McJunkin Red Man Corp
Form S-4/A
May 09, 2011

Table of Contents

As filed with the Securities and Exchange Commission on May 9, 2011
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

McJUNKIN RED MAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**1311**	**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)

Andrew R. Lane
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 exchange offer: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

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. o

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. o

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 o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

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	$ 1,050,000,000	100%	$ 1,050,000,000	$ 121,905
	$ 1,050,000,000	(2)	(2)	(2)

Guarantees of 9.50% Senior Secured Notes due December 15, 2016	
Total Registration Fee	$ 121,905(3)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) under the Securities Act.

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

(3) Previously paid.

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.

Table of Contents

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	1311	55-0566559
MCJUNKIN NIGERIA LIMITED	Delaware	1311	55-0758030
MCJUNKIN-PUERTO RICO CORPORATION	Delaware	1311	27-0094172
MCJUNKIN RED MAN DEVELOPMENT CORPORATION	Delaware	1311	55-0825430
MCJUNKIN RED MAN HOLDING CORPORATION	Delaware	1311	20-5956993
MCJUNKIN-WEST AFRICA CORPORATION	Delaware	1311	20-4303835
MIDWAY-TRISTATE CORPORATION	New York	1311	13-3503059
MILTON OIL & GAS COMPANY	West Virginia	1311	55-0547779
MRC MANAGEMENT COMPANY	Delaware	1311	26-1570465
RUFFNER REALTY COMPANY	West Virginia	1311	55-0547777
THE SOUTH TEXAS SUPPLY COMPANY, INC.	Texas	1311	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.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities or consummate the exchange offer until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell or exchange these securities and it is not soliciting an offer to acquire or exchange these securities in any jurisdiction where the offer, sale or exchange is not permitted.

Subject to Completion, dated May 9, 2011

Prospectus

McJunkin Red Man Corporation
Exchange Offer for
$1,050,000,000
9.50% Senior Secured Notes due December 15, 2016

We are offering to exchange up to $1,050,000,000 of our 9.50% senior secured notes due December 15, 2016, which will be registered under the Securities Act of 1933, as amended, for up to $1,050,000,000 of our outstanding 9.50% senior secured notes due December 15, 2016, which we issued on December 21, 2009 and February 11, 2010. We are offering to exchange the exchange notes for the outstanding notes to satisfy our obligations contained in the exchange and registration rights agreements that we entered into when the outstanding notes were sold pursuant to Rule 144A and Regulation S under the Securities Act. The terms of the exchange notes are identical to the terms of the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes do not apply to the exchange notes.

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

The exchange offer will expire at 12:00 a.m., New York City time on , 2011, unless we extend it.

Broker-dealers receiving exchange notes in exchange for outstanding notes acquired for their own account through market-making or other trading activities must acknowledge that they will deliver this prospectus in any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 90 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

You should consider carefully the Risk Factors beginning on page 16 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.

The date of this prospectus is , 2011.

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.

TABLE OF CONTENTS

McJunkin Red Man Corporation is a Delaware corporation. We are a wholly owned subsidiary of McJunkin Red Man Holding Corporation, 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 offering circular are the property of their respective holders.

Table of Contents

PROSPECTUS SUMMARY

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

Our Company

We are the largest global 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) end markets. We currently serve our customers through over 400 global service locations, including over 180 branches, 6 distribution centers and over 190 pipe yards located in the most active oil and natural gas regions in North America and over 30 branch locations throughout Europe, Asia and Australasia.

McJunkin Red Man Holding Corporation 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. We also have corporate offices located at 835 Hillcrest Drive, Charleston, West Virginia 25311 and 8023 East 63rd Place, Tulsa, Oklahoma 74133. Our telephone number is (877) 294-7574. Our website address is www.mrcpvf.com. Information contained on our website is expressly not incorporated by reference into this prospectus.

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 markets.

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 Canadian oilfield distributor Midfield Supply ULC (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

1

Table of Contents

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 Transmark Fcx Group B.V. (Transmark) and as part of the acquisition, we renamed Transmark as MRC Transmark Group B.V. (MRC Transmark). MRC Transmark is a leading distributor of valves and flow control products in Europe, Southeast Asia and Australasia. 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 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, Inc. (Dresser). 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.

Table of Contents

Corporate Structure

The following chart illustrates our simplified organization and ownership structure:

Table of Contents

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 LLC, our indirect parent company.

The Goldman Sachs Funds are managed by the Principal Investment Area of Goldman Sachs (GS PIA). GS PIA is one of the world s largest private equity and mezzanine investors, having invested approximately $67 billion in over 750 companies globally since 1986, and manages a diverse global portfolio of companies from the firm s New York, London, Hong Kong, Tokyo, San Francisco and Mumbai offices. GS PIA s investment philosophy is centered on (i) investing in world-class companies; (ii) acting as a patient and supportive long-term investor; and (iii) partnering with quality managers whose incentives are aligned with those of GS PIA. GS PIA has extensive equity investing experience in the energy and industrial distribution sectors, including upstream exploration and production companies (Bill Barrett Corporation and Cobalt International Energy, Inc.), midstream companies (Kinder Morgan, Inc.), downstream companies (CVR Energy, Inc.), power generation companies (Energy Future Holdings Corp., Horizon Wind Energy, LLC, Orion Power Holdings, Inc.), oilfield services companies (CCS Corporation, Ensco International Inc., Expro International Group Holdings Ltd., SEACOR Holdings Inc., Sub Sea International, Inc.) and industrial distributors (Ahlsell Sverige AB).

Table of Contents

Summary of the Exchange Offer

On December 21, 2009 and February 11, 2010, respectively, we sold $1,000,000,000 and $50,000,000 aggregate principal amount of our 9.50% senior secured notes due 2016, or the outstanding notes, in a transaction exempt from registration under the Securities Act of 1933, as amended, or the Securities Act. We are conducting this exchange offer to satisfy our obligations contained in the exchange and registration rights agreements that we entered into in connection with the sales of the outstanding notes. You should read the discussion under the headings The Exchange Offer and Description of Exchange Notes for further information regarding the exchange notes to be issued in the exchange offer.

Securities Offered	Up to $1,050,000,000 aggregate principal amount of 9.50% senior secured notes due 2016 registered under the Securities Act, or the exchange notes and, together with the outstanding notes, the notes. The terms of the exchange notes offered in the exchange offer are substantially identical to those of the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes do not apply to the exchange notes.
The Exchange Offer	We are offering exchange notes in exchange for a like principal amount of our outstanding notes. You may tender your outstanding notes for exchange notes by following the procedures described under the heading The Exchange Offer.
Tenders; Expiration Date; Withdrawal	The exchange offer will expire at 12:00 a.m., New York City time, on , 2011, unless we extend it. You may withdraw any outstanding notes that you tender for exchange at any time prior to the expiration of this exchange offer. See The Exchange Offer Terms of the Exchange Offer for a more complete description of the tender and withdrawal period.
Condition to the Exchange Offer	The exchange offer is not subject to any conditions, other than that the exchange offer does not violate any applicable law or applicable interpretations of the staff of the SEC. The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered in the exchange.
Procedures for Tendering Outstanding Notes	To participate in this exchange offer, you must properly complete and duly execute a letter of transmittal, which accompanies this prospectus, and transmit it, along with all other documents required by such letter of transmittal, to the exchange agent on or before the expiration date at the address provided on the cover page of the letter of transmittal. In the alternative, you can tender your outstanding notes by book-entry delivery following the procedures described in this prospectus, whereby you will agree to be bound by the letter of transmittal and we may enforce the letter of transmittal against you.

If a holder of outstanding notes desires to tender such notes and the holder s outstanding notes are not immediately available, or time will not permit the holder s outstanding notes or other required documents to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected pursuant to the guaranteed delivery procedures described in this prospectus.

	See The Exchange Offer How to Tender Outstanding Notes for Exchange.
United States Federal Tax Considerations	The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See Material United States Federal Tax Considerations .
Use of Proceeds	We will not receive any cash proceeds from the exchange offer.
Exchange Agent	U.S. Bank National Association, the trustee under the indenture governing the notes, is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are set forth under the heading The Exchange Offer Exchange Agent.
Consequences of Failure to Exchange Your Outstanding Notes	Outstanding notes not exchanged in the exchange offer will continue to be subject to the restrictions on transfer that are described in the legend on the outstanding notes. In general, you may offer or sell your outstanding notes only if they are registered under, or offered or sold under an exemption from, the Securities Act and applicable state securities laws. We do not currently intend to register the outstanding notes under the Securities Act. If your outstanding notes are not tendered and accepted in the exchange offer, it may become more difficult for you to sell or transfer your outstanding notes.
Resales of the Exchange Notes	Based on interpretations of the staff of the SEC, we believe that you may offer for sale, resell or otherwise transfer the exchange notes that we issue in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act if: you are not a broker-dealer tendering notes acquired directly from us; you acquire the exchange notes issued in the exchange offer in the ordinary course of your business; you are not participating, do not intend to participate, and have no arrangement or undertaking with anyone to participate, in the distribution of the exchange notes issued to you in the exchange offer; and you are not an affiliate of our company, as that term is defined in Rule 405 of the Securities Act. If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offer without delivering a proper prospectus or without qualifying for a registration exemption, you may incur liability under the Securities Act. We will not be responsible for, or indemnify you against, any liability you incur.

Any broker-dealer that acquires exchange notes in the exchange offer for its own account in exchange for outstanding notes which it acquired through market-making or other trading activities must acknowledge that it will deliver this prospectus when it resells or transfers any exchange notes issued in the exchange offer. See Plan of Distribution for a description of the prospectus delivery obligations of broker-dealers.

Table of Contents

Summary of The Exchange Notes

The summary below describes the principal terms of the exchange notes. Some of the terms and conditions described below are subject to important limitations and exceptions. See Description of Exchange Notes for a more detailed description of the terms and conditions of the exchange 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 exchange notes will mature on December 15, 2016.
Interest Payment Dates	Interest on the exchange notes will be payable in cash on June 15 and December 15 of each year.
Guarantees	The exchange 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 McJunkin Red Man Holding Corporation. McJunkin Red Man Holding Corporation does not have any material assets other than its ownership of 100% of the Issuer s capital stock. Under the indenture relating to the exchange 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 revolving credit facility or any other indebtedness of the Issuer or any Subsidiary Guarantor will also be required to guarantee the notes. See Description of Exchange Notes Certain Covenants Guarantees.
Collateral	The exchange 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 Exchange 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 Exchange Notes Certain Definitions) from time to time owned by the Issuer or the Subsidiary Guarantors. The guarantee of McJunkin Red Man Holding Corporation 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 exchange notes and the holders of any other Priority Lien Obligations. See Description of Exchange Notes Security Collateral .

