFO	899,064	765,367	871,653
LIFO Reserve	175,122	101,419	26,862
Property, plant & equipment, net	107,430	104,725	111,480
Accounts payable	(479,584)	(426,632)	(338,512)
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677
Adjusted EBITDA RONA	24.1%	19.6%	18.6%

We present Adjusted EBITDA RONA because we believe it is a useful indicator of our operating performance. Management believes that Adjusted EBITDA RONA provides meaningful supplemental information regarding our performance by excluding certain income and expense items and assets and liabilities that may not be indicative of the core business operating results and may help in comparing current period results with those of prior periods as well as with our peers. Our management uses Adjusted EBITDA RONA for determining a significant portion of the compensation of our executive officers. In addition, Adjusted EBITDA RONA is a useful indicator of our operating performance because it measures our performance without regard to acquisition transaction-related assets such as intangibles and goodwill.

However, Adjusted EBITDA RONA does not represent and should not be considered an alternative to other GAAP measures of performance such as net income. Also, our definition of Adjusted EBITDA RONA may not be comparable to similar measures that other companies report. Further, Adjusted EBITDA RONA has certain limitations, such as excluding our LIFO inventory costing methodology. In addition, the omission of our substantial intangible assets and goodwill further limits the usefulness of this measure. As a result, management does not view Adjusted EBITDA RONA in isolation or as a primary performance measure and uses other measures such as net income and sales to measure operating performance.

Management believes that the GAAP-based measure which is most comparable to Adjusted EBITDA RONA is a percentage with net income in the numerator and stockholders equity in the denominator. We believe Adjusted EBITDA is a useful measure of performance as compared to net income for the reasons stated above in note 2 under Summary Summary Consolidated Financial Information included elsewhere in this prospectus. We believe that for our Company total adjusted net assets (as calculated above) is a more useful measure than stockholders equity for purposes of a RONA calculation because, among other things, our calculation omits intangible assets and goodwill arising from acquisitions. Given the Company s history of making numerous acquisitions in recent years, the Company believes that the measure it uses is more comparable to similar measures used by other companies if the effects of acquisitions are eliminated.

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For a reconciliation of Adjusted EBITDA (the numerator in our calculation of Adjusted EBITDA RONA) to net income, see footnote 2 under Summary Summary Consolidated Financial Information included elsewhere in this prospectus. For a reconciliation of total adjusted net assets (the denominator in our calculation of Adjusted EBITDA RONA) to stockholders equity, see the following table:

	Year Ended December 31, 2011	2010	2009
	(dollars in thousands)		
Stockholders equity	$ 720,862	$ 689,758	$ 743,898
Long term debt	1,526,740	1,360,241	1,452,610
Deferred taxes, net	357,195	373,719	377,948
Other liabilities	143,306	140,844	170,188
Intangible assets	(1,333,137)	(1,366,549)	(1,425,721)
LIFO Reserve	175,122	101,419	26,862
Other assets	(50,649)	(101,947)	(111,864)
Cash	(46,127)	(56,202)	(56,244)
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677

The following table summarizes (1) the numerator and denominator in our calculation of Adjusted EBITDA RONA and (2) the numerator (net income) and denominator (stockholders equity) in the most comparable GAAP-based measure.

	Year Ended December 31, 2011	2010	2009
	(dollars in thousands)		
Adjusted EBITDA	$ 360,465	$ 224,124	$ 218,496
Total adjusted net assets	$ 1,493,312	$ 1,141,283	$ 1,177,677
Adjusted EBITDA RONA	24.1%	19.6%	18.6%
Net income (loss)	$ 28,984	$ (51,824)	$ (339,771)
Stockholders equity	$ 720,862	$ 689,758	$ 743,898
Net income / stockholders equity	4.02%	(7.5)%	(45.7)%

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements of MRC Global Inc. have been derived from the audited historical financial statements of MRC Global Inc. for the year ended and as of December 31, 2011, which are included elsewhere in this prospectus.

The pro forma consolidated balance sheet as of December 31, 2011 and the pro forma consolidated statement of operations for the year ended December 31, 2011 have been adjusted to give effect to the following transactions:

- the issuance by MRC Global Inc. of 17,045,455 shares of its common stock to the public at an offering price of $21.00 per share; and

- the application of the net proceeds of the initial public offering to be received by MRC Global Inc. after giving effect to underwriting discounts and commissions and other offering expenses ($333.9 million) to repay indebtedness outstanding under the Global ABL Facility.

The pro forma adjustments have been prepared as if the transactions described above had taken place on December 31, 2011, in the case of the pro forma balance sheet, or as of January 1, 2011, in the case of the pro forma statement of operations.

We entered into the new Global ABL Facility on March 27, 2012. The Global ABL Facility replaced our then existing ABL Credit Facility, and the proceeds of the initial public offering of MRC Global Inc. s common stock were used to repay indebtedness under the Global ABL Facility. The replacement of our previous ABL Credit Facility with the Global ABL Facility does not materially change the unaudited pro forma consolidated statements.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results that we would have achieved had the transactions described herein actually taken place at the dates indicated, and do not purport to be indicative of future financial position or operating results. The unaudited pro forma consolidated financial statements should be read in conjunction with the audited financial statements of MRC Global Inc., the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2011, included elsewhere herein.

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The pro forma adjustments and the assumptions included therein are described in the accompanying notes.

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MRC Global Inc.

Unaudited Pro Forma Consolidated Balance Sheet

As of December 31, 2011

	Actual as of December 31, 2011	Pro forma adjustments (in thousands)		Pro Forma as of December 31, 2011
Assets				
Total current assets	$ 1,747,908	$		$ 1,747,908
Other assets	39,212			39,212
Fixed assets	107,430			107,430
Intangible assets	1,333,137			1,333,137
Total assets	3,227,687			3,227,687
Liabilities and stockholders equity				
Total current liabilities	673,167			673,167
Long-term debt, net	1,526,740	(333,900)	(a)	1,192,840
Other long-term liabilities	306,918			306,918
Stockholders equity:				
Common stock	844	170	(b)	1,014
Preferred stock				
Additional paid-in capital	1,282,949	333,730	(b)	1,616,679
Retained (deficit)	(536,791)			(536,791)
Other comprehensive (loss)	(26,140)			(26,140)
Total equity	720,862	333,900		1,054,762
Total liabilities and equity	$ 3,227,687	$		$ 3,227,687

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

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MRC Global Inc.

Unaudited Pro Forma Consolidated Statement of Operations

For the Year Ended December 31, 2011

	Actual as of December 31, 2011	Pro forma adjustments (in thousands)		Pro Forma as of December 31, 2011
Sales	$ 4,832,423	$		$ 4,832,423
Cost of sales	4,124,271			4,124,271
Gross margin	708,152			708,152
Selling, general and administrative expenses	513,563			513,563
Operating income	194,589			194,589
Other income (expense):				
Interest expense	(136,844)	7,622	(c)	(129,222)
Other	(1,977)			(1,977)
	(138,821)	7,622		(131,199)
Income before income taxes	55,768	7,622		63,390
Income tax expense	26,784	2,858	(d)	29,642
Net income	$ 28,984	$ 4,764		$ 33,748
Basic earnings per common share	$ 0.34			$ 0.33
Diluted earnings per common share	$ 0.34			$ 0.33
Weighted-average common shares, basic	84,417	17,045	(e)	101,462
Weighted-average common shares, diluted	84,655	17,045	(e)	101,700

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

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MRC Global Inc.

Notes to the Unaudited Pro Forma Consolidated Financial Statements

(a) Long-term debt, net has been adjusted to reflect the estimated repayment of indebtedness outstanding under the Global ABL Facility. This amount equals the estimated net proceeds of the initial public offering of MRC Global Inc. s common stock at the offering price of $21.00 per share giving effect to underwriting discounts and commissions and other offering expenses, as MRC Global Inc. applied all of the proceeds from the offering toward the repayment of this indebtedness.

(b) Stockholders equity has been adjusted to reflect an increase equal to the estimated net proceeds of the initial public offering of MRC Global Inc. s common stock at the offering price of $21.00 per share giving effect to underwriting discounts and commissions and other offering expenses.

(c) Interest expense has been decreased to reflect lower debt balances resulting from the pro forma repayment of outstanding indebtedness utilizing net proceeds from the initial public offering. This estimated reduction in interest expense has been computed assuming the repayment of $333.9 million of indebtedness under the Global ABL Facility as though it had occurred on January 1, 2011. The interest savings is computed using an effective interest rate of 2.28%, which represents actual borrowing rates under the ABL Credit Facility during 2011, less the amount of any commitment fees that would have been incurred had the debt not been outstanding.

(d) Income tax expense has been adjusted as a result of higher income before income taxes resulting from lower pro forma interest expense. The increase in income tax expense has been computed utilizing MRC Global Inc. s 37.5% marginal U.S. income tax rate.

(e) Weighted average common shares outstanding have been adjusted to reflect the issuance of 17,045,455 shares of common stock in the initial public offering of MRC Global Inc. s common stock. This amount excludes 5,681,818 shares of common stock that were sold by the selling shareholder named in the prospectus for the initial public offering as well as an option the underwriters were granted to purchase up to an additional 3,409,091 shares of common stock from the selling stockholder.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including, but not limited to, those set forth under Cautionary Note Regarding Forward-Looking Statements and Risk Factors and elsewhere in this prospectus. All references throughout this section (and elsewhere in this prospectus) to amounts available for borrowing under various credit facilities refer to amounts actually available for borrowing after giving effect to any borrowing base limitations imposed by the facility.

Overview

We are the largest global industrial distributor of pipe, valves and fittings (PVF) and related products and services to the energy industry based on sales and hold the leading position in our industry across each of the upstream (exploration, production and extraction of underground oil and natural gas), midstream (gathering and transmission of oil and natural gas, natural gas utilities and the storage and distribution of oil and natural gas) and downstream (crude oil refining, petrochemical processing and general industrials) sectors. Globally, we have two operating segments through which we serve our customers in over 400 service locations. Our North American segment includes over 175 branch locations, six distribution centers in the U.S., one distribution center in Canada, 12 valve automation service centers and over 160 third party pipe yards located in the most active oil and natural gas regions in North America. Our International segment includes over 30 branch locations throughout Europe, Asia and Australasia with distribution centers in the United Kingdom, Singapore and Australia and 10 automation service centers in Europe and Asia. We offer a wide array of PVF and oilfield supplies encompassing a complete line of products from our global network of suppliers to our more than 12,000 customers. We are diversified by geography, the industry sectors we serve and the products we sell. We seek to provide best-in-class service to our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy and industrial sectors as their primary PVF supplier. We believe the critical role we play in our customers supply chain, together with our extensive product offering, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 20 years with our largest 25 customers.

We have benefited from several growth trends within the energy industry, including high levels of customer expansion and maintenance expenditures and believe that longer-term growth in PVF and industrial supply spending within the energy industry is likely to continue. Several factors have driven the long-term growth in spending, including underinvestment in energy infrastructure, production and capacity constraints, and market expectations of future improvements in the oil, natural gas, refined products, petrochemical and other industrial sectors. In addition, the products we distribute are often used in extreme operating environments, leading to the need for a regular replacement cycle. Approximately two-thirds of our sales are attributable to multi-year MRO arrangements where we have demonstrated an average annual retention rate of over 95% since 2000. We consider MRO arrangements to be normal, generally repetitive business that primarily addresses the recurring maintenance, repair or operational work to existing energy infrastructure. Project activities, including facility expansions or new construction projects, are more commonly associated with a customer s capital expenditures budget and can be more sensitive to global oil and natural gas prices and general economic conditions. We mitigate our exposure to price volatility by limiting the length of any price-protected contracts, and as pricing continues to rebound, we believe that we have the ability to pass price increases on to the marketplace.

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Key Drivers of Our Business

Our revenues are predominantly derived from the sale of PVF and other oilfield and industrial supplies to the energy sector in North America, Europe, Asia and Australasia. Our business is therefore dependent upon both the current conditions and future prospects in the energy industry and, in particular, maintenance and expansionary operating and capital expenditures by our customers in the upstream, midstream and downstream sectors of the industry. Long-term growth in spending has been, and we believe will continue to be, driven by several factors, including underinvestment in global energy infrastructure, growth in shale and unconventional exploration and production (E&P) activity, and anticipated strength in the oil, natural gas, refined products, petrochemical and other industrial sectors. The outlook for future oil, natural gas, refined products, petrochemical and other industrial PVF spending is influenced by numerous factors, including the following:

Oil and Natural Gas Prices. Sales of PVF and related products to the oil and natural gas industry constitute a significant portion of our sales. As a result, we depend upon the oil and natural gas industry and its ability and willingness to make maintenance and capital expenditures to explore for, produce and process oil and natural gas and refined products. Oil and natural gas prices, both current and projected, along with the costs necessary to produce oil and gas, impact other drivers of our business, including E&P spending, additions and maintenance to pipeline mileage, refinery utilization and petrochemical and other industrial processing activity.

Steel Prices, Availability and Supply and Demand. Fluctuations in steel prices can lead to volatility in the pricing of the products we distribute, especially carbon steel tubular products, which can influence the buying patterns of our customers. A majority of the products we distribute contain various types of steel. The worldwide supply and demand for these products, or other steel products that we do not supply, impacts the pricing and availability of our products and, ultimately, our sales and operating profitability.

Economic Conditions. The demand for the products we distribute is dependent on the general economy, the energy and industrials sectors and other factors. Changes in the general economy or in the energy and industrials sectors (domestically or internationally) can cause demand for the products we distribute to materially change.

Customer, Manufacturer and Distributor Inventory Levels of PVF and Related Products. Customer, manufacturer and distributor inventory levels of PVF and related products can change significantly from period to period. Increases in our customers inventory levels can have an adverse effect on the demand for the products we distribute when customers draw from their inventory rather than purchase new products. Reduced demand, in turn, would likely result in reduced sales volume and profitability. Increased inventory levels by manufacturers or other distributors can cause an oversupply of PVF and related products in the industry sectors we serve and reduce the prices that we are able to charge for the products we distribute. Reduced prices, in turn, would likely reduce our profitability. Conversely, decreased customer and manufacturer inventory levels may ultimately lead to increased demand for our products and would likely result in increased sales volumes and overall profitability.

Recent Trends and Outlook

The current outlook for activity in our end markets is positive. The period from 2005 to 2008 was a period of steady growth in North American oil and gas drilling and completion spending in our upstream market. Activity peaked in 2008, with oil pricing above $140 per barrel and natural gas prices above $14/mcf. Due to the associated record levels of E&P activity, there was a shortage of tubular products to meet the demand, and significant steel price inflation followed as a result. The price per ton on tubular products increased approximately 200% in 2008 as compared to the prior year (compared to

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an increase of 5% in 2011 compared to 2010). Approximately 44% of our sales and half of our gross profit was in tubular products during 2008 and these sales were typically at margins in excess of longer term historical levels for this product category. In 2008, we operated with five purchasing managers and five separate IT systems (versus one purchasing manager and North American IT system in 2011), and our OCTG inventories expanded to a greater than six month supply and accounted for over 30% of all inventory in 2008, as opposed to less than three months supply and approximately 20% in 2011. A significant contributor to the 2008 rise was spot purchases of inventory, which ultimately accounted for approximately 50% of our inventory purchases for 2008 (versus less than 10% in 2011). In our downstream/industrial market, 2005 to 2008 was a period of major refinery expansion projects in the U.S. to upgrade Midwestern and Gulf Coast refineries to handle heavier and more sour crude oil from Canada, Venezuela and other international sources. These large projects were in addition to normal turnaround and smaller project activity. Because of these large projects, MRO business represented approximately half of our business in 2008, compared to approximately two-thirds in 2011. During 2009 to 2010, as peak crude oil prices negatively impacted refining margins, the global economic recession reduced refined product demand, which resulted in decreased capital spending by our refining customers. In the U.S. petrochemical industry, the high natural gas prices of 2008 reduced investment, as natural gas is a primary cost and feedstock to this industry segment. In 2010 and 2011, increases in natural gas production from the U.S. shale plays led to lower natural gas commodity prices, which helped drive increases in customer spending and activity levels in this sector.

Global energy demand was negatively impacted in 2009 by the great recession in the global economy, which directly negatively affected oil and natural gas commodity prices. This resulted in lower spending by our major customers during 2009 and 2010, which, coupled with significant deflation in tubular steel prices, had a material impact on our profitability in 2009 and 2010 as customers renegotiated contracts with drilling contractors, energy service companies, equipment suppliers and distributors. The steep drop in demand, steel price deflation and new lower customer contract pricing along with high-cost inventory purchased in 2008 led to a major de-stocking effort of approximately $1 billion (including both inventory and outstanding purchase orders) at our Company during 2009, generating over $500 million in cash flow from operations. In certain instances, sales during this period in our tubular product category carried negative margins, which severely impacted our results during this period. Our non-tubular product lines were impacted to a much lesser degree.

Between 2008 and 2011, the gross profit contribution and gross profit margins of our two product categories, energy carbon steel tubular products (line pipe and oil country tubular goods) (tubulars) and valves, fittings, flanges and other products (VFFO), has shifted. The tubular and VFFO product categories each contributed approximately 50% of our gross profit in 2008, whereas in 2011 VFFO contributed approximately 75% of our gross profit and tubulars contributed approximately 25% of our gross profit. In addition, our gross profit margins (average cost) were consistent in 2008 and 2011 for our VFFO products, whereas our gross profit margins (average cost) for our tubular products in 2011 were approximately 50% of the tubular margins in 2008.

In 2010, our business stabilized, but given continued economic uncertainty and the slow recovery, activity levels remained slow relative to more historical levels. In 2011, commodity oil and natural gas pricing improved, our customers E&P budgets increased, and product pricing increased as a result of the improvement in PVF demand. In addition, our high-cost tubular inventory was largely sold during 2009 and 2010, and as a result, profitability in 2011 began to improve. Steel inflation and pricing levels currently remain well below 2008 levels, but carbon steel pricing in line pipe has returned to a more normal historic range. OCTG pricing currently remains challenging, and we are rebalancing our product portfolio towards higher margin products, such as valves, fittings, flanges and other industrial products as a result.

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During 2011, oil prices remained strong with an average price of approximately $95 per barrel for West Texas Intermediate (WTI), or approximately 19% above the average for 2010. Natural gas prices remained relatively flat at an average price during this period of $4/Mcf (Henry Hub), although they have declined below $3/Mcf more recently. Behind the strength of oil prices, in particular, North American drilling activity has increased an estimated 21% in 2011 relative to 2010. We continue to see a shift in rig counts from natural gas to oil, with oil drilling representing approximately 55% of the total North American rig count during 2011.

Activity levels in the upstream sector remain strong. In the U.S., the average total rig count was up 21% in 2011 as compared to 2010. Continued development within the Marcellus, Eagle Ford and Bakken shale regions primarily drove this increase in rig count. In 2011, we shipped approximately 674,000 tons of energy carbon steel tubular products in the U.S., 20% more tons than in 2010. In Canada, the average total rig count was up 20% in 2011 as compared to 2010. There we have experienced an increase in MRO, particularly in the heavy oil and tar sands regions, which has mitigated the downturn experienced in shallow natural gas drilling elsewhere in Canada.

The midstream sector, which includes gathering, transmission pipeline and natural gas utilities, is currently our fastest growing sector. We generated revenue growth of 33% in 2011 compared to 2010. New wells coming on line and the continued need for infrastructure within the shale basins has driven this growth. As a result of the shift in E&P activity from natural gas to oil, we have experienced a shift in activity from the natural gas regions of the Barnett, Haynesville, Woodford, and Fayetteville shales to the Bakken, Eagle Ford, Niobrara and Permian shales, which are heavier producing regions for oil and natural gas liquids. Revenue from our gathering and transmission customers increased 40% in 2011 as compared to 2010, while revenue from our natural gas utilities customers increased approximately 28% in 2011 compared to 2010, due to the increasing focus on pipeline integrity work and the need for utilities to repair or replace aging pipeline infrastructure.

Our downstream and other industrials sector performance has improved in 2011 as compared to 2010. However, downstream market participants still appear cautious with respect to major capital spending in refining because of international refining capacity additions, higher crude oil prices and relatively low margins relative to longer term historical levels. We believe there will be increased turnaround activity by our major customers in our U.S. refining end market in 2012 and 2013 due to customers delays in routine turnaround activity for maintenance and repair. Our chemical and general industrials sector increased approximately 5% in 2011 compared to 2010, due to an increase in general economic activity, and growth in maintenance and capital projects activity. Internationally, where our business is heavily weighted toward the downstream sector, excluding the impact of the acquisition of MRC SPF, we have seen an improvement of 3% in revenues in 2011 as compared to 2010 due to a modest recovery in capital and operating expenditures in Europe during 2011. The impact of the European debt crisis on general economic conditions and the impact on energy consumption and the downstream sector are uncertain.

We determine backlog by the amount of unshipped third-party customer orders, either specific or general in nature (including orders held under pipe programs), which the customer may revise or cancel in certain instances. There can be no assurance that the backlog amounts will be ultimately realized as revenue, or that we will earn a profit on the backlog of orders. Our backlog at December 31, 2011 was $823 million, including $693 million in our North American segment and $130 million in our International segment. In total, this backlog represents year over year growth of 41%, which we believe is a relatively good general indicator of overall activity for MRC.

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Results of Operations for the years ended December 31, 2011, 2010 and 2009

Our operating results by segment are as follows (in millions). The results for the year ended December 31, 2009 only include the results of MRC Transmark (which comprises a majority of our International segment) for the two months after the business combination on October 30, 2009. Corporate administrative costs are included in the North American segment.

