GLOBE SPECIALTY METALS INC
Form 10-Q
November 16, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2009

Commission File Number 001-34420

Globe Specialty Metals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-2055624**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Penn Plaza
250 West 34th Street, Suite 2514
New York, NY 10119
(Address of principal executive offices, including zip code)

(212) 798-8122
(Registrant s telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $0.0001 par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No 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 þ (Do not check if a smaller reporting company)   Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

As of November 16, 2009, the registrant had 74,320,187 shares of common stock outstanding.

Globe Specialty Metals, Inc.

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PART I

Item 1. ***Financial Statements***

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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

		September 30, 2009 (Unaudited)	June 30, 2009
ASSETS			
Current assets:			
Cash and cash equivalents	$	114,020	61,876
Accounts receivable, net of allowance for doubtful accounts of $1,481 and $1,390 at September 30, 2009 and June 30, 2009, respectively		38,513	24,094
Inventories		57,283	67,394
Prepaid expenses and other current assets		19,996	24,675
Total current assets		229,812	178,039
Property, plant, and equipment, net of accumulated depreciation and amortization		215,353	217,507
Goodwill		51,835	51,828
Other intangible assets		967	1,231
Investments in unconsolidated affiliates		7,910	7,928
Deferred tax assets		1,737	1,598
Other assets		14,203	15,149
Total assets	$	521,817	473,280
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$	25,585	21,341
Current portion of long-term debt		18,906	16,561
Short-term debt		7,628	6,688
Accrued expenses and other current liabilities		49,787	46,725
Total current liabilities		101,906	91,315
Long-term liabilities:			
Long-term debt		28,854	36,364
Deferred tax liabilities		18,890	18,890
Other long-term liabilities		16,108	15,359
Total liabilities		165,758	161,928
Commitments and contingencies (note 12)			
Stockholders equity:			
Common stock, $0.0001 par value. Authorized, 150,000,000 shares; issued, 73,174,262 and 66,944,254 shares at September 30, 2009 and June 30, 2009, respectively		7	7

Additional paid-in capital		339,923	303,364
Retained earnings		13,102	4,660
Accumulated other comprehensive loss		(3,666)	(3,644)
Treasury stock at cost, 1,000 shares at September 30, 2009 and June 30, 2009, respectively		(4)	(4)
Total Globe Specialty Metals, Inc. stockholders equity		349,362	304,383
Noncontrolling interest		6,697	6,969
Total stockholders equity		356,059	311,352
Total liabilities and stockholders equity	$	521,817	473,280

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Income Statements
Three months ended September 30, 2009 and 2008
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended September 30,	
	2009	2008
Net sales	$ 105,458	149,157
Cost of goods sold	79,978	107,138
Selling, general, and administrative expenses	13,184	14,032
Research and development	38	593
Restructuring charges	(68)	
Operating income	12,326	27,394
Other income (expense):		
Interest income	136	403
Interest expense, net of capitalized interest of $228 and $180, respectively	(1,318)	(2,051)
Foreign exchange gain (loss)	2,415	(1,309)
Other (loss) income	(7)	844
Income before provision for income taxes	13,552	25,281
Provision for income taxes	5,383	8,702
Net income	8,169	16,579
Losses attributable to noncontrolling interest, net of tax	273	386
Net income attributable to Globe Specialty Metals, Inc.	$ 8,442	16,965
Weighted average shares outstanding:		
Basic	71,115	63,137
Diluted	72,543	83,057
Earnings per common share:		
Basic	$ 0.12	0.27
Diluted	0.12	0.20

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statement of Changes in Stockholders Equity
Three months ended September 30, 2009
(In thousands)
(UNAUDITED)

	Globe Specialty Metals, Inc. Stockholders Equity								
	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive (Loss)	Treasury Stock at	Noncontrolling	Comprehensive (Loss)	Total Stockholders
	Shares	Amount	Capital	Earnings	Income	Cost	Interest	Income	Equity
Balance at June 30, 2009	66,944	$ 7	303,364	4,660	(3,644)	(4)	6,969		311,352
UPOs exercised	630								
Share-based compensation			1,755						1,755
Stock issuance	5,600		34,804						34,804
Comprehensive income (loss):									
Foreign currency translation adjustment					(24)		1	(23)	(23)
Unrealized gain on available-for-sale securities (net of provision for income taxes of $1)					2			2	2
Net income (loss)				8,442			(273)	8,169	8,169
Total comprehensive income								8,148	8,148
Balance at September 30, 2009	73,174	$ 7	339,923	13,102	(3,666)	(4)	6,697	8,148	356,059