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

Table of Contents

	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 Exchange 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 exchange notes and the holders of any other Priority Lien Obligations. Assets owned by our non-guarantor subsidiaries and by McJunkin Red Man Holding Corporation are not part of the collateral securing the exchange notes or our revolving credit facility. See Description of Exchange Notes Security and Risk Factors Risks Related to the Collateral and the Guarantees .
Ranking	The exchange notes and the related guarantees are the Issuer s and the Subsidiary Guarantors senior secured obligations and McJunkin Red Man Holding Corporation s senior unsecured obligation. The indebtedness evidenced by the exchange 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 exchange 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 our revolving credit facility (to the extent of the collateral that secures our revolving credit facility) and to any other debt incurred after the issue date that has a priority security interest relative to the exchange notes in the collateral that secures the revolving credit facility; equal in priority to any other indebtedness incurred before or after the issue date which is secured on an equal basis with the exchange notes and guarantees, including the outstanding notes; 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 exchange notes. As of December 31, 2010:

we and the Subsidiary Guarantors had $286 million outstanding under our revolving credit facility and outstanding letters of credit of approximately $5 million (with $360 million of available borrowings under our revolving credit facility), all of which would rank senior to the exchange notes to the extent of the collateral securing the revolving credit facility on a senior basis;

our non-guarantor subsidiaries had indebtedness of $46 million and borrowing availability of an additional $115 million, all of which would rank senior to the exchange notes;

we and the guarantors had $1.05 billion of outstanding notes outstanding plus certain outstanding interest rate swap agreements, all of which would rank pari passu with the exchange notes;

we and the guarantors had no subordinated indebtedness; and

our parent guarantor had no indebtedness other than its guarantee of the outstanding notes.

See Description of Exchange 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 The CIT Group/Business Credit Inc. and Bank of America, N.A., as co-collateral agents under our revolving credit facility, which governs the relationship of noteholders and the lenders under our revolving credit facility with respect to collateral and certain other matters. See Description of Exchange 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 Exchange Notes The Collateral Trust Agreement .
Sharing of Liens and Collateral	The liens securing the exchange notes secure the outstanding notes on an equal and ratable basis with the exchange notes. The Issuer and the Subsidiary Guarantors may issue additional senior secured indebtedness under the indenture governing the 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 Exchange 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 Exchange Notes Certain Definitions) permitted to be incurred under the indenture governing the notes.
Optional Redemption	

We may redeem the exchange 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 exchange notes at a price equal to 100% of the principal amount of the exchange 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 Exchange Notes Optional Redemption .

Table of Contents

	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 Exchange 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 exchange 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 Exchange Notes Repurchase at the Option of Holders . Our revolving credit facility or other agreements may restrict us from repurchasing any of the exchange 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 Exchange 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 exchange 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; pay dividends or make other restricted payments; make certain payments on debt that is subordinated or secured on a basis junior to the exchange 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 Exchange Notes .
Original Issue Discount	The outstanding notes were issued with original issue discount for United States federal income tax purposes, and the exchange notes will be treated as issued with the same amount of original issue discount as the outstanding notes exchanged therefor. For United States federal income tax purposes, U.S. Holders will be required

Table of Contents

	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 exchange notes will not be 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 exchange notes will exist or be maintained. If an active or liquid trading market for the exchange notes is not maintained, the market price and liquidity of the exchange notes may be adversely affected. See Risk Factors Risks Related to the Exchange Notes There is no Prior Public Market for the Exchange Notes. If an Actual Trading Market does Not Exist or is Not Maintained for the Exchange Notes, You May Not Be Able To Resell Them Quickly, for the Price That You Paid or at All.

Risk Factors

Despite our competitive strengths discussed elsewhere in this prospectus, investing in our exchange notes involves substantial risk. In addition, our ability to execute our business strategy is subject to certain risks. The risks described under the heading Risk Factors immediately following this summary may cause us not to realize the full benefits of our strengths or may cause us to be unable to successfully execute all or part of our business strategy as well as impact our ability to service the exchange notes. You should carefully consider all the information in this prospectus, including matters set forth under the heading Risk Factors .

Table of Contents

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

On January 31, 2007, 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 McJunkin Red Man Holding Corporation 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 is 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 Pipe & Supply Co. (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 McJunkin Red Man Holding Corporation for the full period and the results of Red Man Pipe & Supply Co. (Red Man) for the two months after the business combination on October 31, 2007. Accordingly, our historical results for the years ended December 31, 2010, 2009 and 2008 and the 11 months ended December 31, 2007 are not comparable to McJunkin s historical results for the one month ended January 30, 2007 and the year ended December 31, 2006.

The summary consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the years ended December 31, 2010, 2009 and 2008, and the summary consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2010 and December 31, 2009, have been derived from the consolidated financial statements of McJunkin Red Man Holding Corporation included elsewhere in this prospectus that have been audited by Ernst & Young LLP, independent registered public accounting firm. 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, 2008, December 31, 2007 and January 30, 2007, have been derived from the consolidated financial statements of McJunkin Red Man Holding Corporation not included in this prospectus that have been audited by Ernst & Young LLP, independent registered public accounting firm. The summary consolidated financial information presented below under the captions Statement of Operations Data and Other Financial Data for the year ended December 31, 2006, and the summary consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2006, has been derived from the consolidated financial statements of our predecessor, McJunkin Corporation, not included in this prospectus, that have been audited by Schneider Downs & Co., Inc., independent registered public accounting firm.

Table of Contents

The historical data presented below has been derived from financial statements that have been prepared using United States generally accepted accounting principles, or 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,	Year Ended December 31,
	2010	2009 (Restated)	2008	2007	2007	2006
	(In millions, except per share information)					
Statement of Operations Data:						
Sales	$ 3,845.5	$ 3,661.9	$ 5,255.2	$ 2,124.9	$ 142.5	$ 1,713.7
Cost of sales(1)	3,256.6	3,006.3	4,217.4	1,734.6	114.6	1,394.3
Inventory write-down	0.4	46.5				
Gross margin(1)	588.5	609.1	1,037.8	390.3	27.9	319.4
Selling, general and administrative expenses	447.7	408.6	482.1	218.5	15.9	189.5
Depreciation and amortization	16.6	14.5	11.3	5.4	0.3	3.9
Amortization of intangibles	53.9	46.6	44.4	21.9		0.3
Goodwill and intangibles impairment charge		386.1				
Total operating expenses	518.2	855.8	537.8	245.8	16.2	193.7
Operating income (loss)	70.3	(246.7)	500.0	144.5	11.7	125.7
Other (expense) income						
Interest expense	(139.6)	(116.5)	(84.5)	(61.7)	(0.1)	(2.8)
Net gain on early extinguishment of debt		1.3				
Change in fair value of derivative instruments	(4.9)	8.9	(6.2)			
Other, net	(1.0)	(1.8)	(2.6)	(0.8)	(0.4)	(5.0)
Total other (expense) income	(145.5)	(108.1)	(93.3)	(62.5)	(0.5)	(7.8)
Income (loss) before income taxes	(75.2)	(354.8)	406.7	82.0	11.2	117.9
Income taxes	(23.4)	(15.0)	153.2	32.1	4.6	48.3
Net income (loss)	$ (51.8)	$ (339.8)	$ 253.5	$ 49.9	$ 6.6	$ 69.6

Other Financial Data:						
Net cash provided by (used in) operations	112.5	505.5	(137.4)	110.2	6.6	18.4
Net cash provided by (used in) investing activities	(16.2)	(66.9)	(314.2)	(1,788.9)	(0.2)	(3.3)
Net cash provided by (used in) financing activities	(97.9)	(393.9)	452.0	1,687.2	(8.3)	(17.2)
Adjusted EBITDA(2)	149.6	334.1	618.2	334.6	26.0	129.5

	Successor				Predecessor
	Year Ended December 31, 2010 (Restated)	Year Ended December 31, 2009(1) (Restated)	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Balance Sheet Data:					
Cash and cash equivalents	$ 56.2	$ 56.2	$ 12.1	$ 10.1	$ 3.7
Working capital(3)	842.6	930.2	1,208.0	674.1	212.3
Total assets	2,991.2	3,083.2	3,919.7	3,083.8	481.0
Total debt(4) portion	1,360.2	1,452.6	1,748.6	868.4	13.0
Stockholders equity	689.8	743.9	987.2	1,262.7	258.2

(1) Cost of sales and gross margin are exclusive of depreciation and amortization, which is shown separately.

(2) We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and 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, goodwill and intangibles impairment and equity based compensation). Our revolving credit facility uses a measure substantially similar to Adjusted EBITDA. We present Adjusted EBITDA because it is an important factor in determining the interest rate and commitment fee we pay under our revolving credit facility. In addition, we believe it is a useful factor 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.

Particularly, 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 and/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 reported by other companies 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 necessary element of our costs. Because we use capital assets, depreciation expense is a necessary element of our costs and our ability to generate revenue. In addition, the omission of the amortization expense associated with out intangible assets further limits the usefulness of this measure. Adjusted EBITDA also does not include the payment of certain taxes, which is also a necessary element of our operations. Furthermore, Adjusted EBITDA does not account for LIFO expense, 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 limitation. 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 following table reconciles Adjusted EBITDA with our net income (loss), as derived from our financial statements (in millions):

	Successor				Predecessor	
	Year Ended December 31, 2010	**Year Ended December 31, 2009 (Restated)**	**Year Ended December 31, 2008**	**Eleven Months Ended December 31, 2007**	**One Month Ended January 31, 2007**	**Year Ended December 31, 2006**
Net income (loss)	$ (51.8)	$ (339.8)	$ 253.5	$ 56.9	$ 6.6	$ 69.6
Income taxes	(23.4)	(15.0)	153.2	36.5	4.6	48.3
Interest expense	139.6	116.5	84.5	61.7	0.1	2.8
Depreciation and amortization	16.6	14.5	11.3	5.4	0.3	3.9
Amortization of intangibles	53.9	46.6	44.4	10.5		0.3
Amortization of Purchase Price Accounting		15.7	2.4			
Changes in fair value of derivative instruments	4.9	(8.9)	6.2			
Closed locations	(0.7)	1.4				
Equity based compensation	3.7	7.8	10.2	3.0		
Franchise taxes	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	1.4	17.5	34.8	12.7		0.4
Midway-Tristate pre-acquisition contribution				2.8	1.0	
Non-recurring consulting fees	2.9	0.9	0.4			3.0
Provision for uncollectible accounts	(2.0)	1.0	7.7	0.4		0.4
Red Man Pipe & Supply Co. pre-acquisition contribution				142.2	13.1	
Severance and related costs	4.4	4.4				
Transmark Fcx pre-acquisition contribution		38.5				
Other non-recurring and non-cash expenses	(1.0)	(2.1)	6.7	2.5	0.3	0.8

Adjusted EBITDA	$	149.6	$	334.1	$	618.2	$	334.6	$	26.0	$	129.5

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

(4) Includes current portion.

RISK FACTORS

Before investing in the securities offered hereby, you should carefully consider the following risk factors as well as the other information contained in this prospectus. If any of these risks or uncertainties actually occurs, our business, financial condition and operating results could be materially adversely affected.

Risks Related to the Exchange 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 Exchange Notes.

We have substantial indebtedness. As of December 31, 2010, we had $1.36 billion of total indebtedness and our revolving credit facilities would permit additional borrowings of up to $475 million.

Our substantial 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 exchange 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 exchange 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 exchange notes, may be limited.

We May Be Unable to Service Our Indebtedness, Including the Exchange 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, prior to the repayment of the exchange notes, we will be required to refinance our revolving credit facility. We can give no assurance that we will be able to refinance any of our debt, including our revolving credit 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. Our revolving credit facility and the indenture governing the exchange 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, 2010, we had $311 million of secured indebtedness outstanding under our and our subsidiaries revolving credit facilities and up to $475 million would have been available for borrowing under our and our subsidiaries revolving credit facilities. The terms of the indenture governing the exchange notes and our revolving credit 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 exchange notes, the holders of that debt will be entitled to share ratably with the holders of the exchange 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 exchange notes and is secured by the same collateral as the exchange notes, including various amounts of debt permitted under the definition of Permitted Liens in the Description of Exchange Notes. See Description of Exchange 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 Exchange Notes and Our Revolving Credit 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 Exchange Notes.

