

Exterran Corp  
Form 424B3  
March 22, 2018  
Table of Contents

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-223603

**PROSPECTUS**

**\$375,000,000**

**Offer to Exchange**

**8.125% Senior Notes due 2025**

**and the guarantees thereof,**

**which have been registered under the Securities Act of 1933,**

**for any and all outstanding**

**8.125% Senior Notes due 2025,**

**and the guarantees thereof,**

**which have not been registered under the Securities Act of 1933, of**

**Exterran Energy Solutions, L.P.**

**EES Finance Corp.**

We will exchange all original notes that are validly tendered and not withdrawn before the end of the exchange offer for an equal principal amount of new notes that we have registered under the Securities Act of 1933.

This exchange offer expires at one minute after 11:59 p.m., New York City time, on April 18, 2018, unless extended.

No public market exists for the original notes or the new notes. We do not intend to list the new notes on any securities exchange or to seek approval for quotation through any automated quotation system.

**See Risk Factors beginning on page 9 for a discussion of the risks that holders should consider prior to making a decision to exchange original notes for new notes.**

The new notes will be unsecured senior obligations and will rank equally with all other unsecured senior indebtedness of the Issuers. The new notes will be fully and unconditionally guaranteed jointly and severally on an unsecured senior basis by our parent company, Exterran Corporation, and certain of its existing and future restricted subsidiaries that guarantee or otherwise incur certain other indebtedness of either Issuer or any guarantor of the new notes in excess of \$5.0 million. The new notes and the guarantees will be effectively junior to our secured obligations to the extent of the value of the collateral securing those obligations.

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

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. A broker-dealer who acquired original notes as a result of market-making or other trading activities may use this prospectus, as supplemented or amended from time to time, in connection with any resales of the new notes.

**The date of this prospectus is March 22, 2018**

**Table of Contents**

**TABLE OF CONTENTS**

<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	9
<u>DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS</u>	15
<u>THE EXCHANGE OFFER</u>	17
<u>USE OF PROCEEDS</u>	25
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	26
<u>DESCRIPTION OF OTHER INDEBTEDNESS</u>	27
<u>DESCRIPTION OF NOTES</u>	28
<u>BOOK-ENTRY SETTLEMENT AND CLEARANCE</u>	79
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE OFFER</u>	83
<u>PLAN OF DISTRIBUTION</u>	84
<u>VALIDITY OF THE SECURITIES</u>	85
<u>EXPERTS</u>	85
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	85
<u>INCORPORATION BY REFERENCE</u>	85

We have not authorized anyone else to provide you any information other than the information contained or incorporated by reference in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the initial purchasers. We do not take any responsibility for, or provide any assurance as to the reliability of, any other information that others may give you.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. We are only offering these securities in jurisdictions where the offer and sale is permitted. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create any implication that the information herein is correct as of any time after the date hereof or that there has not been a change in our affairs since the date hereof.

---

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this prospectus. The following summary information is qualified in its entirety by the information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider prior to making a decision to exchange original notes for new notes. You should read the entire prospectus carefully, including the Risk Factors section beginning on page 9 of this prospectus, and the additional documents to which we refer you.*

*Exterran Energy Solutions, L.P., or EESLP, is a Delaware limited partnership and an indirect wholly owned subsidiary of Exterran Corporation. EES Finance Corp., or Finance Corp., is a Delaware corporation and a direct wholly owned subsidiary of EESLP formed to serve as a co-issuer of certain of EESLP's debt securities. EESLP and Finance Corp. will co-issue the notes, and we refer to them as the Issuers. Unless otherwise indicated or the context otherwise requires, all references to Guarantors refer to Exterran Corporation (prior to its release or discharge as a guarantor of the notes) and each of the Subsidiary Guarantors from time to time under the indenture, dated April 4, 2017, which we refer to as the Indenture, among the Issuers, the Parent, the Subsidiary Guarantors party thereto from time to time and Wells Fargo Bank, National Association, as trustee. References to we, us and our refer to Exterran Corporation and its consolidated subsidiaries, including the Issuers. References to the notes are references to the outstanding 8.125% Senior Notes due 2025 and the exchange 8.125% Senior Notes due 2025 offered hereby, collectively. Definitions for certain other capitalized terms may be found under Description of Notes Certain Definitions appearing below.*

**Our Company**

We are a global systems and process company offering solutions in the oil, gas, water and power markets. We are a market leader in natural gas processing and treatment and compression products and services, providing critical midstream infrastructure solutions to customers throughout the world. Outside the United States, we are a leading provider of full-service natural gas contract compression, and a supplier of aftermarket parts and services. Our manufacturing facilities are located in the United States, Singapore and the United Arab Emirates.

We provide our products and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. We operate in three primary business lines: contract operations, aftermarket services and product sales. The nature and inherent interactions between and among our business lines provide us with opportunities to cross-sell or offer integrated product and service solutions to our customers.

Exterran Corporation was organized as a Delaware corporation in March 2015. EESLP was organized as a Delaware limited partnership in 2000. Finance Corp. was organized as a Delaware corporation in 2015. Our principal executive offices are located at 4444 Brittmoore Road Houston, Texas 77041, telephone (281) 836-7000. We also provide information through our Internet website located at <http://www.exterran.com>. Information presented on or accessed through our website is not a part of, and is not deemed incorporated by reference into, this prospectus.

Table of Contents

**The Exchange Offer**

The Exchange Offer

We are offering to exchange up to \$375,000,000 aggregate principal amount of our new 8.125% Senior Notes due 2025 (the *new notes* ) for up to \$375,000,000 aggregate principal amount of our original 8.125% Senior Notes due 2025 (the *original notes* ), which are currently outstanding. Original notes may only be exchanged in a minimum principal amount of \$2,000 and \$1,000 principal increments above such minimum. In order to be exchanged, an original note must be properly tendered and accepted. All original notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer will be exchanged.

Resales Without Further Registration

Based on interpretations by the staff of the Securities and Exchange Commission (the *SEC* ) in several no action letters issued to third parties, we believe that the new notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act of 1933, as amended (the *Securities Act* ), *provided* that:

you are acquiring the new notes issued in the exchange offer in the ordinary course of your business;

you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, the distribution of the new notes issued to you in the exchange offer in violation of the provisions of the Securities Act; and

you are not our affiliate, as defined under Rule 405 of the Securities Act.

Each broker-dealer that receives new notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes.

The letter of transmittal states that, by so acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be

Edgar Filing: Exterran Corp - Form 424B3

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 new notes received in exchange for original notes where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. See Plan of Distribution.

Expiration Date

One minute after 11:59 p.m., New York City time, on April 18, 2018, unless we extend the exchange offer.

**Table of Contents**

Accrued Interest on the New Notes and Original Notes	The new notes will bear interest from November 1, 2017 or the last interest payment date on which interest was paid on the original notes surrendered in exchange therefor. Holders of original notes that are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest on such original notes accrued to the issue date of the new notes.
Conditions to the Exchange Offer	The exchange offer is subject to certain customary conditions that we may waive. See The Exchange Offer Conditions.
Procedures for Tendering Original Notes	Each holder of original notes wishing to accept the exchange offer must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; or if the original notes are tendered in accordance with the book-entry procedures described in this prospectus, the tendering holder must transmit an agent's message to the exchange agent at the address listed in this prospectus. You must mail or otherwise deliver the required documentation together with the original notes to the exchange agent.
Special Procedures for Beneficial Holders	If you beneficially own original notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your original notes in the exchange offer, you should contact such registered holder promptly and instruct them to tender on your behalf. If you wish to tender on your own behalf, you must either arrange to have your original notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Withdrawal Rights	You may withdraw your tender of original notes at any time prior to one minute after 11:59 p.m., New York City time, on the date the exchange offer expires.
Failure to Exchange Will Affect You Adversely	If you are eligible to participate in the exchange offer and you do not tender your original notes, you will not have further exchange or registration rights and your original notes will continue to be subject to restrictions on transfer under the Securities Act. Accordingly, the liquidity of the original notes will be adversely affected.
Material U.S. Federal Income Tax Consequences	Your participation in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Accordingly, you will not recognize any taxable gain or loss as a result of the exchange. See Material U.S. Federal Income Tax Consequences of the Exchange Offer.





**Table of Contents**

Exchange Agent	Wells Fargo Bank, National Association is serving as exchange agent in connection with the Exchange Offer. The address and telephone and facsimile numbers of the exchange agent are listed under the heading The Exchange Offer Exchange Agent.
Use of Proceeds	We will not receive any proceeds from the exchange offer. See Use of Proceeds.

**Table of Contents**

**Summary of Description of New Notes**

The exchange offer constitutes an offer to exchange up to \$375,000,000 aggregate principal amount of the new notes for up to an equal aggregate principal amount of the original notes. The new notes will be obligations of the Issuers evidencing the same indebtedness as the original notes, and will be entitled to the benefits of the Indenture. The form and terms of the new notes are substantially the same as the form and terms of the original notes except that the new notes have been registered under the Securities Act. See Description of Notes. Certain capitalized terms used under this caption Summary of Description of New Notes are defined under Description of Notes Certain Definitions.

Issuers	Exterran Energy Solutions, L.P. and EES Finance Corp.
Securities	\$375.0 million aggregate principal amount of 8.125% Senior Notes due 2025.
Maturity Date	May 1, 2025.
Interest Rate	8.125% per year (calculated using a 360-day year)
Interest Payment Dates	May 1 and November 1, commencing on May 1, 2018 or, if the exchange offer is not completed prior to May 1, 2018, commencing on November 1, 2018. Interest will accrue from November 1, 2017, or the date it was most recently paid on the original notes.
Guarantees	The new notes will initially be guaranteed by Exterran Corporation, which indirectly wholly owns the Issuers. In addition, in the future, the new notes will be guaranteed on a senior unsecured basis by any Restricted Subsidiary of Exterran Corporation (other than Finance Corp. or any Foreign Subsidiary) that is not already a Subsidiary Guarantor that guarantees or otherwise incurs any other Indebtedness of either Issuer or any Guarantor in excess of \$5.0 million under a Credit Facility. See Description of Notes Certain Covenants Additional Guarantees.
Ranking	The new notes and the guarantees will be the Issuers and the Guarantors seniors unsecured obligations and will be:  equal in right of payment with all of the Issuers and the Guarantors existing and future senior indebtedness and senior guarantees;

Edgar Filing: Exterran Corp - Form 424B3

senior in right of payment to all of the Issuers and the Guarantors future indebtedness and guarantees that are, by their terms, expressly subordinated in right of payment to the new notes or the guarantees, as applicable;

effectively junior in right of payment to all of the Issuers and the Guarantors existing and future secured indebtedness and secured guarantees (including obligations under our credit facility), to the extent of the value of the assets securing such indebtedness or guarantees; and

**Table of Contents**

structurally junior in right of payment to all existing and future indebtedness, guarantees and other liabilities (including trade payables) and any preferred equity of each of Exterran Corporation's subsidiaries (other than the Issuers) that is not a guarantor of the new notes.

As of December 31, 2017, we had total Senior Debt of approximately \$375.7 million, consisting principally of the notes.

**Optional Redemption**

The Issuers may, at their option, redeem some or all of the notes at any time on or after May 1, 2020, at the redemption prices listed under Description of Notes Optional Redemption.

Prior to such time, the Issuers may redeem the notes at a price equal to 100% of the principal amount thereof, plus the make-whole premium and accrued and unpaid interest to, but not including, the redemption date as described herein.

In addition, the Issuers may redeem up to 35% of the notes before May 1, 2020, with an amount of cash not greater than the net cash proceeds from certain equity offerings at the redemption price described under Description of Notes Optional Redemption.

See Description of Notes Optional Redemption.

**Change of Control**

If EESLP or Exterran Corporation experiences certain kinds of changes of control, each holder of notes may require EESLP to repurchase all or a portion of such holder's notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest, if any, to, but not including the date of repurchase. See Description of Notes Repurchase at the Option of Holders Change of Control.

**Asset Sales**

If we sell certain assets and do not repay certain debt or reinvest the proceeds of such sales within certain time periods, EESLP must offer to repurchase the notes at 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. For more details, see Description of Notes Repurchase at the Option of Holders Asset Sales.

**Certain Covenants**

The Indenture, among other things, limits the ability of Exterran Corporation and its Restricted Subsidiaries to:

incur additional debt or issue preferred stock;

pay dividends or distributions or repurchase equity or subordinated debt;

make unscheduled principal payments on subordinated indebtedness;

create liens or other encumbrances;

**Table of Contents**

make investments, loans or other guarantees;

sell or otherwise dispose of a portion of our assets;

engage in transactions with affiliates; and

make acquisitions or merge or consolidate with another entity.

These covenants are subject to a number of important exceptions and adjustments, and Exterran Corporation and its Restricted Subsidiaries will have the ability to incur substantial amounts of additional secured and unsecured indebtedness notwithstanding these covenants.

In addition, many of the covenants contained in the Indenture terminate before the notes mature if the notes are rated investment grade by either of S&P Global Ratings, or S&P, or Moody's Investors Service, Inc., or Moody's, and no default has occurred and is continuing. See Description of Notes Certain Covenants Covenant Termination.

**Freely Transferable**

The new notes will be freely transferable under the Securities Act by holders who are not restricted holders. Restricted holders are restricted from transferring the new notes without compliance with the registration and prospectus delivery requirements of the Securities Act. The new notes will be identical in all material respects (including interest rate, maturity and restrictive covenants) to the original notes, with the exception that the new notes will be registered under the Securities Act and will not be subject to the payment of additional interest. See The Exchange Offer Terms of the Exchange Offer.