		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2009
Sales:			
North America	$ 4,502.8	$ 3,589.9	$ 3,610.1
International	329.6	255.6	51.8
Consolidated	$ 4,832.4	$ 3,845.5	$ 3,661.9
Operating Income (Loss):			
North America	$ 183.9	$ 56.0	$ (253.5)
International	10.7	10.4	3.8
Consolidated	$ 194.6	$ 66.4	$ (249.7)

The following table shows key industry indicators for the years ended December 31, 2011, 2010 and 2009:

		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2009
Average Total Rig Count(1):			
United States	1,875	1,546	1,089
Canada	422	351	221
Total North America	2,297	1,897	1,310
International	1,167	1,094	997
Total Worldwide	3,464	2,991	2,307
Average Oil Rig Count(1):			
United States	984	591	278
Canada	279	199	102
Total North America	1,263	790	380
Average Natural Gas Rig Count(1):			
United States	888	943	801
Canada	141	148	120
Total North America	1,029	1,091	921
Average Commodity Prices(2):			
WTI crude oil (per barrel)	$ 94.91	$ 79.48	$ 61.95
Brent crude oil (per barrel)	$ 111.26	$ 79.61	$ 61.74
Natural gas ($/Mcf)	$ 4.00	$ 4.37	$ 3.94

Average Monthly Well Permits*(3)*	5,811	5,317	4,266
3:2:1 Crack Spread*(4)*	$ 25.40	$ 12.92	$ 7.77
PMI Index (as of December 1 of each year)*(5)*	53.1	57.3	55.8

(1) Source Baker Hughes (www.bakerhughes.com) (Total rig count includes oil, natural gas and other rigs.)
(2) Source Department of Energy, EIA (www.eia.gov)
(3) Source RigData (U.S.)

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(4) Source Commodity Systems, Inc.
(5) Source Institute for Supply Management

The breakdown of our sales by sector for the years ended December 31, 2011, 2010 and 2009 was as follows:

	Year Ended December 31,		
	2011	2010	2009
Upstream	47%	46%	44%
Midstream	26%	24%	24%
Downstream and other industrials	27%	30%	32%
	100%	100%	100%

***Year Ended December 31, 2011 Compared to the Year Ended December 31,* 2010**

For the years ended December 31, 2011 and 2010 the following table summarizes our results of operations (in millions):

	Year Ended December 31,			
	2011	2010	$ Change	% Change
Sales:				
North America	$ 4,502.8	$ 3,589.9	$ 912.9	25%
International	329.6	255.6	74.0	29%
Consolidated	$ 4,832.4	$ 3,845.5	$ 986.9	26%
Gross margin:				
North America	$ 613.7	$ 442.7	$ 171.0	39%
International	94.5	75.4	19.1	25%
Consolidated	$ 708.2	$ 518.1	$ 190.1	37%
Selling, general and administrative expenses:				
North America	$ 429.8	$ 386.7	$ 43.1	11%
International	83.8	65.0	18.8	29%
Consolidated	$ 513.6	$ 451.7	$ 61.9	14%
Operating income (loss):				
North America	$ 183.9	$ 56.0	$ 127.9	228%
International	10.7	10.4	0.3	3%
Consolidated	$ 194.6	$ 66.4	$ 128.2	193%
Interest expense	(136.8)	(139.6)	2.8	2%
Write off of deferred financing fees	(9.5)		(9.5)	N/A
Other, net	7.5	(2.0)	9.5	475%
Income tax benefit (expense)	(26.8)	23.4	(50.2)	(215)%
Net income (loss)	$ 29.0	$ (51.8)	$ 80.8	156%
Adjusted Gross Margin	849.6	663.2	186.4	28%

Adjusted EBITDA	$ 360.5	$ 224.2	$ 136.3	61%

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Sales. Sales include the revenue recognized from the sales of the products we distribute and services to customers and freight billings to customers, less cash discounts taken by customers in return for their early payment of our invoices to them. Our sales were $4,832.4 million for the year ended December 31, 2011 as compared to $3,845.5 million for the year ended December 31, 2010.

North American Segment Our North American sales increased $912.9 million to $4,502.8 million for 2011 from $3,589.9 million for 2010. The 25% increase was due to an increase in volume related to the improved business environment, including, in particular, the upstream and midstream sectors, which have been driven by activity levels in the oil and natural gas shale regions in the U.S. as well as the heavy oil and tar sands regions of Canada.

International Segment Our International sales increased $74.0 million to $329.6 million for 2011 from $255.6 million for 2010. Approximately $56 million of this increase was due to the acquisition of MRC SPF in June 2011, while the remainder of the increase is due to an improvement in volume in the downstream sector in Europe during 2011.

Gross Margin. Our gross margin was $708.2 million (14.7% of sales) for the year ended December 31, 2011 as compared to $518.1 million (13.5% of sales) for the year ended December 31, 2010. The 1.2% improvement in gross margin percentage reflected the growth in sales, relative to certain costs such as depreciation and amortization, amortization of intangibles, and the impact of our LIFO inventory costing methodology, which are not directly related to activity levels and which remained relatively consistent from period to period. Excluding the impact of these items, gross margin percentage improved by 0.4%.

North American Segment Gross margin for our North American segment increased to $613.7 million (13.6% of sales) for 2011 from $442.7 million (12.3% of sales) for 2010. The increase of $171.0 million was due to an increase in the volume of products sold year over year. The rig count increased 21% for that same period.

International Segment Gross margin for our International segment increased to $94.5 million (28.7% of sales) for 2011 from $75.4 million (29.5% of sales) for 2010, an improvement of $19.1 million. The increase in gross margin was largely due to the acquisition of MRC SPF in June 2011, while the remainder of the increase is due to an increase in sales, particularly in Europe. The decrease in the gross margin percentage was due to the mix of products changing as a result of the acquisition of MRC SPF.

Certain purchasing costs and warehousing activities (including receiving, inspection, and stocking costs), as well as general warehousing expenses, are included in selling, general and administrative expenses and not in cost of sales. As such, our gross profit may not be comparable to others who may include these expenses as a component of costs of goods sold. Purchasing and warehousing activities costs approximated $27.3 million and $25.5 million for the years ended December 31, 2011 and 2010.

Adjusted Gross Margin. Adjusted Gross Margin increased to $849.6 million (17.6% of sales) for 2011 from $663.2 million (17.2% of sales) for 2010, an improvement of $186.4 million. We define Adjusted Gross Margin as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Margin because we believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of acquisitions they have been involved in. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize the LIFO method and depending upon which method they may elect. In particular, we believe that Adjusted Gross Margin is a useful indicator of our operating performance because Adjusted Gross Margin measures our Company s operating performance without regard to acquisition transaction-related amortization expenses. We use Adjusted Gross Margin as a key performance indicator in managing our business. We believe that gross margin is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Margin. The following table reconciles Adjusted Gross Margin with our gross margin, as derived from our financial statements (in millions):

	Year Ended December 31,			
	2011	Percentage of Revenue	2010	Percentage of Revenue
Gross margin, as reported	$ 708.2	14.7%	$ 518.1	13.5%
Depreciation and amortization	17.0	0.4%	16.6	0.4%
Amortization of intangibles	50.7	1.0%	53.9	1.4%
Increase in LIFO reserve	73.7	1.5%	74.6	1.9%
Adjusted Gross Margin	$ 849.6	17.6%	$ 663.2	17.2%

***Selling, General and Administrative (SG&A) Expenses**.* Costs such as salaries, wages, employee benefits, rent, utilities, communications, insurance, fuel and taxes (other than state and federal income taxes) that are necessary to operate our branch and corporate operations are included in selling, general and administrative expenses. Also contained in this category are certain items that are nonoperational in nature, including certain costs of acquiring and integrating other businesses. Our selling, general and administrative expenses were $513.6 million (10.6% of sales) for the year ended December 31, 2011 as compared to $451.7 million (11.7% of sales) for the year ended December 31, 2010. The $61.9 million increase was largely due to additional personnel costs such as overtime and incentives directly related to the overall increase in business activity combined with the impact of the acquisition of MRC SPF, which had SG&A expenses of $12.3 million.

***Operating Income**.* *Operating* income was $194.6 million for the year ended December 31, 2011 as compared to operating income of $66.4 million for the year ended December 31, 2010, an improvement of $128.2 million.

North American Segment Operating income for our North American segment increased to $183.9 million for 2011 from $56.0 million for 2010. The improvement of $127.9 million was driven by a $171.0 million increase in gross margin offset by a $43.1 million increase in selling, general and administrative expenses.

International Segment Operating income for our International segment increased to $10.7 million for 2011 from $10.4 million in 2010. The $0.3 million improvement was driven a $19.1 million improvement in gross margin that was largely offset by an $18.8 million increase in selling, general and administrative expenses that was principally the result of our mid-year acquisition of MRC SPF.

***Interest Expense**.* Our interest expense was $136.8 million for the year ended December 31, 2011 as compared to $139.6 million for the year ended December 31, 2010.

***Other Income (Expense)**.* We use derivative instruments to help manage our exposure to interest rate risks and certain foreign currency risks. The change in the fair market value of our derivatives resulted in earnings of $7.0 million and losses of $4.9 million during the year ended December 31, 2011 and December 31, 2010, respectively. In June 2011, we refinanced certain of our credit facilities. As a result of their termination, we wrote off and expensed $9.5 million in deferred financing costs.

Income Tax (Expense) Benefit. Our income tax expense was $26.8 million for the year ended December 31, 2011, as compared to an income tax benefit of $23.4 million for the year ended December 31, 2010. Our effective tax rates were 48.0% and 31.1% for the years ended December 31, 2011 and 2010. These rates generally differ from the federal statutory rate of 35% principally as a result of state income taxes and differing foreign income tax rates. The 2011 effective tax rate of 48.0% includes adjustments made in the fourth quarter of $4.0 million in deferred income tax expense required to recognize a higher rate at which we expect certain deferred taxes in the Netherlands and Canada to be realized, and an additional $3.9 million in current income tax expense related to the taxation of our foreign operations primarily caused by a geographic shift in taxable income in different jurisdictions.

Net Income (Loss). Our net income was $29.0 million for the year ended December 31, 2011 as compared to a $51.8 million net loss for the year ended December 31, 2010, an improvement of $80.8 million.

Adjusted EBITDA. We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and other non-cash charges (such as gains/losses on the early extinguishment of debt, changes in the fair value of derivative instruments and goodwill impairment) and plus or minus the impact of our LIFO inventory costing methodology. Adjusted EBITDA was $360.5 million for the year ended December 31, 2011, as compared to $224.2 million for the year ended December 31, 2010. Our Adjusted EBITDA increased $136.3 million over that period primarily due to the increase in gross margin and other factors noted above.

Adjusted EBITDA is an important measure under our Global ABL Facility. In addition, we believe it provides investors a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We believe that net income (loss) is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA. The following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

The calculation of Adjusted EBITDA is consistent with the computation of Consolidated Cash Flow (as such term is defined in Description of Notes Certain Definitions) except for the change in the LIFO reserve, which would not be an adjustment in determining Consolidated Cash Flow.

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The following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

	Year Ended December 31,	
	2011	2010
Net income (loss)	$ 29.0	$ (51.8)
Income tax (benefit) expense	26.8	(23.4)
Interest expense	136.8	139.6
Write off of debt issuance costs	9.5	
Depreciation and amortization	17.0	16.6
Amortization of intangibles	50.7	53.9
Change in fair value of derivative instruments	(7.0)	4.9
Share based compensation expense	8.4	3.7
Legal and consulting expenses	9.9	4.2
Joint venture termination	1.7	
Other non-cash expenses(1)	4.0	1.9
Increase in LIFO reserve	73.7	74.6
Adjusted EBITDA	$ 360.5	$ 224.2

(1) Other non-cash expenses include transaction-related expenses, pre-acquisition EBITDA of MRC SPF and other items added back to net income pursuant to our then existing ABL Credit Facility.

The following table reconciles Adjusted EBITDA with our net income (loss) in each of the quarters during the years ended December 31, 2011 and 2010 (in millions):

	Three months ended			
	12/31/2011	9/30/2011	6/30/2011	3/31/2011
Net income	$ 3.6	$ 21.9	$ 4.7	$ (1.1)
Income tax (benefit) expense	13.8	11.1	2.5	(0.7)
Interest expense	34.5	34.3	34.5	33.5
Write off of debt issuance costs			9.5	
Depreciation and amortization	4.2	4.7	4.2	4.0
Amortization of intangibles	12.9	12.7	12.7	12.4
Change in fair value of derivative instruments	(1.8)	(1.8)	(1.6)	(1.9)
Share based compensation expense	2.1	3.8	1.0	1.5
Legal and consulting expenses	3.8	1.5	3.4	1.2
Joint venture termination		1.7		
Other non-cash expenses(1)	(0.5)	1.4	2.1	1.0
Increase in LIFO reserve	27.7	18.3	17.6	10.1
Adjusted EBITDA	$ 100.3	$ 109.6	$ 90.6	$ 60.0

	Three months ended			
	12/31/2010	9/30/2010	6/30/2010	3/31/2010
Net income	$ (13.5)	$ (10.5)	$ (15.9)	$ (11.9)
Income tax (benefit) expense	(1.4)	(4.0)	(11.4)	(6.5)
Interest expense	34.9	35.0	34.3	35.3
Write off of debt issuance costs				
Depreciation and amortization	4.4	4.1	4.1	4.0
Amortization of intangibles	12.9	13.6	13.6	13.8
Change in fair value of derivative instruments	(1.7)	1.0	1.6	4.1
Share based compensation expense	1.3	0.2	1.2	1.0
Legal *and* consulting *expenses*	1.5	1.8	0.9	
Joint venture termination				
Other non-cash expenses(1)	0.5	2.9	(2.4)	0.8
Increase in LIFO reserve	17.8	19.8	30.1	6.9
Adjusted EBITDA	$ 56.7	$ 63.9	$ 56.1	$ 47.5

(1) Other non-cash expenses include transaction-related expenses, pre-acquisition EBITDA of MRC SPF and other items added back to net income pursuant to our then existing ABL Credit Facility.

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Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

For the years ended December 31, 2010 and 2009, the following table summarizes our results of operations (in millions):

	Year Ended December 31, 2010	2009	$ Change	% Change
Sales:				
North America	$ 3,589.9	$ 3,610.1	$ (20.2)	<1%
International	255.6	51.8	203.8	393%
Consolidated	$ 3,845.5	$ 3,661.9	$ 183.6	5%
Gross Margin:				
North America	$ 442.7	$ 534.1	$ (91.4)	(17)%
International	75.4	13.9	61.5	442%
Consolidated	$ 518.1	$ 548.0	$ (29.9)	(5)%
Selling, general and administrative expenses:				
North America	$ 386.7	$ 400.9	$ (14.2)	(4)%
International	65.0	10.7	54.3	507%
Consolidated	$ 451.7	$ 411.6	$ 40.1	10%
Goodwill and intangibles impairment charge:				
North America	$	$ 386.1	$ (386.1)	(100)%
International				
Consolidated	$	$ 386.1	$ (386.1)	(100)%
Operating income (loss):				
North America	$ 56.0	$ (253.5)	$ 309.5	122%
International	10.4	3.8	6.6	174%
Consolidated	$ 66.4	(249.7)	$ 316.1	127%
Interest expense	(139.6)	(116.5)	(23.1)	20%
Other, net	(2.0)	11.4	(13.4)	(118)%
Income tax benefit (expense)	23.4	15.0	8.4	56%
Net (loss)	$ (51.8)	$ (339.8)	$ 288.0	85%
Adjusted Gross Margin	$ 663.2	$ 493.5	$ 169.7	34%
Adjusted EBITDA	$ 224.2	$ 218.5	$ 5.7	3%

Sales. Our sales were $3,845.5 million for the year ended December 31, 2010, as compared to $3,661.9 million for the year ended December 31, 2009, an increase of 5%.

North American Segment Although sales were down slightly year-over-year, we started to see signs of an improving economy beginning in the fourth quarter of 2009. The previous year s results included the carryover effect from high average capital and other expenditures during 2008, which was evident in our strong results through the first four months of 2009. As the economic environment in which we operate improved, including the year-over-year growth in rig counts and commodity prices, our sales followed. The fourth quarter of 2010 represented our fifth consecutive quarter of revenue growth. During the year ended December 31, 2010, the U.S. Gross Domestic Product (GDP) expanded by 2.9%, compared with a 2.6% contraction during the year ended December 31, 2009.

International Segment Internationally, the inclusion of a full year s results of MRC Transmark, as compared to only two months in 2009 following its acquisition on October 31, 2009, drove the overall increase we experienced in sales. However, our business environment weakened in 2010 due to reduced capital and other expenditures and project delays by our customers, especially in our downstream sector.

Sales of energy carbon steel tubular products accounted for approximately 38% and 40% of our total sales for the years ended December 31, 2010 and 2009. The change in sales of our energy carbon steel tubular products from 2009 to 2010 can be attributed to an increase in volumes. Substantially all of our energy carbon steel tubular products are sold in North America. Our valves, fittings, flanges and other products are not as susceptible to significant price fluctuations and pricing was largely consistent with 2009 levels.

We operate in many foreign countries and are subject to foreign currency rate fluctuations. Approximately 20% of our 2010 revenues were generated in domiciles outside of the United States, compared to 12% in 2009 (principally as a result of the acquisition of MRC Transmark at the end of October 2009).

Gross Margin. Our North American gross margin decreased to $442.7 million (12.3% of sales) in 2010, from $534.1 million (14.8% of sales) in 2009. During the year ended December 31, 2010, we recognized $74.6 million in increased cost of sales related to our use of the LIFO method of accounting for inventory costs, compared to a $115.6 million decrease in cost of sales for the year ended December 31, 2009. Also, during the year ended December 31, 2009, we recognized a $46.5 million inventory write-down; there was no significant inventory write-down during the year ended December 31, 2010. In addition, during 2011 we continued to liquidate higher cost inventory, from the carryover effect of 2008. These factors resulted in a reduction in our gross margins from 2009 to 2010.

Internationally, our margin remained strong, increasing to 29.5% of sales in 2010 from 26.8% of sales in 2009.

Certain purchasing costs and warehousing activities (including receiving, inspection, and stocking costs), as well as general warehousing expenses, are included in selling, general and administrative expenses and not in cost of sales. As such, our gross profit may not be comparable to others who may include these expenses as a component of costs of goods sold. Purchasing and warehousing activities costs approximated $25.5 million and $24.4 million for the years ended December 31, 2010 and 2009.

Adjusted Gross Margin. Our Adjusted Gross Margin was $663.2 million (or 17.2% of sales) for the year ended December 31, 2010, as compared to $493.5 million (or 13.5% of sales) for the year ended December 31, 2009.

The following table reconciles Adjusted Gross Margin to gross margin (in millions):

	Year Ended December 31,			
	2010	Percentage of Revenue	2009	Percentage of Revenue
Gross margin, as reported	$ 518.1	13.5%	$ 548.0	15.0%
Depreciation and amortization	16.6	0.4%	14.5	0.4%
Amortization of intangibles	53.9	1.4%	46.6	1.3%
Increase in LIFO reserve	74.6	1.9%	(115.6)	(3.2)%
Adjusted Gross Margin	$ 663.2	17.2%	$ 493.5	13.5%

Selling, General and Administrative Expenses. Our selling, general and administrative expenses were $451.7 million (or 11.7% of sales) for the year ended December 31, 2010, as compared to $411.6 million (or 11.2% of sales) for the year ended December 31, 2009. This increase

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is attributable to our International operations where SG&A expenses increased $54.3 million as the result of the inclusion of a full year of expenses of MRC Transmark as compared to only two months of activity in 2009 following its October 31, 2009 acquisition. Our North American SG&A expenses as a percentage of sales decreased to 10.8% from 11.1%, as we implemented various cost savings initiatives, including reducing employee headcount by 2%, to right size our operations in light of the economic environment we faced.

Goodwill and Intangibles Impairment Charge. During 2009, our earnings progressively decreased due to the reductions in our customers expenditure programs caused by the global economic recession, reductions in oil and natural gas commodity prices and other factors. These reductions resulted in reduced demand for our products and lower sales prices and margins, which altered our view of our marketplace. Consequently, we revised certain long-term projections for our business, which, in turn, impacted its estimated fair value. We concluded that the carrying value of our North American goodwill and our indefinite lived trade names exceeded their fair value resulting in a non-cash goodwill and intangibles impairment charge in the amount of $386.1 million during the year ended December 31, 2009. There was no such goodwill and intangibles impairment charge recorded during the year ended December 31, 2010.

Operating Income (Loss). Operating income was $66.4 million for the year ended December 31, 2010, as compared to an operating loss of $249.7 million for the year ended December 31, 2009.

North American Segment Operating income for our North American segment increased to $56.0 million in 2010 from a loss of $253.5 million in 2009 an improvement of $309.5 million. Results in 2009 were negatively impacted by the $386.1 million non-cash goodwill and intangibles impairment charge, as well as the $46.5 million non-cash inventory write down. Excluding these non-cash items, operating income declined by $116.5 million principally as a result of reduced gross margins.

International Segment Operating income for our International segment increased to $10.4 million in 2010 from $3.8 million in 2009. We acquired our international operations in October 2009, therefore, only two months of operating income are included in 2009.

Interest Expense. Our interest expense was $139.6 million for the year ended December 31, 2010, as compared to $116.5 million for the year ended December 31, 2009. The increase was due to a higher weighted-average interest rate, including the impact of our interest rate swap agreements and various commitment fees, which increased to 8.5% during 2010 from 6.6% in 2009. The issuance of the notes in December 2009 and February 2010 had the impact of increasing the interest rate that we pay on $1.05 billion of debt by approximately 250 basis points. Also, in connection with the amendment to our then-existing principal revolving credit facility, the interest rate and commitment fees on such facility increased by approximately 200 basis points and 12.5 basis points, respectively.

Other Income (Expense). We use derivative instruments to help manage our exposure to interest rate risks and certain foreign currency risks. The change in the fair market value of our derivatives reduced earnings by $4.9 million for the year ended December 31, 2010 and increased earnings by $8.9 million for the year ended December 31, 2009.

Income Tax Benefit (Expense). Our income tax benefit was $23.4 million for the year ended December 31, 2010, as compared to income tax benefit of $15.0 million for the year ended December 31, 2009. Our effective tax rates were 31.1% for the year ended December 31, 2010 and 4.2% for the year ended December 31, 2009. The 2010 rate differs from the federal statutory rate of 35% principally as a result of the impact of differing foreign income tax rates, which included the establishment of a valuation allowance related to certain foreign net operating loss carryforwards. The 2009 rate differs from the federal statutory rate primarily as a result of our nondeductible goodwill impairment charge.