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows
Three months ended September 30, 2009 and 2008
(In thousands)
(UNAUDITED)

	Three Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	$ 8,169	16,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,912	4,943
Share-based compensation	1,755	2,405
Deferred taxes	(55)	583
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,465)	256
Inventories	9,805	(7,338)
Prepaid expenses and other current assets	4,192	(3,814)
Accounts payable	5,353	(830)
Accrued expenses and other current liabilities	2,224	3,386
Other	2,835	(43)
Net cash provided by operating activities	24,725	16,127
Cash flows from investing activities:		
Capital expenditures	(4,255)	(14,217)
Held-to-maturity treasury securities		2,987
Other investing activities		12
Net cash used in investing activities	(4,255)	(11,218)
Cash flows from financing activities:		
Proceeds from warrants exercised		833
Net payments of long-term debt	(5,167)	(338)
Net borrowings (payments) of short-term debt	940	(4,600)
Sale of common stock	36,456	
Other financing activities	(527)	(1,700)
Net cash provided by (used in) financing activities	31,702	(5,805)
Effect of exchange rate changes on cash and cash equivalents	(28)	56
Net increase (decrease) in cash and cash equivalents	52,144	(840)
Cash and cash equivalents at beginning of period	61,876	73,994

Cash and cash equivalents at end of period	$	114,020	73,154
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	990	3,194
Cash (refunded) paid for income taxes, net of refunds totaling $2,729 and $0, respectively		(2,397)	1,127

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements
September 30, 2009 and 2008
(Dollars in thousands, except per share data)
(UNAUDITED)

(1) Organization and Business Operations

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

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation, including the reclassification of $2,555 from selling, general, and administrative expenses to cost of goods sold for the three months ended September 30, 2008 as, during the three months ended September 30, 2009, the Company reevaluated certain expenses and deemed these to be direct costs.

c. Use of Estimates

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

d. Revenue Recognition

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

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2009 and 2008
(Dollars in thousands, except per share data)
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net basis and, therefore, are excluded from net sales in the condensed consolidated income statements. When the Company provides a combination of products and services to customers, the arrangement is evaluated under Financial Accounting Standards Board (FASB) ASC Subtopic 605-25, *Revenue Recognition Multiple Element Arrangements* (ASC 605.25). ASC 605.25 addresses certain aspects of accounting by a vendor for arrangements under which the vendor will perform multiple revenue-generating activities. If the Company cannot objectively determine the fair value of any undelivered elements under an arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

e. Recently Implemented Accounting Pronouncements

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

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

In December 2007, the FASB issued ASC Subtopic 810-10, *Consolidation Consolidation of Entities Controlled by Contract* (ASC 810.10) and ASC Subtopic 815-40, *Derivatives and Hedging Contracts in Entity s Own Equity* (ASC 815.40). The Company adopted ASC 810.10 and ASC 815.40 on July 1, 2009. The objective of these statements is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. In accordance with ASC 810.10 and ASC 815.40, the Company has provided the enhanced disclosures required by ASC 810.10 and ASC 815.40 in the condensed consolidated balance sheets and condensed consolidated statement of changes in stockholders equity for all periods presented. See note 13 (Stockholders Equity) for additional information.

In September 2006, the FASB issued ASC Subtopic 820-10, *Fair Value Measurements and Disclosures* (ASC 820). The Company partially adopted ASC 820 on July 1, 2008. This adoption did not have a material impact to the Company s consolidated results of operations or financial condition. The Company fully adopted ASC 820 on July 1, 2009. ASC 820 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The Company carries its derivative agreements, as well as available-for-sale securities, at fair value, determined using observable market based inputs. See note 16 (Fair Value Measures) for additional information.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

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

f. Accounting Pronouncements to be Implemented

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

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

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

(3) Restructuring Charges

During the third quarter of fiscal 2009, the Company implemented formal restructuring programs, including the temporary shutdown of certain furnace operations and furloughing or terminating employees. Cash payments

associated with these restructuring programs are expected to be completed in fiscal 2010. The restructuring programs include employee severance and benefits, as well as costs associated with lease termination obligations.

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Activity during the three months ended September 30, 2009 related to the restructuring liability is as follows:

	Liability at June 30, 2009	Adjustments(2)	Cash Payments	Liability at September 30, 2009
Severance and benefit-related costs(1)	$ 227	(68)	(123)	36

(1) Includes severance payments made to employees, payroll taxes, and other benefit-related costs in connection with the terminations of employees.