**Registration Rights**

The holders of the original notes currently are entitled to certain registration rights pursuant to the registration rights agreement entered into on the issue date of the original notes by and among the Issuers, the Guarantors and the initial purchasers named therein, including the right to cause us to register the original notes for resale under the Securities Act if the exchange offer is not consummated prior to May 9, 2018. However, pursuant to the registration rights agreement, such registration rights will expire upon consummation of the exchange offer. Accordingly, holders of original notes who do not exchange their original notes for new notes in the exchange offer will not be able to reoffer, resell or otherwise dispose of their original notes unless such original notes are subsequently registered under the Securities Act or unless an

exemption from the registration requirements of the Securities Act is available.

Absence of a Public Market

The new notes will be a new issue for which there will not initially be a market. We do not intend to list the new notes on any national securities exchange or automated dealer quotation system. Accordingly, we cannot assure you as to the development or liquidity of any market for the new notes.

**Table of Contents**

Risk Factors

You should carefully consider the information under Risk Factors beginning on page 9 of this prospectus and all other information included or incorporated by reference in this prospectus prior to making a decision to exchange original notes for new notes.

For additional information regarding the notes, see the Description of Notes section of this prospectus.



---

**Table of Contents**

**RISK FACTORS**

*An investment in the new notes offered hereby is subject to various risks, including risks and uncertainties inherent in our business. Any of the individual risks described below, or any number of the risks occurring simultaneously, could have a material adverse effect on our combined financial statements, business or results of operation. You should carefully consider the following risk factors before you decide whether to participate in the exchange offer. We urge you to carefully read this prospectus and the documents incorporated by reference herein. You should review all of the risks attendant to being an investor in the new notes prior to making an investment decision. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally. You should also consider the risks, uncertainties and assumptions discussed under the caption Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference in this prospectus, as updated by our subsequent filings under the Exchange Act.*

***Risks Related to our Indebtedness, the Notes and the Exchange Offer***

**We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and impair our ability to meet our obligations under the notes.**

As of December 31, 2017, we had approximately \$375.7 million of outstanding indebtedness (excluding unamortized deferred financing costs). In addition, the terms of our credit facility and the Indenture permit us to incur additional debt, including up to approximately \$585.2 million that was undrawn and available under our credit facility on December 31, 2017, subject to our ability to meet certain borrowing conditions.

If the Issuers or a Guarantor incurs any additional indebtedness that ranks equally with the notes (or with the guarantees thereof), including additional unsecured indebtedness or trade payables, the holders of that indebtedness will be entitled to share ratably with holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Issuers or such Guarantor. This may have the effect of reducing the amount of proceeds paid to holders of the notes in connection with such a distribution.

Our substantial debt may have important consequences to you. For instance, it could:

make it more difficult for us to satisfy our financial obligations, including those relating to the notes issued in this offering;

require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes, including capital expenditures and acquisitions;

limit our flexibility in planning for, or reacting to, changes in our business;

increase our vulnerability to adverse changes in general economic and industry conditions;

place us at a competitive disadvantage compared with some of our competitors that may have less debt and better access to capital resources; and

limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy.

**Table of Contents**

**The provisions of our debt agreements and the risks associated with our debt could adversely affect our business, financial condition and results of operations.**

Our credit facility and the Indenture limit the incurrence of additional indebtedness unless specified tests or exceptions are met. In addition, our credit facility and the Indenture subject us to financial and/or other restrictive covenants. Under our credit facility, we must comply with certain financial covenants on a quarterly basis, including a minimum interest coverage ratio, and a maximum senior secured leverage ratio, as defined therein. Our credit facility and the Indenture impose a number of restrictions upon us, such as restrictions on granting liens on our assets, making investments, paying dividends or other distributions or repurchasing stock or subordinated indebtedness, selling assets and engaging in acquisitions. Failure by us to comply with these covenants could result in an event of default that, if not cured or waived, could have an adverse effect on us.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. Our credit facility and the Indenture restrict our ability to sell assets and use the proceeds from the sales. We may not be able to consummate those sales or to obtain the proceeds which we could realize from them and, even if we did consummate such sales, these proceeds may not be adequate to meet any debt service obligations then due.

**To service our indebtedness, we will require a significant amount of cash. However, our ability to generate cash depends on many factors beyond our control. We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy the obligations under our indebtedness, which may not be successful.**

Our ability to make payments on, and to refinance, our indebtedness, including the notes, and to fund planned capital expenditures, will depend on our ability to generate cash in the future which, in turn, is subject to general economic, financial, competitive, regulatory and other factors, many of which are beyond our control. Our earnings and cash flow may vary significantly from year to year due to the nature of our industry. As a result, the amount of debt that we can manage in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and other commitments. Any insufficiency could negatively impact our business.

Our business may not generate sufficient cash flow from operations, and we may not have available to us future borrowings in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. In these circumstances, we may be forced to reduce or delay planned investments and capital expenditures, or to sell assets, seek additional financing in the debt or equity markets, or refinance all or a portion of our indebtedness, including the notes, on or before maturity. We may not be able to refinance any of our indebtedness, including our credit facility and the notes, on commercially reasonable terms, or at all. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Without this financing, we could be forced to sell assets or secure additional financing to make up for any shortfall in our payment obligations under unfavorable circumstances. However, we may not be able to secure additional financing on terms favorable to us or at all, and, in addition, the terms of our credit facility and the Indenture limit or will limit our ability to sell assets and also restrict or will restrict the use of proceeds from such a sale. Moreover, substantially all of our assets have been pledged to secure repayment of our indebtedness under our credit facility. In addition, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations, including our obligations under the notes.



---

**Table of Contents**

**The notes and the guarantees will be unsecured obligations and will be effectively subordinated to all of the Issuers and the Guarantors existing and future secured indebtedness and secured guarantees to the extent of the value of the collateral securing such indebtedness or guarantees.**

The notes and the guarantees will be general unsecured senior obligations ranking effectively junior to all of the Issuers and the Guarantors existing and future secured indebtedness (including all borrowings under the credit facility) and secured guarantees to the extent of the value of the collateral securing such indebtedness or guarantees. If either Issuer or a Guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, the holders of such Issuer's secured indebtedness and secured guarantees or the secured indebtedness or secured guarantees of such Guarantor will be entitled to be paid in full from the proceeds of the assets, if any, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably in any remaining proceeds with all holders of the Issuers' unsecured indebtedness, including unsecured indebtedness incurred after the notes are issued that does not rank junior to the notes, including trade payables and all of the Issuers' other general indebtedness, based on the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient funds to pay amounts due on the notes. As a result, holders of the notes would likely receive less, ratably, than holders of secured indebtedness.

As of December 31, 2017, we will have had total Senior Debt of approximately \$375.7 million, consisting principally of the notes.

**The notes and the guarantees will be structurally subordinated to liabilities of any non-guarantor subsidiaries.**

The notes will be initially guaranteed only by Exterran Corporation. The notes will be structurally subordinated to any indebtedness and other liabilities (including trade payables) of any of the Issuers or Exterran Corporation's subsidiaries unless such subsidiaries guarantee the notes pursuant to the terms of the Indenture. The Indenture also permits the Issuers and Exterran Corporation to form or acquire additional subsidiaries that are not guarantors of the notes in certain circumstances. Holders of the notes will have no claim as a creditor against any non-guarantor subsidiaries. As a result, in the context of a bankruptcy, holders of the notes would likely receive less, ratably, than holders of indebtedness and other liabilities (including trade payables of such entities). As of December 31, 2017, all of the subsidiaries of Exterran Corporation (excluding the Issuers) had no outstanding Indebtedness (excluding intercompany Indebtedness and approximately \$39.7 million of outstanding letters of credit) and accounted for approximately 61% of Exterran Corporation's consolidated assets (excluding investment in affiliates and intercompany receivables) at such date and 40% of Exterran Corporation's consolidated revenues (excluding revenue from affiliates) for the year then ended.

**We cannot assure you that we will be able to maintain or improve our leverage position.**

An element of our business strategy involves maintaining a disciplined approach to financial management. Although we will seek to maintain or improve our leverage position, our ability to maintain or reduce our level of indebtedness depends on a variety of factors, including future performance and our future debt financing needs. General economic conditions and financial, business and other factors will also affect our ability to maintain or improve our leverage position. Many of these factors are beyond our control.

**Many of the covenants contained in the Indenture will be terminated if the notes are rated investment grade by either S&P or Moody's and no default has occurred and is continuing.**

Many of the covenants in the Indenture will be terminated if the notes are rated investment grade by either S&P or Moody's, provided at such time no default or event of default has occurred and is continuing. These covenants include

restrictions on our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade. However, termination

## **Table of Contents**

of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and the effects of any such transactions will be permitted to remain in place even if the notes are subsequently downgraded below investment grade. See Description of Notes Certain Covenants Covenant Termination.

**If we are unable to comply with the restrictions and covenants in the agreements governing the notes and our other indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would affect our ability to make principal and interest payments on the notes.**

Any default under the agreements governing our indebtedness that is not cured or waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal, premium, if any, and interest, or special interest, if any, on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest, or special interest, if any, on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the agreements governing our indebtedness (including covenants in our credit facility and the Indenture), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default:

the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;

the lenders under our credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and

we could be forced into bankruptcy or liquidation.

If we breach our covenants under our credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

**We may not be able to repurchase the notes upon a change of control or in connection with an offer to repurchase the notes as a result of an asset sale as required by the Indenture governing the notes.**

If Exterran Corporation or EESLP experiences certain kinds of changes of control, EESLP may be required to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest, if any. In addition, in connection with certain asset sales, EESLP will be required to offer to repurchase the notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any. EESLP may not be able to repurchase the notes upon a change of control or in connection with an offer to repurchase the notes as a result of an asset sale because EESLP may not have sufficient financial resources to purchase all of the notes that are tendered pursuant to any such offer. In addition, the terms of our credit facility or other outstanding indebtedness may prohibit EESLP from repurchasing notes upon a change of control or in connection with such offer. EESLP's failure to repurchase the notes could cause a default under the Indenture and could lead to a cross default under our credit facility. Additionally, using cash to fund the potential consequences of a change of control or asset sale may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations. See

Edgar Filing: Exterran Corp - Form 424B3

Description of Notes    Repurchase at the Option of Holders    Change of Control    and    Description of Notes    Repurchase  
at the Option of Holders    Asset Sales.



**Table of Contents**

**Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from Guarantors.**

Federal bankruptcy and state fraudulent transfer laws permit a court to void all or a portion of the obligations of a Guarantor pursuant to its guarantee of the notes, or to subordinate any Guarantor's obligations under such guarantee to claims of its other creditors, reducing or eliminating the noteholders' ability to recover under such guarantee. Although laws differ among these jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, a guarantee could be voided as a fraudulent transfer or conveyance if (i) the guarantee was incurred with the intent of hindering, delaying or defrauding creditors or (ii) the Guarantor received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and either:

the Guarantor was insolvent or rendered insolvent by reason of the incurrence of the guarantee or subsequently became insolvent for other reasons;

the incurrence of the guarantee left the Guarantor with an unreasonably small amount of capital to carry on the business; or

the Guarantor intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature.

A court would likely find that a Guarantor did not receive reasonably equivalent value or fair consideration for its guarantee if the Guarantor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void a guarantee, you would no longer have a claim against the Guarantor. Sufficient funds to repay the notes may not be available from other sources, including the remaining Guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the Guarantor. The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law of the applicable jurisdiction. Generally, a Guarantor would be considered insolvent if:

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

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 became absolute and mature; or

it could not pay its debts as they became due.

Each guarantee will contain a provision intended to limit the Guarantor's liability under the guarantee to the maximum amount that the Guarantor could incur without causing the incurrence of obligations under its guarantee to be deemed a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law.

**We may not be able to determine when a change of control has occurred.**

The definition of change of control in the Indenture includes a phrase relating to the sale, lease or other disposition of all or substantially all of the assets of Exterran Corporation and its Restricted Subsidiaries. There is no precisely established definition of the phrase substantially all under applicable law. Accordingly, your ability to require EESLP to repurchase your notes as a result of a sale, lease or transfer of less than all of our assets to another individual, group or entity may be uncertain.

**We face risks related to rating agency downgrades.**

We expect one or more rating agencies to rate the notes. If such rating agencies either assign the notes a rating lower than the rating expected by the investors or reduce the rating in the future, the market price of the notes may be adversely affected, raising capital may become more difficult and borrowing costs under our credit facility and other future borrowings may increase.

**Table of Contents**

**If you fail to exchange your original notes, you will face restrictions that will make the sale or transfer of your original notes more difficult.**

If you do not exchange your original notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your original notes described in the legend on your original notes. In general, you may only offer or sell the original notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from those requirements. To the extent other original notes are tendered and accepted in the exchange offer and you elect not to exchange your original notes, the trading market, if any, for your original notes would be adversely affected because your original notes will be less liquid than the new notes. See The Exchange Offer Consequences of Failure to Exchange.