The indenture and our revolving credit facility impose significant operating and financial restrictions on us. These restrictions limit our ability to, among other things:

- incur additional indebtedness or guarantee obligations;
- 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 exchange 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 Description of Certain Indebtedness and Description of Exchange 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.

Table of Contents

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 exchange notes in full.

Your Right to Receive Payments on the Exchange Notes is Effectively Subordinated to the Rights of Lenders Under Our Revolving Credit Facility to the Extent of the Value of the Collateral Securing the Revolving Credit Facility on a Senior Lien Basis.

The exchange 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 our revolving credit facility and (2) a junior lien on our and such guarantors accounts receivable, inventory and related assets which secure our revolving credit facility on a senior lien basis, in each case subject to certain excluded assets and permitted liens. The lenders under our revolving credit facility and certain other permitted secured debt will have claims that are prior to the claims of holders of the exchange 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 our revolving credit facility will have a prior claim to those of our assets that constitute their collateral. After claims of the lenders under the revolving credit facility have been satisfied in full, to the extent of the value of the collateral securing the revolving credit facility on a senior lien basis, there may be no assets remaining under the revolving credit facility collateral that may be applied to satisfy the claims of holders of the exchange notes. As a result, holders of exchange notes may receive less, ratably, than the lenders under our revolving credit facility.

As of December 31, 2010, the notes and the related guarantees were effectively subordinated to $286 million of secured debt under our revolving credit facility to the extent of the collateral securing the revolving credit facility on a senior basis, and up to $360 million was available for borrowing as additional secured debt under our revolving credit facility. In addition, the indenture governing the notes allows us to increase the size of the revolving credit facility, or refinance or replace the revolving credit 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 Exchange Notes Will Be Structurally Subordinated to the Liabilities of Our Non-Guarantor Subsidiaries.

Not all of our subsidiaries will be required to guarantee the exchange notes. For example, our foreign subsidiaries, certain immaterial subsidiaries and our subsidiaries (other than wholly-owned domestic subsidiaries) that do not guarantee the revolving credit facility or any other indebtedness of the Issuer or the Subsidiary Guarantors will not guarantee the exchange 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 exchange 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, 2010, the notes and the related guarantees were effectively subordinated to $286 million of secured debt under our revolving credit facility to the extent of the collateral securing the revolving credit facility on a senior basis, and up to $360 million was available for borrowing as additional secured debt under our revolving credit facility. In addition, the indenture governing the notes allows us to increase the size of the revolving credit facility, or refinance or replace the revolving credit 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.

Table of Contents

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 Exchange Notes.

Upon the occurrence of a change of control , as defined in the indenture governing the exchange notes, we must offer to buy back the exchange 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 exchange notes (or repay other indebtedness in certain circumstances) at a price equal to 100% of the principal amount of the exchange 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 exchange notes would be a default under the indenture governing the exchange notes, which would also trigger a cross default under our revolving credit facility. See Description of Exchange 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 exchange notes, it is possible that we may not have sufficient liquidity or assets to make the required repurchase of exchange notes or to satisfy all obligations under our revolving credit facility and the indenture governing the exchange notes. A change of control would also trigger a default under our revolving credit facility. In order to satisfy our obligations, we could seek to refinance the indebtedness under our revolving credit facility and the indenture governing the exchange notes or obtain a waiver from the lenders or you as a holder of the exchange 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.

Certain Restrictive Covenants in the Indenture Governing the Exchange Notes Will Be Suspended if Such Notes Achieve Investment Grade Ratings.

Most of the restrictive covenants in the indenture governing the exchange notes will not apply for so long as the exchange 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 exchange 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 exchange notes.

Certain Affiliates of The Goldman Sachs Group, Inc. Own a Significant Majority of the Equity of Our Indirect Parent. Conflicts of Interest May Arise Because Affiliates of the Principal Stockholder of Our Indirect Parent 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 indirect parent company. 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 joint lead arranger for our revolving credit 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 an exchange 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 exchange 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 exchange 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 Exchange Notes .

As a result of these relationships, the interests of the Goldman Sachs Funds may not coincide with your interests as holders of exchange 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.

You May Have Difficulty Selling the Outstanding Notes Which You do Not Exchange.

If you do not exchange your outstanding notes for the exchange notes offered in this exchange offer, you will continue to be subject to the restrictions on the transfer and exchange of your outstanding notes. Those transfer restrictions are described in the indenture relating to the exchange notes and in the legend contained on the outstanding notes, and arose because we originally issued the outstanding notes under exemptions from, and in transactions not subject to, the registration requirements of the Securities Act.

In general, you may offer or sell your outstanding notes only if they are registered under the Securities Act and applicable state securities laws, or if they are offered and sold under an exemption from, or in a transaction not subject to, those requirements. After completion of this exchange offer, we do not intend to register the outstanding notes under the Securities Act.

If a large number of outstanding notes are exchanged for notes issued in the exchange offer, it may be more difficult for you to sell your unexchanged outstanding notes. In addition, upon completion of the exchange offer, holders of any remaining outstanding notes will not be entitled to any further registration rights under the exchange and registration rights agreements, except under limited circumstances.

There is no Prior Public Market for the Exchange Notes. If an Actual Trading Market does Not Exist or is Not Maintained for the Exchange Notes, You May Not Be Able To Resell Them Quickly, for the Price That You Paid or at All.

We cannot assure you that an established trading market for the exchange notes will exist or be maintained. Although the exchange notes may be resold or otherwise transferred by the holders without compliance with the registration requirements under the Securities Act, they will constitute a new issue of securities with no established trading market.

We do not intend to apply for the notes or the exchange notes to be listed on any securities exchange or to arrange for quotation of the notes on any automated dealer quotation systems. The initial purchasers of the outstanding notes have advised us that they intend to make a market in the exchange notes, but they are not obligated to do so. Each initial purchaser may discontinue any market making in the exchange notes at any time, in its sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the notes or the exchange notes. Because Goldman, Sachs & Co. may be construed to be our affiliate, Goldman, Sachs & Co. may be required to deliver a current market making prospectus and otherwise comply with the registration requirements of the Securities Act in any secondary market sale of the exchange notes. Accordingly, the ability of Goldman, Sachs & Co. to make a market in the exchange notes may, in part, depend on our ability to maintain a current market making prospectus.

We also cannot assure you that you will be able to sell your exchange notes at a particular time or at all, or that the prices that you receive when you sell them will be favorable. If no active trading market exists or is maintained,

Table of Contents

you may not be able to resell your exchange notes at their fair market value, or at all. The liquidity of, and trading market for, the exchange notes may also be adversely affected by, among other things:

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

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the exchange notes. It is possible that the market for the exchange notes will be subject to disruptions. Any disruptions may have a negative effect on holders of the exchange notes, regardless of our prospects and financial performance.

Assuming the Issuance of Outstanding 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 Exchange Notes Issued in Exchange for Those Outstanding Notes Will Be Treated As Issued with the Same Amount of Original Issue Discount as the Exchange Notes Issued in Exchange for the Outstanding 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 outstanding December notes) exceeded the issue price of the outstanding December notes by an amount in excess of the statutory de minimis amount. Accordingly, the outstanding December notes were issued with original issue discount for United States federal income tax purposes.

We have taken the position that the issuance of outstanding notes on February 11, 2010 (the outstanding 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 outstanding February notes as having the same issue price as the outstanding December notes and therefore as having been issued with the same amount of original issue discount as the outstanding 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 outstanding February notes could be treated as a separate issue from the outstanding December notes, with an issue price determined by the first price at which a substantial amount of the outstanding 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 outstanding February notes would have been issued with original issue discount in an amount different from the amount of original issue discount on the outstanding December notes, the outstanding February notes would not have been fungible with the outstanding December notes for United States federal income tax purposes and the exchange notes received in exchange for the outstanding February notes would not be fungible with the exchange notes received in exchange for the outstanding 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 exchange notes.

Risks Related to the Collateral and the Guarantees

The Value of the Collateral Securing the Exchange Notes May Not Be Sufficient to Satisfy Our Obligations Under the Exchange Notes.

No appraisal of the fair market value of the collateral securing the exchange notes has been made in connection with this offering and the value of the collateral will depend 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 exchange 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 exchange 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 exchange 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 exchange notes have a number of significant exceptions pursuant to which we will be able to sell Notes Priority Collateral (as such term is defined in the indenture governing the exchange 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 exchange notes to repurchase the exchange notes.

The Intercreditor Agreement Limits the Ability of Holders of Exchange Notes to Exercise Rights and Remedies with Respect to the ABL Priority Collateral.

The rights of the holders of the exchange notes with respect to the ABL Priority Collateral (as such term is defined in the indenture governing the exchange notes) securing the exchange 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 our revolving credit 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 revolving credit 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 exchange notes may disagree or that may be contrary to the interests of holders of the exchange notes.

In addition, the intercreditor agreement contains certain provisions benefiting holders of indebtedness under our revolving credit 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 Exchange Notes The Intercreditor Agreement .

The Rights of the Holders of Exchange Notes to the ABL Priority Collateral Are Subject to Any Exceptions, Defects, Encumbrances, Liens and Other Imperfections That Are Accepted by the Lenders Under Our Revolving Credit Facility and Rights of the Holders of the Exchange 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 our revolving credit 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 exchange notes and guarantees are issued. The indenture for the exchange notes and the related security documents also permit the collateral for the exchange 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 exchange notes as well as the ability of the collateral agent to realize or foreclose on such collateral. The initial purchasers of the outstanding 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 exchange notes as well as the ability of the collateral agent to realize or foreclose on such collateral.

The Collateral Securing the Exchange Notes May Be Diluted Under Certain Circumstances.

The loan agreement governing our revolving credit facility and the indenture governing the exchange notes will permit us to issue additional senior secured indebtedness, including additional notes, subject to our compliance with the restrictive covenants in the indenture governing the notes and the loan agreement governing our revolving credit facility at the time we issue such additional senior secured indebtedness.

Any additional notes issued under the indenture governing the exchange 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 exchange notes (and the outstanding 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 exchange notes to the collateral.

The Rights of Holders of Exchange 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 exchange notes and the exchange 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 exchange notes. For example, the collateral trustee for the exchange 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

Table of Contents

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 will have limited obligations to perfect the security interest of the holders of exchange 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 exchange 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 exchange notes or the administrative agent under our revolving credit 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 exchange 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 exchange notes and the exchange note guarantees against third parties.

The security interest of the collateral trustee will be subject to practical challenges generally associated with the realization of security interests in the collateral. For example, the collateral trustee 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 Exchange Notes Will Not Include Certain Excluded Assets .

The collateral for the exchange notes will 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 exchange 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. One parcel of real estate that we currently own, but is a non-core asset, with a net book value of approximately $1 million as of December 31, 2010, will not be collateral for the exchange notes. The guarantee of the exchange notes provided by McJunkin Red Man Holding Corporation will be unsecured. See Description of Exchange 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 exchange 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 exchange notes will lose the benefit of a particular guarantee if it is released under certain circumstances described under Description of Exchange Notes .

Federal and State Laws Allow Courts, Under Specific Circumstances, to Void Guarantees and Grants of Security and Require Holders of the Exchange Notes to Return Payments Received from Guarantors.