(2) Adjustments are for employees who were re-hired by the Company in conjunction with the restarting of certain furnace operations during the three months ended September 30, 2009.

Total restructuring expenses of $1,711 were incurred during the year ended June 30, 2009. The remaining unpaid liability as of September 30, 2009 is included in accrued expenses and other current liabilities. No additional costs are expected to be incurred associated with these restructuring actions.

(4) Treasury Securities

During March 2008, the Company purchased U.S. government treasury securities with a term to maturity of 125 days. The securities were redeemed for $2,987 during the three months ended September 30, 2008.

(5) Inventories

Inventories comprise the following:

	September 30, 2009	June 30, 2009
Finished goods	$ 16,967	23,867
Work in process	3,714	3,462
Raw materials	28,237	31,323
Parts and supplies	8,365	8,742
Total	$ 57,283	67,394

At September 30, 2009, $38,567 in inventory is valued using the first-in, first-out method and $18,716 using the average cost method. At June 30, 2009, $46,712 in inventory is valued using the first-in, first-out method and $20,682 using the average cost method.

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(6) Property, Plant, and Equipment

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

	September 30, 2009	June 30, 2009
Land, land improvements, and land use rights	$ 14,172	13,835
Building and improvements	24,703	24,176
Machinery and equipment	58,153	56,912
Furnaces	99,393	99,429
Other	15,591	15,728
Construction in progress	47,817	47,257
Property, plant, and equipment, gross	259,829	257,337
Less accumulated depreciation and amortization	(44,476)	(39,830)
Property, plant, and equipment, net of accumulated depreciation and amortization	$ 215,353	217,507

Depreciation expense for the three months ended September 30, 2009 was $4,648, of which $4,521 is recorded in cost of goods sold and $127 is recorded in selling, general, and administrative expenses. Depreciation expense for the three months ended September 30, 2008 was $4,273, of which $4,159 is recorded in cost of goods sold and $114 is recorded in selling, general, and administrative expenses.

(7) Goodwill and Other Intangibles

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

a. Goodwill

Changes in the carrying amount of goodwill during the three months ended September 30, 2009 are as follows:

Balance at June 30, 2009	$ 51,828
Other, primarily foreign exchange	7
Balance at September 30, 2009	$ 51,835

b. Other Intangible Assets

Changes in the carrying amounts of definite lived intangible assets during the three months ended September 30, 2009 are as follows:

	Electricity Contracts	Other
Cost:		
Balance at September 30, 2009 and June 30, 2009	$ 7,905	323
Accumulated amortization:		
Balance at June 30, 2009	7,151	323
Amortization expense	264	
Balance at September 30, 2009	7,415	323
Net balance at September 30, 2009	$ 490	

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2009 and 2008
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There were no changes in the value of the Company s indefinite lived intangible assets during the three months ended September 30, 2009. The trade name balance at both September 30, 2009 and June 30, 2009 was $477.

Amortization expense of purchased intangible assets was $264 for the three months ended September 30, 2009, which is recorded in cost of goods sold. Amortization expense of purchased intangible assets was $670 for the three months ended September 30, 2008, which is recorded in cost of goods sold.

(8) Debt

a. Short-Term Debt

Short-term debt comprises the following:

	Outstanding Balance	Weighted Average Interest Rate	Unused Credit Line
September 30, 2009:			
Type debt:			
Revolving credit	$	%	$ 34,560
Export financing	306	9.70	7,100
Other	7,322	5.94	
Total	$ 7,628		$ 41,660
June 30, 2009:			
Type debt:			
Revolving credit	$	%	$ 34,560
Export financing			7,400
Other	6,688	6.69	
Total	$ 6,688		$ 41,960

Revolving Credit Agreements A summary of the Company s revolving credit agreements at September 30, 2009 is as follows:

	Outstanding	Unused	Total

	Balance	Commitment	Commitment
Senior credit facility	$	34,560	35,000

The Company s subsidiary, Globe Metallurgical, Inc. (GMI), maintains a $35,000 revolving credit facility. This revolving credit agreement expires September 2013. Interest on advances under the revolving credit facility accrues at LIBOR plus an applicable margin percentage or, at the Company s option, prime plus an applicable margin percentage. The amount available under the revolving credit facility is subject to a borrowing base calculation, and the total commitment on the revolving credit facility includes $10,000 for letters of credit associated with foreign supplier contracts. At September 30, 2009, there was no outstanding balance on this revolver. The total commitment on this credit facility includes $440 outstanding letters of credit associated with foreign supplier contracts. The revolving credit facility is secured by substantially all of the assets of GMI and its principal subsidiary, West Virginia Alloys, and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, a maximum ratio of debt to earnings before interest, taxes, depreciation, and amortization, and minimum net worth and interest coverage requirements. The commitment under the revolving credit facility may be withdrawn if the Company defaults under the terms of these covenants or fails to remit payments when due. The Company was in compliance with the loan covenants at September 30, 2009.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2009 and 2008
(Dollars in thousands, except per share data)
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Export Financing Agreements The Company s Argentine subsidiary maintains various short-term export financing agreements. Generally, these arrangements are for periods ranging between seven and eleven months, and require the Company to pledge as collateral certain export accounts receivable. Interest on these arrangements accrues at a rate of 9.7% at September 30, 2009.

Other The Company s subsidiary, Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey), has $7,322 in outstanding promissory notes, which mature through August 2010. The notes accrue interest at rates ranging from 5.3% to 8.5%. The promissory notes are secured by certain Yonvey assets.

b. Long-Term Debt

Long-term debt comprises the following:

		September 30, 2009	June 30, 2009
Senior term loan	$	31,579	33,684
Export prepayment financing		14,000	17,000
Other		2,181	2,241
Total		47,760	52,925
Less current portion of long-term debt		(18,906)	(16,561)
Long-term debt, net of current portion	$	28,854	36,364

Senior Term Loan The Company s subsidiary, GMI, entered into a five-year senior term loan in an aggregate principal amount of $40,000 during September 2008. Interest on the senior term loan accrues at LIBOR plus an applicable margin percentage or, at the Company s option, prime plus an applicable margin percentage. Principal payments are due in quarterly installments of $2,105, commencing on December 31, 2008, and the unpaid principal balance is due in full in September 2013, subject to certain mandatory prepayments. A mandatory prepayment of $2,347 will be made during the second quarter of fiscal 2010 based on excess cash flow, as defined in the loan agreement, generated during fiscal 2009. The interest rate on this loan was 2.50%, equal to LIBOR plus 2.25%, at September 30, 2009. The senior term loan is secured by substantially all of the assets of GMI and its principal subsidiary, West Virginia Alloys, and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, a maximum ratio of debt to earnings before interest, taxes, depreciation, and amortization, and minimum net worth and interest coverage requirements. The Company was in compliance with these loan covenants at September 30, 2009.

Export Prepayment Financing The Company s Brazilian subsidiary, Globe Metais Indústria e Comércio S.A. (Globe Metais), has entered into a $20,000 export financing arrangement maturing January 31, 2012. The arrangement carries an interest rate of LIBOR plus 2.50%, paid semiannually. At September 30, 2009, the interest rate on this loan was 3.43%. The principal is payable in seven, semiannual installments starting in February 2009, with six installments of $3,000 and one final installment of $2,000. As collateral, Globe Metais has pledged certain third-party customers export receivables; 100% of the subsidiary s property, plant, and equipment; and 2,000 tons of metallic silicon with an approximate value of $5,862. The loan is subject to certain loan covenant restrictions such as limits on issuing dividends, disposal of pledged assets, and selling of forest areas. In addition, the proceeds from certain cash receipts during the sixty days prior to a loan installment payment date are restricted for payment of the respective installment. At September 30, 2009, there is no restricted cash balance.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2009 and 2008
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See note 9 (Derivative Instruments) for discussion of derivative financial instruments entered into to reduce the Company s exposure to interest rate fluctuations on outstanding long-term debt.

c. Fair Value of Debt

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

(9) Derivative Instruments

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

Interest Rate Risk:

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

In connection with GMI s revolving credit facility and senior term loan (note 8), the Company entered into an interest rate cap arrangement and three interest rate swap agreements to reduce our exposure to interest rate fluctuations.

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

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

In January 2009, the Company entered into a second interest rate swap agreement involving the exchange of interest obligations relating to a $12,632 notional amount of debt, with the notional amount decreasing by $702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 1.66% over the life

of the agreement. The agreement expires in June 2013.

In April 2009, the Company entered into a third interest rate swap agreement involving the exchange of interest obligations relating to an $11,228 notional amount of debt, with the notional amount decreasing by $702 per

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quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.05% over the life of the agreement. The agreement expires in June 2013.