**You must follow the exchange offer procedures carefully in order to receive the new notes.**

If you do not follow the procedures described in this prospectus, you will not receive any new notes. If you want to tender your old notes in exchange for new notes, you will need to contact a DTC participant to complete the book-entry transfer procedures, or otherwise complete and transmit a letter of transmittal, in each case described under The Exchange Offer, prior to the expiration date, and you should allow sufficient time to ensure timely completion of these procedures to ensure delivery. No one is under any obligation to give you notification of defects or irregularities with respect to tenders of old notes for exchange. In addition, there are no guaranteed delivery procedures available to you in connection with this exchange offer. See The Exchange Offer Exchange Offer Procedures.

**Some holders that exchange their original notes may be required to comply with registration and prospectus delivery requirements in connection with the sale or transfer of their new notes.**

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If you are required to comply with the registration and prospectus delivery requirements, then you may face additional burdens on the transfer of your new notes and could incur liability for failure to comply with applicable requirements.

**Table of Contents**

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus (including the documents incorporated by reference herein) contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this prospectus (including the documents incorporated by reference herein) will not be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as estimate, project, believe, expect, anticipate, intend, plan, foresee, likely, will, goal, words or phrases. All forward-looking statements are based upon information available to us on the date of this prospectus.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the risks discussed in the section captioned *Risk Factors* above and in the information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 in the section captioned *Management's Discussion and Analysis of Financial Condition and Results of Operations* incorporated herein by reference. Such factors may include:

conditions in the oil and natural gas industry, including a sustained imbalance in the level of supply or demand for oil or natural gas or a sustained low price of oil or natural gas, which could depress or reduce the demand or pricing for our natural gas compression and oil and natural gas production and processing equipment and services;

reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies;

economic or political conditions in the countries in which we do business, including civil developments such as uprisings, riots, terrorism, kidnappings, violence associated with drug cartels, legislative changes and the expropriation, confiscation or nationalization of property without fair compensation;

changes in currency exchange rates, including the risk of currency devaluations by foreign governments, and restrictions on currency repatriation;

risks associated with our operations, such as equipment defects, equipment malfunctions and natural disasters;

the risk that counterparties will not perform their obligations under our financial instruments;

the financial condition of our customers;

our ability to timely and cost-effectively obtain components necessary to conduct our business;

employment and workforce factors, including our ability to hire, train and retain key employees;

our ability to implement our business and financial objectives, including:

winning profitable new business;

timely and cost-effective execution of projects;

enhancing our asset utilization, particularly with respect to our fleet of compressors;

integrating acquired businesses;

generating sufficient cash to satisfy our operating needs, existing capital commitments and other contractual cash obligations, including our debt obligations; and

accessing the financial markets at an acceptable cost;

our ability to accurately estimate our costs and time required under our fixed price contracts;

liability related to the use of our products and services;

**Table of Contents**

changes in governmental safety, health, environmental or other regulations, which could require us to make significant expenditures;

the effectiveness of our internal control environment, including the identification of control deficiencies;

the results of governmental actions relating to current investigations;

the agreements related to our spin-off from Archrock, Inc. and the anticipated effects of restructuring our business; and

our level of indebtedness and ability to fund our business.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors.

**Table of Contents**

**THE EXCHANGE OFFER**

**Terms of the Exchange Offer**

***Purpose of the Exchange Offer***

We sold \$375,000,000 in principal amount of the original notes on April 4, 2017 in a transaction exempt from the registration requirements of the Securities Act. The initial purchasers of the original notes subsequently resold the original notes in reliance on Rule 144A and Regulation S under the Securities Act.

In connection with the sale of original notes to the initial purchasers pursuant to a purchase agreement, dated March 30, 2017, among us and the initial purchasers named therein, the holders of the original notes became entitled to the benefits of a registration rights agreement dated April 4, 2017, among the Issuers, the guarantors named therein and the initial purchasers named therein (the Registration Rights Agreement ).

The Registration Rights Agreement provides that, unless the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC, we:

will use our commercially reasonable efforts to file an exchange offer registration statement for the original notes with the SEC;

commence an exchange offer for the original notes promptly after the exchange offer registration statement for the new notes is declared effective by the SEC; and

use commercially reasonable efforts to complete the exchange offer for the original notes not later than 60 days after such effective date.

The exchange offer being made by this prospectus, if consummated within the required time periods, will satisfy our obligations under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will accept all original notes properly tendered and not withdrawn prior to the expiration date. We will issue \$1,000 principal amount of new notes in exchange for each \$1,000 principal amount of outstanding original notes accepted in the exchange offer. Holders may tender some or all of their original notes pursuant to the exchange offer in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof.

Based on no-action letters issued by the staff of the SEC to third parties, we believe that holders of the new notes issued in exchange for original notes may offer for resale, resell and otherwise transfer the new notes, other than any holder that is an affiliate of ours within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act. This is true as long as (i) the new notes are acquired in the ordinary course of the holder's business, (ii) the holder is not engaging in or intending to engage in a distribution of the new notes, and (iii) the holder has no arrangement or understanding with any person to participate in the distribution of the new notes. A broker-dealer that acquired original notes directly from us cannot exchange the original notes in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the new notes cannot rely on the no-action letters of the staff of the SEC and must comply with the

registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See [Plan of Distribution](#) for additional information.



## **Table of Contents**

We will accept validly tendered original notes promptly following the expiration of the exchange offer by giving written notice of the acceptance of such new notes to the exchange agent. The exchange agent will act as agent for the tendering holders of original notes for the purposes of receiving the new notes from the issuer and delivering new notes to such holders.

If any tendered original notes are not accepted for exchange because of an invalid tender or the occurrence of the conditions set forth under *The Exchange Offer Conditions* without waiver by us, certificates for any such unaccepted original notes will be returned, without expense, to the tendering holder of any such original notes promptly after the expiration date or the termination of the exchange offer, as applicable.

Holders of original notes who tender in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of original notes, pursuant to the exchange offer. We will pay all charges and expenses, other than certain applicable taxes in connection with the exchange offer. See *The Exchange Offer Fees and Expenses*.

## ***Shelf Registration Statement***

Pursuant to the Registration Rights Agreement, we have agreed to file a shelf registration statement if:

the Issuers and the Guarantors determine that the exchange offer is not available or the exchange offer may not be completed because it would violated applicable law or applicable interpretations of the SEC staff;

the exchange offer is not for any other reason completed by the target registration date specified in the Registration Rights Agreement; or

any initial purchaser submits a written request representing that it holds registrable securities that are or were ineligible to be exchanged in the exchange offer.

A holder that sells original notes pursuant to the shelf registration statement generally must be named as a selling securityholder in the related prospectus and must deliver a prospectus to purchasers, because a seller will be subject to civil liability provisions under the Securities Act in connection with these sales. A seller of the original notes also will be bound by applicable provisions of the Registration Rights Agreement, including indemnification obligations. In addition, each holder of original notes must deliver information to be used in connection with the shelf registration statement in order to have its original notes included in the shelf registration statement.

We have agreed to use our commercially reasonable efforts to file a shelf registration statement with the SEC as promptly as practicable after we are required to do so under the Registration Rights Agreement and thereafter cause such shelf registration statement to be declared effective by the SEC. In addition, we agreed to use our commercially reasonable efforts to keep that shelf registration statement continually effective, supplemented and amended for a period of one year following the date the shelf registration statement is declared effective, or such shorter period which terminates when all notes covered by that shelf registration statement have been sold under it.

## ***Additional Interest in Certain Circumstances***

If any of the following, each a registration default, occurs:

the exchange offer is not completed on or before May 9, 2018; or

the shelf registration statement is required to be filed but is not filed or declared effective within the time periods required by the Registration Rights Agreement or is declared effective but thereafter ceases to be effective or usable (subject to certain exceptions),

---

**Table of Contents**

the interest rate borne by the notes as to which the registration default has occurred will be increased by 1.00% per annum upon the occurrence of a registration default. We refer to this increase in the interest rate on the notes as

liquidated damages. Such interest is payable in addition to any other interest payable from time to time with respect to the notes in cash on each interest payment date to the holders of record for such interest payment date. After the cure of registration defaults, the accrual of liquidated damages will stop and the interest rate will revert to the original rate.

Under certain circumstances, we may delay the filing or the effectiveness of the exchange offer, registration statement or the shelf registration statement and shall not be required to maintain its effectiveness or amend or supplement it for two periods of up to 30 days each during any 12-month period. We will not be obligated to pay liquidated damages with respect to a registration default as a result of any such delay period.

The sole remedy available to the holders of the original notes will be the immediate increase in the interest rate on the original notes as described above. Any amounts of additional interest due as described above will be payable in cash on the same interest payment dates as the original notes.

***Expiration Date; Extensions; Amendment***

We will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to the holders of the original notes. The term *expiration date* means the expiration date set forth on the cover page of this prospectus, unless we extend the exchange offer, in which case the term *expiration date* means the latest date to which the exchange offer is extended.

In order to extend the expiration date, we will notify the exchange agent of any extension by written notice and will issue a public announcement of the extension, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Any such announcement will include the number and principal amount of original notes tendered for exchange as of such date.

We reserve the right:

to delay accepting any original notes and to extend the exchange offer or to terminate the exchange offer and not accept original notes not previously accepted if any of the conditions set forth under *The Exchange Offer*

*Conditions* shall have occurred and shall not have been waived by us, if permitted to be waived by us, by giving written notice of such delay, extension or termination to the exchange agent; or

to amend the terms of the exchange offer in any manner deemed by us to be advantageous to the holders of the original notes. (We are required to extend the offering period for certain types of changes in the terms of the exchange offer, for example, a change in the consideration offered or percentage of original notes sought for tender.)

All conditions set forth under *The Exchange Offer* *Conditions* must be satisfied or waived prior to the expiration date.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by written notice. If the exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the original notes of such amendment. In the event of a material change in the exchange offer, including the waiver of a material condition by us, we will extend the exchange offer, if necessary, so that at least five business days remain prior to the expiration

date following the notice of the material change.

Without limiting the manner in which we may choose to make a public announcement of any extension, amendment or termination of the exchange offer, we will not be obligated to publish, advertise, or otherwise communicate any such announcement, other than by making a timely release to an appropriate news agency.

## Table of Contents

### **Exchange Offer Procedures**

To tender in the exchange offer, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures on the letter of transmittal guaranteed if required by instruction 2 of the letter of transmittal, and mail or otherwise deliver the letter of transmittal or such facsimile or an agent's message in connection with a book entry transfer, together with the original notes and any other required documents. To be validly tendered, such documents must reach the exchange agent before one minute after 11:59 p.m., New York City time, on the expiration date. Delivery of the original notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date.

The term agent's message means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent, forming a part of a confirmation of a book-entry transfer, which states that such book-entry transfer facility has received an express acknowledgment from the participant in such book-entry transfer facility tendering the original notes that such participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce such agreement against such participant.

The tender by a holder of original notes will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

Delivery of all documents must be made to the exchange agent at its address set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

Each broker-dealer that receives new notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See Plan of Distribution.

The method of delivery of original notes and the letter of transmittal and all other required documents to the exchange agent is at the election and risk of the holders. Instead of delivery by mail, it is recommended that holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery to the exchange agent before one minute after 11:59 p.m., New York City time, on the expiration date. No letter of transmittal or original notes should be sent to us.

Only a holder of original notes may tender original notes in the exchange offer. The term holder with respect to the exchange offer means any person in whose name original notes are registered or any other person who has obtained a properly completed bond power from the registered holder.

Any beneficial holder whose original notes are registered in the name of its broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on its behalf. If such beneficial holder wishes to tender on its own behalf, such registered holder must, prior to completing and executing the letter of transmittal and delivering its original notes, either make appropriate arrangements to register ownership of the original notes in such holder's name or obtain a properly completed bond power from the registered holder. The transfer of record ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal, must be guaranteed by an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act unless the original notes are tendered:

by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or

for the account of an eligible guarantor institution.

**Table of Contents**

In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, such guarantee must be by an eligible guarantor institution.

If a letter of transmittal is signed by a person other than the registered holder of any original notes listed therein, such original notes must be endorsed or accompanied by appropriate bond powers and a proxy which authorizes such person to tender the original notes on behalf of the registered holder, in each case signed as the name of the registered holder or holders appears on the original notes.

If a letter of transmittal or any original notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by us, evidence satisfactory to us of their authority so to act must be submitted with such letter of transmittal.

All questions as to the validity, form, eligibility, including time of receipt, and withdrawal of the tendered original notes will be determined by us in our reasonable discretion, which determination will be final and binding, *provided, however*, that such determination may be challenged in a court of competent jurisdiction. We reserve the absolute right to reject any and all original notes not properly tendered or any original notes our acceptance of which, in the opinion of our counsel, would be unlawful. We also reserve the absolute right to waive any irregularities or defects as to the original notes. If we waive any condition of the original notes for any note holder, we will waive such condition for all note holders. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties, *provided, however*, that such determination may be challenged in a court of competent jurisdiction. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within such time as we shall determine. None of us, the exchange agent or any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of original notes, nor shall any of them incur any liability for failure to give such notification. Tenders of original notes will not be deemed to have been made until such irregularities have been cured or waived. Any original notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders of original notes without cost to such holder, unless otherwise provided in the relevant letter of transmittal, promptly following the expiration date.

In addition, we reserve the absolute right in our sole discretion to:

purchase or make offers for any original notes that remain outstanding subsequent to the expiration date or, as set forth under The Exchange Offer Conditions, to terminate the exchange offer in accordance with the terms of the Registration Rights Agreement; and

to the extent permitted by applicable law, purchase original notes in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers may differ from the terms of the exchange offer.