The issuer s creditors and the creditors of the guarantors could challenge the exchange 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 exchange 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

Table of Contents

liabilities of such guarantor, if a court determined that the applicable guarantor, at the time it incurred the indebtedness evidenced by its exchange note guarantee (1) delivered such exchange 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 exchange 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 exchange note guarantee unless it benefited directly or indirectly from the issuance of the exchange notes. If a court declares the issuance of the exchange notes, any exchange note guarantee or the related security agreements to be void, or if any exchange 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 exchange 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 exchange 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 exchange 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 exchange notes will become structurally subordinated to any debt, leases or any other liabilities at that guarantor.

Table of Contents

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the exchange notes to other claims against us under the principle of equitable subordination, if the court determines that: (i) the holder of the exchange 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 exchange notes; and (iii) equitable subordination is not inconsistent with the provisions of the U.S. Bankruptcy Code.

The Collateral Is Subject to Casualty Risks.

The indenture governing the exchange notes, the loan agreement governing our revolving credit 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 exchange notes, we can give no assurance that any insurance proceeds received by us will be sufficient to satisfy all the secured obligations, including the exchange 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 exchange notes provides that certain of our future subsidiaries will guarantee the exchange notes and secure their exchange note guarantees with liens on their assets. The indenture governing the exchange note also requires the Issuer and the Subsidiary Guarantors to grant liens on certain assets that they acquire. Any future exchange note guarantee or additional lien in favor of the collateral trustee for the benefit of the holders of the exchange 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 exchange 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 exchange note guarantee or lien is an insider under the U.S. Bankruptcy Code), and the granting of the future exchange 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 Exchange Notes May Not Be Sufficient to Secure Post-Petition Interest. Should the Issuer s Obligations Under the Exchange Notes Equal or Exceed the Fair Market Value of the Collateral Securing the Exchange Notes, Holders of Exchange 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 exchange 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. Exchange note holders may be deemed to have an unsecured claim if the Issuer s obligations under the exchange notes equal or exceed the fair market value of the collateral securing the exchange notes. Exchange 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 exchange notes on the date of the bankruptcy filing was less than the then-current principal amount of the exchange notes. Upon a finding by a bankruptcy court that the exchange notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the exchange 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 exchange

Table of Contents

note holders to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the exchange 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 exchange notes. No appraisal of the fair market value of the collateral securing the exchange 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 exchange notes. We can give no assurance that there will be sufficient collateral to satisfy our and the Subsidiary Guarantors obligations under the exchange notes.

U.S. Federal Bankruptcy Laws May Significantly Impair the Ability of Exchange Note Holders to Realize Value from the Collateral.

The right of the collateral trustee to repossess and dispose of the collateral securing the exchange notes upon the occurrence of an event of default under the indenture governing the exchange 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 exchange notes if, among other possible reasons, the bankruptcy court determines that the fair market value of the collateral with respect to the exchange notes on the date of the bankruptcy filing was less than the then-current principal amount of the exchange 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 exchange 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 exchange 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 exchange 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 Exchange Notes may not be Entitled to Recover the Principal Amount of the Exchange 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 exchange notes are only entitled to recover the amortized portion of the original issue discount on the exchange notes. Accordingly, to the extent the original issue discount on the exchange notes has not been amortized, holders of the exchange notes may not be entitled to recover the full principal amount of the exchange notes.

Table of Contents

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 Materially and Adversely Affect Our Business, Results of Operations and Financial Condition.

A large portion of our revenue depends upon the level of capital and other 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.

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. Oil and natural gas prices during much of 2008 were at levels higher than historical long term averages, and worldwide oil and natural gas drilling and exploration activity during much of 2008 was also at very 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 has resulted, and may continue to result, in decreased capital expenditures in the oil and natural gas industry, and has had an adverse effect on our business, results of operations and financial condition. A further sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on our business, results of operations and financial condition.

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 may be affected by governmental actions, such as regulatory actions or legislation, or other restrictions on drilling, including those related to environmental concerns;
- 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 the products that we provide to the oil and natural gas industry, 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 and/or political attractiveness of alternative fuels, such as coal, hydrocarbon, wind, solar energy and biomass-based fuels;

increases in oil and natural gas prices and/or historically high oil and natural gas prices, which could lower demand for oil and natural gas products;

worldwide economic activity including growth in countries that are not members of the Organisation for Economic Co-operation and Development (non-OECD countries), including China and India;

interest rates and the cost of capital;

national government policies, including government policies which 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;

pricing and other actions taken by competitors that impact the market;

environmental regulation;

technological advances;

global weather conditions and natural disasters;

an increase in the value of the U.S. dollar relative to foreign currencies; 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, such volatility in the oil and natural gas markets could materially adversely affect our business, results of operations and financial condition.

Our Business, Results of Operations and Financial Condition May Be Materially and Adversely Affected by General Economic Conditions.

Many aspects of our business, including demand for the products we distribute and the pricing and availability of supplies, are affected by U.S. and global general economic conditions. General economic conditions and predictions regarding future economic conditions also affect our forecasts, and 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 end markets include interest rates, recession, inflation, deflation, 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 spending by our customers. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency or increase in magnitude. The global economic downturn has adversely affected our business, results of operations and financial condition, and continued adverse economic conditions could have a material adverse effect on our business, results of operations and financial condition.

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 and smaller regional players that may increasingly be willing to provide similar products and services at lower prices. Our revenues and earnings could be adversely affected by competitive actions such as price reductions, improved delivery and other actions by competitors. Our business, results of operations and financial condition could be materially and adversely affected 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.

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 Markets We Serve.

Historically, users of PVF and related products have purchased certain amounts of such 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, our business, results of operations and financial condition could be materially and adversely affected. 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. Also, products may not be available to us in quantities sufficient to meet our customer demand. Our inability to obtain sufficient products from suppliers and manufacturers, in sufficient quantities, could have a material adverse effect on our business, results of operations and financial condition.

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. Our inability to pass supply price increases on to our customers could have a material adverse effect on our business, results of operations and financial condition. 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 such 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 such 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, and Such a Loss May Have a Material Adverse Effect on Our Business, Results of Operations and Financial Condition.

Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. Purchases are generally made through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Approximately 39% of our total purchases during the year ended December 31, 2010 were from our ten 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 a material adverse effect on our business, results of operations and financial condition. 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 Sold by Us Could Cause the Value of Our Inventory to Decline. Also, Such 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 Our Inventory of Such Products Was Purchased at the Higher Prices Prior to Supplier Price Reductions and We Are Required to Sell Such Products to Our Customers at the Lower Market Prices.

The value of our inventory could decline as a result of price reductions by manufacturers of products sold by us. 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 a material adverse effect on our financial condition.

Table of Contents

Also, decreases in the market prices of products sold by us could cause customers to demand lower sale prices from us. These price reductions could reduce our margins and profitability on sales with respect to such lower-priced products. Reductions in our margins and profitability on sales could have a material adverse effect on our business, results of operations, and financial condition.

A Substantial Decrease in the Price of Steel Could Significantly Lower Our Gross Profit or Cash Flow.

We distribute many products manufactured from steel and, as a result, our business is significantly affected by the price and supply of steel. When steel prices are lower, the prices that we charge customers for products may decline, which affects our gross profit and cash flow. The steel industry as a whole is cyclical and 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, import duties and tariffs and currency exchange rates. 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 such products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during such period. Demand for the products we distribute, the actions of our competitors, and other factors will influence whether we will be able to pass such steel cost increases and surcharges on to our customers, and we may be unsuccessful in doing so.

We Do Not Have Long-Term Contracts or Agreements with Many of Our Customers and 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 Our Business, Results of Operations and Financial Condition.

Given the nature of our business, and consistent with industry practice, we do not have long-term contracts with many of our customers and our contracts, including our MRO contracts, generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers may terminate their relationships with us or reduce their purchasing volume at any time, and even our MRO customers are not required to purchase products from us. Furthermore, the long-term customer contracts that we do have are generally terminable without cause on short notice. Our ten largest customers represented approximately half of our sales for the year ended December 31, 2010. 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 a material adverse effect on our business, results of operations and financial condition.

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 and 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.

Table of Contents

We Face Risks Associated with Our Acquisition of Transmark Fcx Group B.V. in October 2009, and This Acquisition May Not Yield All of Its Intended Benefits.

We are currently continuing the process of integrating the business operated by Transmark Fcx Group B.V., now known as MRC Transmark Group B.V. (MRC Transmark) with our business. If we cannot successfully integrate this business, we may not achieve the expected synergies and benefits we hope to obtain from the acquisition. The difficulty of combining the companies presents challenges to our management, including:

- operating a significantly larger combined company with operations in more geographic areas and with more business lines;
- integrating personnel with diverse backgrounds and organizational cultures;
- coordinating sales and marketing functions;
- retaining key employees, customers or suppliers;
- integrating the information systems;
- preserving the collaboration, distribution, marketing, promotion and other important relationships; and
- consolidating other corporate and administrative functions.

If the risks associated with this acquisition materialize and we are unable to sufficiently address them, there is a possibility that the results of operations of our combined company could be less successful than the separate results of operations of our company and Transmark, taken together, if this acquisition had never occurred.

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 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 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;

failure to obtain and retain key personnel of an acquired business; and

assumption of known or unknown material liabilities or regulatory non-compliance issues.

Table of Contents

Failure to manage these acquisition growth risks could have a material adverse effect on our business, results of operations and financial condition.

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 our business, results of operations and financial condition.

Our Business, Results of Operations and Financial Condition Could Be Materially and Adversely Affected if Restrictions on Imports of Line Pipe, Oil Country Tubular Goods or Certain of the Other Products that We Sell Are Lifted.

U.S. law currently imposes tariffs and duties on imports from certain foreign countries of line pipe and oil country tubular goods, and, to a lesser extent, on imports of certain other products that we sell. If these restrictions are lifted, if the tariffs are reduced or if the level of such imported products otherwise increases, and these imported products are accepted by our customer base, our business, results of operations and financial condition could be materially and adversely affected to the extent that we would then have higher-cost products in our inventory or if prices and margins are driven down by increased supplies of such products. 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 r;font-size:10pt;">
23,982

805

3
%
Other operating expenses
20,265

18,868

1,397

7
%
Total operating expenses
45,052

42,850

2,202

5
%
Income from operations
13,572

6,513

7,059

108
%
Interest expense
(2,704
)

(2,965
)

261

(9
)%
Income before provision for income taxes
10,868

3,548

7,320

206
%
Provision for income taxes
4,523

1,727

2,796

162
%
Net income
$
6,345

$
1,821

$
4,524

248
%
Revenues
Revenues were $58.6 million for the three months ended March 31, 2014, an increase of approximately 19%, compared to total revenues of $49.4 million for the three months ended March 31, 2013.
Student lending revenues were $39.4 million for the three months ended March 31, 2014, representing an increase of $6.2 million, or 19%, compared to the three months ended March 31, 2013. This increase was primarily a result of an increase of placements of defaulted student loans during early 2013, which led to an increase in rehabilitation revenues for the three months ended March 31, 2014.
Healthcare revenues were $13.6 million for the three months ended March 31, 2014, representing an increase of $3.3 million, or 32%, compared to the three months ended March 31, 2013. This increase is primarily due to lower Q1 2013 revenues resulting from our inability to audit certain healthcare providers in the fourth quarter of 2012 following Hurricane Sandy.