In connection with the Company s export prepayment financing arrangement (note 8), the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a $14,000 notional amount of debt, with the notional amount decreasing by $3,000 on a semiannual basis through August 2011, and a final $2,000 notional amount swapped for the six-month period ended January 2012. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.66% over the life of the agreement.

Foreign Currency Risk:

The Company is exposed to market risk arising from changes in currency exchange rates as a result of its operations outside the United States, principally in Brazil, Argentina, and China. A portion of the Company s net sales generated from its non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of the Company s operating costs for its non-U.S. operations are denominated in local currencies, principally the Brazilian real, Argentine peso, and the Chinese renminbi. Consequently, the translated U.S. dollar value of the Company s non-U.S. dollar net sales, and related accounts receivable balances, and our operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk; however, the Company does utilize derivative financial instruments to manage a portion of its net foreign currency exposure to the Brazilian real. At September 30, 2009, the Company had entered into a series of foreign exchange forward contracts covering approximately 7,512 reais, expiring at dates ranging from October 2009 to December 2009, at an average exchange rate of 2.43 Brazilian real to 1.00 U.S. dollar.

Commodity Price Risk:

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

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

	(Loss) Gain Recognized During the Three Months Ended September 30,		
	2009	2008	Location of (Loss) Gain

Interest rate derivatives	$ (479)	(281)	Interest expense
Foreign exchange forward contracts	816		Foreign exchange gain

The fair values of the Company s derivative instruments at September 30, 2009 are summarized in note 16 (Fair Value Measures). The $642 liability associated with the Company s interest rate derivatives is included in other long-term liabilities. The $1,155 asset associated with the Company s foreign exchange forward contracts is included in prepaid expenses and other current assets.

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(10) Pension Plans

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

	Three Months Ended September 30,	
	2009	2008
Interest cost	$ 303	303
Expected return on plan assets	(248)	(319)
Amortization of net loss	151	56
Net periodic pension expense	$ 206	40

The Company expects to contribute approximately $756 to the plans for the year ended June 30, 2010, of which $97 has been contributed through September 30, 2009.

(11) Income Taxes

The following table summarizes our provision for income taxes and effective tax rates for the three months ended September 30, 2009 and 2008:

	Three Months Ended September 30,	
	2009	2008
Income before provision for income taxes	$ 13,552	25,281
Provision for income taxes	5,383	8,702
Effective tax rate	39.7%	34.4%

The provision for income taxes is based on the current estimate of the annual effective tax rate, adjusted as necessary for quarterly events. In accordance with ASC Topic 740 *Income Taxes Accounting for Income Taxes in Interim Periods,* the Company s quarterly effective tax rate does not reflect a benefit associated with losses related to certain foreign subsidiaries. The effective tax rates for the three months ended September 30, 2009 and 2008 were based on our forecasted annualized effective tax rates, adjusted for discrete items that occurred within the respective periods.

The Company s effective tax rate for the three months ended September 30, 2009 was 39.7% compared to 34.4% for the three months ended September 30, 2008. This rate differs from the Company s statutory rate of 35% mainly as a result of increases to the effective tax rate from U.S. state tax expense, the exclusion of the impact of net losses from our Chinese operations, the tax benefit of which is not considered more likely than not to be realized due to a history of operating losses, offset by the benefit from tax holidays in Brazil and Argentina which are forecasted to be lower in fiscal 2010 compared with fiscal 2009.

The Company currently operates under tax holidays in Brazil and Argentina. In Brazil, the Company is operating under a tax holiday, which results in a preferential tax rate of 15.25% of the Company s manufacturing income as compared to a statutory rate of 34%. The tax holiday in Brazil expires in 2016. In Argentina, the Company s manufacturing income is taxed at a preferential rate, which varies based on production levels from the Company s Argentine facilities, compared to a statutory rate of 35%. The tax holiday in Argentina expires in 2012. The anticipated effects of these tax holidays are incorporated into the Company s annualized effective tax rate as noted above. For the three months ended September 30, 2009, the foreign tax holidays in Brazil and Argentina provided a benefit of $452 to net income. For the three months ended September 30, 2008, the foreign tax holidays in Brazil and Argentina provided a benefit of $831 to net income.

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The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry back and carry forward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. During the three months ended September 30, 2009, the Company s net valuation allowances increased due to the establishment of additional valuation allowances against net operating losses (NOLs) in China that may never be utilized and changes related to foreign exchange fluctuations associated with our foreign NOLs.