By tendering, each holder will represent to us that, among other things:

Edgar Filing: Exterran Corp - Form 424B3

such holder or other person is not our affiliate, as defined under Rule 405 of the Securities Act, or, if such holder or other person is such an affiliate, will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;

the new notes acquired pursuant to the exchange offer are being obtained in the ordinary course of business of such holder or other person;

neither such holder or other person has any arrangement or understanding with any person to participate in the distribution of such new notes in violation of the Securities Act; and

neither such holder nor such other person is engaged in or intends to engage in a distribution of the new notes.



## **Table of Contents**

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the original notes at The Depository Trust Company ( DTC ) for the purpose of facilitating the exchange offer, and subject to the establishment of such accounts, any financial institution that is a participant in DTC s system may make book-entry delivery of original notes by causing DTC to transfer such original notes into the exchange agent s account with respect to the original notes in accordance with DTC s procedures for such transfer. Although delivery of the original notes may be effected through book-entry transfer into the exchange agent s account at DTC, a letter of transmittal properly completed and duly executed with any required signature guarantee, or an agent s message in lieu of a letter of transmittal, and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date. Delivery of documents to DTC does not constitute delivery to the exchange agent.

## **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, tenders of original notes may be withdrawn at any time prior to one minute after 11:59 p.m., New York City time, on the expiration date.

To withdraw a tender of original notes in the exchange offer, a written or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth in this prospectus prior to one minute after 11:59 p.m., New York City time, on the expiration date. Any such notice of withdrawal must:

specify the name of the depositor, who is the person having deposited the original notes to be withdrawn;

identify the original notes to be withdrawn, including the certificate number or numbers and principal amount of such original notes or, in the case of original notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;

be signed by the depositor in the same manner as the original signature on the letter of transmittal by which such original notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the original notes register the transfer of such original notes into the name of the depositor withdrawing the tender; and

specify the name in which any such original notes are to be registered, if different from that of the depositor. All questions as to the validity, form and eligibility, including time of receipt, of such withdrawal notices will be determined by us in our reasonable discretion, and our determination shall be final and binding on all parties, *provided, however*, that such determination may be challenged in a court of competent jurisdiction. Any original notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect to the original notes withdrawn unless the original notes so withdrawn are validly retendered. Any original notes which have been tendered but which are not accepted for exchange will be returned to its holder without cost to such holder promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn original notes may be retendered by following one of the procedures described above under The Exchange Offer Exchange Offer Procedures at any time prior to the expiration date.

## **Conditions**

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange, any new notes for any original notes, and may terminate or amend the exchange offer before the expiration date, if:

in the opinion of our counsel, the exchange offer or any part thereof contemplated herein violates any applicable law or interpretation of the staff of the SEC;

**Table of Contents**

any action or proceeding shall have been instituted in any court or by any governmental agency which might materially impair our ability to proceed with the exchange offer or any material adverse development shall have occurred in any such action or proceeding with respect to us;

any governmental approval has not been obtained, which approval we shall deem necessary for the consummation of the exchange offer as contemplated hereby;

any cessation of trading on any securities exchange or any banking moratorium, shall have occurred as a result of which we are unable to proceed with the exchange offer; or

stop order shall have been issued by the SEC or any state securities authority suspending the effectiveness of the registration statement or proceedings shall have been initiated for that purpose.

If any of the foregoing conditions exist, we may, in our reasonable discretion:

refuse to accept any original notes and return all tendered original notes to the tendering holders promptly following the expiration date or the termination of the exchange offer, as applicable;

extend the exchange offer and retain all original notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders who tendered such original notes to withdraw their tendered original notes; or

waive such condition, if permissible, with respect to the exchange offer and accept all properly tendered original notes which have not been withdrawn. If such waiver constitutes a material change to the exchange offer, we will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the holders, and we will extend the exchange offer, if necessary, so that at least five business days remain prior to the expiration date following the date of such prospectus supplement.

**Exchange Agent**

We have appointed Wells Fargo Bank, National Association as exchange agent for the exchange offer. All executed letters of transmittal and any other required documents should be directed to the exchange agent at the addresses or facsimile number set forth below. Please direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal to the exchange agent addressed as follows:

**Registered or Certified Mail:**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
MAC N9300-070

**Air Courier Service:**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
MAC N9300-070  
600 Fourth Street South,

**By Facsimile Transmission:**

(612) 667-6282

P.O. Box 1517

7th Floor

*Confirm by Telephone:*  
1-800-344-5128

Minneapolis, MN 55480

Minneapolis, MN 55479

Wells Fargo Bank, National Association is the trustee under the Indenture.

### **Fees and Expenses**

We will pay the expenses of soliciting original notes for exchange. The principal solicitation is being made by e-mail. However, additional solicitations may be made by telephone, facsimile or in person by our officers and regular employees and our affiliates and by persons so engaged by the exchange agent.

We will pay Wells Fargo Bank, National Association as exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith and pay other registration expenses, including fees and expenses of the trustee under the Indenture, filing fees, blue sky fees and printing and distribution expenses.

## **Table of Contents**

We will pay all transfer taxes, if any, applicable to the exchange of the original notes in connection with the exchange offer. If, however, certificates representing the new notes or the original notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the original notes tendered, or if tendered original notes are registered in the name of any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the exchange of the original notes in this exchange offer, then the amount of any such transfer taxes, whether imposed on the registered holder or any other person, will be payable by the tendering holder.

## **Accounting Treatment**

The new notes will be recorded at the same carrying value as the original notes as reflected in our accounting records on the date of exchange. Accordingly, no gain or loss for accounting purposes will be recognized by us.

## **Consequences of Failure to Exchange**

Holders of original notes who are eligible to participate in the exchange offer but who do not tender their original notes will not have any further registration rights, and their original notes will continue to be subject to restrictions on transfer of the original notes as described in the legend on the original notes as a consequence of the issuance of the original notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the original notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws.

## **Regulatory Approvals**

We do not believe that the receipt of any material federal or state regulatory approval will be necessary in connection with the exchange offer, other than the effectiveness of the exchange offer registration statement under the Securities Act.

## **Other**

Participation in the exchange offer is voluntary and holders of original notes should carefully consider whether to accept the terms and conditions of this exchange offer. Holders of the original notes are urged to consult their financial and tax advisors in making their own decisions on what action to take with respect to the exchange offer.

Neither our affiliates nor the affiliates of the guarantors have any interest, direct or indirect, in the exchange offer.

**Table of Contents**

**USE OF PROCEEDS**

This exchange offer is intended to satisfy our obligations to register an exchange offer of the new notes for the original notes required by the Registration Rights Agreement entered into in connection with the offering of the original notes. We will not receive any cash proceeds from the issuance of the new notes. In consideration for issuing the new notes, we will receive the outstanding original notes in like principal amount, the terms of which are identical in all material respects to the terms of the new notes, except as otherwise described herein. The original notes surrendered in exchange for the new notes will be retired and cancelled and cannot be reissued.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth information regarding our ratio of earnings to fixed charges for each of the periods shown. For purposes of calculating this ratio, (i) earnings consist of income (loss) before income taxes, plus fixed charges, amortization of capitalized interest and return of investments in non-consolidated affiliates, less equity in income of non-consolidated affiliates and capitalized interest, and (ii) fixed charges consist of interest expense (including amortization of deferred financing costs), capitalized interest and the interest portion of rental expense.

	<b>Fiscal Years ended December 31,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Ratio of Earnings to Fixed Charges</b>	1.3	(1)	8.3	58.1	42.8

- (1) The ratio of earnings to fixed charges was less than one-to-one for the year ended December 31, 2016. Additional earnings of \$47.8 million would have been needed to have a one-to-one ratio of earnings to fixed charges.

**Table of Contents****DESCRIPTION OF OTHER INDEBTEDNESS****Revolving Credit Facility and Term Loan Facility**

On July 10, 2015, Exterran Corporation and EESLP entered into a \$750.0 million credit agreement with Wells Fargo Bank, National Association, as the administrative agent, and various financial institutions as lenders. On October 5, 2015, the parties amended and restated that credit agreement (as amended and restated and as subsequently amended, the Credit Agreement) to provide for a \$925.0 million credit facility, consisting of a \$680.0 million revolving credit facility and a \$245.0 million term loan facility (collectively, the Credit Facility). The Credit Facility became available to EESLP, as borrower, on November 3, 2015 (the Initial Availability Date). On November 3, 2015, EESLP incurred approximately \$300.0 million of indebtedness under the revolving credit facility and \$245.0 million of indebtedness under the term loan facility. Pursuant to our separation and distribution agreement with Archrock and certain of our and Archrock's affiliates, on November 3, 2015, EESLP transferred \$532.6 million of net proceeds from borrowings under the Credit Facility to Archrock to allow it to repay a portion of its indebtedness in connection with our spin-off from Archrock, Inc. on November 3, 2015. In November 2016, EESLP repaid \$12.3 million of borrowings outstanding under the term loan facility. In April 2017, EESLP paid the remaining principal amount of \$232.8 million due under the term loan facility with proceeds from the issuance of the original notes.

EESLP's obligations under the revolving credit facility are guaranteed by Exterran Corporation. In addition, EESLP's obligations under the revolving credit facility are secured by (1) substantially all of the assets of EESLP, Exterran Corporation and Exterran Corporation's Significant Domestic Subsidiaries (as defined in the Credit Agreement), including certain real property, and (2) all of the equity interests of the U.S. subsidiaries of Exterran Corporation (other than certain excluded subsidiaries (as defined in the Credit Agreement)) and 65% of the voting equity interests in certain first-tier foreign subsidiaries of Exterran Corporation.

EESLP has the ability to borrow in U.S. dollars or Euros under the Credit Facility and to request the issuance of letters of credit in an aggregate amount of up to \$500 million. Subject to certain conditions, at our request and with the consent of the participating lenders, the total commitments under the revolving credit facility may be increased from time to time by an aggregate amount of up to \$220 million.

As of December 31, 2017, we had \$39.7 million in outstanding letters of credit under our revolving credit facility and, taking into account guarantees through letters of credit, we had undrawn capacity of \$640.3 million under our revolving credit facility. The Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Credit Agreement) on the last day of the fiscal quarter to not greater than 4.50 to 1.0. As a result of this limitation, \$585.2 million of the \$640.3 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of December 31, 2017.

Revolving borrowings under the Credit Facility bear interest at a rate equal to, at our option, either the Base Rate or LIBOR (or EURIBOR, in the case of Euro-denominated borrowings) plus the applicable margin. The applicable margin for revolving borrowings varies (i) in the case of LIBOR loans, from 1.50% to 2.75% and (ii) in the case of Base Rate loans, from 0.50% to 1.75%, and will be determined based on our total leverage ratio pricing grid. Base Rate means the highest of the prime rate, the federal funds effective rate plus 0.50% and one-month LIBOR plus 1.00%. The weighted average annual interest rate on outstanding borrowings under the revolving credit facility at December 31, 2016 was 5.0%.

The Credit Agreement contains various covenants with which Exterran Corporation, EESLP and their respective restricted subsidiaries must comply, including limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of



assets and other provisions customary in similar types of agreements. We are required to maintain, on a consolidated basis, a minimum interest coverage ratio (as defined in the Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Credit Agreement) of 2.75 to 1.00. As of December 31, 2017, we were in compliance with all financial covenants under the Credit Agreement.

---

**Table of Contents**

**DESCRIPTION OF NOTES**

Definitions of certain terms can be found under Certain Definitions. In this description, the term Company, us, our, we refers only to Exterran Energy Solutions, L.P. and not to any of its subsidiaries, the term Finance Corp. refers to EES Finance Corp., the term Issuers refers to the Company and Finance Corp., the term Parent refers to Exterran Corporation and not to any of its subsidiaries and the term notes refers to the Issuers 8.125% Senior Notes due 2025 and the new 8.125% Senior Notes due 2025 offered hereby, collectively.

The notes are issued under an indenture, dated as of April 4, 2017 (the Indenture ), among the Issuers, the Parent, the Subsidiary Guarantors party thereto from time to time and Wells Fargo Bank, National Association, as trustee (the Trustee ).

The following description is a summary of certain provisions of the Indenture, the notes, the guarantees and is subject to, and qualified in its entirety by reference to, the actual provisions of the Indenture (which includes the provisions of the guarantees) and the notes. It does not include all of the provisions of the Indenture (including the guarantees) and the notes. We urge you to read the Indenture, the notes and the Registration Rights Agreement governing the notes offered hereby because they, and not this description, will define the rights of Holders of the notes. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act ). Certain defined terms used in this description but not defined below under Certain Definitions have the meanings assigned to them in the Indenture.

The Holder of a note will be treated as the owner of it for all purposes. Only Holders of notes will have rights under the Indenture.

**General**

The maximum aggregate principal amount of the notes outstanding is \$375.0 million. The Issuers may, without notice to, or the consent of, Holders, issue an unlimited principal amount of additional debt securities under the Indenture having identical terms as the notes (other than issue date, and, if applicable, issue price, the first interest payment date and the date from which interest will accrue, and except that any such additional debt securities may, but need not, be subject to or include transfer restrictions, provide for or be entitled to the payment of additional interest or be entitled to rights under a Registration Rights Agreement), *provided* that if any such additional debt securities are not fungible with the notes that are issued on the Issue Date for U.S. federal income tax purposes, such additional debt securities will have separate CUSIP and ISIN numbers from the notes. This description refers to any such additional debt securities as the Additional Notes. The Issuers will only be permitted to issue Additional Notes subject to compliance with the terms of the Indenture, including the covenant described below under the caption Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. The notes and any Additional Notes will be treated as a single series of debt securities under the Indenture for all purposes, including for waivers, amendments, redemptions and offers to purchase.