Salaries and Benefits
Salaries and benefits expense was $24.8 million for the three months ended March 31, 2014, an increase of $0.8 million, or 3%, compared to salaries and benefits expense of $24.0 million for the three months ended March 31, 2013. This increase in salaries and benefits expense was due primarily to a higher level of incentive pay as a result of an increase in the company's revenues and operating performance.
Other Operating Expenses
Other operating expenses were $20.3 million for the three months ended March 31, 2014, an increase of $1.4 million, or 7%, compared to other operating expenses of $18.9 million for the three months ended March 31, 2013. The net increase in other operating expenses was mainly due to higher levels of recovery activity, including higher subcontractor and data services expense, accompanied by higher IT consulting and professional services expense in the current period. These increases were partially offset by $1.6 million of secondary offering costs included in the three months ended March 31, 2013.
Income from Operations
Income from operations was $13.6 million for the three months ended March 31, 2014, compared to $6.5 million for the three months ended March 31, 2013, representing an increase of $7.0 million, or 108%. This increase is primarily the result of revenue growth from our student loan and healthcare activities during the three months ended March 31, 2014, offset by $1.6 million of offering costs included in the three months ended March 31, 2013.

Table of Contents

Interest Expense

Interest expense was $2.7 million for the three months ended March 31, 2014, compared to $3.0 million for the three months ended March 31, 2013. Interest expense decreased $0.3 million due to repayments of principal under our credit agreement, resulting in a lower outstanding balance.

Income Taxes

Income tax expense was $4.5 million for the three months ended March 31, 2014, compared to $1.7 million for the three months ended March 31, 2013. Our effective income tax decreased to 41.6% for the three months ended March 31, 2014, from 48.7% for the three months ended March 31, 2013. The decrease in our effective tax rate is primarily due to the one-time nondeductible secondary offering expenses that occurred in the three months ended March 31, 2013.

Net Income

As a result of the factors described above, net income was $6.3 million for the three months ended March 31, 2014, which represented an increase of $4.5 million, or 248% compared to net income of $1.8 million for the three months ended March 31, 2013.

Table of Contents

Adjusted EBITDA and Adjusted Net Income

To provide investors with additional information regarding our financial results, we have disclosed in the table below adjusted EBITDA and adjusted net income, both of which are non-GAAP financial measures. We have provided a reconciliation below of adjusted EBITDA to net income and adjusted net income to net income, the most directly comparable GAAP financial measure to these non-GAAP financial measures.

We have included adjusted EBITDA and adjusted net income in this report because they are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends and to prepare and approve our annual budget. Accordingly, we believe that adjusted EBITDA and adjusted net income provide useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of adjusted EBITDA and adjusted net income has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect interest expense on our indebtedness;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments;
- adjusted EBITDA and adjusted net income do not reflect the potentially dilutive impact of equity-based compensation; and
- other companies may calculate adjusted EBITDA and adjusted net income differently than we do, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA and adjusted net income alongside other financial performance measures, including net income and our other GAAP results. The following tables present a reconciliation of adjusted EBITDA and adjusted net income for each of the periods indicated:

	Three Months Ended March 31,	
	2014	2013
Adjusted EBITDA:		
Net income	$6,345	$1,821
Provision for income taxes	4,523	1,727
Interest expense	2,704	2,965
Secondary offering expense (1)	—	1,624
Depreciation and amortization	2,933	2,509
Stock based compensation	891	712
Adjusted EBITDA	$17,396	$11,358

	Three Months Ended March 31,	
	2014	2013
Adjusted Net Income:		
Net income	$6,345	$1,821
Secondary offering expense (1)	—	1,624
Stock based compensation	891	712
Amortization of intangibles (2)	933	933
Deferred financing amortization costs (3)	267	285
Tax adjustments (4)	(836)	(1,422)
Adjusted Net Income	$7,600	$3,953

(1) Represents direct and incremental costs associated with the Company's secondary offering in February 2013.
(2) Represents amortization of capitalized expenses related to the acquisition of Performant by an affiliate of Parthenon Capital Partners in 2004, and also an acquisition in the first quarter of 2012 to enhance our analytics capabilities.
(3) Represents amortization of capitalized financing costs related to debt offerings conducted in 2012.
(4) Represents tax adjustments assuming a marginal tax rate of 40%.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations, our credit agreement, and the proceeds received from our initial public offering on August 15, 2012. Cash and cash equivalents, which totaled $90.7 million as of March 31, 2014, consist primarily of cash on deposit with banks. We expect that operating cash flows will continue to be a primary source of liquidity for our operating needs. There are currently no borrowings outstanding under our revolving credit facility other than $1.6 million letters of credit. Due to our operating cash flows, our existing cash and cash equivalents and availability under our revolving credit facility, we believe that we have the ability to meet our working capital and capital expenditure needs for the foreseeable future.

The increase in the balance of our cash and cash equivalents compared with the end of the fourth quarter of 2013 was primarily due to increased cash generated from operations of $14.3 million, partially offset by principal repayments of $2.7 million on our long-term debt and $2.8 of capital expenditures.

Cash flows from operating activities

The increase in net cash provided by operating activities for the three months ended March 31, 2014 was primarily due to net income of $6.3 million, an increase in income taxes payable of $5.4 million, and a decrease in trade accounts receivable of $2.7 million, partially offset by various working capital fluctuations such as a decrease in accrued salaries and benefits of $3.9 million.

Cash flows from investing activities
Cash used in investing activities for the three months ended March 31, 2014 was due to higher capital expenditures of $2.8 million related to information technology, data storage, hardware, telecommunication systems and security enhancements to our environment software.
Cash flows from financing activities
Cash used in financing activities for the three months ended March 31, 2014 was primarily attributable to repayments of principal of $2.7 million on long-term debt.
Long-term Debt
On March 19, 2012, we, through our wholly owned subsidiary, entered into a $147.5 million credit agreement with Madison Capital Funding LLC as administrative agent, ING Capital LLC as syndication agent, and other lenders party thereto. The senior credit facility consists of (i) a $57.0 million term A loan that matures in March 2017, (ii) a $79.5 million term B loan that matures in March 2018, and (iii) a $11.0 million revolving credit facility that expires in March 2017, which had a borrowing capacity of $9.4 million as of March, 2014. On June 28, 2012, we increased the amount of our borrowings under our term B loan by $19.5 million. Up to March 19, 2014, we had the ability to request the lenders to increase the size of the term B loan or other term loans by up to an additional $10.5 million. We did not request such an increase.
All borrowings under the credit agreement bear interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the prime rate published in the Wall Street Journal or another national publication, (b) the federal funds rate plus 0.5%, and (c) 2.5% or (ii) a London Interbank Offered Rate, or Libor, rate determined by reference to the highest of (a) a Libor rate published in Reuters or another national publication and (b) 1.5%. The term A loan and the revolving credit facility have an applicable margin of 4.25% for base rate loans and 5.25% for Libor rate loans. The term B loan has an applicable margin of 4.75% for base rate loans and 5.75% for Libor rate loans. The minimum per annum interest rate that we are required to pay is 6.75% for the term A loan and revolving credit facility and 7.25% for the term B loan. Interest is due at the end of each month for base rate loans and at the end of each Libor period for Libor rate loans unless the Libor period is greater than 3 months, in which case interest is due at the last day of each 3-month interval of such Libor period.

The credit agreement requires us to prepay the two term loans on a prorated basis and then to prepay the revolving credit facility under certain circumstances: (i) with 100% of the net cash proceeds of any asset sale or other disposition of assets by us or our subsidiaries where the net cash proceeds exceed $1 million, (ii) with a percentage of our annual excess cash flow each year where such percentage ranges from 25%-75% depending on our total debt to EBITDA ratio reduced by any voluntary prepayments that are made on our term loans during the same period and (iii) with any net cash proceeds from a qualified initial public offering by us, less net proceeds applied to redeem any outstanding preferred equity or convertible debt, to pay a common shareholder dividend not to exceed $20 million or, if we comply with an adjusted EBITDA ratio set forth in the agreement, to our cash balances in an amount not to exceed $75 million. With respect to (ii) above, the Company expects to make a prepayment of approximately $11.5 million to the lenders in May 2014. This expected payment has been included in the current maturities of notes payable on the Company's March 31, 2014 balance sheet included elsewhere in this report on Form 10-Q.
We have to abide by certain negative covenants for our credit agreement, which limit the ability for our subsidiaries and us to:

- incur additional indebtedness;
- create or permit liens;
- pay dividends or other distributions to our equity holders;
- purchase or redeem certain equity interests of our equity holders, including any warrants, options and other security rights;
- pay management fees or similar fees to any of our equity holders;
- make any redemption, prepayment, defeasance, repurchase or any other payment with respect to any subordinated debt;
- consolidate or merge;

- sell assets, including the capital stock of our subsidiaries;
- enter into transactions with our affiliates;
- enter into different business lines; and

21

Table of Contents

- make investments.

The credit agreement also requires us to meet certain financial covenants, including maintaining a fixed charge coverage ratio and a total debt to EBITDA ratio as such terms are defined in our credit agreement. These financial covenants are tested at the end of each quarter. The table below further describes these financial covenants, as well as our current status under these covenants as of March 31, 2014.

Financial Covenant	Covenant Requirement	Actual Ratio at March 31, 2014
Fixed charge coverage ratio (minimum)	1.20 to 1.0	2.56
Total debt to EBITDA ratio (maximum)	3.25 to 1.0	1.38

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold or issue financial instruments for trading purposes. We conduct all of our business in U.S. currency and therefore do not have any material direct foreign currency risk. We do have exposure to changes in interest rates with respect to the borrowings under our senior secured credit facility, which bear interest at a variable rate based on the prime rate or Libor. For example, if the interest rate on our borrowings increased 100 basis points (1%) from the credit facility floor of 1.5%, our annual interest expense would increase by approximately $1.3 million. In July 2012, we entered into an interest rate cap agreement per the terms of our senior secured credit agreement. The interest rate cap agreement is effective beginning in October 2012, and matures in October 2014, with a total notional amount of $75 million and a cap on Libor at 2.0%. If the Libor rate were to increase by 100 basis points (1.0%) above the credit facility floor of 1.5% for a year, we would receive a payment from the interest rate cap of approximately $0.3 million. While we currently hold our excess cash in an operating account, in the future we may invest all or a portion of our excess cash in short-term investments, including money market accounts, where returns may reflect current interest rates. As a result, market interest rate changes impact our interest expense and interest income. This impact will depend on variables such as the magnitude of interest rate changes and the level of our borrowings under our credit facility or excess cash balances.

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer (our Chief Executive Officer) and our principal financial officer (our Chief Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended March 31, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

22

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings that arise from our normal business operations. These actions generally derive from our student loan recovery services, and generally assert claims for violations of the Fair Debt Collection Practices Act or similar federal and state consumer credit laws. While litigation is inherently unpredictable, we believe that none of these legal proceedings, individually or collectively, will have a material adverse effect on our financial condition or our results of operations.

ITEM 1A. RISK FACTORS

If any of the following risks actually occurs, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline and you might lose all or part of your investment in our common stock. The risks and uncertainties described below are not the only ones we face. You should also refer to the other information set forth in this Form 10-Q, including under “Managements’ Discussion and Analysis of Financial Condition and Results of Operations”. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business

Our agreements with the Department of Education and CMS, two of our largest customers, are currently subject to rebidding processes, and our failure to renew these agreements or a renewal on less favorable terms would have a significant negative impact on our revenues and results of operations.