The Company files a consolidated U.S. income tax return and tax returns in various state and local jurisdictions. Our subsidiaries also file tax returns in various foreign jurisdictions. The Company s principal jurisdictions include the U.S., Brazil, Argentina, and China. A number of years may elapse before a tax return is audited and finally resolved. The open tax years subject to examination varies depending on the tax jurisdiction. The Company s major taxing jurisdictions and the related open tax years subject to examination are as follows: the U.S. from 2006 to present, Argentina from 2004 to present, Brazil from 2004 to present and China from 2006 to present.

The Company regularly evaluates its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions that have been deemed reasonable by management. However, if management s estimates are not representative of actual outcomes, the Company s results could be materially impacted. The Company does not expect any material changes to unrecognized tax benefits in the next twelve months.

(12) Commitments and Contingencies

a. Legal Contingencies

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

b. Environmental Contingencies

It is the Company s policy to accrue for costs associated with environmental assessments, remedial efforts, or other environmental liabilities when it becomes probable that a liability has been incurred and the costs can be reasonably estimated. When a liability for environmental remediation is recorded, such amounts will be recorded without giving effect to any possible future recoveries. At September 30, 2009, there are no liabilities recorded for environmental contingencies. With respect to the cost for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred unless there is a long-term monitoring agreement with a governmental agency, in which case a liability is established at the inception of the agreement.

c. Employee Contracts

Certain employees of our Brazilian operations were covered by a collective bargaining agreement which expired October 31, 2009. See note 19 (Subsequent Events) for information regarding the subsequent sale of our Brazilian operations.

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d. Power Commitments

On May 20, 2008, Empire State Development and New York Power Authority announced that hydropower from the Niagara Power Project would be supplied to the Company which enabled it to reopen and expand its previously idle manufacturing facility in Niagara Falls, New York. On January 30, 2009, the Company entered into a commodity purchase agreement with New York Power Authority and Niagara Mohawk Power Corporation where the Company is supplied up to a maximum of 40,000 kW of hydropower from the Niagara Power Project to operate its Niagara Falls facility. The hydropower is supplied at preferential power rates plus market-based delivery charges for a period of up to 5 years. Under the terms of the contract, the Company has committed to a $60,000 capital expansion program and specified employment levels, which, if not met, could reduce the Company s power allocation from the Niagara Power Project. From inception through September 30, 2009, the Company has spent approximately $26,227 related to the capital expansion of our Niagara Falls facility.

e. Joint Development Supply Agreement

On April 24, 2008, the Company s subsidiaries, Solsil, Inc. (Solsil) and GMI, entered into a joint development supply agreement with BP Solar International Inc. (BP Solar) for the sale of solar grade silicon. BP Solar and Solsil will also deploy certain existing BP Solar technology at Solsil s facility and the two entities will jointly develop new technology to enhance Solsil s proprietary upgraded solar silicon metallurgical process. Solsil and BP Solar will both contribute towards the cost of the technology development. As part of this agreement, BP Solar paid Solsil $10,000 as an advance for research and development services and facilities construction. This amount would be refundable to BP Solar if the Company cancels, terminates, or fails to perform under certain terms of the agreement, including lack of performance of research and development services or facilities construction. Revenue associated with facilities construction will be deferred until specified contract milestones have been achieved, less any penalties resulting from construction delays. Revenue associated with research and development services will be deferred until these services are successful in reducing manufacturing costs and then recognized ratably as product is delivered to BP Solar. If research and development services are performed, but are unsuccessful, revenue will be deferred until contract expiration and then recognized. No revenue associated with this agreement has been recognized in earnings as of September 30, 2009 in accordance with ASC 605.25.

f. Deferred Revenue

In January 2009, the Company entered into a warehousing arrangement with a customer whereby we agreed to deliver and store uncrushed silicon metal based on the customer s purchase instructions. The customer is required to pay for delivered material within 30 days from the date the material is placed in our warehouse. Further, the customer is required to pay a monthly storage fee based on the quantity stored. As the transactions do not meet the revenue recognition criteria contained in SAB 104 given the Company has remaining, specific performance obligations such that the earnings process is not complete, no revenue has been recognized for silicon metal remaining stored under this warehousing arrangement. A related liability of $9,144 and $9,580 for deferred revenue is recorded in accrued expenses and other current liabilities at September 30, 2009 and June 30, 2009, respectively. Revenue will be recognized when the remaining, specific performance obligations have been performed and delivery has occurred. As

there is no fixed delivery schedule or expiration date associated with the warehousing arrangement, the timing of revenue recognition under this arrangement is uncertain.