The Issuers have issued the notes in fully registered form without coupons only in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

The notes are:

senior unsecured obligations of the Issuers;

equal in right of payment with all existing and future senior unsecured indebtedness and senior unsecured guarantees of either of the Issuers;

**Table of Contents**

effectively junior in right of payment to all existing and future secured indebtedness and secured guarantees of either of the Issuers (including Indebtedness of the Company under the Credit Agreement), to the extent of the value of the assets securing such indebtedness or guarantees;

structurally junior in right of payment to all existing and future indebtedness, guarantees and other liabilities (including trade payables) and any preferred equity of the Parent's Subsidiaries (other than the Issuers) that do not guarantee the notes; and

senior in right of payment to any future subordinated indebtedness and subordinated guarantees of either of the Issuers.

The notes are initially guaranteed by the Parent. In addition, the notes will be guaranteed in the future by certain Restricted Subsidiaries of the Parent that guarantee or otherwise incur any other Indebtedness of any Issuer or Guarantor in excess of the De Minimis Guaranteed Amount under a Credit Facility. Currently, none of the Parent's Restricted Subsidiaries guarantees or otherwise incurs any Indebtedness of either Issuer or the Parent under any Credit Facility. See Guarantees and Certain Covenants Additional Guarantees.

Each Guarantor's guarantee of the notes is:

a senior unsecured obligation of that Guarantor;

equal in right of payment with all existing and future senior unsecured indebtedness and senior unsecured guarantees of that Guarantor;

effectively junior in right of payment to all existing and future secured indebtedness and secured guarantees of that Guarantor (including its guarantee of our borrowings under the Credit Agreement), to the extent of the value of the assets securing such indebtedness or guarantees; and

senior in right of payment to any future subordinated indebtedness and subordinated guarantees of that Guarantor.

As of December 31, 2017, the Parent and its Subsidiaries had:

total Senior Debt of approximately \$375.7 million (excluding approximately \$39.7 million of outstanding letters of credit), consisting principally of the notes; and

no indebtedness contractually subordinated to the notes or the guarantees, as applicable.

The Indenture permits us and our Restricted Subsidiaries to incur additional Indebtedness, including additional Senior Debt.

As of December 31, 2017, all of the Subsidiaries of the Parent (other than the Issuers) had no outstanding Indebtedness (excluding intercompany Indebtedness and approximately \$39.7 million of outstanding letters of credit) and accounted for approximately 61% of the Parent's consolidated assets (excluding investment in affiliates and intercompany receivables) at such date and 40% of the Parent's consolidated revenues (excluding revenue from affiliates) for the year then ended.

As of the date of this prospectus, all of the Parent's Subsidiaries (including the Issuers) are its Restricted Subsidiaries. Under the circumstances described below under the subheading Certain Covenants Designation of Restricted and Unrestricted Subsidiaries, the Parent will be permitted to designate certain of its Subsidiaries (other than the Issuers) as Unrestricted Subsidiaries. The Parent's Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture or guarantee the notes.

### **Principal, Maturity and Interest**

The notes will mature on May 1, 2025 unless redeemed or repurchased prior to such date pursuant to the provisions described under Optional Redemption or Repurchase at the Option of Holders below. The notes are not subject to, or be entitled to the benefit of, any sinking fund.

## **Table of Contents**

Interest on the notes will accrue at the rate of 8.125% per annum, and is payable semi-annually in arrears on May 1 and November 1, commencing on November 1, 2017. The Issuers will make each interest payment to the Persons who are Holders of the notes on the April 15 or October 15, as the case may be (in each case, whether or not a Business Day), immediately preceding each interest payment date. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the notes will accrue from November 1, 2017 or the date it was most recently paid on the original notes. Additional interest may accrue on the notes as liquidated damages in certain circumstances described under The Exchange Offer, and all references to interest in this description include any additional interest that may be payable on the notes.

If a payment date falls on a day that is not a Business Day, the payment will be made on the next succeeding Business Day, and no additional interest will accrue, or default will occur, as a result of such delayed payment.

## **Methods of Receiving Payments on the Notes**

If a Holder of not less than \$1.0 million aggregate principal amount of notes held in certificated form ( Certificated Notes ) has given wire transfer instructions to the Issuers, the Issuers will pay to an account in the United States all principal, interest and premium, if any, on that Holder's notes in accordance with those instructions. All other payments on the notes (other than Global Notes (as defined herein)) will be made at the office or agency of the paying agent and registrar in New York City unless the Issuers elect to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders. Payments on Global Notes will be made to DTC by wire transfer in accordance with DTC's instructions and applicable procedures.

## **Paying Agent and Registrar for the Notes**

The Trustee will initially act as paying agent and registrar at its corporate trust office in New York City. The Issuers may change the paying agent or registrar without prior notice to the Holders of the notes, and the Parent or any of its Subsidiaries may act as paying agent or registrar.

## **Transfer and Exchange**

A Holder may transfer or exchange notes in accordance with the Indenture. The registrar and the Trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. No service charge will be imposed by the Issuers, the Trustee or the registrar for any registration of transfer or exchange of notes, but Holders will be required to pay all taxes due on transfer. The Issuers are not required to transfer or exchange any note selected for redemption. Also, the Issuers are not required to transfer or exchange any note for a period of 15 days before the mailing (or, if not mailed, other transmittal) of a notice of redemption of notes.

## **Guarantees**

The notes are currently initially guaranteed by the Parent. In addition, the notes will be guaranteed in the future by any Restricted Subsidiary of the Parent (other than Finance Corp. or any Foreign Subsidiary) that guarantees or otherwise incurs any other Indebtedness of an Issuer or any Guarantor in excess of the De Minimis Guaranteed Amount under a Credit Facility. See Certain Covenants Additional Guarantees. Currently, none of the Parent's Restricted Subsidiaries guarantees or otherwise incurs any Indebtedness of any Issuer or the Parent under any Credit Facility. All guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its guarantee will be limited as necessary to prevent that guarantee from constituting a fraudulent conveyance under applicable law,

although this limitation may not be effective to prevent that guarantee from being voided in bankruptcy. See Risk Factors Risks Related to our Indebtedness, the Notes and the Exchange Offer Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from guarantors.

---

**Table of Contents**

Not all of the Parent's Subsidiaries (other than the Issuers) will be required to guarantee the notes. The Parent's Unrestricted Subsidiaries and Foreign Subsidiaries will not be required to guarantee the notes. In addition, any of the Parent's Restricted Subsidiaries that does not guarantee or otherwise incur any other Indebtedness of either Issuer or any Guarantor in excess of the De Minimis Guaranteed Amount under a Credit Facility will not be required to guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of the Parent's Subsidiaries (other than the Issuers) that do not guarantee the notes, such non-guarantor Subsidiaries will pay current outstanding obligations to the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Parent or us.

The guarantee of a Subsidiary Guarantor, together with all of its other obligations under the Indenture, will be automatically and unconditionally released and discharged:

- (1) in the event of any sale or other disposition of all or substantially all of the properties or assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary of the Parent, if the sale or other disposition complies with the provisions of the covenant described under Repurchase at the Option of Holders Asset Sales (it being understood that only such portion of the Net Proceeds as is required to be applied on or before the date of such release and discharge in accordance with the terms of that covenant needs to be applied in accordance therewith at such time);
- (2) in the event of any sale or other disposition of Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary of the Parent, if the sale or other disposition complies with the provisions of the covenant described under Repurchase at the Option of Holders Asset Sales (it being understood that only such portion of the Net Proceeds as is required to be applied on or before the date of such release and discharge in accordance with the terms of that covenant needs to be applied in accordance therewith at such time) and the Subsidiary Guarantor ceases to be a Restricted Subsidiary of the Parent as a result of the sale or other disposition;
- (3) if the Parent designates such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4) upon Legal Defeasance or Covenant Defeasance as described below under the caption Legal Defeasance and Covenant Defeasance or upon satisfaction and discharge of the Indenture as described below under the caption Satisfaction and Discharge;
- (5) upon the liquidation or dissolution of such Subsidiary Guarantor, *provided* no Default or Event of Default has occurred that is continuing;
- (6) upon the merger of such Subsidiary Guarantor into, or the consolidation of such Subsidiary Guarantor with, (a) an Issuer, the Parent or another Subsidiary Guarantor or (b) a Subsidiary of the Parent if the surviving or resulting entity is an Unrestricted Subsidiary or a Foreign Subsidiary; or
- (7) at such time as such Subsidiary Guarantor ceases to guarantee or be otherwise obligated in respect of any other Indebtedness of any Issuer or Guarantor in excess of the De Minimis Guaranteed Amount under a Credit Facility.

The guarantee of the Parent, together with its other obligations under the Indenture, will be automatically and unconditionally released and discharged only upon (i) the merger of the Parent into us or any Subsidiary Guarantor, (ii) Legal Defeasance or Covenant Defeasance as described below under the caption Legal Defeasance and Covenant Defeasance or upon satisfaction and discharge of the Indenture as described below under the caption Satisfaction and



Discharge or (iii) the liquidation or dissolution of the Parent, *provided* in each case no Default or Event of Default has occurred that is continuing.

**Table of Contents****Optional Redemption**

On and after May 1, 2020, the Issuers may redeem all or a part of the notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the notes to be redeemed to, but not including, the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2020	106.094%
2021	104.063%
2022	102.031%
2023 and thereafter	100.000%

At any time prior to May 1, 2020, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the notes (including Additional Notes) originally issued under the Indenture, at a redemption price of 108.125% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), with an amount of cash no greater than the net cash proceeds of one or more Equity Offerings by the Parent, *provided* that:

- (1) at least 65% of the aggregate principal amount of the notes (including Additional Notes) originally issued under the Indenture remains outstanding immediately after the occurrence of such redemption (excluding notes held by the Parent and its Subsidiaries); and
- (2) the redemption occurs within 180 days of the date of the closing of the related Equity Offering.

In addition, at any time prior to May 1, 2020, the Issuers may redeem all or part of the notes, at a redemption price equal to the sum of:

- (1) 100% of the principal amount thereof; and
- (2) the Make Whole Premium (as defined herein) as of the applicable redemption date, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

**Make Whole Premium** means, with respect to a note as of any redemption date for such note whose redemption price may be determined by reference to the Make Whole Premium, the excess, if any, of (a) the present value as of the applicable redemption date of (i) the redemption price of such note at May 1, 2020 (such redemption price being set forth in the first full paragraph of this Optional Redemption section) plus (ii) any required interest payments due on such note through May 1, 2020 (except for accrued and unpaid interest to, but not including, the applicable redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), over (b) the principal amount of such note.

**Treasury Rate** means, with respect to any redemption date for any note whose redemption price may be determined by reference to the Make Whole Premium, the yield to maturity at the time of computation of United States Treasury

securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least two Business Days prior to such time (or, if such Statistical Release is no longer published, any publicly available source of similar market data selected by the Company)) most nearly equal to the period from the redemption date to May 1, 2020; *provided, however*, that if such period is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Company shall obtain the Treasury Rate by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which

## **Table of Contents**

such yields are given, except that if the period from the redemption date to May 1, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. Calculation of the Make Whole Premium and the Treasury Rate will be made by the Company or on behalf of the Company by such Person as the Company shall designate. The Company will (a) calculate the Treasury Rate and the Make Whole Premium no later than the first (and no earlier than the fourth) Business Day preceding the applicable redemption date (or, in the case of any redemption in connection with a defeasance of the notes or a satisfaction and discharge of the Indenture, on the Business Day preceding such event), and (b) prior to such redemption date (or such event, as applicable), file with the Trustee a statement setting forth the Treasury Rate and the Make Whole Premium and showing the calculation of each in reasonable detail.

## **Selection and Notice**

If less than all of the notes are to be redeemed at any time, notes will be selected for redemption as follows:

- (1) if the notes are listed on any national securities exchange, by the Trustee in compliance with the requirements of the principal national securities exchange on which the notes are listed; or
- (2) if the notes are not listed on any national securities exchange, by the Trustee on a pro rata basis (or, in the case of notes in global form, notes will be selected for redemption by DTC based on DTC's applicable procedures).

No notes of \$2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail (or sent electronically if DTC is the recipient) at least 30 but not more than 60 days before the redemption date to each Holder of notes to be redeemed at its registered address, except that optional redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the Indenture.

Notice of any redemption of the notes may, at the Issuers' discretion, be subject to one or more conditions precedent, including, but not limited to, the completion of one or more Equity Offerings or other securities offerings or other financings or the completion of any transaction (or series of related transactions) that constitute a Change of Control. If a redemption of the notes is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuers' discretion, the redemption date may be delayed on one or more occasions either to a date specified in a subsequent notice to holders of the notes or until such time (which date or time may be more than 60 days after the date the notice of redemption was mailed or otherwise sent) as any or all such conditions shall be satisfied or waived, and that such redemption will not occur and such notice will be rescinded if any or all such conditions shall not have been satisfied as and when required (as determined by the Issuers' in their sole discretion taking into account any election by the Issuers to delay such redemption date), unless the Issuers have waived any such conditions that are not satisfied, or at any time if in the good faith judgment of the Issuers any or all of such conditions will not be satisfied.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the Holder of notes upon cancellation of the original note.