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Net (Loss). Our net loss was $51.8 million for the year ended December 31, 2010 as compared to $339.8 million for the year ended December 31, 2009, an improvement of $288.0 million, primarily as a result of the non-cash $386.1 million goodwill and intangibles impairment charge and $46.5 million non-cash inventory write down. Excluding these non-cash items and their related income tax effects, net loss was lower by $98.9 million principally as a result of reduced gross margins from North American operations recorded in 2009.

Adjusted EBITDA. Adjusted EBITDA was $224.2 million for the year ended December 31, 2010, as compared to $218.5 million for the year ended December 31, 2009.

The following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

	Year Ended December 31,	
	2010	**2009**
Net income (loss)	$ (51.8)	$ (339.8)
Income tax (benefit) expense	(23.4)	(15.0)
Interest expense	139.6	116.5
Depreciation and amortization	16.6	14.5
Amortization of intangibles	53.9	46.6
Inventory write-down	0.4	46.5
Change in fair value of derivative instruments	4.9	(8.9)
Goodwill impairment charge		386.1
MRC Transmark pre-acquisition contribution		38.5
Gain on early extinguishment of debt		(1.3)
Amortization of Purchase Price Accounting		15.7
Share based compensation expense	3.7	7.8
M&A transaction & integration expenses	1.4	17.5
Legal and consulting expenses	4.2	1.9
Other non-cash expenses(1)	0.1	7.5
LIFO	74.6	(115.6)
Adjusted EBITDA	$ 224.2	$ 218.5

(1) Other non-cash expenses include transaction-related expenses, pre-acquisition EBITDA of MRC SPF, and other items added back to net income pursuant to our then existing ABL Credit Facility.

Financial Condition and Cash Flows

Financial Condition

The following table sets forth selected balance sheet data for the periods indicated below (in millions):

	December 31, 2011	December 31, 2010	December 31, 2009
Inventory	$ 899.1	$ 765.4	$ 871.7
Working capital	1,074.7	842.6	930.2
Long-term debt, including current portion	1,526.7	1,360.2	1,452.6
Days sales outstanding (quarterly)	55.1	52.4	55.5
Annual inventory turns	5.0x	4.1x	2.9x

Starting in 2010, we have been emphasizing a shift in our sales to higher gross margin products. Typically, OCTG (within our energy carbon steel tubular product portfolio) has generated the lowest

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gross margin. In alignment with this shift in emphasis, we have been re-balancing our inventories. At December 31, 2011, our energy carbon steel tubular products constituted approximately 45% of our inventory balance, down from 56% at the end of 2009. Conversely, our oilfield and natural gas distribution products, which typically generate a higher gross margin, comprised 55% of our inventory at December 31, 2011, up from 44% at the end of 2009.

Our working capital increased 28% from 2010 to 2011, as higher business activity levels drove volume related growth in inventories, accounts receivable and accounts payable, resulting in a $166.5 million increase in long-term borrowings from 2010 to 2011. We closely monitor our working capital position to ensure that we have the appropriate flexibility for our operations.

Cash Flows

The following table sets forth our cash flows for the periods indicated below (in millions):

	Year Ended December 31,		
	2011	**2010**	**2009**
Net cash provided by (used in):			
Operating activities	$ (102.9)	$ 112.7	$ 505.5
Investing activities	(48.0)	(16.2)	(66.9)
Financing activities	140.6	(98.2)	(393.9)
Net (decrease) increase in cash and cash equivalents	$ (10.3)	$ (1.7)	$ 44.7
Effect of foreign exchange rate on cash	$ 0.3	$ 1.7	$ (0.6)

Operating Activities

Net cash used in operating activities was $102.9 million in 2011, compared to net cash provided by operating activities of $112.7 million in 2010. The decrease in net cash used in operations was primarily the result of an increase in working capital required to meet the demands of increased business activity levels. Increased investment in working capital is typical in our business during periods of growth.

Net cash provided by operating activities decreased by $392.8 million to $112.7 million for the year ended December 31, 2010. In 2009, we implemented our inventory reduction plan in response to changing market conditions which contributed to the $505.5 million of cash provided by operations.

During 2008, cash used in operations was $137.4 million, which included an increase in operating assets and liabilities of $585.4 million.

Investing Activities

Net cash used in investing activities was $48.0 million in 2011, compared to $16.2 million in 2010. The $31.8 million increase in cash used in investing activities is primarily due to the acquisitions of MRC SPF and the Valve Systems and Controls business unit of VSC. Our capital expenditures as a percentage of sales was 0.4% in both 2011 and 2010. We believe that this level of capital expenditures is typical for our business.

Net cash used in investing activities decreased by $50.7 million to $16.2 million for the year ended December 31, 2010. In each year, our net cash used primarily related to our acquisition activity. In 2010, $12.4 million was used to acquire South Texas Supply and Dresser Oil Tools & Supply. In 2009, $55.5 million was used to acquire MRC Transmark.

Net cash used in investing activities in 2008 was $314.2 million, which included $298.7 million for acquisitions and $18.4 million for capital expenditures, net of disposals.

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Financing Activities

Net cash provided by financing activities was $140.6 million in 2011, compared to net cash used in financing activities of $98.2 million used in 2010. These activities generally reflect advances and payments on our revolving credit facilities. In 2011, we advanced $150.4 million under such facilities in order to fund growth in working capital in addition to the acquisitions of MRC SPF and VSC. By contrast, in 2010 we repaid $141.9 million under these facilities reflecting our efforts to reduce working capital, particularly inventory, in a weaker business environment.

Net cash used in financing activities decreased by $295.7 million to $98.2 million for the year ended December 31, 2010. The decrease reflected our discipline in managing our working capital and paying down our indebtedness in a difficult business environment.

Liquidity and Capital Resources

Our primary sources of liquidity consist of cash generated from our operating activities, existing cash balances and borrowings under our existing revolving credit facilities. Our ability to generate sufficient cash flows from our operating activities will continue to be primarily dependent on our sales of products to our customers at margins sufficient to cover our fixed and variable expenses. As of December 31, 2011 and 2010, we had cash and cash equivalents of $46.1 million and $56.2 million, respectively. As of December 31, 2011 and 2010, $41.0 million and $50.7 million of our cash and cash equivalents was maintained in the accounts of our various foreign subsidiaries and, if such amounts were transferred among countries or repatriated to the U.S., such amounts may be subject to additional tax liabilities, which would be recognized in our financial statements in the period during which such decision was made. We have the intent and ability to permanently reinvest the cash held by our foreign subsidiaries and there are currently no plans that require the repatriation of such amounts.

As of December 31, 2011, our credit facilities consisted of a $1.05 billion North American asset-based revolving credit facility that provided for borrowings of up to $900 million under a U.S. tranche and CAD$150 million under a Canadian tranche, a 10 million multi-currency overdraft facility, and a 60 million credit facility at our principal international subsidiary, which consisted of a AUD$30.3 million term loan facility and a 34.5 million revolving credit facility, with a 20 million sublimit on letters of credit. We maintained these facilities primarily to finance our working capital and operations, as well as pursue certain mergers and acquisitions. As of December 31, 2011, we had $583.7 million available under these credit facilities, which represented approximately a $109.0 million increase in availability under similar facilities at December 31, 2010. As noted above, our ability to transfer funds among countries could be hampered by additional tax liabilities imposed as a result of these transfers.

On March 27, 2012, we entered into a new $1.25 billion multi-currency Global ABL Facility, which replaced our existing $1.05 billion North American asset-based revolving credit facility, the 10 million multi-currency overdraft facility, and the 60 million credit facility at our principal internal subsidiary. For additional information about the Global ABL Facility, see Management s Discussion and Analysis of Financial Condition and Results of Operations Description of Our Indebtedness Global ABL Facility.

We also have $1.05 billion of the notes outstanding. In December 2009, we issued $1.0 billion of notes and applied the net proceeds to pay substantially all the outstanding borrowings under our then existing term loan and our junior term loan facilities. In February 2010, we issued an additional $50 million of notes and applied the net proceeds to repay amounts outstanding under our U.S. revolving credit facility. See Corporate Structure for an explanation of our debt in our capital structure.

On April 17, 2012, MRC Global Inc. closed its initial public offering of 22,727,273 shares of its common stock. MRC Global Inc. sold 17,045,455 shares and PVF Holdings, a selling stockholder and an affiliate of Goldman, Sachs & Co., sold 5,681,818 shares. The initial public offering price of the common stock was $21.00 per share. The Company used the proceeds of the offering to repay indebtedness under the Global ABL Facility. The Company will not receive any proceeds from the sale of stock by the selling stockholder in the offering.

Our credit ratings are below investment grade and as such could impact both our ability to raise new funds as well as the interest rates on our future borrowings. Our ability to incur additional debt is restricted by our existing obligations. We were in compliance with the covenants contained in the Indenture and various credit facilities as of and during the year ended December 31, 2011.

We believe our sources of liquidity will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next twelve months. However, our future cash requirements could be higher than we currently expect as a result of various factors. Additionally, our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. We may from time to time seek to raise additional debt or equity financing in the public or private markets, based on market conditions. There can be no assurance that we will be able to raise any such financing on terms acceptable to us or at all. We may also seek, from time to time, depending on market conditions, to refinance certain categories of our debt, including the notes and our debt agreements. We may also, from time to time, seek to repurchase the notes in the open market or otherwise. Any such transaction would be subject to market conditions, compliance with all of our debt agreements, and various other factors.

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

The following table summarizes our minimum payment obligations as of December 31, 2011 relating to long-term debt, interest payments, capital leases, operating leases, purchase obligations and other long-term liabilities for the periods indicated (in millions):

	Total	2012	2013-2014	2015-2016	More Than 5 Years
Long-term debt(1)	$ 1,526.7	$	$ 38.6	$ 1,488.1	$
Interest payments(2)	552.6	114.2	225.3	213.1	
Interest rate swap	2.2	2.2			
Capital leases	3.3	0.5	1.0	0.6	1.2
Operating leases	114.6	31.3	44.8	21.7	16.8
Purchase obligations(3)	617.7	617.7			
Other long-term liabilities	14.6				14.6
Total	$ 2,831.7	$ 765.9	$ 309.7	$ 1,723.5	$ 32.6

(1) Long-term debt is based on debt outstanding on December 31, 2011.

(2) Interest payments are based on interest rates in effect at December 31, 2011 and assume contractual amortization payments.

(3) Purchase obligations reflect our commitments to purchase PVF products in the ordinary course of business. While our vendors often allow us to cancel these purchase orders without penalty, in certain cases cancellations may subject to cancellation fees or penalties, depending on the terms of the contract.

We historically have been an acquisitive company. We expect to fund future acquisitions primarily with cash flows from (i) borrowings, either the unused portion of our facilities or new debt issuances, (ii) cash provided by operations, or (iii) the issuance of additional equity in connection with such acquisitions.

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Description of Our Indebtedness

ABL Credit Facility

In June 2011, McJunkin Red Man Corporation and certain of its subsidiaries entered into an asset-based revolving credit facility with Bank of America, N.A., as agent and a lender (the Agent) and other lenders from time to time parties to the facility. McJunkin Red Man Corporation is a wholly owned, direct subsidiary of MRC Global Inc. (formerly known as McJunkin Red Man Holding Corporation). See Corporate Structure . On March 27, 2012, we refinanced all indebtedness outstanding under the ABL Credit Facility and replaced it with the Global ABL Facility. The ABL Credit Facility consisted of:

- a U.S. tranche, under which McJunkin Red Man Corporation and certain of its U.S. subsidiaries (the U.S. Borrowers) could borrow in U.S. Dollars up to a maximum amount of the lesser of the U.S. Borrowing Base (as defined below) and $900 million (the Total U.S. Commitment), and

- a Canadian tranche, under which Midfield Supply LLC, a wholly owned Canadian subsidiary of McJunkin Red Man Corporation, could borrow in Canadian Dollars up to a maximum amount of the lesser of its Canadian Borrowing Base (as defined below) and CAD$150 million (the Total Canadian Commitment).

The U.S. Borrowers could use up to $80 million of the U.S. tranche for letters of credit and up to $75 million for swingline loans. Subject to certain conditions, McJunkin Red Man Corporation had the power to designate other Canadian subsidiaries as borrowers under the ABL Credit Facility (together with Midfield Supply LLC, the Canadian Borrowers). The Canadian Borrowers could use up to CAD$20 million of the Canadian tranche for letters of credit and up to CAD$25 million for swingline loans. We refer to the Canadian Borrowers and the U.S. Borrowers collectively as the Borrowers in this ABL Credit Facility description.

Each Canadian Borrower was permitted to make borrowings under the Canadian tranche in Canadian Dollars of up to the maximum amount of the lesser of its Canadian Borrowing Base (calculated separately from the Canadian Borrowing Bases of the other Canadian Borrowers) and the Total Canadian Commitment (less the borrowings of any other Canadian Borrowers). Subject to certain conditions, the Total U.S. Commitment and the Total Canadian Commitment could increase from time to time up to an amount which, in the aggregate for all such increases, did not exceed $250 million.

Borrowing Bases. The U.S. Borrowing Base was equal to the sum of:

- the book value of eligible accounts receivable of the U.S. Borrowers; plus

- the lesser of:

  - 70% of the net book value of eligible inventory (adding back the LIFO reserve calculated in accordance with GAAP) of the U.S. Borrowers and

  - the net orderly liquidation value of eligible inventory (net of current monthly shrinkage reserve calculated in accordance with GAAP and valued at cost) of the U.S. Borrowers multiplied by the advance rate of 85%;

- minus certain reserves.

Each Canadian Borrowing Base was equal to the sum of:

the book value of eligible accounts receivable of the applicable Canadian Borrower; plus

the lesser of:

70% of the net book value of eligible inventory (adding back the LIFO reserve calculated in accordance with GAAP) of the applicable Canadian Borrower and

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- the net orderly liquidation value of eligible inventory (net of current monthly shrinkage reserve calculated in accordance with GAAP and valued at cost) of the applicable Canadian Borrower multiplied by the advance rate of 85%;

minus certain reserves.

Guarantees and Security. The U.S. Borrowers guaranteed the obligations under the U.S. tranche. The U.S. Borrowers and the Canadian Borrowers guaranteed the obligations under the Canadian tranche.

Obligations under the U.S. tranche were secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable and inventory of the U.S. Borrowers. Obligations under the Canadian tranche were secured, subject to certain exceptions, by:

- a first-priority security interest in the accounts receivable and inventory of the U.S. Borrowers and the Canadian Borrowers and
- a pledge of indebtedness owing to the Canadian Borrowers and capital stock of their wholly owned subsidiaries.

The security interest in accounts receivable and inventory of the U.S. Borrowers ranked prior to the security interest in this collateral, which secured the notes (as defined below).

Interest Rate and Fees. Borrowings under the U.S. tranche bore interest at a rate per annum equal to, at the U.S. Borrower s option, either:

- the adjusted LIBOR rate plus an applicable margin or
- a U.S. base rate plus an applicable margin.

Borrowings under the Canadian Tranche bore interest at a rate per annum equal to, at the Canadian Borrower s option, either:

- the adjusted Canadian BA Rate (as defined) plus an applicable margin,
- a Canadian base rate plus an applicable margin or
- a Canadian prime rate plus an applicable margin.

The applicable margin was initially 2.00% for LIBOR and Canadian BA Rate borrowings and 1.00% for the U.S. base rate, Canadian base rate and Canadian prime rate borrowings, in each case subject to a 0.25% step-up or step-down based on a consolidated fixed charge coverage ratio as of the end of the most recent fiscal quarter. The applicable margin for the U.S. base rate, Canadian base rate and Canadian prime rate borrowings was 100 basis points lower than the applicable margin for LIBOR and Canadian BA Rate borrowings.

In addition to paying interest on outstanding principal under the ABL Credit Facility, the Borrowers were required to pay a commitment fee in respect of unutilized commitments under the ABL Credit Facility, which was equal to 0.375% per annum.

Voluntary Prepayments. The Borrowers could voluntarily prepay the principal of any advance, without penalty or premium, at any time in whole or in part, subject to the payment of certain costs in the case of LIBOR and Canadian BA Rate borrowings.

Restrictive Covenants and Other Matters. The ABL Credit Facility required the Company and its restricted subsidiaries, on a consolidated basis, to maintain a fixed charge coverage ratio (defined as

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the ratio of EBITDA to the sum of cash interest, principal payments on indebtedness, unfinanced capital expenditures and accrued income taxes) of at least 1.0 to 1.0 when excess availability was less than or equal to the greater of:

- 10% of the total commitments under the ABL Credit Facility; and
- $75 million.

The ABL Credit Facility also contained restrictive covenants (in each case, subject to exclusions) that limited, among other things, the ability of the Borrowers and their restricted subsidiaries to:

- create, incur, assume, or suffer to exist, any liens;
- create, incur, assume or permit to exist, directly or indirectly, any additional indebtedness;
- consolidate, merge, amalgamate, liquidate, wind up, or dissolve themselves;
- convey, sell, lease, license, assign, transfer or otherwise dispose of the Borrowers or their restricted subsidiaries assets;
- make certain restricted payments;
- make certain investments;
- amend or otherwise alter the terms of documents related to certain subordinated indebtedness;
- enter into transactions with affiliates; and
- prepay certain subordinated indebtedness.

The ABL Credit Facility also contained other customary restrictive covenants. The covenants were subject to various baskets and materiality thresholds, with many restrictions on the repayment of subordinated indebtedness, restricted payments and investments not being applicable when the Borrowers excess availability exceeded a certain threshold. The restriction on incurring unsecured indebtedness was not applicable when the Borrowers and their restricted subsidiaries total debt to EBITDA ratio was less than or equal to 5.5:1.0, and the restriction on incurring secured indebtedness was not applicable when, among other things, the Borrowers and their restricted subsidiaries secured debt to EBITDA ratio was less than or equal to 5.0:1.0.

The ABL Credit Facility contained certain customary representations and warranties, affirmative covenants and events of default, including, among other things, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, judgment defaults, actual or asserted failure of any material guaranty or security document supporting the ABL Credit Facility to be in force and effect and change of control. If such an event of default occurred, the Agent under the ABL Credit Facility was entitled to take various actions, including the acceleration of amounts due under the ABL Credit Facility, the termination of all revolver commitments and all other actions that a secured creditor is permitted to take.

Senior Secured Notes

In December 2009, McJunkin Red Man Corporation issued $1.0 billion of the notes. We used the proceeds of the offering of the notes to pay all the outstanding borrowings under our then-existing term loan facility and junior term loan facility. McJunkin Red Man Corporation issued an additional $50 million of notes in February 2010. See Corporate Structure .

The notes mature on December 15, 2016. Interest accrues at 9.50% per annum and is payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2010. The notes are

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guaranteed on a senior secured basis by MRC Global Inc. and all of the current and future wholly owned domestic subsidiaries of McJunkin Red Man Corporation (other than certain excluded subsidiaries) and any of McJunkin Red Man Corporation s future restricted subsidiaries that guarantee any indebtedness of McJunkin Red Man Corporation or any subsidiary guarantor, including the ABL Credit Facility (the Subsidiary Guarantors).

Redemption and Repurchase. At any time prior to December 15, 2012 and subject to certain conditions, McJunkin Red Man Corporation may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of notes issued under the Indenture at a redemption price of 109.50%, plus accrued and unpaid interest, with the cash proceeds of certain qualifying equity offerings. Additionally, at any time prior to December 15, 2012, McJunkin Red Man Corporation may, on any one or more occasions, redeem all or a part of the notes at a redemption price equal to 100%, plus any accrued and unpaid interest, and plus a make-whole premium. On or after December 15, 2012, McJunkin Red Man Corporation may redeem all or a part of the notes upon not less than 15 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest:

Year	Percentage
On or after December 15, 2012, but before December 15, 2013	107.125%
On or after December 15, 2013 but before December 15, 2014	104.750%
On or after December 15, 2014 but before December 15, 2015	102.375%
On or after December 15, 2015 and thereafter	100.000%

Upon the occurrence of a change of control as defined under the Indenture, McJunkin Red Man Corporation will be required to make an offer to repurchase each holder s notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase.

Covenants. The Indenture contains covenants that limit the ability of McJunkin Red Man Corporation and its restricted subsidiaries to, among other things, incur additional indebtedness, issue certain preferred stock or disqualified capital stock, create liens, pay dividends or make other restricted payments, make certain payments on debt that is subordinated or secured on a basis junior to the notes, make investments, sell assets, create restrictions on the payment of dividends or other amounts to McJunkin Red Man Corporation from restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of McJunkin Red Man Corporation s assets, enter into transactions with affiliates, and designate subsidiaries as unrestricted subsidiaries.

Collateral. The notes and the Subsidiary Guarantor guarantees are secured on a senior basis (subject to permitted prior liens), together with any other notes issued under the Indenture or other debt that is secured equally and ratably with the notes, subject to certain conditions (Priority Lien Obligations), equally and ratably by security interests granted to the collateral trustee in all Notes Priority Collateral (as such term is defined in the Indenture) from time to time owned by McJunkin Red Man Corporation or the Subsidiary Guarantors. The guarantee of MRC Global Inc. of the notes is not secured. The Notes Priority Collateral generally comprises substantially all of McJunkin Red Man Corporation s and the Subsidiary Guarantors tangible and intangible assets, other than specified excluded assets.

The notes and the guarantees by the Subsidiary Guarantors are also secured on a junior basis (subject to the lien to secure the ABL Credit Facility and other permitted prior liens) by security interests granted to the collateral trustee in all ABL Priority Collateral (as such term is defined in the Indenture) that McJunkin Red Man Corporation or the Subsidiary Guarantors owns from time to time. Subject to certain exceptions, the ABL Priority Collateral generally comprises substantially all of McJunkin Red Man Corporation s and the Subsidiary Guarantors accounts receivable, inventory,

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general intangibles and other assets relating to the foregoing, deposit and securities accounts, and proceeds and products of the foregoing, other than specified excluded assets. Assets owned by McJunkin Red Man Corporation s non-guarantor subsidiaries and by MRC Global Inc. are not part of the collateral securing the notes.