Our existing contracts with the Department of Education and CMS are currently subject to rebidding processes. The Department of Education and CMS were responsible for approximately 20.2% and 26.2% of our revenue for the year ended December 31, 2013, respectively. While the Department of Education has initiated a contract re-compete process, this process was suspended until further notice by the Department of Education in April 2014. We are currently participating in a competitive bidding process for the next RAC contract, but this process has been and may continue to be delayed due in part to protests or lawsuits filed by our competitors with respect to the terms proposed for the next RAC contract. While we believe our performance under existing contracts with the Department of Education and CMS and the experience we have gained in performing under these contracts position us well to renew both of these agreements, failure to retain either of these agreements or a significant adverse change in the terms of either of these agreements upon any renewal would seriously harm our revenues and our operating results.

Revenues generated from our four largest clients represented 75% of our revenues for the year ended December 31, 2013, and any termination of or deterioration in our relationship with any of these clients would result in a decline in our revenues.

We derive a substantial majority of our revenues from a limited number of clients, including the Department of Education, CMS and two GAs. Revenues from our four largest clients represented 75% of our revenues for the year ended December 31, 2013. All of our contracts with these clients are subject to periodic renewal and re-bidding processes and if we lose one of these clients or if the terms of our relationships with any of these clients become less favorable to us, our revenues would decline, which would harm our business, financial condition and results of operations.

The transition rules implemented by CMS in connection with the award of the new RAC contract will have an adverse impact on our 2014 revenues.

Our ability to make claims under the RAC contract are currently set to expire in June 2014. In planning for the award of the next RAC contracts, CMS has announced transition procedures that will affect our operations during the transition period. In this regard, CMS permitted us to submit medical records requests until February 21, 2014. In addition, CMS has placed restrictions on the types of claims and the amount of certain medical records requests that we may make during the transition period, and CMS has maintained a long-running prohibition on requesting medical records from PIP providers. We expect that these transition rules will have an adverse effect on our revenues during 2014. Further, protests have been filed in connection with the new RAC contract although the GAO recently denied these protests, and any delay in the award of the new RAC contract as a result of future protests or lawsuits would have an adverse impact on our future revenues in light of these transition rules. Lastly, given the uncertainties surrounding the timing of the RAC contract renewal period and the final scope of the transition rules, we may be required to retain certain employees whose services may not be required during the transition period, or may terminate certain employees who we may not be able to re-hire in the future, either of which could have an adverse impact on our business and future revenues.

Many of our contracts with our clients for the recovery of student loans and other receivables are not exclusive and do not commit our clients to provide specified volumes of business. In addition, the terms of these contracts may be changed

23

unilaterally and on short notice by our clients. As a consequence, there is no assurance that we will be able to maintain our revenues and operating results.

Substantially all of our existing contracts for the recovery of student loan and other receivables, which represented approximately 73.6% of our revenues in 2013, enable our clients to unilaterally terminate their contractual relationship with us at any time without penalty, potentially leading to loss of business or renegotiation of terms. Further, most of our contracts in these markets allow our clients to unilaterally change the volume of loans and other receivables that are placed with us at any given time. In addition, most of our contracts are not exclusive, with our clients retaining multiple service providers with whom we must compete for placements of loans or other obligations. Therefore, despite our contractual relationships with our clients, our contracts do not provide assurance that we will generate a minimum amount of revenues or that we will receive a specific volume of placements.

Our revenues and operating results would be negatively affected if our student loan and receivables clients, which include four of our five largest clients in 2013, reduce the volume of student loan placements provided to us, modify the terms of service, including the success fees we are able to earn upon recovery of defaulted student loans, or any of these clients establish more favorable relationships with our competitors. For example, in 2013 our contractual arrangement with the Department of Education changed as a result of the Department of Education’s decision to have its recovery vendors promote income-based repayment, or IBR, to defaulted student loans. The IBR program provides flexibility on the required monthly payment for student loan borrowers at an amount intended to be affordable based on a borrower’s income and family size. In connection with the implementation of the IBR program, the Department of Education unilaterally reduced the contingency fee rate that we receive for rehabilitating student loans by approximately 13% as of March 1, 2013. Any changes in the contingency fee percentages or other compensation terms that we are paid under existing and future contracts could have a significant impact on our revenues and operating results.

Our ability to derive revenues under our RAC contract will depend in part on the number and types of potentially improper claims that we are allowed to pursue by CMS, and our results of operations may be harmed if the scope of claims that we are allowed to pursue and be compensated for is limited.

Under our existing RAC contract with CMS and any new RAC contract that we enter into upon completion of the current rebidding process with CMS, we are not permitted to and may not seek the recovery of an improper claim unless that particular type of claim has been pre-approved by CMS to ensure compliance with applicable Medicare payment policies, as well as national and local coverage determinations. Accordingly, the long-term growth of the revenues we derive under a RAC contract will also depend in part on CMS expanding the scope of potentially improper claims that we are allowed to pursue. If we are unable to continue to identify improper claims within the types of claims that we are permitted to pursue from time to time or if CMS does not expand the scope of potentially improper claims that we are allowed to pursue, our results of operations could be adversely affected.

In addition, CMS has implemented rules that, for the period through September 30, 2014, prevent RAC contractors from being able to review and audit (i) whether inpatient care delivered to patients with hospital stays lasting less than two midnights was medically necessary and therefore deserving of the higher reimbursement levels under Medicare Part A or (ii) whether inpatient treatment was medically necessary for admissions spanning more than two midnights. In connection with these restrictions, hospitals cannot bill CMS for outpatient services on hospital stays lasting less than two midnights during such period. Fees associated with recoveries initiated by us based upon improper claims for inpatient reimbursement of these short stays have represented a substantial portion of the revenues we have earned under our existing RAC contract. The suspension of this type of review activity could have a material adverse effect on our future healthcare revenues and operating results, depending on a variety of factors including, among other things, CMS’s evaluation of provider compliance with the new rules, the rules ultimately adopted by CMS with respect to medical necessity reviews of Medicare reimbursement claims associated with short stay inpatient admissions and, more generally, the scope of improper claims that CMS allows us to pursue and our ability to successfully identify improper claims within the permitted scope. In connection with the award of the new RAC contract, CMS has indicated that it is reviewing certain aspects of the RAC contract including the amount of medical records that RAC vendors may request and the timeframes for review and communications between RAC vendors and providers.

We face significant competition in connection with obtaining, retaining and performing under our existing client contracts, including our contracts with the Department of Education and CMS, and an inability to compete effectively in the future could harm our relationships with our clients, which would impact our ability to maintain our revenues and operating results.

We operate in very competitive markets. In providing our services to the student loan and other receivables markets, we face competition from many other companies. Initially, we compete with these companies to be one of typically several firms engaged to provide recovery services to a particular client and, if we are successful in being engaged, we then face continuing competition from the client's other retained firms based on the client's benchmarking of the recovery rates of its several vendors. In addition, those recovery vendors who produce the highest recovery rates from a client often will be allocated additional placements and in some cases additional success fees. Accordingly, maintaining high levels of recovery performance, and doing so in a cost-effective manner, are important factors in our ability to maintain and grow our revenues and net income and the failure to achieve these objectives could harm our business, financial condition and results of operations.Some of our current and potential competitors in the markets in which we operate may have greater financial, marketing, technological or other resources than we do. The ability of any of our competitors and potential competitors to adopt new and effective technology to better serve our markets may allow them to gain market strength. Increasing levels of competition in the future may result in lower recovery fees, lower volumes of contracted recovery services or higher costs for resources. Any inability to compete effectively in the markets that we serve could adversely affect our business, financial condition and results of operations.

The U.S. federal government accounts for a significant portion of our revenues, and any loss of business from, or change in our relationship with, the U.S. federal government would result in a significant decrease in our revenues and operating results.

We have historically derived and are likely to continue to derive a significant portion of our revenues from the U.S. federal government. For the year ended December 31, 2013, revenues under contracts with the U.S. federal government accounted for approximately 48% of our total revenues, compared to 42% for the year ended December 31, 2012. In addition, fees payable by the U.S. federal government are expected to become a larger percentage of our total revenues over the next several years as a result of legislation that has transferred responsibility for all new student loan origination to the Department of Education. The continuation and exercise of renewal options on existing government contracts and any new government contracts are, among other things, contingent upon the availability of adequate funding for the applicable federal government agency. Changes in federal government spending could directly affect our financial performance. For example, the Bipartisan Budget Act of 2013, which was signed into law by President Obama on December 26, 2013, reduced the compensation paid to GAs for the rehabilitation of student loans, effective July 1, 2014. This "revenue enhancement" measure will reduce from 18.5% to 16% of the outstanding loan balance, the amount that GAs can charge borrowers when a rehabilitated loan is sold by the GA and will eliminate entirely the GAs retention of 18.5% of the outstanding loan balance as a fee for rehabilitation services. We believe that the reduction in compensation the GAs receive will impact the contingency fee percentage that we receive from the GAs for assisting in the rehabilitation of defaulted student loans, and we believe that this reduction will decrease our revenues by between $5 million and $15 million in 2014. Any additional decrease in this contingency fee percentage would result in a further decrease of our revenues. The loss of business from the U.S. federal government, or significant policy changes or financial pressures within the agencies of the U.S. federal government that we serve would result in a significant decrease in our revenues, which would adversely affect our business, financial condition and results of operations.

Future legislative or regulatory changes affecting the markets in which we operate could impair our business and operations.

The two principal markets in which we provide our recovery services, government-supported student loans and the Medicare program, are a subject of significant legislative and regulatory focus and we cannot anticipate how future changes in government policy may affect our business and operations. For example, SAFRA significantly changed the structure of the government-supported student loan market by assigning responsibility for all new government-supported student loan originations to the Department of Education, rather than originations by private institutions and backed by one of 30 government-supported GAs. This legislation, and any future changes in the legislation and regulations that govern these markets, may require us to adapt our business to the new circumstances and we may be unable to do so in a manner that does not adversely affect our business and operations.

Our business relationship with the Department of Education has accounted for a significant portion of our revenues and will take on increasing importance to our business as a result of SAFRA. Our failure to maintain this relationship would significantly decrease our revenues.

While the majority of our historical revenues from the student loan market have come from our relationships with the GAs, as a result of SAFRA, the Department of Education will ultimately become the sole source of revenues in this market, although the GAs will continue to service their existing student loan portfolios for many years to come. As a result, over time, and assuming we are successful in entering into a new contract with the Department of Education under the current rebidding process, defaults on student loans originated by the Department of Education will predominate and our ability to maintain the revenues we had previously received from a number of GA clients will depend on our relationship with a single client, the Department of Education. While we have 23 years of experience in performing student loan recovery services for the Department of Education, we are one of 17 unrestricted recovery service providers on the current Department of Education contract. If we are successful in entering into a new contract with the Department of Education, there may be more than the current 17 recovery service providers, which could lead to greater competition among the selected service providers. If our relationship with the Department of Education terminates or deteriorates or if the Department of Education, ultimately as the sole holder of defaulted student loans, requires its contractors to agree to less favorable terms, our revenues would significantly decrease, and our business, financial condition and results of operations would be harmed.

We could lose clients as a result of consolidation among the GAs, which would decrease our revenues.

As a result of SAFRA, which terminated the ability of the GAs to originate government-supported student loans, some have speculated that there may be consolidation among the 30 GAs. This speculation has heightened as a result of the reduction of fees that the GAs will receive for rehabilitating student loans as a result of the Bipartisan Budget Act of 2013. If GAs that are our clients are combined with GAs with whom we do not have a relationship, we could suffer a loss of business. We currently have relationships with 11 of the 30 GAs and two of our GA clients were each responsible for more than 10% of our total revenues in the year ended December 31, 2013. The consolidation of our GA clients with others and the failure to provide recovery services to the consolidated entity could decrease our revenues, which could negatively impact our business, financial condition and results of operations.