Notes called for redemption will become due on the date fixed for redemption, subject to the Issuers' right to delay a redemption date as provided above. On and after the redemption date, interest will cease to accrue on notes or portions of them called for redemption unless the Company shall default in the payment of the redemption price for such notes.

## **No Mandatory Redemption; Open Market and Other Purchases**

Except as set forth below under Repurchase at the Option of Holders the Issuers will not be required to make mandatory redemption, mandatory repurchase or sinking fund payments with respect to the notes or to

---

**Table of Contents**

repurchase the notes at the option of the Holders. The Issuers may, at their option and from time to time, acquire notes by means other than a redemption, whether by tender offer, in open market purchases, through negotiated transactions or otherwise, in accordance with applicable securities laws.

**Repurchase at the Option of Holders**

*Change of Control*

If a Change of Control occurs, unless the Issuers have previously or concurrently exercised their right to redeem all of the notes as described under *Optional Redemption* or another exception described below applies, each Holder of notes will have the right to require the Company to repurchase all or any part (in denominations of \$1,000 or an integral multiple of \$1,000, *provided* that the remaining part of any note surrendered for repurchase in part shall be \$2,000 or an integral multiple of \$1,000 in excess thereof) of that Holder's notes pursuant to a cash tender offer (the *Change of Control Offer*) on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash ( *Change of Control Payment* ) equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of payment (the *Change of Control Payment Date* ), subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the Change of Control Payment Date.

Within 30 days following any Change of Control, unless the Issuers have previously or concurrently exercised their right to redeem all of the notes as described under *Optional Redemption* or another exception described below applies, the Company will send a notice to each Holder and the Trustee describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent, pursuant to the procedures required by the Indenture and described in such notice.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture relating to a Change of Control Offer, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under such provisions of the Indenture by virtue of such compliance.

Promptly following the expiration of the Change of Control Offer, the Company will, to the extent lawful, accept for payment all notes or portions of notes (in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof) properly tendered and not withdrawn pursuant to the Change of Control Offer, *provided* that if, following the repurchase of a portion of a Note, the remaining principal amount thereof would be less than \$2,000, then the portion of such note so repurchased shall be reduced so that the remaining principal amount of such note outstanding immediately after such repurchase is \$2,000. Promptly after such acceptance, the Company will, on the Change of Control Payment Date:

- (1) deposit with the depository, if any, appointed by the Company for such Change of Control Offer or a paying agent, as the case may be, an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered and not withdrawn; and
- (2) deliver or cause to be delivered to the Trustee for cancellation the notes properly accepted for payment together with an officers' certificate stating the aggregate principal amount of notes or portions of notes accepted for payment and being purchased by the Company.

Edgar Filing: Exterran Corp - Form 424B3

On the Change of Control Payment Date, the Company, the depositary, if any, appointed by the Company for such Change of Control Offer or a paying agent, as the case may be, will mail or remit to each Holder of

---

**Table of Contents**

notes properly tendered and not withdrawn and accepted by the Company for payment the Change of Control Payment for such notes (or, if all the notes are then in global form, make such payment in accordance with the applicable procedures of DTC), and the Trustee will authenticate and mail or deliver (including by book-entry transfer) to each Holder a new note equal in principal amount to any unpurchased portion of the notes accepted for payment, if any; *provided, however*, that each new note will be in a minimum principal amount of \$2,000 or an integral multiple of \$1,000 in excess of \$2,000.

The Credit Agreement provides that certain change of control events with respect to either the Parent or the Company would constitute an event of default thereunder, entitling the lenders, among other things, to accelerate the maturity of all Indebtedness outstanding thereunder. Any future credit agreements or other agreements relating to Indebtedness to which the Issuers or any Guarantor becomes a party may contain similar restrictions and provisions. Prior to complying with any of the provisions of this Change of Control covenant, but in any event no later than the Change of Control Payment Date, the Company or any Guarantor must either repay all of its other outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing such Senior Debt to permit the repurchase of notes required by this covenant.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the notes to require that either of the Issuers or any Guarantor repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, (2) in connection with or in contemplation of any Change of Control, the Company made an offer to purchase (an Alternate Offer ) any and all notes properly tendered and not withdrawn at a cash price equal to or higher than the Change of Control Payment and has purchased all notes properly tendered in accordance with the terms of such Alternate Offer or (3) the Issuers have previously or concurrently exercised their right to redeem all of the notes as described under Optional Redemption.

Notwithstanding anything in the Indenture to the contrary, a Change of Control Offer or Alternate Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of the Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer or Alternate Offer.

Interest on notes (or portions thereof) properly tendered and not withdrawn pursuant to a Change of Control Offer or Alternate Offer will cease to accrue on and after the applicable Change of Control Payment Date (or payment date for the Alternate Offer) unless the Company shall default in the payment of the Change of Control Payment (or, in the case of an Alternate Offer, the purchase price) of the notes.

The provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Parent or the Company by increasing the capital required to effectuate such transactions.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of notes to require the Company to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of



less than all of the properties or assets of the Parent and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

---

**Table of Contents**

In the event that Holders of not less than 90% of the aggregate principal amount of the outstanding notes accept a Change of Control Offer or Alternate Offer and the Company, or any other Person making a Change of Control Offer in lieu of the Company as provided above, purchases all of the notes held by such Holders, the Issuers will have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer or Alternate Offer described above, to redeem all of the notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Payment or Alternate Offer price, as applicable, plus, to the extent not included in the Change of Control Payment, or Alternate Offer price, as applicable, accrued and unpaid interest on the notes that remain outstanding, to the date of redemption (subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

***Asset Sales***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Parent (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value (measured as of the date of the definitive agreement with respect to the Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the aggregate consideration received by the Parent and its Restricted Subsidiaries in the Asset Sale and all other Asset Sales on a cumulative basis since the Issue Date is in the form of cash, Cash Equivalents, Additional Assets or any combination thereof (collectively, Cash Consideration). For purposes of this provision, each of the following will be deemed to be Cash Consideration:

(a) any liabilities of the Parent or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a written agreement that releases the Parent or such Restricted Subsidiary from further liability;

(b) any securities, notes or other obligations received by the Parent or any Restricted Subsidiary from such transferee that are, within 180 days after the Asset Sale, converted by the Parent or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and

(c) any Designated Non-Cash Consideration received by the Parent or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (c), not to exceed an amount equal to the greater of (i) \$65.0 million or (ii) 5.0% of the Parent's Consolidated Net Tangible Assets (determined at the time of receipt of such Designated Non-Cash Consideration), with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale (or 720 days after the receipt of any Net Proceeds by any Foreign Subsidiary from an Asset Sale), the Parent or any of its Restricted Subsidiaries may apply those Net Proceeds at its option to any combination of the following:

(1) to repay secured Indebtedness and, if no secured Indebtedness is then outstanding, to repay any other Senior Debt (or to make an offer to redeem or repurchase such secured Indebtedness or Senior Debt, *provided* that such redemption or repurchase closes within 45 days after the end of such 360-day or 720-day period, as the case may be);

(2) to invest in Additional Assets; or

(3) to make capital expenditures in respect of any Permitted Business of the Parent or any of its Restricted Subsidiaries.

---

## **Table of Contents**

Pending the final application of any Net Proceeds, the Parent or any of its Restricted Subsidiaries may invest the Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute Excess Proceeds.

On the 361st day after the Asset Sale (or the 721st day after an Asset Sale by a Foreign Subsidiary, or, in either case and at the Company's option, any earlier date) if the aggregate amount of Excess Proceeds then exceeds \$35.0 million, the Company will make an offer (an Asset Sale Offer) to all Holders of notes and all holders of other Indebtedness that is *pari passu* with the notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase or redeem (subject to proration in the event of over subscription) the maximum principal amount of notes and such *pari passu* Indebtedness that may be purchased or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the date of settlement, subject to the right of Holders on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of settlement, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Parent or any of its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds allocated to the purchase of notes, the Trustee will select the notes to be purchased on a pro rata basis (or, in the case of notes in global form, notes will be selected for purchase by DTC based on DTC's applicable procedures). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture relating to an Asset Sale Offer, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under such provisions of the Indenture by virtue of such compliance.

## **Certain Covenants**

### ***Restricted Payments***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Parent's or any of its Restricted Subsidiaries' Equity Interests (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Parent or payable to the Parent or a Restricted Subsidiary of the Parent);
- (2) purchase, redeem or otherwise acquire or retire for value (including in connection with any merger or consolidation involving the Parent) any Equity Interests of the Parent or any direct or indirect parent of the Parent held by any Person other than the Parent or any of its Restricted Subsidiaries (other than in exchange for Equity Interests (other than Disqualified Stock) of the Parent);
- (3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Indebtedness of either Issuer or any Guarantor that is contractually subordinated to the notes or the guarantees (excluding any intercompany

Indebtedness between or among the Parent and any of its Restricted Subsidiaries, including between or among its Restricted Subsidiaries), except any payment, purchase, redemption, defeasance or other acquisition or retirement of any such Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, redemption, defeasance or other acquisition or retirement; or

---

**Table of Contents**

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as Restricted Payments ),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default will have occurred and be continuing or would occur as a consequence thereof; and

(2) the Parent would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to Incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption Incurrence of Indebtedness and Issuance of Preferred Stock; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Parent and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2) through (16), inclusive, of the next succeeding paragraph), is less than the sum, without duplication, of the following (the Restricted Payments Basket ):

(a) 50% of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the first fiscal quarter during which the Issue Date falls to the end of the Parent's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); plus

(b) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received by the Parent since the Issue Date (i) as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Parent (or any direct or indirect parent company of the Parent to the extent contributed to the equity capital of the Parent) or (ii) from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Parent that have been converted into or exchanged for such Equity Interests (other than, in each case, Equity Interests (or Disqualified Stock or debt securities) issued or sold to a Restricted Subsidiary of the Parent), plus

(c) the amount equal to the aggregate net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries in any Person after the Issue Date resulting from:

(1) repurchases, repayments or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale or other disposition of any such Restricted Investment to any Person, or repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payment or other return of capital or Investment) by such Person to the Parent or any Restricted Subsidiary;

(2) the (i) redesignation of Unrestricted Subsidiaries of the Company as Restricted Subsidiaries, (ii) merger or consolidation of Unrestricted Subsidiaries into the Parent or any of its Restricted Subsidiaries or (iii) transfer (other than by lease) of all or substantially all of the Unrestricted Subsidiaries' properties or assets to the Parent or any of its Restricted Subsidiaries, in each case not to exceed the amount of Investments previously made by the Parent or any Restricted Subsidiary of the Parent in such Unrestricted Subsidiary,

which amount, in each case under this clause (c), was included in the calculation of the amount of the Restricted Payments Basket; *provided, however*, that no amount will be included under this clause (c) to the extent it is already included in Consolidated Net Income of the Parent, plus

(d) the amount of cash and Cash Equivalents and the fair market value of property or assets received by the Parent or any Restricted Subsidiary in connection with (1) the sale or other disposition by the Parent or any of its Restricted Subsidiaries (other than to the Parent or any of its Restricted

---

**Table of Contents**

Subsidiaries) of all or a portion of the Capital Stock of an Unrestricted Subsidiary or (2) a dividend or distribution from an Unrestricted Subsidiary to the Parent or any of its Restricted Subsidiaries (whether any such dividend or distribution is made with proceeds from the issuance by such Unrestricted Subsidiary of its Capital Stock or otherwise); *provided, however*, that no amount will be included under this clause (d) to the extent it is already included in Consolidated Net Income of the Parent; and *provided, further*, that no amount will be included under subclause (1) of this clause (d) except to the extent that it offsets a prior reduction in the Restricted Payments Basket resulting from the designation of the Unrestricted Subsidiary as such or a subsequent Restricted Investment in the Unrestricted Subsidiary, plus

(e) the amount by which Indebtedness of the Parent or its Restricted Subsidiaries is reduced on the Parent's consolidated balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Parent or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent (less the amount of any cash or the fair market value of any other property (other than such Capital Stock) distributed by the Parent upon such conversion or exchange) plus the amount of any cash received by the Parent or any of its Restricted Subsidiaries upon such conversion or exchange.