MRC Transmark Facility

MRC Transmark and its material subsidiaries (the MRC Transmark Group) were parties to a 60 million credit facility with HSBC Bank PLC, dated September 17, 2010 (as amended, restated and supplemented from time to time, the MRC Transmark Facility) which consisted of a AUD$30.3 million (USD$31 million) term loan facility and a 34.5 million (USD$45 million) revolving credit facility, with a 20 million (USD $26 million) sublimit on letters of credit. MRC Transmark Holdings UK Limited was also party to a 10 million (USD$13 million) multi-currency overdraft facility, which was entered into on June 30, 2011. At December 31, 2011, AUD$30.3 million (USD$31 million) was outstanding under the MRC Transmark Facility, USD$45.0 million was available under the MRC Transmark Facility, and the weighted average interest rate on borrowings was 7.17%. At December 31, 2011, 0.2 million (USD$0.3 million) was outstanding under the multi-currency overdraft facility. On March 27, 2012, each of the above facilities was repaid in full and terminated.

The MRC Transmark Facility reduced by 10 million (USD$13 million) over its three year term (subject to foreign exchange calculations given its dual currency nature). The multi-currency overdraft facility had a term of one year.

The MRC Transmark Facility bore interest at LIBOR or, in relation to any loan in Euros, EURIBOR, plus an applicable margin. The margin was calculated according to the following table:

Leverage Ratio	Margin
Less than or equal to 0.75:1	1.50%
Greater than 0.75:1, but less than or equal to 1.00:1	1.75%
Greater than 1.00:1, but less than or equal to 1.50:1	2.00%
Greater than 1.50:1, but less than or equal to 2.00:1	2.25%
Greater than 2.00:1	2.50%

MRC Transmark and its material subsidiaries guaranteed the MRC Transmark Facility. Substantially all of the assets of the MRC Transmark Group secured the MRC Transmark Facility.

The MRC Transmark Facility also required MRC Transmark to ensure (in respect of the MRC Transmark Group):

- an interest coverage ratio not less than 3.50:1, and
- a leverage ratio not to exceed 2.50:1.

We were in compliance with these covenants as of and for the year ended December 31, 2011.

Global ABL Facility

On March 27, 2012, McJunkin Red Man Corporation and certain of its subsidiaries entered into a new multi-currency Global ABL Facility (the Global ABL Facility) which replaced our then existing ABL Credit Facility, the MRC Transmark Facility and our UK overdraft facility. The administrative agent and collateral agent for the facility is Bank of America, N.A. and the co-syndication agents of the facility are Barclays Bank PLC and Wells Fargo Capital Finance LLC. The following description contains a summary of the material terms of the Global ABL Facility.

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The Global ABL Facility consists of up to US$1.25 billion of the following revolving credit facilities:

- a US$1.025 billion U.S. tranche, with McJunkin Red Man Corporation and certain of its U.S. subsidiaries as borrowers (the U.S. Borrowers), available in U.S. dollars;
- a US$145 million Canadian tranche, with Midfield Supply ULC, a wholly owned Canadian subsidiary of McJunkin Red Man Corporation as borrower, available in Canadian dollars and U.S. dollars;
- a US$12 million UK tranche, with certain indirect wholly owned UK subsidiaries of McJunkin Red Man Corporation organized under the laws of England and Wales as borrowers, available in British pounds sterling, U.S. dollars and euros and up to $5 million of which is available in other currencies subject to administrative agent approval;
- a US$52 million Australian tranche, with certain indirect wholly owned subsidiaries of McJunkin Red Man Corporation organized under the laws of Australia as borrowers, available in Australian dollars, British pounds sterling, U.S. dollars and euros;
- a US$9 million Dutch tranche, with certain indirect wholly owned subsidiaries of McJunkin Red Man Corporation organized under the laws of the Netherlands as borrowers, available in U.S. dollars and euros; and
- a US$7 million Belgian tranche, with MRC Transmark NV, an indirect, wholly owned subsidiary of McJunkin Red Man Corporation organized under the laws of Belgium as borrower, available in U.S. dollars and euros.

Each of the facilities includes sublimits for letters of credit and swingline loans. All of the borrowers under the facilities described above are referred to herein as the Borrowers, and all of the Borrowers, other than the U.S. Borrowers, are referred to herein as the Foreign Borrowers. The U.S. tranche is referred to as the U.S. Facility, the Belgian tranche is referred to as the Belgian Facility, all of the foreign facilities described above are referred to as the Foreign Facilities, and the U.S. Facility and the Foreign Facilities are referred to collectively as the Facilities. The Global ABL Facility allows the addition of other borrowers in the above jurisdictions and also allows for potential future borrowers organized in New Zealand and Singapore.

Accordion. Subject to certain conditions, the principal amount of the Global ABL Facility may be increased from time to time up to an amount which, in the aggregate for all such increases, does not exceed US$300 million.

Maturity. The Global ABL Facility matures in March 2017. However, the facility also has a springing maturity date on the date that is 90 days prior to the current maturity date of the notes if the maturity date for the notes is not extended to June 30, 2017 or later.

Borrowing Base. With respect to each Facility, advances are limited to (a) the aggregate commitments under such Facility and (b) the sum of the following for the U.S. Borrowers or the applicable Foreign Borrower:

- 85% of the book value of eligible accounts receivable; plus
- for all Facilities other than the Belgian Facility, the lesser of:
  - 70% of the net book value of eligible inventory (adding back the LIFO reserve with respect to the U.S. and Canadian Facilities) and

85% of the appraised net orderly liquidation value of eligible inventory (net of current monthly shrinkage reserve calculated in accordance with GAAP and valued at cost);

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for the Belgian Facility only:

for Belgian inventory subject to a business pledge under Belgian law, 50% multiplied by the lesser of 70% of the net book value of eligible inventory and 85% of the appraised net orderly liquidation value of eligible inventory; plus

for Belgian inventory subject to a possessory pledge under Belgian law, 100% multiplied by the lesser of 70% of the net book value of eligible inventory and 85% of the appraised net orderly liquidation value of eligible inventory;

minus certain reserves.

Each Foreign Borrower has a separate stand alone Borrowing Base that limits the Foreign Borrower s ability to borrow under its respective Facility, *provided* that the Foreign Borrowers may utilize excess availability under the U.S. Facility to borrow amounts in excess of their respective borrowing bases (but not to exceed the applicable commitment amount for such Foreign Borrower s jurisdiction), which utilization will reduce availability under the U.S. Facility dollar for dollar.

Guarantees. Obligations of the U.S. Borrowers are guaranteed by each of the wholly owned material U.S. subsidiaries of the U.S. Borrowers (the U.S. Guarantors). The obligations of the Foreign Borrowers are guaranteed by the U.S. Borrowers and the U.S. Guarantors (collectively, the Guarantors).

Security. Obligations under the U.S. Facility are primarily secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable, inventory and related assets of the U.S. Borrowers and U.S. Guarantors. The obligations of any Foreign Borrower are primarily secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable, inventory and related assets of such Foreign Borrower and the Guarantors and a first-priority pledge by such Foreign Borrower of the equity interests of its direct wholly owned restricted subsidiaries incorporated in the relevant borrower jurisdictions and intercompany debt instruments held by such Foreign Borrower. No property of a Foreign Borrower or its subsidiaries secures the U.S. Facility. The security interest in accounts receivable, inventory and related assets of the U.S. Borrowers ranks prior to the security interest in this collateral which secures the notes.

Interest Rates and Fees. Prior to September 1, 2012, borrowings bear interest at a rate equal to:

in the case of U.S. dollar and euro advances,

LIBOR plus 1.75%,

for base rate advances in the U.S. or Canada, the U.S. Base Rate (or Canadian Base Rate if in Canada) plus 0.75%, or

for base rate advances outside the U.S. and Canada, an applicable Base Rate plus 1.75%,

in the case of Canadian dollar advances, the BA Equivalent Rate plus 1.75% or the Canadian Prime Rate plus 0.75%,

in the case of British pound sterling advances, LIBOR plus 1.75% or the UK Base Rate plus 1.75%, or

in the case of Australian dollar advances, the Australian Bank Bill Rate plus 1.75% or the Australian Base Rate plus 1.75%.

On and after September 1, 2012, the applicable margins will be subject to a 0.25% step-up or step-down based on a consolidated fixed charge coverage ratio as of the end of the fiscal quarter that most recently ended.

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In addition to paying interest on outstanding principal under the Global ABL Facility, the Borrowers are required to pay a commitment fee in respect of unutilized commitments, which is equal to 0.375% per annum for each Facility (0.25% per annum if utilization of a Facility exceeds 50% of the aggregate commitments under such Facility).

Voluntary Prepayment. The Borrowers will be able to voluntarily prepay the principal of any advance, without penalty or premium, at any time in whole or in part, subject to certain breakage costs.

Restrictive Covenants and Other Matters. The Global ABL Facility requires the Company and its restricted subsidiaries, on a consolidated basis, to maintain a minimum fixed charge coverage ratio of at least 1.0 to 1.0 when an event of default has occurred or when excess availability is less than the greater of:

- 10% of the total commitments under the Global ABL Facility; and
- $95 million.

The Global ABL Facility also contains restrictive covenants (in each case, subject to exclusions) that limit, among other things, the ability of the Borrowers and their restricted subsidiaries to:

- create, incur, assume or suffer to exist, any liens,
- create, incur, assume or permit to exist, directly or indirectly, and additional indebtedness,
- consolidate, merge, amalgamate, liquidate, wind up or dissolve themselves,
- convey, sell, lease, license, assign, transfer or otherwise dispose of their assets,
- make certain restricted payments,
- make certain investments,
- amend or otherwise alter the terms of documents related to certain subordinated indebtedness,
- enter into transactions with affiliates, and
- prepay certain subordinated indebtedness.

The Global ABL Facility also contains other customary restrictive covenants. The covenants are subject to various baskets and materiality thresholds, with many restrictions on the repayment of subordinated indebtedness, restricted payments and investments not being applicable when the Borrowers excess availability exceeds a certain threshold. The restriction on incurring unsecured indebtedness is not applicable when the Borrowers and their restricted subsidiaries total debt to EBITDA ratio is less than or equal to 5.5:1.0, and the restriction on incurring secured indebtedness is not applicable when, among other things, the Borrowers and their restricted subsidiaries secured debt to EBITDA ratio is less than or equal to 5.0:1.0.

The facility contains no dollar limit on permitted acquisitions, and an unlimited basket for investments, so long as after giving pro forma effect to the acquisition or investment either (1) both (A) excess availability is greater than the higher of 10% of the aggregate commitments and $95 million and (B) the fixed charge coverage ratio is greater than 1.0 to 1.0, or (2) excess availability is greater than the higher of 15% of the aggregate commitments and $150 million.

In addition, the facility contains no dollar limit on certain dividends and restricted payments so long as after giving pro forma effect to the dividend or restricted payment either (1) both excess availability is greater than the higher of 15% of the aggregate commitments and $150 million and the fixed charge coverage ratio is greater than 1.0 to 1.0 or (2) excess availability is greater than the higher of 20% of the aggregate commitments and $210 million.

In determining compliance with the tests described above, at least 50% of the excess availability used in determining compliance must be comprised of excess availability under the U.S. Facility.

The Global ABL Facility contains certain customary representations and warranties, affirmative covenants and events of default, including, among other things, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, judgment defaults, actual or asserted failure of any material guaranty or security document supporting the Global ABL Facility to be in force and effect and change of control. If such an event of default occurs, the Agent under the Global ABL Facility is entitled to take various actions, including the acceleration of amounts due under the Global ABL Facility, the termination of all revolver commitments and all other actions that a secured creditor is permitted to take following a default.

Other Commitments

In the normal course of business with customers, vendors and others, we are contingently liable for performance under standby letters of credit and bid, performance and surety bonds. We were contingently liable for approximately $17 million of standby letters of credit, trade guarantees given by bankers and bid, performance and surety bonds at December 31, 2011. Management does not expect any material amounts to be drawn on these instruments.

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Legal Proceedings

Asbestos Claims. We are involved in various legal proceedings and claims, both as a plaintiff and a defendant, which arise in the ordinary course of business. These legal proceedings include claims that individuals brought against a large number of defendant entities, including us, seeking damages for injuries that certain products containing asbestos allegedly caused. As of December 31, 2011, we are a defendant in lawsuits involving approximately 981 of these claims. Each claim involves allegations of exposure to asbestos-containing materials by an individual or his or her family members. The complaints typically name many defendants. In a majority of these lawsuits, little or no information is known regarding the nature of the plaintiff s alleged injuries or their connection with products that we distributed. Through December 31, 2011, lawsuits involving 11,831 claims have been brought against us. No asbestos lawsuit has resulted in a judgment against us to date, with the majority being settled, dismissed or otherwise resolved. In total, since the first asbestos claim brought against us in 1984 through December 31, 2011, approximately $1.8 million has been paid to asbestos claimants in connection with settlements of claims against us without regard to insurance recoveries. Of this amount, approximately $1.4 million has been paid to settle claims alleging mesothelioma, $0.4 million for claims alleging lung cancer and $0.1 million for non-malignant claims. The following chart summarizes, for each year since 2007, the approximate number of pending claims, new claims, settled claims, dismissed claims, and approximate total settlement payments, average settlement amount and total defense costs:

	Claims Pending at End of Period	Claims Filed	Claims Settled	Claims Dismissed	Settlement Payments $	Average Settlement Amount $	Defense Costs $
Fiscal year ended December 31, 2007	825	23	3	7	72,500	24,167	218,900
Fiscal year ended December 31, 2008	846	43	16	6	295,500	18,469	336,497
Fiscal year ended December 31, 2009	905	81	12	10	193,500	16,125	463,213
Fiscal year ended December 31, 2010	948	89	28	18	481,000	17,179	604,565
Fiscal year ended December 31, 2011	981	96	33	30	571,500	17,318	562,964

As the table above shows, there has been an increase in the number of claims filed since the fiscal year ending December 31, 2007. We believe that this increase is primarily due to an increase in the marketing efforts by personal injury law firms in West Virginia and Pennsylvania. Although we do not know whether this is a trend that will continue in the near term, in the long term, we anticipate that asbestos-related litigation against us will decrease as the incidence of asbestos-related disease in the general U.S. population decreases.

We annually conduct analyses of our asbestos-related litigation to estimate the adequacy of the reserve for pending and probable asbestos-related claims. These analyses consist of separately estimating our reserve with respect to pending claims (both those scheduled for trial and those for which a trial date had not been scheduled), mass filings (including lawsuits brought in West Virginia each involving many, in some cases over a hundred, plaintiffs, which include little information regarding the nature of each plaintiff s claim and historically have rarely resulted in any payments to plaintiff) and

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probable future claims. A key element of the analysis is categorizing our claims by the type of disease the plaintiffs allege and developing benchmark estimated settlement values for each claim category based on our historical settlement experience. These estimated settlement values are applied to each of our pending individual claims. With respect to pending claims where the disease type is unknown, the outcome is projected based on historic experience. The reserve with respect to mass filings is estimated by determining the number of individual plaintiffs included in the mass filings likely to have claims resulting in settlements based on our historical experience with mass filings. Finally, we estimate the value of probable claims that plaintiffs may assert against us over the next 15 years based on public health estimates of future incidences of certain asbestos-related diseases in the general U.S. population. Estimated settlement values are applied to those projected claims. Our annual assessment, dated September 30, 2011, projected that our payments to asbestos claimants over the next 15 years are estimated to range from $5 million to $11 million. Given these estimates and existing insurance coverage that historically has been available to cover substantial portions of our past payments to claimants and defense costs, we believe that our current accruals and associated estimates relating to pending and probable asbestos-related litigation likely to be asserted over the next 15 years are currently adequate. Our belief that our accruals and associated estimates are currently adequate, however, relies on a number of significant assumptions, including:

- That our future settlement payments, disease mix and dismissal rates will be materially consistent with historic experience;
- That future incidences of asbestos-related diseases in the U.S. will be materially consistent with current public health estimates;
- That the rates at which future asbestos-related mesothelioma incidences result in compensable claims filings against us will be materially consistent with its historic experience;
- That insurance recoveries for settlement payments and defense costs will be materially consistent with historic experience;
- That legal standards (and the interpretation of these standards) applicable to asbestos litigation will not change in material respects;
- That there are no materially negative developments in the claims pending against us; and
- That key co-defendants in current and future claims remain solvent.

If any of these assumptions prove to be materially different in light of future developments, liabilities related to asbestos-related litigation may be materially different than amounts accrued or estimated. Further, while we anticipate that additional claims will be filed in the future, we are unable to predict with any certainty the number, timing and magnitude of such future claims.

Also, there is a possibility that resolution of certain legal contingencies for which there are no liabilities recorded could result in a loss. Management is not able to estimate the amount of such loss, if any. However, in our opinion, the ultimate resolution of all pending matters is not expected to have a material effect on our financial position, although it is possible that such resolutions could have a material adverse impact on results of operations in the period of resolution. Further, given the relatively small amounts we have paid in recent periods and our expectations regarding future required payments, we do not believe that the ultimate resolution of these matters for any period will have a material impact on our liquidity in any period on either a short term or long term basis.

Other Legal Claims and Proceedings. From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no material pending legal proceedings that are likely to have a material effect on our business, financial condition or results of operations. See also Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations, Commitments and Contingencies Legal Proceedings and Note 15 Commitments and Contingencies to the audited consolidated financial statements as of December 31, 2011.

Product Claims. From time to time, in the ordinary course of our business, our customers may claim that the products that we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In the opinion of management, the ultimate disposition of these claims and proceedings is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

NiSource Claim. In the summer of 2010, our customer NiSource, Inc. notified us that certain polyethylene pipe that PolyPipe, Inc. manufactured may be defective. NiSource requested that the Company and PolyPipe repair and replace the allegedly defective pipe and reimburse NiSource for the costs of locating and removing the pipe. When installing the pipe, NiSource did not track where the pipe was installed, so to locate the allegedly defective pipe, NiSource has embarked on a program of potholing or digging holes by possible sites where the pipe was used to locate the serial numbers of the pipe that may be defective. This has caused NiSource to test locations far in excess of the locations where the allegedly defective pipe may have been used.

On April 28, 2011, PolyPipe filed a petition in the District Court in Cooke County, Texas against the Company and NiSource seeking, among other things, a declaratory judgment that PolyPipe was not responsible for the costs relating to the NiSource s alleged failure to track and record the installation locations of the pipe and NiSource s expenditures to implement a potential remediation plan including finding the pipe and removing the pipe. On June 1, 2011, the Court entered an order of non-suit, dismissing PolyPipe s claims without prejudice to their re-filing the same claims.

NiSource is in the process of locating where the allegedly defective pipe was used while the parties discuss a possible resolution of their respective claims. NiSource has asserted that the Company and PolyPipe are liable for the costs of finding the allegedly defective pipe. Under its contract with NiSource, the Company is not liable for consequential damages. The Company believes that this applies to damages such as finding the allegedly defective pipe. To the extent that pipe is actually defective, the Company may be liable under its warranty to replace the defective pipe. The Company believes that PolyPipe, as the manufacturer of the pipe, is ultimately liable for any manufacturing defects. The Company believes that the ultimate outcome of NiSource s claim will not be material.

Former Shareholder Litigation. On July 30, 2010, an action was brought against the Company in Delaware Chancery Court by a former shareholder of our predecessor, McJunkin Corporation, on his own behalf and as trustee for a trust, alleging the Company has not fully complied with a contractual obligation to divest of certain non-core assets contained in the December 2006 merger agreement, and seeking damages and equitable relief. We have also received written notice from other former shareholders who similarly claim the Company has not fully complied with that contractual obligation. On September 28, 2010, we filed a motion to dismiss the action in its entirety. On February 11, 2011, the Court granted our motion to dismiss the claims for equitable relief with prejudice, but denied the motion to dismiss the contractual claims. The Company moved for summary judgment to dismiss the remaining claims, and the plaintiffs moved for summary judgment to uphold their claims, in each case, on October 21, 2011. The Delaware Chancery Court heard oral arguments with respect to the

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summary judgment motion on February 8, 2012. The parties subsequently reached an agreement whereby the Company agreed to distribute $1.9 million to the former shareholders (excluding the plaintiffs in the litigation) and both parties have released each other from their respective claims. The final settlement documents were executed by the parties in February 2012.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as such term is defined within the rules and regulations of the SEC.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. To apply these principles, management must make judgments and assumptions and develop estimates based on the best available information at the time. Actual results may differ based on the accuracy of the information utilized and subsequent events. Our accounting policies are described in the notes to our audited financial statements included elsewhere in this prospectus. These critical accounting policies could materially affect the amounts recorded in our financial statements. We believe the following describes significant judgments and estimates used in the preparation of our consolidated financial statements:

Allowance for Doubtful Accounts: We evaluate the adequacy of the allowance for losses on receivables based upon periodic evaluation of accounts that may have a higher credit risk using information available about the customer and other relevant data. This formal analysis is inherently subjective and requires us to make significant estimates of factors affecting doubtful accounts, including customer-specific information, current economic conditions, volume, growth and composition of the account, and other factors such as financial statements, news reports and published credit ratings. The amount of the allowance for the remainder of the trade balance is not evaluated individually, but is based upon historical loss experience. Because this process is subjective and based on estimates, ultimate losses may differ from those estimates. Receivable balances are written off when we determine that the balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance when received. The provision for losses on receivables is included in SG&A expenses in the accompanying consolidated statements of income. During 2010, we reduced our allowance for doubtful accounts by approximately $2 million, as the economic conditions in which we, and our customers, operate improved. At December 31, 2011, 2010 and 2009, the allowance for doubtful accounts was $4.8 million, $4.5 million and $8.8 million, or 0.6%, 0.7% and 1.7% of gross accounts receivable, respectively.

Inventories: Our U.S. inventories are valued at the lower of cost (principally using the LIFO method) or market. We record an estimate each quarter, if necessary, for the expected annual effect of inflation and estimated year-end inventory volume. These estimates are adjusted to actual results determined at year-end. Our inventories that are held outside of the U.S., totaling $217.0 million and $140.0 million at December 31, 2011 and 2010, respectively, were valued at the lower of weighted-average cost or market.

Under the LIFO inventory valuation method, changes in the cost of inventory are recognized in cost of sales in the current period even though these costs may have been incurred at significantly different values. Since the Company values most of its inventory using the LIFO inventory costing methodology, a rise in inventory costs has a negative effect on operating results, while, conversely, a fall in inventory costs results in a benefit to operating results. In a period of rising prices, cost of sales recognized under LIFO is generally higher than the cash costs incurred to acquire the inventory sold. Conversely, in a period of declining prices, costs of sales recognized under LIFO are generally lower than cash costs of the inventory sold.