Our results of operations may fluctuate on a quarterly or annual basis and cause volatility in the price of our stock.

Our revenues and operating results could vary significantly from period-to-period and may fail to match our past performance because of a variety of factors, some of which are outside of our control. Any of these factors could cause the price of our common stock to fluctuate. Factors that could contribute to the variability of our operating results include:

- the amount of defaulted student loans and other receivables that our clients place with us for recovery;
- the timing of placements of student loans and other receivables which are entirely in the discretion of our clients;
- the schedules of government agencies for awarding contracts including the impact of any protests or lawsuits filed in connection with the award of any such contracts;
- our ability to successfully identify improper Medicare claims and the number and type of potentially improper claims that CMS authorizes us to pursue under our RAC contact;
- the loss or gain of significant clients or changes in the contingency fee rates or other significant terms of our business arrangements with our significant clients;
- technological and operational issues that may affect our clients and regulatory changes in the markets we service; and
- general industry and macroeconomic conditions.

For example, a technology system upgrade at the Department of Education significantly decreased the volume of student loan placements by the Department of Education to all recovery vendors, including us. While we and the other recovery vendors began to receive larger placement volumes in the fourth quarter of 2012, the majority of the revenues from these placements were delayed until the three months ended September 30, 2013, because we do not begin to earn rehabilitation revenues from a given placement until at least nine months after receipt of a placement. In addition, for approximately twelve months beginning in September 2011, because of this technology system upgrade, the Department of Education was not able to process a portion of rehabilitated student loans and accordingly we were not able to recognize certain revenues associated with rehabilitation of loans for this client. However, the Department of Education continued to pay us based on invoices submitted and we recorded these cash receipts as deferred revenues on our balance sheet.

Similarly, in our healthcare markets, our claim recovery volume related to PIP providers in our region has been limited and we estimate that PIP providers in our region account for approximately 20% of Medicare claims. PIP providers are reimbursed for Medicare claims through different processes than other healthcare providers, and technology adjustments were necessary to permit automated processing of claims involving PIP providers. Prior to April 2012, we were not permitted to audit Medicare claims for these PIP providers and the improper payments to PIP providers that we identified beginning in April 2012 were not processed by CMS until January 2013, when a small portion of such payments began to be processed manually, and CMS implemented the system adjustment necessary for automated processing of claims in June 2013. However, we are still not permitted to audit Medicare claims for these PIP providers due to the contract transition procedures implemented by CMS

26

Downturns in domestic or global economic conditions and other macroeconomic factors could harm our business and results of operations.

Various macroeconomic factors influence our business and results of operations. These include the volume of student loan originations in the United States, together with tuition costs and student enrollment rates, the default rate of student loan borrowers, which is impacted by domestic and global economic conditions, rates of unemployment and similar factors, and the growth in Medicare expenditures resulting from changes in healthcare costs. For example, during the global financial crisis beginning in 2008, the market for securitized student loan portfolios was disrupted, resulting in delays in the ability of some GA clients to resell rehabilitated student loans and, as a result, delays our ability to recognize revenues from these rehabilitated loans. Changes in the overall economy could lead to a reduction in overall recovery rates by our clients, which in turn could adversely affect our business, financial condition and results of operations.

We may not be able to maintain or increase our profitability, and our recent financial results may not be indicative of our future financial results.

We may not succeed in maintaining our profitability on a quarterly or annual basis and could incur quarterly or annual losses in future periods. We have incurred additional operating expenses associated with being a public company and we intend to continue to increase our operating expenses as we grow our business. We also expect to continue to make investments in our proprietary technology platform and hire additional employees and subcontractors as we expand our healthcare recovery and other operations, thus incurring additional expenses. If our revenues do not increase to offset these increases in expenses, our operating results could be adversely affected. Our historical revenues and net income growth rates are not indicative of future growth rates.

We may not be able to manage our growth effectively and our results of operations could be negatively affected.

Our business has expanded significantly, especially in recent years with the expansion of our services in the healthcare market, and we intend to maintain our focus on growth. However, our continued focus on growth and the expansion of our business may place additional demands on our management, operations and financial resources and will require us to incur additional expenses. We cannot be sure that we will be able to manage our growth effectively. In order to successfully manage our growth, our expenses will increase to recruit, train and manage additional qualified employees and subcontractors and to expand and enhance our administrative infrastructure and continue to improve our management, financial and information systems and controls. If we cannot manage our growth effectively, our expenses may increase and our results of operations could be negatively affected.

A failure of our operating systems or technology infrastructure, or those of our third-party vendors and subcontractors, could disrupt the operation of our business.

A failure of our operating systems or technology infrastructure, or those of our third-party vendors and subcontractors, could disrupt our operations. Our operating systems and technology infrastructure are susceptible to damage or interruption from various causes, including acts of God and other natural disasters, power losses, computer systems failures, Internet and telecommunications or data network failures, operator error, computer viruses, losses of and corruption of data and similar events. The occurrence of any of these events could result in interruptions, delays or cessations in service to our clients, reduce the attractiveness of our recovery services to current or potential clients and adversely impact our financial condition and results of operations. While we have backup systems in many of our operating facilities, an extended outage of utility or network services may harm our ability to operate our business. Further, the situations we plan for and the amount of insurance coverage we maintain for losses as result of failures of our operating systems and infrastructure may not be adequate in any particular case.

If our security measures are breached or fail and unauthorized access is obtained to our clients' confidential data, our services may be perceived as insecure, the attractiveness of our recovery services to current or potential clients may be reduced, and we may incur significant liabilities.

Our recovery services involve the storage and transmission of confidential information relating to our clients and their customers, including health, financial, credit, payment and other personal or confidential information. Although our data security procedures are designed to protect against unauthorized access to confidential information, our computer systems, software and networks may be vulnerable to unauthorized access and disclosure of our clients' confidential information. Further, we may not effectively adapt our security measures to evolving security risks, address the security and privacy concerns of existing or potential clients as they change over time, or be compliant with federal, state, and local laws and regulations with respect to securing confidential information. Unauthorized access to confidential information relating to our clients and their customers could lead to reputational damage which could deter our clients and potential clients from selecting

Table of Contents

our recovery services, or result in termination of contracts with those clients affected by any such breach, regulatory action, and claims against us.

In the event of any unauthorized access to personal or other confidential information, we may be required to expend significant resources to investigate and remediate vulnerabilities in our security procedures, and we may be subject to fines, penalties, litigation costs, and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such failures in our security and privacy measures were to occur, our business, financial condition and results of operations could suffer.

Our business may be harmed if we lose members of our management team or other key employees.

We are highly dependent on members of our management team and other key employees and our future success depends in part on our ability to retain these people. Our inability to continue to attract and retain members of our management team and other key employees could adversely affect our business, financial condition and results of operations.

The growth of our healthcare business will require us to hire and retain employees with specialized skills and failure to do so could harm our ability to grow our business.

The growth of our healthcare business will depend in part on our ability to recruit, train and manage additional qualified employees. Our healthcare-related operations require us to hire registered nurses and experts in Medicare coding. Finding, attracting and retaining employees with these skills is a critical component of providing our healthcare-related recovery and audit services, and our inability to staff these operations appropriately represents a risk to our healthcare service offering and associated revenues. An inability to hire qualified personnel, particularly to serve our healthcare clients, may restrain the growth of our business.

We rely on subcontractors to provide services to our clients and the failure of subcontractors to perform as expected could harm our business operations and our relationships with our clients.

We engage subcontractors to provide certain services to our clients. These subcontractors participate to varying degrees in our recovery activities with regards to all of the services we provide. While most of our subcontractors provide specific services to us, we engage one subcontractor to provide all of the audit and recovery services under our contract with CMS within a portion of our region. While we believe that we perform appropriate due diligence before we hire subcontractors, our subcontractors may not provide adequate service or otherwise comply with the terms set forth in their agreements. In the event a subcontractor provides deficient performance to one or more of our clients, any such client may reduce the volume of services we are providing under an existing contract or may terminate the relevant contract entirely and we may face claims for breach of contract. Any such disruption in our relations with our clients as a result of services provided by any of our subcontractors could adversely affect our revenues and operating results.

If our software vendors or utility and network providers fail to deliver or perform as expected our business operations could be adversely affected.

Our recovery services depend in part on third-party providers, including software vendors and utility and network providers. Our ability to service our clients depends on these third-party providers meeting our expectations and contractual obligations in a timely and effective manner. Our business could be materially and adversely affected, and we might incur significant additional liabilities, if the services provided by these third-party providers do not meet our expectations or if they terminate or refuse to renew their relationships with us on similar contractual terms.

We are subject to extensive regulations regarding the use and disclosure of confidential personal information and failure to comply with these regulations could cause us to incur liabilities and expenses.

We are subject to a wide array of federal and state laws and regulations regarding the use and disclosure of confidential personal information and security. For example, the federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, and related state laws subject us to substantial restrictions and requirements with respect to the use and disclosure of the personal health information that we obtain in connection with our audit and recovery services under our contract with CMS and we must establish administrative, physical and technical safeguards to protect the confidentiality of this information. Similar protections extend to the type of personal financial and other information we acquire from our student loan, state tax and federal receivables clients. We are required to notify affected individuals and government agencies of data security breaches involving protected health and certain personally identifiable information. These laws and regulations also require that we develop, implement and maintain written, comprehensive information security programs containing safeguards that are appropriate to protect personally identifiable information or health information against unauthorized access, misuse, destruction or modification. Federal law generally does not preempt state law in the area of protection of personal information,

Table of Contents

and as a result we must also comply with state laws and regulations. Regulation of privacy, data use and security requires that we incur significant expenses, which could increase in the future as a result of additional regulations, all of which adversely affects our results of operations. Failure to comply with these laws and regulations can result in penalties and in some cases expose us to civil lawsuits.

Our student loan recovery business is subject to extensive regulation and consumer protection laws and our failure to comply with these regulations and laws may subject us to liability and result in significant costs.

Our student loan recovery business is subject to regulation and oversight by various state and federal agencies, particularly in the area of consumer protection. The Fair Debt Collection Practices Act, or FDCPA, and related state laws provide specific guidelines that we must follow in communicating with holders of student loans and regulates the manner in which we can recover defaulted student loans. Some state attorney generals have been active in this area of consumer protection regulation. We are subject, and may be subject in the future, to inquiries and audits from state and federal regulators, as well as frequent litigation from private plaintiffs regarding compliance under the FDCPA and related state regulations. We are also subject to the Fair Credit Reporting Act, or FCRA, which regulates consumer credit reporting and may impose liability on us to the extent adverse credit information reported to a credit bureau is false or inaccurate. Our compliance with the FDCPA, FCRA and other federal and state regulations that affect our student loan recovery business may result in significant costs, including litigation costs. We may also become subject to regulations promulgated by the United States Consumer Financial Protection Bureau, or CFPB, which was established in July 2011 as part of the Dodd-Frank Act to, among other things, establish regulations regarding consumer financial protection laws. In addition, the CFPB has investigatory and enforcement authority with respect to whether persons are engaged in unlawful acts or practices in connection with the collection of consumer debts. On April 12, 2013, we received a Civil Investigative Demand, or a CID, from the CFPB requesting production of documents and answers to questions generally related to the Company’s debt collection practices and procedures. The CFPB has not alleged a violation by us of any law or regulation. We responded to the CID, but have not been examined by the CFPB. In light of the possibility that the CFPB may issue interpretative regulations for the FDCPA, the issuance of such regulations could adversely affect our business and results of operations if we are not able to adapt our services and client relationships to meet any new regulatory structure that might be required.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

However, for as long as we remain an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an “emerging growth company.”