The preceding provisions will not prohibit:

(1) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of the declaration of such dividend or other distribution or the giving of the redemption notice, as the case may be, if at the date of declaration or notice the payment would have complied with the foregoing provisions of this covenant;

(2) the making of any payment on or with respect to, or the purchase, redemption, defeasance or other acquisition or retirement for value of, any subordinated Indebtedness of either Issuer or any Guarantor or of any Equity Interests of the Parent in exchange for, or out of the net cash proceeds of a substantially concurrent (i) contribution (other than from a Restricted Subsidiary of the Parent) to the equity capital of the Parent or (ii) sale (other than to a Restricted Subsidiary of the Parent) of, Equity Interests of the Parent (or any direct or indirect parent company of the Parent to the extent contributed to the equity capital of the Parent) (other than Disqualified Stock), with a sale being deemed substantially concurrent if such purchase, redemption, defeasance or other acquisition or retirement occurs not more than 120 days after such sale; *provided, however*, that the amount of any such net cash proceeds that are utilized for any such purchase, redemption, defeasance or other acquisition or retirement for value will be excluded (or deducted, if included) from the calculation of any amount pursuant to clause (3)(b) above;

(3) the making of any payment on or with respect to, or the purchase, redemption, defeasance or other acquisition or retirement of, subordinated Indebtedness of either Issuer or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(4) the making of any payment or distribution on or with respect to, or the purchase, redemption, defeasance or other acquisition or retirement of preferred securities of the Parent or a Restricted Subsidiary in exchange for, or out of the net cash proceeds of, a substantially concurrent sale of preferred securities of the Parent or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be incurred pursuant to the covenant described under Incurrence of Indebtedness and Issuance of Preferred Stock;

(5) the payment of any dividend or other distribution by a Restricted Subsidiary of the Parent to the holders of its Equity Interests on a pro rata basis;



(6) so long as no Default has occurred and is continuing, the purchase, redemption or other acquisition or retirement for value of any Equity Interests of the Parent or any Restricted Subsidiary of the Parent pursuant to any director, officer or employee equity subscription agreement or stock option agreement or other employee benefit plan or to satisfy obligations under any Equity Interests appreciation rights or option plan or similar arrangement or upon the death, disability, retirement, resignation, severance or termination

---

**Table of Contents**

of any employee, director or consultant of the Parent or any of its Restricted Subsidiaries; *provided, however*, that the aggregate price paid for all such purchased, redeemed, acquired or retired Equity Interests may not exceed (A) \$5.0 million in any calendar year, with any portion of such amount that is unused in any calendar year to be carried forward to successive calendar years and added to such amount, plus (B) the amount of any net cash proceeds received by or contributed to the Parent from the issuance and sale after the Issue Date of Equity Interests (other than Disqualified Stock) to its officers, directors or employees that have not been applied to the payment of Restricted Payments pursuant to this clause (6), plus (C) the net cash proceeds of any key-man life insurance policies that have not been applied to the payment of Restricted Payments pursuant to this clause (6); and *provided further* that the cancellation of Indebtedness owing to the Parent from members of management of the Parent or any of its Restricted Subsidiaries in connection with any repurchase of Equity Interests of the Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant and any other provisions of the Indenture;

(7) the purchase, redemption or other acquisition or retirement for value of Equity Interests (i) deemed to occur upon the exercise of stock options, warrants, incentives, rights to acquire Equity Interests or other convertible securities if such Equity Interests represent a portion of the exercise or exchange price thereof, (ii) in order to satisfy any tax withholding obligations in connection with any exercise, vesting or exchange of stock options, warrants, incentives or rights to acquire Equity Interests or (iii) deemed to occur upon satisfaction of obligations of the Parent or any of its Restricted Subsidiaries under the Separation Documents as in effect on the Issue Date;

(8) payments or distributions to dissenting stockholders pursuant to applicable law or in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets;

(9) cash payments in lieu of the issuance of fractional shares;

(10) so long as no Default has occurred and is continuing, the declaration and payment of scheduled or accrued dividends to holders of any class of or series of Disqualified Stock of the Parent or any of its Restricted Subsidiaries or of preferred securities of any of its Restricted Subsidiaries issued on or after the Issue Date in accordance with the covenant captioned Incurrence of Indebtedness and Issuance of Preferred Stock;

(11) other Restricted Payments made since the Issue Date in an aggregate amount not to exceed at any one time outstanding the greater of (x) \$65.0 million and (y) 5.0% of the Parent's Consolidated Net Tangible Assets;

(12) loans or advances to employees, officers or directors of the Parent or any of its Subsidiaries the proceeds of which are used to purchase Equity Interests of the Parent, in an aggregate amount not to exceed \$5.0 million outstanding at any one time;

(13) in connection with an acquisition by the Parent or any of its Restricted Subsidiaries, the return of Equity Interests constituting a portion of the purchase consideration in settlement of indemnification claims;

(14) cash distributions by the Parent to the holders of Equity Interests of the Parent in accordance with a distribution reinvestment plan or dividend reinvestment plan to the extent such payments are applied to the purchase of Equity Interests directly from the Parent;

(15) to make applicable high yield discount obligation payments, to the extent required by the agreement governing subordinated Indebtedness, Disqualified Stock or other preferred securities, as the case may be; or

(16) so long as no Default has occurred and is continuing, the purchase, redemption, defeasance or other acquisition or retirement for value of any subordinated Indebtedness, Disqualified Stock or preferred securities of either Issuer or any Guarantor (i) at a purchase price not greater than 101% of the principal amount, face amount or liquidation preference, as applicable, of such subordinated Indebtedness, Disqualified Stock or preferred securities in the event of a change of control in accordance with provisions

---

**Table of Contents**

similar to the covenant described under Repurchase at the Option of Holders Change of Control or (ii) at a purchase price not greater than 100% of the principal amount, face amount or liquidation preferences, as applicable, thereof in accordance with provisions similar to the covenant described under Repurchase at the Option of Holders Asset Sales; *provided* that, prior to or simultaneously with such purchase, redemption, defeasance or other acquisition or retirement, the Company has made the Change of Control Offer or Asset Sale Offer, as applicable, as provided in such covenant with respect to the notes and has completed or completes at or about the same time the repurchase or redemption of all notes validly tendered for payment in connection with such Change of Control Offer or Asset Sale Offer.

The amount of all Restricted Payments (other than cash) will be the fair market value, on the date of the Restricted Payment (or, in the case of a dividend or other distribution or the consummation of any irrevocable redemption, on the date of declaration or the giving of the notice of redemption, as the case may be), of the Restricted Investment proposed to be made or the asset(s) or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

In the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the exceptions described in (1) through (16) above or is entitled to be made pursuant to the first paragraph above or is permitted pursuant to one or more clauses of the definition of Permitted Investment, the Company shall be entitled to classify or divide (or later classify, reclassify, divide or re-divide) in whole or in part in its sole discretion, such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one or more clauses of the definition of Permitted Investment.

For purposes of this covenant, (i) unsecured Indebtedness of any Person will not be deemed to be subordinated in right of payment to secured Indebtedness of that Person merely because it is unsecured and (ii) Indebtedness of any Person will not be deemed to be subordinated in right of payment to Indebtedness of a Restricted Subsidiary of such Person merely because it is structurally subordinated thereto.

***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, incur ) any Indebtedness (including Acquired Debt); the Parent will not, and will not permit any of its Restricted Subsidiaries to, issue any Disqualified Stock; and the Parent will not permit any of its Restricted Subsidiaries to issue any other preferred securities; unless, for the Parent's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or other preferred securities are issued, the Parent's Fixed Charge Coverage Ratio would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or Disqualified Stock or other preferred securities had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, Permitted Debt ) or the issuance of any preferred securities described in clause (10) below:

(1) the incurrence by the Parent or any of its Restricted Subsidiaries of additional Indebtedness under one or more Credit Facilities, *provided* that, after giving effect to any such incurrence (including the application of the proceeds therefrom), the aggregate principal amount of all Indebtedness incurred under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Parent and its Subsidiaries thereunder) and then outstanding does not exceed the greater of (i) \$680.0 million or (ii) the sum of (a) \$300.0 million

and (b) 30.0% of the Parent's Consolidated Net Tangible Assets;

---

**Table of Contents**

(2) the incurrence by the Parent or its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Issuers and any Guarantor of Indebtedness represented by (i) the notes issued on the Issue Date and the related guarantees and (ii) the Exchange Notes and the related guarantees issued pursuant to any Registration Rights Agreement;

(4) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Parent or any of its Restricted Subsidiaries, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), *provided* that after giving effect to such incurrence (including the application of the proceeds therefrom) the aggregate principal amount of all Indebtedness incurred pursuant to this clause (4) and then outstanding does not exceed the greater of (i) \$40.0 million and (ii) 3.0% of the Parent's Consolidated Net Tangible Assets;

(5) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to, extend, renew, refund, refinance, replace, defease or discharge Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness), in each case, that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clause (2), (3) or (16) of this paragraph or this clause (5);

(6) the incurrence by the Parent or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries, including between or among its Restricted Subsidiaries; *provided, however, that:*

(a) if the Parent is the obligor on such Indebtedness and an Issuer or a Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Parent's guarantee, or if a Subsidiary Guarantor or an Issuer is the obligor on such Indebtedness and neither the Parent nor another Subsidiary Guarantor or an Issuer is the obligee, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the guarantee of such Subsidiary Guarantor or the notes, as the case may be, except, in any case, in respect of intercompany Indebtedness incurred in the ordinary course of business in connection with the cash management operations of the Parent and its Restricted Subsidiaries; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary of the Parent and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither the Parent nor a Restricted Subsidiary of the Parent will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Parent or any of its Restricted Subsidiaries of obligations under Hedging Contracts;

(8) the guarantee by the Parent or any of its Restricted Subsidiaries of Indebtedness of the Parent or any of its Restricted Subsidiaries that was permitted to be incurred by another provision of this covenant; *provided* that in the event such Indebtedness being guaranteed is subordinated in right of payment to the notes or the guarantees, then the guarantee shall be subordinated in right of payment to the notes or the guarantees, as the case may be;

(9) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in respect of workers compensation claims, bank guarantees, warehouse receipt or similar facilities, property, casualty or liability insurance,

take-or pay obligations in supply arrangements, self-insurance obligations or completion, bid, performance, surety, customs, appeals and advance payment bonds, standby letters of credit or surety and similar obligations issued for the account of the Parent and any of its Restricted Subsidiaries in the ordinary course of business or in connection with the enforcement of rights or claims of the Parent or

**Table of Contents**

any of its Restricted Subsidiaries or in connection with judgments that do not result in a Default or an Event of Default, including guarantees or obligations of the Parent or any of its Restricted Subsidiaries with respect to letters of credit supporting such obligations (in each case other than an obligation for money borrowed);

(10) the issuance by any of the Parent's Restricted Subsidiaries to the Parent or to any of its Restricted Subsidiaries of any preferred securities; *provided, however*, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred securities being held by a Person other than the Parent or a Restricted Subsidiary of the Parent; and

(b) any sale or other transfer of any such preferred securities to a Person that is not either the Parent or a Restricted Subsidiary of the Parent,

shall be deemed, in each case, to constitute an issuance, sale or other transfer (as of the date of such issuance, sale or other transfer) of such preferred securities by such Restricted Subsidiary that was not permitted by this clause (10);

(11) the incurrence by the Parent or any of its Restricted Subsidiaries of liability in respect of the Indebtedness of any Unrestricted Subsidiary of the Parent or any Joint Venture but only to the extent that such liability is the result of the Parent's or any such Restricted Subsidiary's guarantee of such Indebtedness or of the Parent or any such Restricted Subsidiary being a general partner of such Unrestricted Subsidiary or Joint Venture and provided that, after giving effect to any such incurrence, the aggregate principal amount of all Indebtedness incurred under this clause (11) and then outstanding does not exceed the greater of (i) \$65.0 million and (ii) 5.0% of the Parent's Consolidated Net Tangible Assets;

(12) the incurrence by the Parent or any of its Restricted Subsidiaries of (i) Indebtedness representing deferred compensation to directors, officers, members of management or employees of the Parent or any of its Restricted Subsidiaries and incurred in the ordinary course of business and (ii) Indebtedness consisting of promissory notes issued by the Parent or any of its Restricted Subsidiaries to any current or former employee, director or consultant of the Parent (or any direct or indirect parent of the Parent) or any of its Restricted Subsidiaries (or permitted transferees, assigns, spouses or former spouses, estates or heirs of such employee, director or consultant), to finance the purchase or redemption of Equity Interests of the Parent (or any direct or indirect parent of the Parent) that is permitted by the covenant described under the caption Restricted Payments;

(13) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(14) the incurrence by the Parent or any of its Restricted Subsidiaries of any obligation, or guarantee of any obligation, to reimburse or indemnify a Person extending credit to customers of the Parent or any of its Restricted Subsidiaries incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the Persons extending such credit;

(15) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness to a customer to finance the acquisition of any equipment necessary for the Company or such Restricted Subsidiary to perform services for such customer in the ordinary course of business;

(16) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Acquisition Indebtedness; and



(17) the incurrence by the Parent or any of its Restricted Subsidiaries of additional Indebtedness in aggregate principal amount at any time then outstanding, including any Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), does not exceed the greater of (i) \$65.0 million or (ii) 5.0% of the Parent's Consolidated Net Tangible Assets.