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The LIFO inventory valuation methodology is not utilized by many of the companies with which we compete, including foreign competitors. As such, our results of operations may not be comparable to those of our competitors during periods of volatile material costs due, in part, to the differences between the LIFO inventory valuation method and other acceptable inventory valuation methods.

During 2008, in addition to an increase in sales volumes, we experienced inflation in the cost of our products of approximately 21% on a weighted average basis. The increase in our tubular products was even more significant, with 2008 inflation of approximately 28%. In 2009, this trend reversed, with our overall product mix experiencing 15% deflation, with tubular products deflating approximately 20%. As a result of lengthening lead times from our manufacturers during mid to late 2008, we continued to receive inventory during the fourth quarter and into the first quarter of 2009 that was ordered to support the greater demand during mid to late 2008. The resulting inventory overstock, coupled with the deflation we experienced, resulted in the cost of our inventory balance being above market value. As a result of our lower-of-cost-or-market assessment, we recorded a $46.5 million write-down of our inventory during the year ended December 31, 2009. There were no significant write-downs during the years ended December 31, 2010 or 2011.

Impairment of Long-Lived Assets: Our long-lived assets consist primarily of amortizable intangible assets, which comprise approximately 16% of our total assets as of December 31, 2011. These assets are recorded at fair value at the date of acquisition and are amortized over their estimated useful lives. We make significant judgments and estimates in both calculating the fair value of these assets, as well as determining their estimated useful lives.

The carrying value of these assets is subject to an impairment test when events or circumstances indicate a possible impairment. When events or circumstances indicate a possible impairment, we assess recoverability from future operations using an undiscounted cash flow analysis, derived from the lowest appropriate asset group. If the carrying value exceeds the undiscounted cash flows, we would recognize an impairment charge to the extent that the carrying value exceeds the fair value, which is determined based on a discounted cash flow analysis. During 2009, as the key factors affecting our business declined and our profitability progressively declined throughout the year, we determined that an impairment indicator existed and performed an impairment test on our long-lived assets. This test required us to make forecasts of our future operating results, the extent and timing of future cash flows, working capital, profitability and growth trends. We performed our impairment test as of October 27, 2009 which did not result in an impairment charge. During 2010 and 2011, no indicators of impairment existed. While we believe our assumptions and estimates are reasonable, the actual results may differ materially from the projected results.

Goodwill and Other Indefinite-Lived Intangible Assets: Our goodwill and other indefinite-lived intangible assets comprise approximately 26% of our total assets as of December 31, 2011. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, each October, or more frequently if circumstances indicate that impairment may exist. Prior to the acquisition of MRC Transmark, which closed on October 30, 2009, we had only one reporting unit. Following the MRC Transmark acquisition, we began evaluating goodwill for impairment at two reporting units that mirror our two reportable segments (North America and International). Within each reporting unit, we have elected to aggregate the component countries and regions into a single reporting unit based on their similar economic characteristics, products, customers, suppliers, methods of distribution and the manner in which we operate each segment. We perform our annual tests for indications of goodwill impairment as of the end of October of each year, updating on an interim basis should indications of impairment exist.

The goodwill impairment test compares the carrying value of the reporting unit that has the goodwill with the estimated fair value of that reporting unit. If the carrying value is more than the estimated fair value, the second step is performed, whereby we calculate the implied fair value of

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goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the estimated fair value of the reporting unit. Impairment losses are recognized to the extent that recorded goodwill exceeds implied goodwill. Our impairment methodology uses discounted cash flow and multiples of cash earnings valuation techniques, plus valuation comparisons to similar businesses. These valuation methods require us to make certain assumptions and estimates regarding future operating results, the extent and timing of future cash flows, working capital, sales prices, profitability, discount rates and growth trends. As a result of our impairment test, we recognized a $309.9 million pre-tax impairment charge during the year ended December 31, 2009. No such impairment charges were recognized during the years ended December 31, 2010 and 2011 as the estimated fair value of each of our two reporting units substantially exceeded their carrying values. While we believe that such assumptions and estimates are reasonable, the actual results may differ materially from the projected results.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if circumstances indicate that impairment may exist. This test compares the carrying value of the indefinite-lived intangible assets with their estimated fair value. If the carrying value is more than the estimated fair value, impairment losses are recognized in amount equal to the excess of the carrying value over the estimated fair value. Our impairment methodology uses discounted cash flow and estimated royalty rate valuation techniques. These valuation methods require us to make certain assumptions and estimates regarding future operating results, sales prices, discount rates and growth trends. As a result of our impairment test, we recognized a $76.2 million pre-tax impairment charge during the year ended December 31, 2009. No such impairment charges were recognized during the years ended December 31, 2010 and 2011, as the estimated fair value of our indefinite-lived intangible assets substantially exceeded their carrying value. While we believe that such assumptions and estimates are reasonable, the actual results may differ materially from the projected results.

Income Taxes: We use the liability method for determining our income taxes, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. Under this method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered.

Deferred tax assets and liabilities are recorded for differences between the financial reporting and tax bases of assets and liabilities using the tax rate expected to be in effect when the taxes will actually be paid or refunds received. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. A valuation allowance to reduce deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the need for valuation allowances, we have considered and made judgments and estimates regarding estimated future taxable income and ongoing prudent and feasible tax planning strategies. These estimates and judgments include some degree of uncertainty and changes in these estimates and assumptions could require us to adjust the valuation allowances for our deferred tax assets. The ultimate realization of the deferred tax assets depends on the generation of sufficient taxable income in the applicable taxing jurisdictions.

Our tax provision is based upon our expected taxable income and statutory rates in effect in each country in which we operate. We are subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes we provide during any given year.

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A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including any related appeals or litigation processes, on the basis of the technical merits. We adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which the new information is available.

We classify interest and penalties related to unrecognized tax positions as income taxes in our financial statements. We intend to permanently reinvest certain earnings of our foreign subsidiaries in operations outside of the U.S., and accordingly, we have not provided for U.S. income taxes on such earnings.

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU No. 2011-05), *Presentation of Comprehensive Income,* an amendment to ASC Topic 220, *Comprehensive Income*. Under this amendment, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in stockholders equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The guidance for public entities is effective for fiscal years or interim periods beginning after December 15, 2011 with early adoption permitted. The amendments in this update are to be applied retrospectively.

In December 2011, the FASB issued Accounting Standards Update to the above statement (ASU No. 2011-12), *Deferral of the Effective Date for Amendments to the Presentation of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05,* an amendment to ASC Topic 220, *Comprehensive Income*. Under this amendment, changes in Update 2011-05 that relate to presentation of reclassification adjustments have been deferred. All other requirements in Update 2011-05 are not affected by this update. The guidance for public entities is effective for fiscal years or interim periods beginning after December 15, 2011 with early adoption permitted. We do not expect the guidance to impact our consolidated financial statements, as it only requires a change in the format of presentation.

In September 2011, the FASB issued Accounting Standards Update (ASU No. 2011-08), *Testing for Goodwill Impairment,* an amendment to ASC Topic 350, *Intangibles Goodwill and Other*. Under this amendment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The guidance for public entities is effective during interim or annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We do not believe that ASU No. 2011-08 will have a material impact on our consolidated financial statements.

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Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As of December 31, 2011, all of our outstanding term and revolving debt, except for the notes, was at floating rates. These facilities prescribe the percentage point spreads from U.S. prime, LIBOR, Canadian prime and EURIBOR. Our facilities generally allow us to fix the interest rate, at our option, for a period of 30 to 180 days.

As of December 31, 2011, a 1% increase in the LIBOR rate would result in an increase in our interest expense of approximately $5.0 million per year if the amounts outstanding under our revolving credit facilities remained the same for an entire year.

The risk inherent in our market risk sensitive instruments and positions is the potential loss from adverse changes in interest rates. Currently, we manage our interest rate risk through the use of floating interest rate debt facilities and interest rate contracts. As of December 31, 2011, we had 100% of our floating interest rate debt hedged with interest rate contracts. Effective March 31, 2009, we entered into a freestanding $500 million interest rate swap derivative to pay interest at a fixed rate of approximately 1.77% and receive 1-month LIBOR variable interest rate payments monthly through March 31, 2012. We have several additional interest rate swap derivatives, with notional amounts approximating $19 million in the aggregate. At December 31, 2011, the fair value of our interest rate swap agreements was a liability of approximately $2.0 million. All of our derivative instruments are freestanding and, accordingly, changes in their fair market value are recorded in earnings. The counterparties to our interest rate swap agreements are major financial institutions.

Foreign Currency Exchange Rates

Our operations outside of the U.S. expose us to foreign currency exchange rate risk, as these transactions are primarily denominated in currencies other than the U.S. dollar, our functional currency. Our exposure to changes in foreign exchange rates is managed primarily through the use of forward foreign exchange contracts. These contracts increase or decrease in value as foreign exchange rates change, protecting the value of the underlying transactions denominated in foreign currencies. All currency contracts are entered into for the sole purpose of hedging existing or anticipated currency exposure; we do not use foreign currency contracts for trading or speculative purposes. The terms of these contracts generally do not exceed one year. We record all changes in the fair market value of forward foreign exchange contracts in income. We recorded losses related to foreign currency contracts and translation adjustments of $0.2 million, $0.6 million and $0.2 million in the years ended December 31, 2011, 2010 and 2009, respectively.

Steel Prices

Our business is sensitive to steel prices, which can impact our product pricing, with steel tubular prices generally having the highest degree of sensitivity. While we cannot predict steel prices, we manage this risk by managing our inventory levels, including maintaining sufficient quantity on hand to meet demand, while reducing the risk of overstocking.

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BUSINESS

General

We are the largest global industrial distributor of PVF and related products and services to the energy industry based on sales and hold the leading position in our industry across each of the upstream (exploration, production and extraction of underground oil and natural gas), midstream (gathering and transmission of oil and natural gas, natural gas utilities and the storage and distribution of oil and natural gas) and downstream (crude oil refining, petrochemical processing and general industrials) sectors. We offer more than 150,000 SKUs, including an extensive array of PVF, oilfield supply, automation, instrumentation and other general and specialty industry supply products from our over 12,000 suppliers. Through our North American and International segments, we serve our more than 12,000 customers through over 400 service locations throughout North America, Europe, Asia, and Australasia.

Our North American segment includes over 175 branch locations, six distribution centers in the U.S., one distribution center in Canada, 12 valve automation service centers and over 160 pipe yards located in the most active oil and natural gas regions in North America. Our International segment includes over 30 branch locations throughout Europe, Asia and Australasia with distribution centers in each of the United Kingdom, Singapore and Australia and 10 automation service centers in Europe and Asia. We offer a wide array of PVF and oilfield supplies encompassing a complete line of products from our global network of suppliers. We are diversified by geography and the industry sectors we serve and the products we sell.

Our PVF and oilfield supplies are used in mission critical process applications that require us to provide a high degree of product knowledge, technical expertise and comprehensive value added services to our customers. We seek to provide best-in-class service and a one-stop shop for our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy and industrial sectors as their primary PVF supplier. We provide services such as product testing, manufacturer assessments, multiple daily deliveries, volume purchasing, inventory and zone store management and warehousing, technical support, just-in-time delivery, truck stocking, order consolidation, product tagging and system interfaces customized to customer and supplier specifications for tracking and replenishing inventory, which we believe result in deeply integrated customer relationships. We believe the critical role we play in our customers supply chain, together with our extensive product offering, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 20 years with our largest 25 customers.

We have benefited historically from several growth trends within the energy industry, including high levels of customer expansion and maintenance expenditures. Although these trends were offset in 2009 and 2010 due to adverse economic conditions, we believe that growth in PVF and industrial supply spending within the energy industry is likely to continue. Several factors have driven the long-term growth in spending, including underinvestment in North American energy infrastructure, production and capacity constraints, and market expectations of future improvements in the oil, natural gas, refined products, petrochemical and other industrial sectors. In addition, the products we distribute are often used in extreme operating environments, leading to the need for a regular replacement cycle. Approximately two-thirds of our sales are attributable to multi-year MRO arrangements. Our average annual retention rate for these contracts since 2000 is 95%. We consider MRO arrangements to be normal, generally repetitive business that primarily addresses the recurring maintenance, repair or operational work to existing energy infrastructure. Project activities, including facility expansions, exploration or new construction projects, are more commonly associated with a customer s capital expenditures budget. Such projects can be more sensitive to global oil and natural gas prices and

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general economic conditions. We mitigate our exposure to price volatility by limiting the length of any price-protected contracts, and as pricing continues to rebound, we believe that we have the ability to pass price increases on to the marketplace.

Our business is segregated into two operating segments, one consisting of our North American operations and one consisting of our international operations. These segments represent our business of providing PVF and related products and services to the energy and industrial sectors, across each of the upstream, midstream and downstream sectors. Financial information regarding our reportable segments appears in Management s Discussion and Analysis of Financial Condition and Results of Operations and in Note 13 of the Notes to the Consolidated Financial Statements included in this prospectus.

Our Strengths

Global Market Leader with Worldwide Branch Network and Significant Scale. We are the leading global industrial distributor of PVF and related products to the energy industry based on sales, with nearly twice the sales of our nearest competitor in 2011. We have a significant global presence through a network of over 400 service locations worldwide. This provides us with substantial economies of scale, global reach and product breadth that we believe makes us a more effective competitor. The benefits of our size and international presence include:

- the ability to act as a single-source supplier to large, multi-national customers operating across the various segments of the global energy industry;
- the ability to commit significant financial resources to further develop and invest in our operating infrastructure and provide a strong platform for future expansion;
- the ability to secure improved access, service and volume purchasing benefits from our suppliers;
- the ability to leverage our global inventory coverage to provide greater overall breadth and depth of product offerings;
- the ability to attract and retain effective managers and salespeople;
- the ability to improve margins from our business model through operating leverage; and
- the ability to identify, close and successfully integrate acquisitions.

We leverage our global footprint of locations and human capital to increase productivity and efficiency as our business continues to grow. In North America, in particular, we have been able to leverage our extensive infrastructure to meet our customers supply needs, which includes opening and closing locations and transferring employees to higher growth areas. The following table summarizes our revenue and operating income per location and employee for the years ended December 31, 2011 and 2010 (dollars in thousands):

Locations		Average Headcount	
2011	2010	2011	2010
408	432	3,805	3,619

Sales/Location			Sales/Employee			Adjusted EBITDA/Location			Adjusted EBITDA/Employee		
2011	2010	Change	2011	2010	Change	2011	2010	Change	2011	2010	Change
$11,844	$ 8,902	33%	$ 1,270	$ 1,062	20%	$ 884	$ 519	70%	$ 95	$ 62	53%

Our presence and scale have also enabled us to establish an efficient supply chain and logistics platform, allowing us to better serve and integrate with our customers and to further differentiate us from our competitors. In 2011 in North America, we processed on average approximately 157,000 sales orders per month, including on average approximately 737,000 line items with an average revenue per order of $2,400 and an average revenue per line item of $500.

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The following chart summarizes our revenue by geography for the year ended December 31, 2011:

	Year Ended December 31, 2011
United States	80%
Canada	13%
International (includes Europe, Asia and Australasia)	7%
	100%

Proven Track Record of Successfully Identifying, Executing and Integrating Acquisitions. Growing the scale and scope of our business through selective strategic acquisitions has been a core focus of our management team. We have demonstrated our ability to successfully integrate acquired companies in 26 acquisitions since 2000, collectively representing approximately $1.8 billion in sales in the respective years of acquisition, in addition to the business combination between McJunkin Corporation and Red Man in October 2007 (which had approximately $2 billion of revenue in the year of merger). Our operating scale and integration capabilities have also enabled us to realize important synergies, while minimizing execution risk. Including Red Man, we have completed 10 acquisitions since 2007 as follows (revenue amounts are for the respective years of acquisition):

OPS (revenue: $174 million), a PVF distributor, which expanded our footprint in Australia;

VSC (revenue: $13 million), which strengthened our overall valve capabilities in the Gulf Coast of the U.S., in July 2011;

MRC SPF (revenue: $91 million), a distributor of stainless steel piping products through its seven locations across Australia as well as Korea, the United Kingdom and the United Arab Emirates, in June 2011;

South Texas Supply (revenue: $9 million) and Dresser Oil Tools & Supply (revenue: $13 million), which expanded our footprint in the Eagle Ford and Bakken shale regions, in May and August 2010, respectively;

MRC Transmark (revenue: $346 million), a leading distributor of valves and flow control products in Europe, Southeast Asia and Australasia, in October 2009;

LaBarge (revenue: $233 million), a distributor of carbon steel pipe to the North American midstream sector that significantly expanded our line pipe capability, in October 2008;

Red Man, including its interest in MRC Midfield, one of the two largest oilfield supply companies in Canada with over 40 branches, in July 2008 (revenue: collectively approximately $2.0 billion); and

Midway (revenue: $150 million), an oilfield distributor primarily serving the Rockies and Appalachian regions, in April 2007.

Historically, our operating scale and integration capabilities have enabled us to realize important synergies, while minimizing execution risk. All of our North American acquisitions have been integrated onto a single IT platform, which facilitates more efficient pricing, sourcing and inventory management.

High Level of Integration and MRO Contracts with a Global Energy Customer Base. We have a diversified global customer base with over 12,000 active customers. We serve as the sole or primary supplier in all sectors or in specified sectors or geographies for many of our customers. Our largest 25 customers, with whom we have had relationships for more than 20 years on average, accounted for approximately half of our sales for 2011, while no single customer accounted for more than 6% of our sales during that period. We enjoy fully integrated relationships, including interconnected technology systems and daily communication, with many of our customers, and we provide an extensive range of integrated and outsourced supply services, allowing us to market a total transaction value concept as opposed to individual product prices. We provide services such as multiple daily deliveries, zone stores management, valve tagging, truck stocking and significant system support for tracking and replenishing inventory, which we believe results in deeply integrated customer relationships. We sell products to our major customers through multi-year MRO contracts, which are typically renegotiated every three to five years. Although there are typically no guaranteed minimum purchase amounts under these contracts, these MRO customers, representing approximately two-thirds of our 2011 sales with an average annual retention rate of over 95% since 2000, provide a relatively stable revenue stream and help mitigate the effect of industry downturns on our business. We believe we have been able to retain customers by providing a high level of service and integration and, during 2011, we signed several new MRO contracts, including contracts with new customers that displace competitors and contracts with existing customers that broaden existing customer relationships.

Business and Geographic Diversification in High-Growth Areas. We are well diversified across the upstream, midstream and downstream operations of the energy industry, as well as through our participation in selected industrial sectors. During the year ended December 31, 2011, we generated approximately 47% of our sales in the upstream sector, 26% in the midstream sector and 27% in the downstream, industrial and other energy sectors. This diversification affords us some measure of protection in the event of a downturn in any one sector while providing us the ability to offer a one stop solution for our integrated energy customers. Across these end markets, PVF and oilfield supply products are used in mission critical process applications that require a high degree of technical understanding and product knowledge. We are skilled in nearly every aspect of flow control and automation, including expert knowledge of our key venders, product specifications and customer applications. This expertise is recognized by customers as a key differentiator for MRC, and is of critical importance in complex plant environments, where demanding operating conditions and numerous regulatory and safety requirements must be carefully considered and addressed. In our North American operating segment, our more than 175 branch locations are located near major hydrocarbon and refining regions, including rapidly expanding oil and natural gas E&P areas, such as the Bakken, Barnett, Eagle Ford, Fayetteville, Haynesville, Marcellus, Niobrara and Utica shales. In these non-conventional shale areas, a typical well can produce three to five times the revenue for us than a conventional well due to the greater length and the higher quality of pipe and related PVF products we furnish. During the year ended December 31, 2011, we estimate that approximately 50% of our upstream and midstream business, excluding the gas utility portion of our midstream business, was related to activity in the shale areas, and we believe this percentage will continue to increase as this activity accelerates. In our International operating segment, we have a network of over 30 branch locations throughout Europe, Asia and Australasia in close proximity to major projects in liquefied natural gas (LNG), mining and mineral processing and other high-growth energy and infrastructure development areas. Our geographic diversity enhances our ability to quickly respond to customers worldwide, gives us a strong presence in these high growth areas and reduces our exposure to a downturn in any one region.

For the years ended December 31, 2011, December 31, 2010, and December 31, 2009, the breakdown of our revenue by sector was as follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
Upstream	47%	46%	44%
Midstream	26%	24%	24%
Downstream and industrial	27%	30%	32%
	100%	100%	100%

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Additional detail regarding our diversification by energy sector and geography is presented below.

Strategic Supplier Relationships. We have extensive relationships with our suppliers and have key supplier relationships dating back in certain instances over 60 years. We source from over 35 countries. In 2008-2011, 22 major new suppliers were qualified under our SRP, with 21 of these outside of the U.S. Approximately 50% of our total purchases for the year ended December 31, 2011 were from our largest 25 suppliers. In 2011, no one supplier provided more than 10% of our total purchases. We believe our customers view us as an industry leader in part due to the formal processes we use to evaluate vendor performance and product quality. We employ individuals who specialize in conducting manufacturer assessments both domestically and internationally and who are certified by the International Registry of Certificated Auditors. Our Supplier Registration Process, which allows us to maintain the MRC ASL, serves as a significant strategic advantage to us in developing, maintaining and institutionalizing key supplier relationships. For our suppliers, inclusion on the MRC ASL represents an opportunity for them to increase their product sales to our customers. The SRP also adds value to our customers, as they collaborate with us regarding specific manufacturer performance, our past experiences with products and the results of our on-site manufacturer assessments. Having a timely, uninterrupted supply of those mission critical products from approved vendors is an essential part of our customers day-to-day operations, and we work to fulfill that need through our SRP.