We will remain an “emerging growth company” for up to five years following our initial public offering in August 2012, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, our revenues exceed $1 billion, or we issue more than $1 billion in non-convertible debt in a three-year period, we would cease to be an “emerging growth company” as of the following December 31.

As a result of disclosure of information as a public company, our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business operations and financial results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business operations and financial results. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

Table of Contents

Failure to achieve and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley would impair our ability to produce accurate and reliable financial statements, which would harm our stock price.

We are subject to reporting obligations under Section 404 of the Sarbanes-Oxley Act that require us to include a management report on our internal control over financial reporting in our annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting. These requirements first apply to this annual report on Form 10-K and complying with these requirements can be difficult. For example, in June 2012, we determined that we had incorrectly accounted for our mandatorily redeemable preferred stock, which required audit adjusting entries for the three-year period ended December 31, 2011. Our failure to detect this error was deemed to be a deficiency in internal control and this deficiency was considered to be a material weakness. To address this situation, our independent registered public accounting firm recommended that the Company emphasize the importance of thoroughly researching all new accounting policies and revisiting accounting policies set for existing transactions when changes in the business or reporting requirements occur or are expected to occur. To prevent issues like these in the future, we have bolstered our technical accounting expertise and, where appropriate, engaged outside consultants with specialized knowledge.

Our management may conclude that our internal control over our financial reporting is not effective. We have limited accounting personnel and other resources with which to address our internal controls and procedures. If we fail to timely achieve and maintain the adequacy of our internal control over financial reporting, we may not be able to produce reliable financial reports or help prevent fraud. Our failure to achieve and maintain effective internal control over financial reporting could prevent us from filing our periodic reports on a timely basis, which could result in the loss of investor confidence in the reliability of our financial statements, harm our business and negatively impact the trading price of our common stock.

We are required to disclose changes made in our internal controls and procedures on a quarterly basis. However, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until such time that we are no longer an "emerging growth company" as defined in the JOBS Act, if we continue to take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future.

Litigation may result in substantial costs of defense, damages or settlement, any of which could subject us to significant costs and expenses.

We are party to lawsuits in the normal course of business, particularly in connection with our student loan recovery services. For example, we are regularly subject to claims that we have violated the guidelines and procedures that must be followed under federal and state laws in communicating with consumer debtors. We may not ultimately prevail or otherwise be able to satisfactorily resolve any pending or future litigation, which may result in substantial costs of defense, damages or settlement. In the future, we may be required to alter our business practices or pay substantial damages or settlement costs as a result of litigation proceedings, which could adversely affect our business operations and results of operations.

We typically face a long period to implement a new contract which may cause us to incur expenses before we receive revenues from new client relationships.

If we are successful in obtaining an engagement with a new client or a new contract with an existing client, we typically have a subsequent long implementation period in which the services are planned in detail and we integrate our technology, processes and resources with the client's operations. If we enter into a contract with a new client, we typically will not receive revenues until implementation is completed and work under the contract actually begins. Our clients may also experience delays in obtaining approvals or delays associated with technology or system implementations, such as the delays experienced with the implementation of our RAC contract with CMS due to an appeal by competitors who were unsuccessful in bidding on the contract. Because we generally begin to hire new employees to provide services to a new client once a contract is signed, we may incur significant expenses associated with these additional hires before we receive corresponding revenues under any such new contract. If we are not successful in maintaining contractual commitments after the expenses we incur during our typically long implementation cycle, our results of operations could be adversely affected.

If we are unable to adequately protect our proprietary technology, our competitive position could be harmed or we could be required to incur significant costs to enforce our rights.

The success of our business depends in part upon our proprietary technology platform. We rely on a combination of copyright, patent, trademark, and trade secret laws, as well as on confidentiality procedures and non-compete agreements, to establish and protect our proprietary technology rights. The steps we have taken to deter misappropriation of our proprietary technology may be insufficient to protect our proprietary information. Any infringement or misappropriation of our patents, trademarks, trade secrets, or other intellectual property rights could adversely affect any competitive advantage we currently derive or may derive from our proprietary technology platform and we may incur significant costs associated with litigation that may be necessary to enforce our intellectual property rights.

Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business.

Our competitors protect their proprietary rights by means of patents, trade secrets, copyrights, trademarks and other intellectual property. Any party asserting that we infringe, misappropriate or violate their intellectual property rights may force us to defend ourselves, and potentially our clients, against the alleged claim. These claims and any resulting lawsuit, if successful, could be time-consuming and expensive to defend, subject us to significant liability for damages or invalidation of our proprietary rights, prevent us from operating all or a portion of our business or force us to redesign our services or technology platform or cause an interruption or cessation of our business operations, any of which could adversely affect our business and operating results. In addition, any litigation relating to the infringement of intellectual property rights could harm our relationships with current and prospective clients. The risk of such claims and lawsuits could increase if we increase the size and scope of our services in our existing markets or expand into new markets.

We may make acquisitions that prove unsuccessful, strain or divert our resources and harm our results of operations and stock price.

We may consider acquisitions of other companies in our industry or in new markets. We may not be able to successfully complete any such acquisition and, if completed, any such acquisition may fail to achieve the intended financial results. We may not be able to successfully integrate any acquired businesses with our own and we may be unable to maintain our standards, controls and policies. Further, acquisitions may place additional constraints on our resources by diverting the attention of our management from other business concerns. Moreover, any acquisition may result in a potentially dilutive issuance of equity securities, the incurrence of additional debt and amortization of expenses related to intangible assets, all of which could adversely affect our results of operations and stock price.

Our current or future indebtedness could adversely affect our business and financial condition and reduce the funds available to us for other purposes, and our failure to comply with the covenants contained in our credit agreement could result in an event of default that could adversely affect our results of operations.

As of December 31, 2013, our total debt was $133.3 million. For the year ended December 31, 2013, our consolidated interest expense was $11.6 million. Our ability to make scheduled payments or to refinance our debt obligations and to fund our other liquidity needs depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot make assurances that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness and to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations and allow us to maintain compliance with the covenants under our credit agreement or to fund our other liquidity needs, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot ensure that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including our credit agreement. If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable, the lenders under our credit agreement could terminate their commitments to lend us money and foreclose against the assets securing our borrowings and we could be forced into bankruptcy or liquidation.

Our debt agreements contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants that limit our ability to incur additional debt, including to finance future operations or other capital needs, and to engage in other activities that we may believe are in our long-term best interests, including to dispose of or acquire assets. Our failure to comply with these covenants may result in an event of default, which, if not cured or waived, could accelerate the maturity of our indebtedness or result in modifications to our credit terms. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Long Term Debt" in Item 7 below for a more detailed discussion of our financial covenants as well as our current status under these covenants. If our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

The price of our common stock could be volatile, and you may not be able to sell your shares at or above the public offering price.

Since our initial public offering in August 2012, the price of our common stock, as reported by NASDAQ, has ranged from a low sales price of $7.11 on February 21, 2014 to a high sales price of $14.09 on March 4, 2013. The trading price of our common stock may be significantly affected by various factors, including: quarterly fluctuations in our operating results; the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections; changes in investors' and analysts' perception of the business risks and conditions of our business; our ability to meet the earnings estimates and other performance expectations of financial analysts or investors; unfavorable commentary or downgrades of our stock by equity research analysts; changes in our capital structure, such as future issuances of debt or equity securities; lawsuits threatened or filed against us; strategic actions by us or our competitors, such as acquisitions or restructurings; new legislation or regulatory actions; changes in our relationship with any of our significant clients; fluctuations in the stock prices of our peer companies or in stock markets in general; and general economic conditions.

Our significant stockholder has the ability to influence significant corporate activities and our significant stockholder's interests may not coincide with yours.

Parthenon Capital Partners beneficially owns approximately 32.4% of our common stock as of May 5, 2014. As a result of its ownership, Parthenon Capital Partners has the ability to influence the outcome of matters submitted to a vote of stockholders and, through our board of directors, the ability to influence decision-making with respect to our business direction and policies. Parthenon Capital Partners may have interests different from our other stockholders' interests, and may vote in a manner adverse to those interests. Matters over which Parthenon Capital Partners can, directly or indirectly, exercise influence include:the election of our board of directors and the appointment and removal of our officers;

- mergers and other business combination transactions, including proposed transactions that would result in our stockholders receiving a premium price for their shares;
- other acquisitions or dispositions of businesses or assets;
- incurrence of indebtedness and the issuance of equity securities;
- repurchase of stock and payment of dividends; and
- the issuance of shares to management under our equity incentive plans.

In addition, Parthenon Capital Partners has a contractual right to designate a number of directors proportionate to its stock ownership. Further, under our amended and restated certificate of incorporation, Parthenon Capital Partners does not have any obligation to present to us, and Parthenon Capital Partners may separately pursue, corporate opportunities of which it becomes aware, even if those opportunities are ones that we would have pursued if granted the opportunity.

If securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our common stock could decline if one or more securities analysts downgrade our common stock or if one or more securities analysts or other third parties publish inaccurate or unfavorable research about us or cease publishing reports about us.

Anti-takeover provisions contained in our certificate of incorporation and bylaws could impair a takeover attempt that our stockholders may find beneficial.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include the following provisions: establishing a classified board of directors so that not all members of our board are elected at one time; providing that directors may be removed by stockholders only for cause; authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting; limiting our ability to engage in certain business combinations with any "interested stockholder," other than Parthenon Capital Partners, for a three-year period following the time that the stockholder became an interested stockholder; requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; requiring a super majority vote for certain amendments to our amended and restated certificate of incorporation and amended and restated bylaws; and limiting the determination of the number of directors on our board of directors and the filling of vacancies or newly created seats on the board, to our board of directors then in office. These provisions, alone or together, could have the effect of delaying or deterring

Table of Contents

a change in control, could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Sale of Unregistered Securities

None.

33

Table of Contents

ITEM 6. EXHIBITS

(A) Exhibits:

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1(1)	Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS(2)	XBRL Instance Document
101.SCH(2)	XBRL Taxonomy Extension Scheme
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase

(1) The material contained in Exhibit 32.1 and Exhibit 32.2 is not deemed “filed” with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference

(2) In accordance with Rule 406T of Regulation S-T, the information furnished in these exhibits will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such exhibits will not be deemed to be incorporated by reference into any filing under the Securities Act or Exchange Act.

Table of Contents

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERFORMANT FINANCIAL CORPORATION

Date: May 9, 2014

By:

Lisa Im

Chief Executive Officer (Principal Executive Officer) and Director

By:

Hakan Orvell

Chief Financial Officer (Principal Financial and Accounting Officer)

35

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1(1)	Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS(2)	XBRL Instance Document
101.SCH(2)	XBRL Taxonomy Extension Scheme
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase

(1) The material contained in Exhibit 32.1 and Exhibit 32.2 is not deemed “filed” with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference

(2) In accordance with Rule 406T of Regulation S-T, the information furnished in these exhibits will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such exhibits will not be deemed to be incorporated by reference into any filing under the Securities Act or Exchange Act.