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(13) Stockholders Equity

a. Common Stock

In August 2009, the Company closed on an initial public offering on the NASDAQ Global Select Market of 16,100,000 shares of its common stock at $7.00 per share. Of the shares offered, 5,600,000 new shares were offered by the Company and 10,500,000 existing shares were offered by selling stockholders (which included 2,100,000 shares sold by the selling stockholders pursuant to the exercise of the underwriters over-allotment option). Total proceeds of the offering were $112,700, of which the selling stockholders received $68,355, net of underwriting discounts and commissions totaling $5,145, and the Company received $36,456, net of underwriting discounts and commissions totaling $2,744. In addition, the Company also recognized deferred offering costs of $1,652.

b. Warrants

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

During the three months ended September 30, 2009, none of the warrants issued in connection with the Company s initial public offering were exercised and 630,008 common shares were issued in connection with a cashless exercise of 524,364 UPOs.

At September 30, 2009, 201,453 warrants and 801,050 UPOs remain outstanding.

c. Noncontrolling Interest

On November 28, 2008, the Company entered into a subscription agreement for capital increase associated with its ownership interest in Yonvey. Under the terms of this agreement, the Company agreed to contribute an additional $10,236 in specified installments in exchange for an additional 12% interest in Yonvey. The Company has remitted the entire balance of the capital increase as of September 30, 2009. The subscription agreement provides a call option such that within a period of three years from the agreement s effective date, the minority shareholder may repurchase up to a maximum 12% ownership interest in Yonvey at a price equal to the relevant percentage of the additional $10,236 registered capital plus a premium calculated using a specified interest rate. In connection with our adoption of ASC 810.10 and ASC 815.40, as Yonvey is a substantive entity, the subscription agreement does not have any contingent exercise provisions and the settlement amount is tied to the fair value of the Yonvey equity, the call option is considered an equity instrument. As such, the Company reclassified the fair value of the call option liability at June 30, 2009 of $1,072 from other long-term liabilities to noncontrolling interest in stockholders equity.

(14) Earnings Per Share

Basic earnings per common share are calculated based on the weighted average number of common shares outstanding during the three months ended September 30, 2009 and 2008, respectively. Diluted earnings per common share assumes the exercise of stock options, the conversion of warrants, and the exercise of UPOs, provided in each case the effect is dilutive.

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The reconciliation of the amounts used to compute basic and diluted earnings per common share for the three months ended September 30, 2009 and 2008 is as follows:

	Three Months Ended September 30,	
	2009	**2008**
Basic earnings per common share computation		
Numerator:		
Net income attributable to Globe Specialty Metals, Inc.	$ 8,442	16,965
Denominator:		
Weighted average basic shares outstanding	71,114,939	63,137,373
Basic earnings per common share	$ 0.12	0.27
Diluted earnings per common share computation		
Numerator:		
Net income attributable to Globe Specialty Metals, Inc.	$ 8,442	16,965
Denominator:		
Weighted average basic shares outstanding	71,114,939	63,137,373
Effect of dilutive securities	1,427,903	19,920,042
Weighted average diluted shares outstanding	72,542,842	83,057,415
Diluted earnings per common share	$ 0.12	0.20

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

	Three Months Ended September 30,	
	2009	**2008**
Stock options	970,334	361,667
Warrants		
UPOs		

Total	970,334	361,667

(15) Share-Based Compensation

The Company s share-based compensation program consists of the Globe Specialty Metals, Inc. 2006 Employee, Director and Consultant Stock Plan (the Stock Plan), which was approved by the Company s stockholders on November 10, 2006. The Stock Plan provides for the issuance of a maximum of 5,000,000 shares of common stock for the granting of incentive stock options, nonqualified options, stock grants, and share-based awards. Any remaining shares available for grant, but not yet granted, will be carried over and used in the following fiscal years. During the three months ended September 30, 2009, no share-based compensation awards were issued.

At September 30, 2009, there were 685,000 shares available for grant. 3,515,000 outstanding incentive stock options vest and become exercisable in equal one-quarter increments every six months from the date of grant or date of modification. 800,000 option grants vest and become exercisable in equal one-third increments on the first, second, and third anniversaries of the date of grant. All option grants have maximum contractual terms ranging from 5 to 10 years.