IT Platform Focused on Customer Service. Our proprietary, integrated, scalable, customer-linked and highly customized information systems support our business. A wide area network links these systems and our more than 4,000 employees. We operate a single information and operating system (SIMS) for all of out North American locations and a separate, Oracle-based system for our other international locations (other than those we have recently acquired). This enables real-time access to our business resources, including customer order processing, purchasing and material requests, distribution requirements planning, warehousing and receiving, inventory control and accounting and financial functions. In 2011, we had over 1.6 million electronic data interchange customer transactions (including purchase orders, advance ship notices, electronic funds transfer and internet ordering), compared to less than 700,000 in 2000. Significant elements of our systems include firm-wide pricing controls, resulting in disciplined pricing strategies, advanced scanning and customized bar-coding capabilities, allowing for efficient warehousing activities at customer as well as our own locations, and significant levels of customer-specific integrations. Our bar code technology includes over 400 scanners used for customer zone store management, over 1,200 scanners installed in various warehouses and over 100 custom bar coded labels produced to customer specifications. We believe that the customized integration of our customers systems into our own information systems has increased customer retention by reducing our customers expenses, resulting in switching costs when our customers compare us to alternative sources of supply. Typically, smaller regional and local competitors do not have IT capabilities that are as advanced as ours, which we believe further differentiates us from our competition.

Highly Efficient, Flexible Operating Structure Drives Significant Free Cash Flow Generation. We place a particular emphasis on practicing financial discipline as evidenced by our strong focus on Adjusted EBITDA RONA, minimal maintenance capital expenditures and high free cash flow generation. Our disciplined cost control, coupled with our active asset management strategies and IT and services capabilities, result in a business model exhibiting a high degree of operating leverage. As is typical with the flexibility associated with a distribution operating model, our variable cost base includes substantially all of our cost of goods sold and a large portion of our operating costs. Furthermore, our total capital expenditures were approximately 0.4% of our sales for the year ended December 31, 2011. This cost structure allows us to adjust effectively to changing industry dynamics. As a result, during periods of decreased sales activity, we typically generate a significant amount of cash as our costs are reduced and working capital contracts. For example, although our sales decreased by 30% in 2009, our cash flow from operations that year increased by over $640 million.

Experienced and Motivated Management Team. Our executive management team averages approximately 30 years of experience in the oilfield and industrial supply business, the majority of which has been with MRC or its predecessors. Employees own approximately 8% of our Company, including approximately 5% that is owned by executive and senior management, either directly or indirectly through their equity interests in PVF Holdings, our largest shareholder. We also seek to incentivize and align management with shareholder interests through equity-linked compensation plans. Furthermore, management incentive compensation is based on profitability and Adjusted EBITDA RONA targets, which we believe drives accountability and further aligns the organization with our shareholders.

Our Strategy

Our goal is to grow our market position as the largest global industrial distributor of PVF and related products to the energy industry. Our strategy is focused on pursuing growth by increasing market share and growing our business with current customers, expanding into new geographies and sectors, increasing recurring revenues through integrated supply and MRO business, capturing additional high growth project activity, continuing to increase our operational efficiency and making and integrating strategic acquisitions. We seek to extend our current MRO contracts, and bundle certain products, most notably pipe, flanges, fittings and other products (PFF), into MRC Transmark s existing customer base and branch network. We also seek to opportunistically add other products and new suppliers, including alloy, chrome, stainless products, gaskets, seals, safety and other industrial supply products, into our existing North American platform. We will also look at future complementary distribution acquisitions that would supplement our PVF leadership position, and we will look at future bolt-on acquisitions that broaden our geographic footprint, increase international focus or expand our product offering to our major customers.

Increase Market Share Organically and Grow Business with Current Customers. We are committed to expanding existing deep relationships with our current customer base while concurrently striving to secure new customers. To accomplish this, we are focused on providing a global one stop PVF procurement solution across the upstream, midstream and downstream sectors of the energy industry, maximizing bundling opportunities by leveraging our extensive product offering and increasing our penetration of existing customers new multi-year projects. Since 2000, we have retained in excess of 95% of our MRO contracts.

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The migration of existing customer relationships to sole or primary sourcing arrangements is a core strategic focus. We seek to position ourselves as the sole or primary provider of a broad complement of PVF products and services for a particular customer, often by sector or region, or in certain instances across all of a customer s global upstream, midstream and downstream operations. Several of our largest customers have recently switched to sole or primary sourcing contracts with us. Additionally, we believe that other significant opportunities exist to expand our deep customer and supplier relationships and thereby increase our market share. There is also a significant opportunity to extend our current North American MRO contracts internationally as well as bundle certain products, most notably PFF, into MRC Transmark s existing customer base, branch network and more valve-focused product platform.

We also aim to increase our penetration of our existing customers new projects. For example, while we often provide nearly 100% of the PVF products for certain customers under MRO contracts, increased penetration of those customers new downstream and midstream projects remains a strategic priority. Initiatives are in place to deepen relationships with engineering and construction firms and to extend our product offering into certain niches.

Increase Recurring Revenues through Integrated Supply and MRO Contracts. We have entered into, and continue to pursue, integrated supply and MRO contracts with certain of our customers. Under these arrangements, we are typically the sole or primary source provider of the upstream, midstream or downstream requirements of our customers. In certain instances, we are the sole or primary source provider for our customers across all the energy sectors or North American geographies within which the customer operates. We will seek to extend these contracts internationally.

In addition, our customers have, over time, increasingly moved toward centralized PVF procurement management at the corporate level rather than at individual local units. These developments are partly due to significant consolidation among our customer base. Sole or primary sourcing arrangements allow customers to focus on their core operations and provide economic benefits by generating immediate savings for the customer through administrative cost and working capital reductions, while providing for increased volumes, more stable revenue streams and longer term visibility for us. We believe we are well positioned to obtain these arrangements due to our:

- leadership position, experience, and technical expertise and reputation for premier customer service operating across all segments of the energy industry;
- geographically diverse and strategically located global branch network;
- breadth of available product lines, value added services and scale in purchasing; and
- existing deep relationships with customers and suppliers.

We also have both exclusive and non-exclusive MRO contracts in place. Our customers are increasing their capital and operating spending, which is being driven by aging infrastructure, increasing regulatory, safety and environmental requirements, the increased utilization of existing facilities and the decreasing quality of energy feedstocks. Our customers benefit from MRO arrangements through lower inventory investment and the reduction of transaction costs associated with the elimination of the bid submission process, and our Company benefits from the recurring revenue stream that occurs with an MRO contract in place. We believe there are additional opportunities to utilize MRO arrangements through our one-stop PVF solution, both in North America and globally, for servicing the requirements of our customers. We are actively pursuing such agreements.

We have significantly enhanced our business development efforts by implementing global account management processes more closely aligned with our customers procurement operations at the national and local level to continue to grow our business. Our global account management strategy is based on aligning key sales executives as single-point MRC contacts servicing the upstream, midstream and downstream requirements of customer accounts that represent the largest percentage of our revenue. As a result in part of this effort, our executive sales force has had success in increasing sales under, and in obtaining new, MRO contracts. We continue to focus on increasing our MRO business both in our North American and International segments.

Capitalize on Significant Growth in U.S. Shale Activity. The development of shale oil and gas in the U.S. has been rapid over the past several years. Natural gas is a major source of energy in the U.S., providing about 25% of total U.S. energy according to the Department of Energy. Shale gas, as a percentage of total natural gas production, has, in turn, rapidly increased from less than 2% of total U.S. natural gas production in 2001 to 30% in 2011 and is projected to increase to 49% by 2035 according to the EIA. Over the past ten years, technological advances in directional drilling and fracturing technologies have enabled the production of oil and natural gas products in previously underdeveloped U.S. oil and natural gas shale basins. As a result, unconventional E&P activity in shale regions has accelerated significantly and production levels have increased.

In 2011, U.S. shale gas production increased 37% from 2010 levels to approximately 7 trillion cubic feet per year. While shale gas drilling and production is still in the early stages in the U.S., over the next 10 to 20 years significant investment will be required to meet shale gas production goals and offset declining production from conventional energy sources. The EIA projects that over the long-term shale gas will provide the largest source of growth in U.S. natural gas supply and will constitute about 49% of total U.S. gas production by 2035, up from 23% in 2010. Relatively low natural gas prices combined with environmental concerns and increasing regulation of the coal industry should lead to increasing conversion of coal-generated power to natural gas-generated power. As our customers are predominantly engaged in natural gas E&P relative to coal, we believe our business will benefit from the continued shift to natural gas-generated power over the next five to ten years.

We believe that PVF expenditures for unconventional shale plays can amount to as much as five times that required for comparable conventional plays and have positioned ourselves to benefit from this increase in unconventional E&P and midstream infrastructure activity by investing in these shale regions. This includes adding new branches, building new distribution centers, increasing inventory, strengthening our supply chain and providing greater local resources, including additional headcount in certain locations. We have also positioned the Company through regional bolt-on acquisitions in these most active areas, including the recent acquisitions of South Texas Supply in the Eagle Ford shale and Dresser Oil Tools & Supply in the Bakken shale. Finally, we recently completed a new 80,000 square foot distribution center in Cheyenne, WY to serve the Niobrara and Bakken shale basins.

In addition, we are well positioned to continue to benefit from the more recent marked shift in drilling activity in the U.S. towards oil production. During 2007, approximately 83% of E&P activity in the U.S. consisted of oil drilling and 17% consisted of natural gas drilling. As of the fourth quarter of 2011, approximately 55% of E&P activity in the U.S. consisted of oil drilling and 45% consisted of natural gas drilling. This is the highest percentage of oil drilling in the U.S. in approximately two decades. We benefit from this shift, as oil prices are global in nature and thus more impacted by changes in international geopolitical instability, maintain a tighter global supply and demand dynamic and are less susceptible to the seasonal variations associated with U.S. natural gas prices. As part of our efforts to continue to participate in the growth in oil E&P activity, we made two acquisitions in 2010, South Texas Supply and Dresser Oil Tools & Supply. These acquisitions position us in two of the most active oil drilling basins in the U.S., the Eagle Ford shale in South Texas and the Bakken shale in North Dakota. We also added branches in these and other active oil E&P areas in 2010 and 2011 and expanded our inventory in the Permian Basin and in California, two high activity oil drilling basins where we already had a strong local presence.

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Capitalize on Anticipated Midstream MRO Activity. Our major midstream customers face new safety regulations requiring additional inspection and hydro-testing requirements for U.S. pipelines. On January 3, 2012, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (the Pipeline Act) was enacted into law. The Pipeline Act is expected to accelerate PVF testing and replacement as well as require midstream participants to install additional automatic or remote-controlled shut-off valves and excess flow valves in new or replaced transmission pipelines. In addition, approximately 60% of the 178,000 miles of pipeline in the U.S. is over 40 years old. Recent initiatives from several of our major customers suggest a longer term trend towards continued replacement of this aged pipeline infrastructure and related MRO spending. Our acquisition of LaBarge, along with our increased focus and investments in line pipe and its attendant PVF and industrial supply products, uniquely positions us to benefit from increased pipeline replacement and MRO spending over the next 10 years.

Further Penetrate the Canadian Oil Sands, Particularly the Downstream Sector. The Canadian Oil Sands region and its attendant downstream sector represent long-term growth areas for our Company. Improvements in mining and mineral processing and in-situ technology are driving significant long-term investment in the area. The Canadian Association of Petroleum Producers and Energy Resources Conservation Board estimates that Oil Sands capital expenditures increased by approximately 18% in 2010 to $13 billion and projects that expenditures will increase to approximately $20 billion by 2016, a compound annual growth rate (CAGR) of 7.4%, which we believe will generate significant PVF expenditures. While MRC Midfield has historically focused on the upstream and midstream sectors in Canada, we believe that a significant opportunity exists to continue to penetrate the Canadian Oil Sands and downstream industries, which include the upgrader, refinery, petrochemical and other industrial processing sectors. Our sales to the Canadian Oil Sands region and downstream sectors increased by 45% to $361 million from 2010 to 2011. Additionally, we believe there is also a significant opportunity to penetrate the Canadian Oil Sands extraction sector involving in-situ recovery methods, including SAGD (steam assisted gravity drainage) and CSS (cyclic steam stimulation) techniques used to extract the bitumen. We have made targeted inventory and facility investments in Canada, including a 74,000 square foot distribution center located near Edmonton and a 16,000 square foot warehouse near Fort McMurray, to address this opportunity. Finally, we also believe that an attractive opportunity exists to more fully penetrate the MRO sector in Canada, particularly in Eastern Canada, including refineries, petrochemical facilities, gas utilities and pulp and paper and other general industrial sectors. We recently opened a branch in Sarnia, Ontario to target these sectors.

Expanding Globally Through Positioning on EPC Projects. Projects are a growing part of our business and represent approximately one-third of our sales. In 2011, 15% of our revenue was derived from infrastructure projects through engineering, procurement and construction (EPC) firms and 19% was derived from drilling/production projects. These projects can be either brownfield or greenfield in nature, with the latter representing new construction and the former representing projects that are more refurbishment or replacement in scope. Infrastructure projects are an important part of all the sectors we serve but are typically more active in our downstream and midstream sectors. Due to our strong MRO position in these sectors, we are often our customers choice for brownfield expansion in these facilities. We are actively looking to increase our participation in new greenfield projects both domestically and internationally by working closely with both end customers and EPC contractors.

Our major customers capital E&P spending is split approximately 25% in North America and 75% internationally and has recently been increasing. As of December 31, 2011, backlog at several of our largest EPC customers increased by 4.4% as compared to December 31, 2010. Similarly, our volume of new project wins increased significantly in 2011 as compared to 2010. Since 2007, we have increased our focus on projects in the Canadian Oil Sands and since our acquisitions of MRC Transmark in 2009 and MRC SPF in 2011, we have expanded our focus on projects in Europe,

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Australasia and Southeast Asia. We believe that through our international acquisitions, global sourcing and project execution experience, comprehensive product and service offering and global account management strategies, we will be able to capitalize on the large amount of expected capital expenditure project spending by our customers over the next ten years.

Expand into New Geographies and Adjacent Sectors. We intend to continue to selectively establish new branches to facilitate our expansion into new geographies and enter adjacent sectors where extreme operating environments generate high PVF product replacement rates. We continue to evaluate establishing branches and service and supply centers in select domestic and international regions as well as identifying existing branches for overlap and strategic elimination. We added 11 branches in 2010 and four in 2011 while closing 56 branches over this period. The majority of these closures were due to synergies resulting from our acquisitions, part of our restructuring efforts during the market downturn in 2009 and 2010 or to better position us to capitalize on shale or oil E&P activity.

We believe that an attractive opportunity exists to further expand our International operating segment. We continue to actively evaluate opportunities to selectively establish new branches in order to grow with our existing global customer base or to develop new customer relationships and extend our offering to key international markets, particularly in Asia, Europe, Australasia and the Middle East. We recently acquired the operations and assets of OneSteel Piping Systems (OPS) in Australia. This acquisition, when combined with the acquisitions of MRC Transmark Australia in October 2009, and Perth-based MRC SPF in June 2011, is expected to provide the Company with Australia s largest full-line PVF product offering including carbon steel, stainless steel, and alloy pipe, valves, fittings and flanges to serve both the MRO and project needs of our key customers throughout Australia in the oil and gas, mining and industrial processing sectors. We also recently expanded our global presence through our acquisition of MRC SPF and opened our first location in Kazakhstan to service a large existing North American customer. The current installed base of energy infrastructure internationally, including the upstream, midstream and downstream sectors, is significantly larger than in North America, and, as a result, we believe represents an attractive long term opportunity for us. In addition, the increased focus, particularly by foreign, typically government controlled, national energy companies that traditionally have not used distributors for their PVF procurement requirements, on efficiency, cost savings, process improvements and core competencies has also generated potential growth opportunities to add new customers. Since 2006, when 100% of our revenues were generated in the U.S., we have expanded into Canada, Europe, Asia and Australasia. In the year ended December 31, 2011, approximately 20% of our revenues were generated outside the U.S.

We also believe opportunities exist for expansion into new and under-penetrated sectors where PVF products are used in specialized or highly corrosive applications. These sectors include pulp and paper, waterworks, food and beverage and other general industrial sectors, in addition to other energy sectors such as power generation, mining and mineral processing, solar, LNG, coal, nuclear, ethanol and desalinization facilities. We believe our global branch network, comprehensive PVF product offering, large sales force and reputation for high customer service and technical expertise positions us to participate in the growth in these sectors.

We believe there also remains an opportunity to continue to expand into certain niche and specialty products that complement our current extensive product offering. These products include automated valves, instrumentation, stainless, chrome and high nickel alloy PVF, gaskets, traps and other flow control products and certain other general and specialty industrial supply products.

Pursue Selective Strategic Acquisitions and Investments. We continue to seek opportunities to strengthen our franchise through selective acquisitions and strategic investments. In particular, we will consider investments that enhance our presence in the energy infrastructure sector and enable us to leverage our existing operations, either through acquiring new branches or by acquiring companies offering complementary products or geographic breadth. Our industry remains highly fragmented while our customers and suppliers continue to consolidate. We believe a significant number of small and larger acquisition opportunities remain that offer favorable synergy potential and attractive growth characteristics. We intend to focus on utilizing our global operating scale and integration capabilities to further realize important synergies while minimizing execution risk.

Continued Focus on Operational Efficiency. We strive for continued operational excellence. Our branch managers, regional management and corporate leadership team continually examine branch profitability, working capital management and return on managed assets and utilize this information to optimize global, regional and local strategies, reduce operating costs and maximize cash flow generation. An important part of our strategy is to align management incentives from corporate officers through branch managers on achieving Adjusted EBITDA and Adjusted EBITDA RONA targets.

In response to past market downturns, our management team focused on several restructuring initiatives to align our cost structure with the level of business activity. These cost saving initiatives included branch consolidations, supplier rationalizations, regional realignments and reductions in corporate overhead, personnel and profit sharing programs. For example, during 2008 and 2009 we streamlined our organization by realigning our eight North American geographic regions into four, merged, converted, reorganized or closed over 47 branches and reduced headcount by 20% in North America as part of this process. Several of the cost saving initiatives were put in place as part of the McJunkin Red Man merger integration plan and thus were not reversed as activity returned to the more normalized levels that we are more recently experiencing.

To improve efficiencies and profitability, we work to leverage operational best practices, optimize our vendor relationships, purchasing and inventory levels, and source inventory internationally when appropriate. As part of this strategy, we have integrated our purchasing functions into a central procurement function and believe we have developed strong relationships with vendors that value our international footprint, large sales force and volume purchasing capabilities. Because of this, we are often considered the preferred distribution channel. As we continue to consolidate our vendor relationships, we plan to devote additional resources to assist our customers in identifying products that improve their processes, day-to-day operations and overall operating efficiencies. We believe that offering these value added services maximizes our value to our customers and helps differentiate us from competitors.

History

McJunkin Corporation was founded in 1921 in Charleston, West Virginia and initially served the local oil and natural gas industry, focusing primarily on the downstream sector. In 1989, McJunkin Corporation broadened its upstream sector presence by merging its oil and natural gas division with Appalachian Pipe & Supply Co. to form McJunkin Appalachian, which was a subsidiary of McJunkin Corporation, but has since been merged with and into McJunkin Red Man Corporation, which focused primarily on upstream oil and natural gas customers.

In April 2007, we acquired Midway, a regional PVF oilfield distributor, primarily serving the upstream Appalachia and Rockies regions. This extended our leadership position in the Appalachia/Marcellus shale region, while adding additional branches in the Rockies.

Red Man was founded in 1976 in Tulsa, Oklahoma and began as a distributor to the upstream sector and subsequently expanded into the midstream and downstream sectors. In 2005, Red Man acquired an approximate 51% voting interest in Canadian oilfield distributor MRC Midfield, giving Red Man a significant presence in the Western Canadian Sedimentary Basin.

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In October 2007, McJunkin Corporation and Red Man completed a business combination transaction to form the combined company, McJunkin Red Man Corporation. This transformational merger combined leadership positions in the upstream, midstream and downstream sectors, while creating a one stop PVF leader across all sectors with full geographic coverage across North America. Red Man has since been merged with and into McJunkin Red Man Corporation.

In July 2008, we acquired the remaining voting and equity interest in MRC Midfield. Also, in October 2008, we acquired LaBarge. LaBarge is engaged in the sale and distribution of carbon steel pipe (predominately large diameter pipe) for use primarily in the North American midstream energy infrastructure sector. The acquisition of LaBarge expanded our midstream sector leadership, while adding a new product line in large outside diameter pipe.

In October 2009, we acquired MRC Transmark. MRC Transmark is a leading distributor of valves and flow control products in Europe, Southeast Asia and Australasia. MRC Transmark was formed from a series of acquisitions, the most significant being the acquisition of the FCX European and Australasian distribution business in July 2005. The acquisition of MRC Transmark provided geographic expansion internationally, additional downstream diversification and enhanced valve sector leadership.

During 2010, we acquired South Texas Supply and also certain operations and assets of Dresser Oil Tools & Supply. With these two acquisitions, we expanded our footprint in the Eagle Ford and Bakken shale regions, expanding our local presence in two of the emerging active shale basins in North America.

In June 2011, we acquired MRC SPF. Headquartered in Perth, Western Australia, MRC SPF is a distributor of stainless steel piping products through its seven locations across Australia as well as Korea, the United Kingdom and the United Arab Emirates.

In July 2011, we acquired VSC. VSC specializes in valve automation for upstream projects and maintenance, repairs and operation in the downstream sector.

In December 2011, we signed an agreement to acquire the operations and assets of OneSteel Piping Systems (OPS). This acquisition was completed in March 2012. OPS is a leading PVF product and service specialist with proven capabilities supplying the oil and gas, mining and mineral processing industries in Australia.

On January 10, 2012, MRC Global Inc. amended its amended and restated certificate of incorporation and amended and restated bylaws to reflect a change in its name from McJunkin Red Man Holding Corporation to MRC Global Inc.

The following timeline illustrates our growth on a chronological basis since the founding of McJunkin Corporation:

Industry

We primarily serve the global oil and natural gas industry, generating approximately 90% of our sales from supplying products and various services to customers throughout the energy industry. Of our total sales, 62% of sales are comprised of valves, fittings and flanges and other industrial supply products and 38% are tubular products, predominantly line pipe and OCTG for the year ended December 31, 2011. Given the diverse requirements and various factors that drive the growth of the upstream, midstream and downstream sectors, our sales to each sector or by product may vary over time, though the overall strength of the global energy market and the level of our customers operating and capital expenditures are typically good indicators of our business activity. In each of 2010 and 2011, as part of the broader global economic recovery, our customers capital and operating expenditures increased as compared to 2009, although overall oil and natural gas drilling and completion spending still remained below 2006 and 2007 levels. Over the longer term, we expect to continue to see customer spending increase due to a variety of global supply and demand fundamentals, a slowly improving global economy, shale E&P activity and longer term outlooks for oil and natural gas prices.

	Year Ended December 31,											
Average Commodity Prices(1)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Natural gas ($/Mcf)	$ 4.31	$ 3.96	$ 3.38	$ 5.47	$ 5.87	$ 8.69	$ 6.73	$ 6.97	$ 8.86	$ 3.94	$ 4.37	$ 4.00
WTI crude oil ($per barrel)	$ 30.38	$ 25.98	$ 26.18	$ 31.08	$ 41.51	$ 56.64	$ 66.05	$ 72.34	$ 99.67	$ 61.95	$ 79.48	$ 94.91
Brent crude oil ($per barrel)	$ 28.66	$ 24.46	$ 24.99	$ 28.85	$ 38.27	$ 54.57	$ 65.16	$ 72.44	$ 96.94	$ 61.74	$ 79.61	$ 111.26

(1) Source Department of Energy, EIA (www.eia.gov).

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During the last several years, the global energy industry has experienced a number of favorable supply and demand dynamics that have led our customers to make substantial investments to expand their physical infrastructure and processing capacities. On the demand side, world energy markets are benefiting from:

(i) increased consumption of energy, caused in part by the industrialization of China, India and other non-OECD countries;

(ii) a slow recovery in economic growth in OECD countries from the severe downturn in 2009 and 2010;

(iii) continued global energy infrastructure expansion; and

(iv) increased use of natural gas, as opposed to coal, in power generation.

At the same time, global energy supply has been generally constrained due to increasing scarcity of natural resources, declining excess capacity of existing energy assets, geopolitical instability, natural and other unforeseen disasters and more stringent regulatory, safety and environmental standards. These demand and supply dynamics underscore the need for investment in energy infrastructure and increases in global exploration, extraction, production, transportation, refining and processing of energy inputs.

As the global energy industry has evolved, our customers have continued to focus on generating supply chain efficiencies. One notable trend that has favored our company is a shift toward a more centralized purchasing function. In the past, it was standard for PVF purchasing to be handled at a local level, often with separate contracts for each PVF product category (pipes, valves, fittings and flanges and all other). But as the energy industry has consolidated and as companies explore ways to leverage their aggregate purchases, many companies have consolidated vendors and moved to a more centralized function in which PVF contracts are put in place by energy sector (upstream/ midstream/ downstream) or by geography (for instance, North America, multi-country regions or global). This trend favors larger distributors such as our company that have the scale, product breadth, IT capabilities, global presence and financial strength to support large global contracts across all product categories. We believe that this can create a favorable environment for other energy companies, including state owned or national oil companies, to explore shifting from a direct model to a distribution focused model.

Within the U.S., the energy industry has benefited from technological developments that have enabled more recent significant increases in U.S. oil production and natural gas supply. EIA expects that U.S. crude oil production, which increased 2.1% in 2010 and 2.1% in 2011, will increase by a further 4.3% in 2012, driven by increased oil-directed drilling activity, particularly in unconventional shale formations. EIA expects that U.S. marketed natural gas production, which increased by 3.5% in 2010 and 7.8% in 2011, will grow further by 2.2% in 2012. Finally, as companies in the energy industry, both in North America and internationally, continue to focus on improving operating efficiencies, they have been increasingly looking to outsource their procurement and related administrative functions to distributors such as MRC.

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The following charts illustrate the growth in U.S. natural gas and liquid fuel production, the increasing development of U.S. and Canadian unconventional oil production and the anticipated shift in U.S. natural gas production to shale regions:

U.S. Liquid Fuel and Natural Gas Production *(1)*

U.S. and Canadian Oil Production *(1)*

(1) Projections from IHS CERA. Historical Data from the U.S. Energy Information Administration

North American Liquid Fuel Production *(1)*

U.S. Natural Gas Production *(2)*

(1) Projections from IHS CERA. Historical Data from the U.S. Energy Information Administration (www.eia.gov)
(2) U.S Energy Information Administration (www.eia.gov)

Upstream: E&P companies, commonly referred to as upstream companies, search for oil and natural gas underground and extract it to the surface. Representative companies include Aera Energy LLC, Anadarko Petroleum Corporation, Apache Corporation, Canadian Natural Resources, Ltd., Chesapeake Energy Corporation, Chevron Corporation, ConocoPhillips, Encana Corporation, ExxonMobil Corporation, Hess Corporation, Husky Energy Inc., Marathon Oil Company, Range Resources Corporation and Royal Dutch Shell plc. E&P companies typically purchase oilfield supplies, including carbon steel and other pipe, OCTG, valves, sucker rods, tools, pumps, production equipment, meters and general industrial supply products from us.

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The capital spending budgets of upstream companies have grown over the past decade as tight supply conditions, strong global demand for oil and natural gas and economically feasible E&P in shale formations have spurred companies to expand their operations. Spears & Associates expects global oil and natural gas drilling and completion spending will increase at an approximately 9% CAGR between 2011 and 2017.

The following chart illustrates historical and forecasted North American and international oil and natural gas drilling and completion spending:

Oil and Natural Gas Drilling and Completion Spending(1)

(1) Source Spears & Associates: Outlook for the Worldwide Upstream Oil and Gas Industry, March 2012
(2) Includes Europe and the Far East

Rig counts are considered to be generally indicative of activity levels in the upstream sector. The average North American rig count increased at an approximate 3% CAGR between 2006 and 2008, but, due to the global economic recession that began in late 2008, the average fell by more than 40% in 2009. As the economy recovered, the rig count increased, rising by 44% in 2010. Spears & Associates expects that the North American rig count will increase at a 3.6% CAGR between 2011 and 2017. Furthermore, more technically sophisticated drilling methods, such as deep and horizontal drilling and the multiple fracturing of hydrocarbon production zones, coupled with higher oil and natural gas prices relative to long term averages, have made E&P in previously underdeveloped areas, such as Appalachia and the Rockies, more economically feasible. As part of this trend, there has been growing commercial interest by our customers in several shale deposit areas in the United States, including the Bakken, Barnett, Eagle Ford, Fayetteville, Haynesville, Marcellus, Niobrara, Permian and Utica shales, where we have an extensive local presence. During 2010 and 2011, there was a significant shift towards oil prospects, with an average oil rig count of approximately 53% of the total for 2011, the highest percentage in the United States since 1997. Additionally, we believe improved E&P technologies will allow for more deepwater drilling both offshore in the Gulf of Mexico and offshore in certain international areas, where we maintain a presence. In the Gulf of Mexico, new drilling and safety requirements will have to be met before we anticipate a significant activity increase. In Canada, improvements in mining and mineral processing and in-situ technology are driving increased investment in the Canadian Oil Sands.

Oil and Natural Gas Rig Count

The following chart illustrates the historical and forecasted North American and International oil and natural gas rig count from 2004 through 2017:

Forecasted Worldwide Rig Count	**Forecasted North American Rig Count**

(1) Baker Hughes (www.bakerhughes.com), Spears & Associates: Outlook for the Worldwide Upstream Oil and Gas Industry, March 2012

Midstream: The midstream sector of the oil and natural gas industry is comprised of companies that provide gathering, storage, transmission, distribution, and other services related to the movement of oil, natural gas and refined petroleum products from sources of production to demand centers. Representative midstream companies include AGL Resources Inc., Atmos Energy Corporation, Chesapeake Midstream Partners, Consolidated Edison, Inc., DCP Midstream Partners, LP, El Paso Natural Gas Company, Enterprise Products Partners L.P., Kinder Morgan Inc., Magellan Midstream Partners, L.P., NiSource, Inc., Pacific Gas and Electric Company, Vectren Energy and Williams Partners L.P. Core products supplied for midstream infrastructure include carbon steel line pipe for gathering and transporting oil and natural gas, actuation systems for the remote opening and closing of valves, polyethylene pipe for last mile transmission to end user locations, metering equipment for the measurement of oil and natural gas delivery and general industrial supplies.

The natural gas utilities portion of the midstream sector has been one of our fastest growing sectors since regulatory changes enacted in the late 1990s encouraged utilities to outsource through distribution their PVF purchasing and procurement needs. Outsourcing provides significant labor and working capital savings to customers through the consolidation of standardized product procurement spending and the delegation of warehousing operations to us. We estimate that less than one-half of natural gas utilities currently outsource in varying degrees and we anticipate that some of the remaining large natural gas utilities will most likely switch from the direct sourcing model to a distributor model. Furthermore, we believe natural gas utilities will increasingly seek operating efficiencies as large natural gas pipelines and related distribution networks continue to be built, and will increasingly rely on companies such as ours to optimize their supply chains and enable them to focus on their core operations.

The gathering and transmission pipeline activity is anticipated to exhibit significant growth over the next several years due to the new discoveries of natural gas reserves in various shale natural gas fields and the need for additional pipelines to carry heavy sour crude from Canada to processing facilities in the United States. The Interstate Natural Gas Association of America (INGAA) estimates that companies will invest $178 billion in natural gas infrastructure between 2011 and 2035, the majority of which will be comprised of gathering and transmission pipelines.

Recent heightened activity in oil and natural gas fields such as the Bakken, Eagle Ford, Niobrara and Marcellus shale regions remain largely unsupported by transmission facilities of the appropriate scale necessary to bring the oil and natural gas to market. INGAA estimates that companies will need to build

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35,600 miles of large, high pressure natural gas pipelines between 2011 and 2035 to meet market demands. Further, an INGAA study completed by ICF International projects that on average, approximately 16,500 miles of new gathering lines and approximately 2,000 miles of new transmission line will be added each year from 2011 through 2035. This need for large pipelines to transport energy feedstocks to markets is creating significant growth for PVF and other products we sell. Drivers of pipeline development and growth include the development of natural gas production in new geographies, increased pipeline interconnection driven by a need to lower price differences within regions, and the need to link facilities that may be developed over the next decade.

The following chart illustrates historical and projected additions to total natural gas pipeline mileage in the U.S. from 2005 through 2016:

(1) ICF International, North American Midstream Infrastructure Through 2035 A Secure Energy Future, Prepared for the INGAA Foundation, June 28, 2011

The need for increased safety and governmental demands for pipeline integrity have also accelerated the MRO cycle for PVF products in this segment. Government mandated programs have hastened the testing of existing lines to ensure that the integrity of the pipe remains consistent with its original design criteria. All pipe falling outside the necessary performance criteria as it relates to safety and overall integrity must be replaced. These regulations for pipeline integrity management should continue to stimulate MRO demand for products as older pipelines are inspected and eventually replaced. About 60% of the U.S. network of natural gas-transmission pipeline is over 40 years old and will likely require significant maintenance or replacement as shown below.

Source: Wall Street Journal, Pipeline Safety and Hazardous Materials Administration

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Downstream: Typical downstream activities include the refining of crude oil and the selling and distribution of products derived from crude oil, as well as the production of petro and industrial chemical products. Representative downstream companies include BP plc, Chevron, ConocoPhillips, ExxonMobil Corporation, Marathon Petroleum Corporation, Royal Dutch Shell plc and Valero Energy Corporation. Refinery infrastructure products include carbon steel line pipe and gate valves, fittings to construct piping infrastructure and chrome or high alloy pipe and fittings for high heat and pressure applications. Chemical/petrochemical products include corrosive-resistant stainless steel or high alloy pipes, multi-turn valves and quarter-turn valves and general industrial supply products.

Over the 2008-2009 period, refinery utilization rates decreased significantly as part of the global economic slowdown and as a result, several new projects to increase capacity were delayed, or in some cases cancelled. Since 2010, utilization rates have improved but remained at levels below longer term historical averages. The number of operable refineries in the U.S. declined from 223 in 1985 to approximately 148 in 2010, and we believe that continued stress on refinery infrastructure caused by demand for petroleum products will accelerate PVF replacement rates over the longer term. This trend is most pronounced outside the U.S. where capacity utilization rates are the highest and the demand for petroleum products is growing the fastest.

The following charts illustrate the utilization of oil refineries in the U.S. and the European Union from 2002 through 2011 and global refinery margins during the same period:

Percent Utilization of

Refinery Operable Capacity(1)(2)

3:2:1 Crack Spread(3)

(1) Refinery utilization is calculated as refinery throughput divided by capacity
(2) Source BP Statistical Review of World Energy June 2011 (www.bp.com/statisticalreview)
(3) Source Commodity Systems, Inc.

The pre-recession gap between fuel consumption and U.S. refining capacity, coupled with an anticipated recovery in refinery utilization levels, may necessitate new projects and generate new project and MRO contract opportunities for MRC. Further, as refineries look for ways to improve margins and value-added capabilities, they are also increasingly broadening the crude processed to include heavier, sour crude. Heavier, sour crude is harsher and more corrosive than light sweet crude, and requires high-grade alloys in many parts of the refining process, shortening product replacement cycles and creating additional MRO contract opportunities for us following project completion. Thus, we believe that this need will create greater demand for our specialty products that include, among others, corrosion resistant components and steam products used in various process applications in refineries.

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The following charts illustrate industrial PMI (Purchasing Managers Index) from January 2008 through January 2012 and actual and forecasted refining turnaround activity on an annual basis from 2008 through 2013, based on data from Industrial Info Resources, Inc.:

Industrial PMI

(Purchasing Managers Index)(1)

Annual Refining Turnaround Activity
Planned Unit Outages (thousand barrels per day)(2)

(1) Institute for Supply Management
(2) Industrial info Resources, Inc.

Petrochemical plants generally use crude oil, natural gas or coal in production of a variety of primary petrochemicals (e.g. ethylene and propylene) that are the building blocks for many of the manufactured goods produced in the world today. The burgeoning economies in China, India and other non-OECD countries have generated increasing demand for petrochemicals and we expect that future increases in demand will require additional capital and other expenditures to increase capacity. Industry participants include integrated oil and natural gas companies with significant petrochemical operations and large industrial chemical companies, such as BP Chemicals, Celanese Chemicals, Chevron Phillips Chemical Co. LLC, Dow Chemical Company, E.I. DuPont de Nemours and Company, Eastman Chemicals Company, ExxonMobil Corporation, PPG Industries, Inc. and Shell Chemical L.P. In North America, increased shale E&P activity has led to a significantly increased supply of natural gas feedstock for the chemicals industry, thereby lowering input prices and stimulating activity. As a result of the improved profitability, several of our major chemical customers are currently considering significant new projects to increase North American capacity. In March 2011, the American Chemistry Council projected $16.2 billion in new capital investments, including debottlenecking, brownfield and greenfield projects, in the petrochemical industry over the next several years, and we believe that we will materially benefit as a result of this increase in anticipated activity.

Other Industries Served. Beyond the oil and natural gas industry, we also supply products and services to other energy sectors, such as coal, mining and mineral processing, power generation, LNG and alternative energy facilities. We also serve more general industrial sectors, such as pulp and paper, metals processing, fabrication, pharmaceutical, desalinization, food and beverage and manufacturing, which together make use of products such as corrosion resistant piping products as well as automation and instrumentation products. Some of the customers we serve in these sectors include Alcoa, Inc., Arcelor Mittal, BHP Billiton, Eli Lilly and Company, Georgia Pacific Corporation, International Paper Company, the Rio Tinto Group and U.S. Steel Corporation. These other sectors are typically characterized by large physical plants requiring significant ongoing maintenance and capital programs to ensure efficient and reliable operations. We include these industries within our downstream sector category.

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North American Operations

Our North American segment represented approximately 93% of our consolidated revenues in 2011 and is comprised of our business of distributing PVF to the energy and industrial sectors, across each of the upstream, midstream and downstream sectors, through our distribution operations located throughout the U.S. and Canada.

Products: Through our over 175 branch locations strategically located throughout North America, we distribute a complete line of PVF products, primarily used in specialized applications in the energy infrastructure sector, from our global network of suppliers. The products we distribute are used in the construction, maintenance, repair and overhaul of equipment used in extreme operating conditions such as high pressure, high/low temperature, high corrosive and abrasive environments. We are required to carry significant amounts of inventory to meet the rapid delivery, often same day, requirements of our customers. The breadth and depth of our product offerings and our extensive North American presence allow us to provide high levels of service to our customers. Due to our national inventory coverage, we are able to fulfill more orders more quickly, including those with lower volume and specialty items, than we would be able to if we operated on a smaller scale or only at a local or regional level. Key product types are described below:

Valves and Specialty Products (19% of our North American revenue in 2011). Products offered include ball, butterfly, gate, globe, check, needle and plug valves which are manufactured from cast steel, stainless/alloy steel, forged steel, carbon steel or cast and ductile iron. Valves are generally used in oilfield and industrial applications to control direction, velocity and pressure of fluids and gases within transmission networks. Specialty products include lined corrosion resistant piping systems, valve automation and top work components used for regulating flow and on/off service, and a wide range of steam and instrumentation products used in various process applications within our refinery, petrochemical and general industrial sectors.

Line Pipe (23% of our North American revenue in 2011). Carbon line pipe is typically used in high-yield, high-stress and abrasive applications, such as the gathering and transmission of oil, natural gas and phosphates. Line pipe is part of our tubular product category.

OCTG (18% of our North American revenue in 2011). OCTG is part of our tubular product category, includes casing (used for production and to line the well bore) and tubing pipe (used to extract oil or natural gas from wells) and is either classified as carbon or alloy depending on the grade of material.

Carbon Steel Fittings and Flanges and Stainless Steel and Alloy Pipe and Fittings (18% of our North American revenue in 2011). Carbon steel fittings and flanges include carbon weld fittings, flanges and piping components used primarily to connect piping and valve systems for the transmission of various liquids and gases. These products are used across all the industries in which we operate. Stainless steel and alloy pipe and fittings include stainless, alloy and corrosion resistant pipe, tubing, fittings and flanges. These are used most often in the chemical, refining and power generation industries but are used across all of the sectors in which we operate. Alloy products are principally used in high-pressure, high-temperature and high-corrosion applications typically seen in process piping applications.

Other (22% of our North American revenue in 2011). Other includes natural gas distribution products, oilfield supplies, and other industrial products such as mill and safety and electrical supplies. Natural gas distribution products include risers, meters, polyethylene pipe and fittings and various other components and industrial supplies used primarily in the distribution of natural gas to residential and commercial customers. We offer a comprehensive range of oilfield and industrial supplies and completion equipment, and products offered include high density polyethylene pipe and fittings, valves, well heads, pumping units and rods. Additionally, we can supply a wide range of specialized production equipment including meter runs, tanks and separators used in our upstream sector.

The following table provides a breakdown of our total North American revenues by product type on an actual basis for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	**2010**	**2009**
Energy carbon steel tubular products:			
Line Pipe	23%	19%	20%
OCTG	18%	21%	21%
	41%	40%	41%
Valves, fittings, flanges and other products:			
Valves and Specialty Products	19%	20%	18%
Carbon Steel Fittings and Flanges and Stainless Steel and Alloy Pipe and Fittings	18%	18%	18%
Other	22%	22%	23%
	59%	60%	59%

Services: We provide many of our customers with a comprehensive array of services including multiple deliveries each day, zone store management, valve tagging and significant system interfaces that directly tie the customer into our proprietary information systems. This allows us to interface with our customers IT systems and provide an integrated supply service. Such services strengthen our position with our customers as we become more integrated into the customer s business and supply chain and are able to market a total transaction value solution rather than individual product prices.

Our comprehensive information systems, which provide for customer and supplier electronic integrations, information sharing and e-commerce applications, further strengthen our ability to provide high levels of service to our customers. In 2011, we processed over 1.6 million EDI/EDE customer transactions. Our highly specialized implementation group focuses on the integration of our information systems and implementation of improved business processes with those of a new customer during the initiation phase. By maintaining a specialized team, we are able to utilize best practices to implement our systems and processes, thereby providing solutions to customers in a more organized, efficient and effective manner. This approach is valuable to large, multi-location customers who have demanding service requirements.

As major integrated and large independent energy companies have implemented efficiency initiatives to focus on their core business, many of these companies have begun outsourcing certain of their procurement and inventory management requirements. In response to these initiatives and to satisfy customer service requirements, we offer integrated supply services to customers who wish to outsource all or a part of the administrative burden associated with sourcing PVF and other related products, and we also often have MRC employees on-site full-time at many customer locations. Our integrated supply group offers procurement-related services, physical warehousing services, product quality assurance and inventory ownership and analysis services.

Suppliers: We source the products we distribute from a global network of suppliers. Our suppliers benefit from access to our diversified customer base and, by consolidating customer orders, we benefit from stronger purchasing power and preferred vendor programs. Our purchases from our largest 25 suppliers in 2011 approximated 52% of our North American total purchases, with our single largest supplier constituting approximately 10%. We are the largest customer for many of our suppliers and we source a significant majority of the products we distribute directly from the manufacturer. The remainder of the products we distribute are sourced from manufacturer representatives, trading companies and, in some instances, other distributors.

We believe our customers and suppliers recognize us as an industry leader in part due to the quality of products we supply and for the formal processes we use to evaluate vendor performance. This vendor assessment process is referred to as the MRC Supplier Registration Process, which involves employing individuals, certified by the International Registry of Certificated Auditors, who specialize in conducting on-site assessments of our manufacturers as well as monitoring and evaluating the quality of goods produced. The result of this process is the MRC AML. Products from the manufacturers on this list are supplied across many of the industries we support. Given that many of our largest customers, especially those in our downstream sector, maintain their own formal AML listing, we are recognized as an important source of information sharing with our key customers regarding the results of our on-site assessment. For this reason, together with our commitment to promote high quality products that bring the best overall value to our customers, we often become the preferred provider of AML products to these customers. Many of our customers regularly collaborate with us regarding specific manufacturer performance, our own experience with vendors products and the results of our on-site manufacturer assessments. The emphasis placed on the MRC ASL by both our customers and suppliers helps secure our central and critical position in the global PVF supply chain.

We utilize a variety of freight carriers in addition to our corporate truck fleet to ensure timely and efficient delivery of our products. With respect to deliveries of products from us to our customers, or our outbound needs, we utilize both our corporate fleet and third-party transportation providers. We utilize third parties for approximately 22% of our outbound deliveries. With respect to shipments of products from suppliers to us, or our inbound needs, we principally use third-party carriers.