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A summary of the changes in options outstanding under the Stock Plan for the three months ended September 30, 2009 is presented below:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding as of June 30, 2009	4,315,000	$ 5.12	4.83	$ 5,095
Granted				
Exercised				
Forfeited and expired				
Outstanding as of September 30, 2009	4,315,000	$ 5.12	4.58	$ 18,600
Exercisable as of September 30, 2009	529,999	$ 6.88	4.48	$ 1,133

No options vested during the three months ended September 30, 2009. As of September 30, 2009, there were 3,785,001 nonvested options outstanding with a grant date fair value, as modified, of $1.63. The weighted average per share fair value of stock option grants at September 30, 2009 was $4.13.

For the three months ended September 30, 2009 and 2008, share-based compensation expense was $1,755 ($954 after tax) and $2,405 ($1,295 after tax), respectively. The expense is reported within selling, general, and administrative expenses.

As of September 30, 2009, the Company has unearned compensation expense of $7,956, before income taxes, related to nonvested stock option awards. The unrecognized compensation expense is expected to be recognized over the following periods ending on June 30:

	2010	2011	2012	2013	2014
Share-based compensation (pretax)	$ 3,857	4,036	63		

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

(16) Fair Value Measures

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability. For example, cash flow modeling using inputs based on management s assumptions.

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The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2009:

	Total	Level 1	Level 2	Level 3
Assets				
Foreign exchange forward contracts	$ 1,155		1,155	
Available-for-sale securities	293	293		
Total	$ 1,448	293	1,155	
Liabilities				
Interest rate derivatives	$ 642		642	
Total	$ 642		642	

Derivative assets and liabilities relate to the interest rate cap and interest rate swap agreements and the foreign exchange forward contracts summarized in note 9 (Derivative Instruments). Fair values are determined by independent brokers using quantitative models based on readily observable market data. See note 8 (Debt) for information regarding the fair value of our outstanding debt.

Available-for-sale securities relate to investments in equity securities. Their fair values are determined based on quoted market prices.

In connection with our adoption of ASC 810.10 and ASC 815.40, the Yonvey call option, previously included as a Level 3 liability was reclassified to stockholders equity. See note 13 (Stockholders Equity) for additional information.

(17) Related Party Transactions

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

A current and a former member of the board of directors are affiliated with Marco International and Marco Realty. During the three months ended September 30, 2009 and 2008, the Company:

Paid Marco Realty $62 and $83, respectively, to rent office space for its corporate headquarters in New York City, New York.

Entered into agreements with Marco International to purchase carbon electrodes. Marco International billed $1,662 and $0, respectively, under these agreements.

Entered into an agreement to sell ferrosilicon to Marco International. Net sales were $185 and $0, respectively, under this agreement.

The Company is affiliated with Norchem, Inc. (Norchem) through its 50.0% equity interest. During the three months ended September 30, 2009 and 2008, the Company sold Norchem product valued at $633 and $1,143, respectively. At September 30, 2009 and June 30, 2009, receivables from Norchem totaled $231 and $191, respectively.

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

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Prior to our Yonvey business combination, Yonvey s predecessor had entered into a lending agreement with the remaining minority stockholder. At both September 30, 2009 and June 30, 2009, $829 remained payable to Yonvey from this related party.

(18) Operating Segments

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

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

Globe Metais a manufacturer of silicon metal located in Brazil.

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

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

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

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

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

	Three Months Ended September 30,	
	2009	**2008**
Silicon metal	$ 69,402	85,060
Silicon-based alloys	29,566	52,939
Other, primarily by-products	6,490	11,158
Total	$ 105,458	149,157

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a. Segment Data

The Company began to allocate certain general corporate expenses in fiscal 2009. Segment results for the three months ended September 30, 2008 have been updated to conform to this reporting convention. Summarized financial information for our reportable segments as of, and for the three months ended September 30, 2009 and 2008 is shown in the following tables:

	2009			
	Net Sales	Operating Income (Loss)	Income (Loss) Before Income Taxes	Total Assets
GMI	$ 70,861	12,865	12,305	245,056
Globe Metais	21,591	2,032	4,399	77,443
Globe Metales	11,028	3,498	3,206	68,297
Solsil	45	(254)	(254)	26,244
Corporate		(5,003)	(5,359)	323,737
Other	3,050	(1,247)	(1,180)	40,852
Eliminations	(1,117)	435	435	(259,812)
	$ 105,458	12,326	13,552	521,817

	2008		
	Net Sales	Operating Income (Loss)	Income (Loss) Before Income Taxes
GMI	$		