Sales and Marketing: We distribute our products to a wide variety of end-users. Our broad distribution network and customer base allow us to capitalize on our extensive inventory base. Local relationships, depth of inventory, service and timely delivery are critical to the sales process in the PVF distribution industry. We generate approximately 93% of our total sales in North America. Our sales efforts are customer and product driven, and provide a system that is more responsive to changing customer and product needs than a traditional, fully centralized structure.

Our sales model applies a two-pronged approach to address both regional and national markets. Regional sales teams, led by four senior vice presidents with an average tenure of 30 years at MRC or its predecessors, are based in our core geographic regions and are complemented by a national accounts sales team organized by sector or product expertise and focused on large regional, national or global customers. These sales teams are then supported by groups with additional specific service or product expertise, including integrated supply and implementation. Our overall sales force is then internally divided into outside and inside sales forces.

Our approximately 265 (as of December 31, 2011) account managers and outside sales representatives develop relationships with prospective and existing customers in an effort to better understand their needs and to increase the number of our products specified or approved by a given customer. Outside sales representatives may be branch outside sales representatives, focused on customer relationships in specific geographies, or technical outside sales representatives, who focus on specific products and provide detailed technical support to customers.

In order to address the needs of our customer base, our inside sales force of approximately 620 customer service representatives (as of December 31, 2011) is responsible for processing orders generated by new and existing customers as well as by our outside sales force. The customer service representatives develop order packages based on specific customer needs, interface with manufacturers to determine product availability, ensure on-time delivery and establish pricing of materials and services based on guidelines and predetermined metrics set by management.

Seasonality: Our business experiences mild seasonal effects as demand for the products we distribute is generally higher during the months of August, September and October. Demand for the products we distribute during the months of November and December and early in the year generally tends to be lower due to a lower level of activity in the industry sectors we serve near the end of the calendar year and due to winter weather disruptions. In addition, certain E&P activities, primarily in Canada, typically experience a springtime reduction due to seasonal thaws and regulatory restrictions, limiting the ability of drilling rigs to operate effectively during these periods.

Customers: Our principal customers are companies active in the upstream, midstream and downstream sectors of the energy industry as well as in other industrial and energy sectors. Due to the demanding operating conditions in the energy industry, high costs and safety risks associated with equipment failure, customers prefer highly reliable products and vendors with established qualifications, reputation and experience. As our PVF products typically are mission critical and represent a fraction of the total cost of a given project, our customers often place a premium on service and high reliability given the high cost to them of maintenance or new project delays. We strive to build long-term relationships with our customers by maintaining our reputation as a supplier of high-quality, efficient and reliable products and value-added services and solutions.

We have a diverse customer base of over 10,000 active customers. We are not dependent on any one customer or group of customers. A majority of our customers are offered terms of net 30 days (due within 30 days of the date of the invoice). Customers generally have the right to return products we have sold, subject to certain conditions and limitations, although returns have historically been immaterial to our sales. For the years ended December 31, 2011 and 2010, our largest 25 North American customers represented approximately half of our North American sales. For many of our largest customers, we are often their sole or primary PVF provider by sector or geography, their largest or second largest supplier in aggregate or, in certain instances, the sole provider for their upstream, midstream and downstream procurement needs. We believe that many customers for which we are not the exclusive or comprehensive North American sole source PVF provider will continue to reduce their number of suppliers in an effort to reduce costs and administrative burdens and focus on their core operations. As such, we believe these customers will seek to select PVF distributors with the most extensive product offering and broadest geographic presence. Furthermore, we believe our business will benefit as companies in the energy industry continue to consolidate and the larger, resulting companies look to larger distributors such as ourselves as their sole or primary source PVF provider.

Backlog: Backlog is determined by the amount of unshipped third-party customer orders, which may be revised or cancelled by the customer in certain instances. Backlog is generally attributable to our project contract activity, as we generally supply products for MRO contracts within a short period of time from order. There can be no assurance that the backlog amounts will be ultimately realized as revenue, or that the Company will earn a profit on the backlog of orders. Our backlog at December 31, 2011 and December 31, 2010 was $693 million and $519 million, respectively. We expect to fill the substantial majority of our backlog within the next 12 months.

Competition: We are the largest North American PVF distributor to the energy industry based on sales. The broad PVF distribution industry is fragmented and includes large, nationally recognized distributors, major regional distributors and many smaller local distributors. The principal methods of competition include offering prompt local service, fulfillment capability, breadth of product and service offerings, price and total costs to the customer. Our competitors include nationally recognized PVF distributors, such as Wilson Industries, Inc. (a subsidiary of Schlumberger), National Oilwell Varco, Inc. and Ferguson Enterprises (a subsidiary of Wolseley, plc), several large regional or product-specific competitors and many local, family-owned PVF distributors.

Employees: As of December 31, 2011, we had approximately 3,450 employees in North America. 27 employees in the United States belong to a union and are covered by collective bargaining agreements. We consider our relationships with our employees to be good.

Properties: We operate a modified hub and spoke model that is centered around our seven distribution centers in North America with more than 175 branch locations which have inventory and local employees. We own our Houston-Darien, TX and Nisku, AB Canada distribution centers and lease the remaining five distribution centers. We own less than 10% of our branch locations as we primarily lease the facilities. Additionally, in order to meet specific customer needs and maintain strong customer relationships, we hold inventory at approximately 700 on-site customer locations and over 160 third party pipe yards, including third party storage facilities and fabricator locations.

We maintain three U.S. corporate offices, our main corporate headquarters in Houston, TX, the precedent McJunkin headquarters in Charleston, WV, which we own, and the precedent Red Man headquarters in Tulsa, OK. We also maintain a corporate office for our Canadian operations in Calgary, Alberta and a corporate office for our other international operations in Bradford, UK.

International Operations

Our International segment represents our valve and stainless and alloy pipe, fitting and flange distribution business to the energy and general industrial sectors, across each of the downstream and upstream sectors, through our distribution operations located throughout Europe, Asia, Australasia and the Middle East. Our International segment represented approximately 7% of our consolidated revenues in 2011.

Products: Through our over 30 strategic branch and service facilities throughout Europe, Asia, Australasia and the Middle East, we distribute a complete line of valve and stainless and alloy pipe, fittings and flanges and specialty products. The products we distribute are used in the construction, maintenance, repair and overhaul of equipment used in extreme operating conditions such as high pressure, high/low temperature, high corrosive and abrasive environments. Due to our geographical footprint, we are able to service our global customers at several of their locations. Key product types are described below:

Valves and Specialty Products (83% of our International revenue in 2011). Valve products offered include ball, butterfly, gate, globe, check, needle and plug valves which are manufactured from cast steel, stainless/alloy steel, forged steel, carbon steel or cast and ductile iron. Valves are generally used in oilfield and industrial applications to control direction, velocity and pressure of fluids and gases within transmission networks. Specialty products include lined corrosion resistant piping systems, valve automation and top work components used for regulating flow and on/off service and a wide range of steam and instrumentation products used in various process applications within our offshore, refinery, petrochemical and general industrial sectors.

Stainless Steel Pipe, Fittings and Flanges (17% of our International revenue in 2011). Stainless steel products are offered primarily through MRC SPF (acquired in June 2011) and are used in all sectors in which we operate including oil and gas, mining and mineral processing, water treatment and desalination, and petrochemical.

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Services: We provide our customers with a comprehensive array of services, including multiple daily deliveries, zone stores management, valve tagging and significant system interfaces that directly tie the customer into our proprietary information systems. This allows us to interface with our customers IT systems and provide an integrated supply service. Such services strengthen our position with our customers as we become more integrated into the customer s business and supply chain and are able to market a total transaction value solution rather than individual product prices.

As major integrated and large independent energy companies have implemented efficiency initiatives to focus on their core business, many of these companies have begun outsourcing certain of their procurement and inventory management requirements. In response to these initiatives and to satisfy customer service requirements, we offer integrated supply services to customers who wish to outsource all or a part of the administrative burden associated with sourcing pipe, valves and fittings and other related products. Our integrated supply group offers procurement-related services, physical warehousing services, product inspection, product quality assurance and inventory ownership and analysis services.

A large portion of our International revenue is generated by providing products and services to support our customers large capital projects. As our products typically represent a fraction of the total cost of the project, our customers often place a premium on service given the high cost to them of maintenance or new project delays. MRC can assist customers in project planning and execution to ensure that product is where they need it, when they need it.

Suppliers: We source the products we distribute from a global and regional network of suppliers. Our suppliers benefit from access to our diversified customer base and, by consolidating customer orders, we benefit from stronger purchasing power and preferred vendor programs. Our purchases from our largest 25 suppliers in 2011 approximated 58% of our International total purchases, with our single largest supplier constituting approximately 10%. We are a significant buyer for many of our suppliers and we source a significant majority of the products we distribute directly from the manufacturer. The remainder of the products we distribute are sourced from manufacturer representatives, trading companies and other distributors.

Sales and Marketing: We distribute our products to a wide variety of end-users in widely disbursed geographies. Our broad customer base and access to our other international locations allow us to leverage our extensive inventory base. Local relationships, depth of inventory, service and timely delivery are critical to the sales process in the PVF distribution industry. We generate approximately 7% of our sales within our International segment. Our marketing efforts are customer and product driven, and provide a system that is more responsive to changing customer and product needs than a traditional, fully centralized structure.

Our sales model is built on a highly trained sales force of over 230 sales professionals. For our valve sales, the majority of our sales force are qualified engineers. This team is able to meet complex customer requirements, selecting the optimal solution from a range of products to increase customers efficiency and lower total product lifecycle costs. The technical knowledge of our sales engineers combined with the application of local sales professionals addresses the high degree of engineering and product expertise required for each solution.

Our sales force is internally divided into outside and inside sales forces. Outside sales professionals spend the majority of their time building existing customer relationships at target accounts, introducing new products, and identifying and assisting customers with major projects. In addition, outside sales professionals are also responsible for developing new customer relationships. Internally, customer service representatives spend the majority of their time answering client inquiries, addressing customer requirements and making targeted outbound calls to generate additional business. Customer service representatives are product experts who ensure product deliveries meet customer timeframes, qualify sales opportunities and make pricing decisions within identified guidelines.

Customers: Our principal customers are companies active in the upstream and downstream sectors of the energy industry, as well as in other industrial and energy sectors. Due to the demanding operating conditions in the energy industry, high costs and safety risks associated with equipment failure, customers prefer highly reliable products and vendors with established qualifications, reputation and experience. As our products typically represent a fraction of the total cost of the project, our customers often place a premium on service given the high cost to them of maintenance or new project delays. We strive to build long-term relationships with our customers by maintaining our reputation as a supplier of high-quality, efficient and reliable products and value-added services and solutions.

We have a diverse customer base, consisting of thousands of active customers. We are not dependent on any one customer or group of customers. Customers generally have the right to return products we have sold, subject to certain conditions and limitations, although returns have historically been immaterial to our sales. For the year ended December 31, 2011, our largest 10 International customers represented approximately 33% of our International segment sales. For many of our largest customers, we are often their sole or primary valve or stainless steel and alloy provider by sector or geography, their largest or second largest supplier in aggregate or, in certain instances, the sole provider for their upstream and downstream procurement needs. We believe that many customers for which we are not the exclusive or comprehensive sole source valve provider will continue to reduce their number of suppliers in an effort to reduce costs and administrative burdens and focus on their core operations. As such, we believe these customers will seek to select valve and PVF distributors with the most extensive product offering and broadest geographic presence. Furthermore, we believe our business will benefit as companies in the energy industry continue to consolidate and the larger, resulting companies look to larger distributors such as ourselves as their sole or primary source valve provider.

Backlog: Backlog is determined by the amount of unshipped third-party customer orders, either specific or general in nature, which may be revised or cancelled by the customer in certain instances. Backlog is generally attributable to our project contract activity, as we generally supply products for MRO contracts within a short period of time. There can be no assurance that the backlog amounts will be ultimately realized as revenue or that the Company will earn a profit on the backlog of orders. Our backlog at December 31, 2011 and December 31, 2010 was $130 million and $64 million, respectively. We expect to fill the substantial majority of our backlog within the next 12 months.

Competition: We are one of the largest global valve distributors to the energy industry based on sales. The broad PVF distribution industry is fragmented and includes large, internationally and nationally recognized distributors, major regional distributors and many smaller local distributors. The principal methods of competition include offering prompt local service, fulfillment capability, breadth of product and service offerings, price and total costs to the customer. Our competitors include several large regional or product-specific competitors, such as Econosto (a subsidiary of Eriks), and many local, family-owned PVF distributors.

Employees: As of December 31, 2011, we had approximately 650 employees. Three employees, one in Australia, one in New Zealand and one in France, belong to a union and are covered by a collective bargaining agreement. We consider our relationships with our employees to be good.

Properties: We operate through a network of over 30 branch locations located throughout Europe, Asia, Australasia and the Middle East, including distribution centers in each of the United Kingdom, Singapore and Australia. We also maintain an operations center for our international

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operations in Bradford, United Kingdom and Perth, Australia. We own our Brussels location and the remainder of our locations are leased. We have not utilized third party pipe yards in the International segment.

For a breakdown of our annual revenues by geography, see Note 13 Segment, Geographic and Product Line Information to the audited consolidated financial statements as of December 31, 2011.

Information Systems

Our technology approach allows for extensive integration and customization with our clients. We believe that this is accretive to the value we bring to customers and increases their loyalty to MRC. Our information systems enable on-line real-time access to appropriate resources and are an integral part of our competitive advantage, particularly among larger customers whose own information systems we integrate with seamlessly.

We operate a SIMS for all North American locations and a separate, Oracle-based system for our other international locations, in each case other than for locations that we have recently acquired. Our branches are linked by our wide area networks into these integrated, scalable, and enterprise server-based systems allowing online, real-time access to all business resources, including customer order processing, purchasing and material request, distributing requirements planning, warehousing and receiving, inventory control and all accounting and financial functions. The large geographic coverage of each system not only enhances the efficient distribution of products but also standardizes internal processes, data management and reporting, as well as customer-facing applications and information presentation. Each system is highly functional and tailored to meet both the needs of MRC s distribution network and our customers for functionality, customer and internal integration, operational controls, acquisition implementation, scalability, reliability, speed and accounting and reporting capability and compliance.

Third-party and web-based applications are incorporated in our platform and enhance our IT offering. Customer and supplier electronic integrations, information sharing and e-commerce applications help support and secure long-standing relationships and foster additional business with our customers. Scanning and customized bar-coding systems further increase efficiency. Our corporate Intranet also includes various web-based applications and access to valuable resources such as report libraries and a Document Imaging application that includes more than 15 million documents and reports. In addition, we have implemented solutions, processes, and procedures to help mitigate the risk of a cyber incident, or a deficiency in our cyber security, but these measures, as well as our organization s increased awareness of our risk of a cyber incident, do not guarantee that our business will not be negatively impacted by such an incident. As of December 31, 2011, we had a staff of approximately 60 IT professionals.

Environmental Matters

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes, the responsibility to investigate, remediate, monitor and clean up contamination and occupational health and safety. Fines and penalties may be imposed for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Historically, the costs to comply with environmental and health and safety requirements have not been material. We are not aware of any pending environmental compliance or remediation matters that, in the opinion of management, are reasonably likely to have a material effect on our business, financial position or results of operations. However, the failure by us to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, employee, neighbor or other third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions.

Under certain laws and regulations, such as the U.S. federal Superfund law or its foreign equivalents, the obligation to investigate, remediate, monitor and clean up contamination at a facility may be imposed on current and former owners, lessees or operators or on persons who may have sent waste to that facility for disposal. Liability under these laws and regulations may be imposed without regard to fault or to the legality of the activities giving rise to the contamination. Although we are not aware of any active litigation against us under the U.S. federal Superfund law or its state or foreign equivalents, contamination has been identified at several of our current and former facilities, and we have incurred and will continue to incur costs to investigate, remediate, monitor and clean up these conditions. Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our prior, existing or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. We believe that indemnities contained in certain of our acquisition agreements may cover certain environmental conditions existing at the time of the acquisition, subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address.

In addition, environmental, health and safety laws and regulations applicable to our business and the business of our customers, including laws regulating the energy industry, and the interpretation or enforcement of these laws and regulations, are constantly evolving and it is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation or enforcement, may have upon our business, financial condition or results of operations. Should environmental laws and regulations, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on our business, financial condition and results of operations.

In particular, legislation and regulations limiting emissions of greenhouse gases, including carbon dioxide associated with the burning of fossil fuels, are at various stages of consideration and implementation at the international, national, regional and state levels. In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which established a binding set of emission targets for greenhouse gases, became binding on the countries that ratified it. Attention is now focused on development of a post-2012 international policy framework to guide international action to address climate change when the Kyoto protocol expires in 2012. Certain states and regions have adopted or are considering legislation or regulation imposing overall caps on greenhouse gas emissions from certain facility categories or mandating the increased use of electricity from renewable energy sources. Similar legislation has been proposed at the federal level. In addition, the EPA has begun to implement regulations that require permits for and reductions in greenhouse gas emissions for certain categories of facilities, the first of which became effective in January 2011. Pursuant to the terms of a settlement agreement, the EPA also intends to finalize greenhouse gas emissions standards, known as New Source Performance Standards (NSPS), for power plants in May 2012 and plans to issue such NSPS for refineries in the future. These laws and regulations could negatively impact the market for the products we distribute and, consequently, our business.

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In addition, some states have adopted regulations that could impose more stringent permitting, disclosure, wastewater and other waste disposal and well construction and testing requirements on hydraulic fracturing, a practice involving the injection of water containing more limited amounts of certain substances into rock formations (after perforating the formation with explosive charges) to stimulate production of hydrocarbons, particularly natural gas, from shale basin regions. Other states and the federal government are considering regulating this practice. These regulations include a variety of well construction, set back, wastewater disposal and disclosure requirements limiting how fracturing can be performed and requiring various degrees of disclosures regarding the contents of chemicals injected into the rock formations, as well as moratoria on all hydraulic fracturing activity. Any increased federal, regional or state regulation of hydraulic fracturing could reduce the demand for our products in these regions.

Legal Proceedings

From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no material pending legal proceedings that are likely to have a material effect on our business, financial condition or results of operations.

Also, from time to time, in the ordinary course of our business, our customers may claim that the products that we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In the opinion of management, the ultimate disposition of these claims and proceedings are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

For information regarding asbestos cases in which we are a defendant and other claims and proceedings, see Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations, Commitments and Contingencies Legal Proceedings and Note 15 Commitments and Contingencies to our audited consolidated financial statements included elsewhere in this prospectus.

Corporate Information

Our company maintains its principal executive office at 2 Houston Center, 909 Fannin, Suite 3100, Houston, Texas, 77010 and also maintains corporate offices in Charleston, WV and in Tulsa, OK. All three locations have corporate functions such as accounting, human resources, legal and information technology. We also maintain operations centers for our Canadian operations in Calgary, Alberta and for our international operations in Bradford, United Kingdom.

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MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages (as of December 31, 2011) and positions of each executive officer or director of MRC Global Inc. (MRC Global) (and the biographies following the table reflect the positions held by each of the named individuals at MRC Global Inc.):

	Age	Position
Andrew R. Lane	52	Chairman, President and CEO
James E. Braun	52	Executive Vice President and Chief Financial Officer
James F. Underhill	56	Executive Vice President and Chief Operating Officer North America
Daniel J. Churay	49	Executive Vice President, General Counsel and Corporate Secretary
Gary A. Ittner	59	Executive Vice President and Chief Administrative Officer
Rory M. Isaac	61	Executive Vice President Business Development
Scott A. Hutchinson	56	Executive Vice President North America Operations
Neil P. Wagstaff	48	Executive Vice President International Operations
Leonard M. Anthony	57	Director
Rhys J. Best	65	Director
Peter C. Boylan III	47	Director
Henry Cornell	55	Director
Christopher A.S. Crampton	34	Director
John F. Daly	45	Director
Craig Ketchum	54	Director
Gerard P. Krans	64	Director
Dr. Cornelis A. Linse	62	Director
John A. Perkins	64	Director
H.B. Wehrle, III	60	Director

Andrew R. Lane has served as MRC Global s president and chief executive officer (CEO) since September 2008 and MRC Global s chairman of the Board since December 2009. He has also served as a director of MRC Global since September 2008. From December 2004 to December 2007, he served as executive vice president and chief operating officer of Halliburton Company, where he was responsible for Halliburton s overall operational performance, managed over 50,000 employees worldwide and oversaw the integration of several mergers and acquisitions. Prior to that, he held a variety of leadership roles within Halliburton, serving as president and CEO of Kellogg Brown & Root, Inc. from July 2004 to November 2004, as senior vice president, global operations of Halliburton Energy Services Group from April 2004 to July 2004, as president of the Landmark Division of Halliburton Energy Services Group from May 2003 to March 2004, and as president and CEO of Landmark Graphics Corporation from April 2002 to April 2003. He was also chief operating officer of Landmark Graphics from January 2002 to March 2002 and vice president, production enhancement PSL, completion products PSL and tools/testing/TCP of Halliburton Energy Services Group from January 2000 to December 2001. Mr. Lane served as a director of KBR, Inc. from June 2006 to April 2007. He began his career in the oil and natural gas industry as a field engineer for Gulf Oil Corporation in 1982, and later worked as a production engineer in Gulf Oil s Pipeline Design and Permits Group. Mr. Lane received a B.S. in mechanical engineering from Southern Methodist University in 1981 (cum laude). He also completed the Advanced Management Program (A.M.P.) at Harvard Business School in 2000. He is a member of the executive board of the Southern Methodist University School of Engineering. Mr. Lane is uniquely qualified to serve as one of our directors due to his extensive executive and leadership experience in the oil and natural gas industry and his deep knowledge of our operations.

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James E. Braun has served as MRC Global s executive vice president and chief financial officer since November 2011. Prior to joining the Company, Mr. Braun served as chief financial officer of Newpark Resources, Inc. since 2006. Newpark provides drilling fluids and other products and services to the oil and gas exploration and production industry, both inside and outside of the U.S. Before joining Newpark, Mr. Braun was chief financial officer of Baker Oil Tools, one of the largest divisions of Baker Hughes Incorporated, a leading provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry. From 1998 until 2002, he was vice president, finance and administration, of Baker Petrolite, the oilfield specialt