## Table of Contents

For purposes of determining compliance with this Incurrence of Indebtedness and Issuance of Preferred Stock covenant, in the event that an item of Indebtedness (including Acquired Debt), Disqualified Stock or other preferred securities meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (17) above, or is entitled to be incurred or issued pursuant to the first paragraph of this covenant, the Company will be permitted to classify (or later classify or reclassify in whole or in part in its sole discretion) such item in any manner that complies with this covenant. Any Indebtedness under the Credit Agreement outstanding on the Issue Date shall be considered incurred under clause (1) of the second paragraph of this covenant and may not later be classified or reclassified as incurred pursuant to the first paragraph of this covenant.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the accrual, accumulation or payment of dividends on Disqualified Stock or other preferred securities in the form of additional shares or units of the same class of Disqualified Stock or other preferred securities, as the case may be, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or other preferred securities for purposes of this covenant. For purposes of this covenant, (i) unsecured Indebtedness of any Person will not be deemed to be subordinated in right of payment to secured Indebtedness of that Person merely because it is unsecured and (ii) Indebtedness of any Person will not be deemed to be subordinated in right of payment to Indebtedness of a Restricted Subsidiary of such Person merely because it is structurally subordinated thereto. Further, the accounting reclassification of any obligation of the Parent or any of its Restricted Subsidiaries as Indebtedness will not be deemed an incurrence of Indebtedness for purposes of this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent and its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Permitted Refinancing Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

## *Liens*

The Parent will not, and will not permit the Issuers or any of its other Restricted Subsidiaries to, create, incur, assume or otherwise cause to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless the notes (in the case of a Lien incurred by the Issuers) or any guarantee of the Parent or such other Restricted Subsidiary (in the case of a Lien incurred by the Parent or such other Restricted Subsidiary), as applicable, is secured on an equal and ratable basis with (or, in the case of obligations subordinated in right of payment to the notes or such guarantee, as the case may be, on a senior basis to) the obligations so secured until such time as such obligations are no longer secured by a Lien.



**Table of Contents**

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of the Parent to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Parent or any of its Restricted Subsidiaries, or pay any Indebtedness or other obligations owed to the Parent or any of its Restricted Subsidiaries;
- (2) make loans or advances to the Parent or any of its Restricted Subsidiaries (it being understood that the subordination of loans or advances made to the Parent or any of its Restricted Subsidiaries to other Indebtedness incurred by the Parent or any of its Restricted Subsidiaries shall not be deemed a restriction on the ability to make loans or advances); or
- (3) transfer any of its properties or assets to the Parent or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements as in effect on the Issue Date (including, without limitation, the Credit Agreement) and any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of those agreements or the Indebtedness to which they relate, *provided* that the amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those contained in those agreements on the Issue Date;
- (2) the Indenture, the notes and the guarantees;
- (3) applicable law;
- (4) any instrument or agreement of a Person acquired by the Parent or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such instrument or agreement governs Indebtedness or Capital Stock incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, *provided* that, in the case of Indebtedness, such Indebtedness was otherwise permitted by the terms of the Indenture to be incurred;
- (5) customary non-assignment provisions or provisions restricting subletting or sublicensing in equipment or other licenses, easements, leases or similar instruments, in each case entered into in the ordinary course of business;
- (6) Capital Lease Obligations, mortgage financings or purchase money obligations, in each case for property or assets acquired in the ordinary course of business that impose restrictions on that property or those assets of the nature described in clause (3) of the preceding paragraph;
- (7) any agreement for the sale or other disposition of a Restricted Subsidiary of the Parent that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (8) Permitted Refinancing Indebtedness, *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements

governing the Indebtedness being refinanced;

(9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of the covenant described above under the caption "Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements, which limitations are applicable only to the assets or property that is the subject of such agreements;

**Table of Contents**

(11) any agreement or instrument relating to any property or assets acquired after the Issue Date, so long as such encumbrance or restriction relates only to the property or assets so acquired and is not and was not created in anticipation of such acquisitions;

(12) restrictions on cash, Cash Equivalents or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(13) the issuance of preferred securities by a Restricted Subsidiary of the Parent or the payment of dividends thereon in accordance with the terms thereof; *provided* that issuance of such preferred securities is permitted pursuant to the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock and the terms of such preferred securities do not expressly restrict the ability of such Restricted Subsidiary to pay dividends or make any other distributions on its Capital Stock (other than requirements to pay dividends or liquidation preferences on such preferred securities prior to paying any dividends or making any other distributions on such other Capital Stock);

(14) with respect to any Foreign Subsidiary, any encumbrance or restriction contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was incurred if either (a) the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant in such Indebtedness or agreement or (b) the Company determines that any such encumbrance or restriction will not materially affect the Issuers' ability to make principal or interest payments on the notes, as determined in good faith by the Company, whose determination shall be conclusive;

(15) Hedging Contracts; and

(16) any other agreement governing Indebtedness of the Issuers or any Guarantor that is permitted to be incurred by the covenant described under Incurrence of Indebtedness and Issuance of Preferred Stock; *provided, however*, that such encumbrances or restrictions are not materially more restrictive, taken as a whole, than those contained in the Indenture or the Credit Agreement as it exists on the Issue Date.

***Merger, Consolidation or Sale of Assets***

None of the Issuers or the Parent may: (i) consolidate or merge with or into another Person (whether or not such Issuer or the Parent is the survivor); or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person, unless:

(1) either: (i) such Issuer or the Parent, as applicable, is the survivor; or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Issuer or the Parent) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia; *provided, however*, that, so long as the Company is not a corporation, Finance Corp. may not engage in any such transaction described in clause (ii) of this paragraph unless the Person formed by or surviving such consolidation or merger or to which such disposition is made is a corporation;

(2) the Person formed by or surviving any such consolidation or merger (if other than such Issuer or the Parent, as applicable) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of such Issuer or the Parent, as applicable, under the notes, the Indenture, its guarantee and any Registration Rights Agreement then in effect, as applicable, pursuant to a supplemental indenture or agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction no Default or Event of Default exists;

(4) in the case of a transaction involving the Parent, either

(a) the Parent or the Person formed by or surviving any such consolidation or merger (if other than the Parent), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related

---

**Table of Contents**

financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock; or

(b) immediately after giving effect to such transaction and any related financing transactions on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, the Fixed Charge Coverage Ratio of the Parent or the Person formed by or surviving any such consolidation or merger (if other than the Parent), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, will be equal to or greater than the Fixed Charge Coverage Ratio of the Parent immediately before such transactions; and

(5) such Issuer or the Parent, as applicable, has delivered to the Trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger or disposition and such supplemental indenture (if any) comply with the Indenture.

The restrictions described in the foregoing clauses (3) and (4) will not apply to (i) any consolidation or merger of the Parent with or into one of its Restricted Subsidiaries for any purpose or (ii) any sale, assignment, transfer, lease, conveyance or other disposition of properties or assets of a Restricted Subsidiary of the Parent to the Parent or another Restricted Subsidiary of the Parent.

Notwithstanding the first paragraph of this covenant, the Company is permitted to reorganize as any other form of entity provided that:

(1) the entity so formed by or resulting from such reorganization is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(2) the entity so formed by or resulting from such reorganization assumes all the obligations of the Company under the notes, the Indenture and any Registration Rights Agreement then in effect pursuant to a supplemental indenture or agreements reasonably satisfactory to the Trustee;

(3) immediately after such reorganization no Default or Event of Default exists; and

(4) such reorganization is not materially adverse to the Holders or Beneficial Owners of the notes (for purposes of this clause (4) a reorganization will not be considered materially adverse to the Holders or Beneficial Owners of the notes solely because the successor or survivor of such reorganization (i) is subject to federal or state income taxation as an entity or (ii) is considered to be an includible corporation of an affiliated group of corporations within the meaning of Section 1504(b) of the Internal Revenue Code of 1986, as amended, or any similar state or local law).

Notwithstanding anything in the Indenture to the contrary, if the Company becomes a corporation or the Company or the Person formed by or surviving any consolidation or merger of the Company or any of its successors hereunder (permitted in accordance with the terms of the Indenture) is a corporation, Finance Corp. may be merged into the Company or it may be dissolved and cease to be an Issuer.

In addition, a Subsidiary Guarantor may not consolidate or merge with or into (whether or not such Subsidiary Guarantor is the survivor), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person other than an Issuer or another Guarantor, unless:



(1) either: (i) the Subsidiary Guarantor is the survivor; or (ii) the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

---

**Table of Contents**

(2) the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Subsidiary Guarantor under the Indenture, its guarantee and each Registration Rights Agreement then in effect pursuant to a supplemental indenture or agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) if the transaction results in the release of the Subsidiary Guarantor's guarantee under clause (1) or (2) of the third paragraph under Guarantees, the transaction is made in compliance with the covenant described under Repurchase at the Option of Holders Asset Sales (it being understood that only such portion of the Net Proceeds as is required to be applied on or before the date of such release in accordance with the terms of that covenant needs to be applied in accordance therewith at such time); and

(5) such Subsidiary Guarantor has delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or disposition and such supplemental indenture (if any) comply with the Indenture.

Upon compliance with the foregoing requirements with respect to any consolidation or merger or any sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the properties or assets of an Issuer, the Parent or a Subsidiary Guarantor in accordance with the foregoing in which such Issuer, the Parent or such Subsidiary Guarantor, as the case may be, is not the surviving entity, the surviving Person formed by such consolidation or into or with which such Issuer, the Parent or such Subsidiary Guarantor, as the case may be, is merged or to which such sale, assignment, transfer, conveyance, lease or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of such Issuer, the Parent or such Subsidiary Guarantor, as the case may be, under the Indenture with the same effect as if such surviving Person had been named as such Issuer, the Parent or such Subsidiary Guarantor, as the case may be, in the Indenture, and thereafter (except in the case of a lease of all or substantially all of such Issuer's, the Parent's or such Subsidiary Guarantor's properties or assets, as the case may be), such Issuer, the Parent or such Subsidiary Guarantor, as the case may be, will be released from all of its obligations and covenants under the Indenture, the notes and its guarantee, as the case may be.

Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve all or substantially all of the properties or assets of a Person.

***Transactions with Affiliates***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an Affiliate Transaction) involving aggregate payments or consideration in excess of \$20.0 million, unless:

(1) the Affiliate Transaction is on terms (taken as a whole) that are not materially less favorable to the Parent or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent or such Restricted Subsidiary with an unrelated Person; and

(2) the Parent delivers to the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of \$50.0 million, an officers certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Parent.

**Table of Contents**

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, customary benefit program or arrangement, equity award, equity option or equity appreciation agreement or plan with or for the benefit of officers, directors or employees of the Parent or any of its Restricted Subsidiaries, entered into by the Parent or any of its Restricted Subsidiaries in the ordinary course of business;
- (2) transactions between or among any of the Parent and its Restricted Subsidiaries, including between or among its Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary of the Parent) that is an Affiliate of the Parent solely because the Parent owns an Equity Interest in such Person;
- (4) transactions between the Parent or any Restricted Subsidiary of the Parent and any Person, a director of which is also a director of the Parent and such director is the sole cause for such Person to be deemed an Affiliate of the Parent or such Restricted Subsidiary; *provided* that such director shall abstain from voting as a director of the Parent on any matter involving such other Person;
- (5) customary compensation, indemnification and other benefits made available to officers, directors or employees of the Parent or a Subsidiary or Affiliate of the Parent, including reimbursement or advancement of out-of-pocket expenses and provisions of officers and directors liability insurance;
- (6) issuances or sales of Equity Interests (other than Disqualified Stock) to, or receipt of capital contributions from, Affiliates of the Parent;
- (7) Restricted Payments that are permitted by the provisions of the Indenture described above under the caption Restricted Payments or Permitted Investments;
- (8) contracts for buying and selling or leasing equipment or inventory or other operational contracts entered into in the ordinary course of business on terms substantially similar to those contained in similar contracts entered into by the Parent or any of its Restricted Subsidiaries and unrelated third parties;
- (9) any transaction in which the Parent or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an accounting, appraisal or investment banking firm of national standing stating that such transaction is fair to the Parent or such Restricted Subsidiary from a financial point of view or that such transaction meets the requirements of clause (1) of the preceding paragraph;
- (10) loans or advances to employees, officers or directors in the ordinary course of business and approved by the Parent's Board of Directors in an aggregate principal amount not to exceed \$2.5 million outstanding at any one time;
- (11) (i) guarantees by the Parent or any of its Restricted Subsidiaries of performance of obligations of the Parent's Unrestricted Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness and (ii) pledges by the Parent or any of its Restricted Subsidiaries of (or any guarantee by the Parent or any of its Restricted Subsidiaries limited in recourse solely to) Equity Interests in the Parent's Unrestricted Subsidiaries for the benefit of lenders or other creditors of such Unrestricted Subsidiaries; and

(12) the entry into and performance of obligations of the Parent or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect when taken as a whole.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Parent may designate any Restricted Subsidiary of the Parent to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary of the Parent is

## **Table of Contents**

designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Parent and its Restricted Subsidiaries in the Subsidiary properly designated as an Unrestricted Subsidiary will be deemed to be either (i) an Investment made as of the time of the designation that will reduce the amount available for Restricted Payments under the first paragraph of the covenant described above under the caption Restricted Payments or (ii) Permitted Investments, as determined by the Parent. That designation will only be permitted if the Investment would be permitted at that time and if the Subsidiary so designated otherwise meets the definition of an Unrestricted Subsidiary.

The Board of Directors of the Parent may at any time designate any Unrestricted Subsidiary of the Parent to be a Restricted Subsidiary, *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Parent of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if

- (1) the incurrence of such Indebtedness is permitted under the covenant described above under the caption Incurrence of Indebtedness and Issuance of Preferred Stock, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period, and
- (2) no Default or Event of Default would be in existence following such designation.

## ***Additional Guarantees***

If, after the Issue Date, any Restricted Subsidiary of the Parent (other than Finance Corp. or any Foreign Subsidiary) that is not already a Subsidiary Guarantor guarantees or otherwise incurs any other Indebtedness of any Issuer or Guarantor in excess of the De Minimis Guaranteed Amount under a Credit Facility, then that Subsidiary will become a Subsidiary Guarantor by executing a supplemental indenture in substantially the form set forth in the Indenture and delivering it to the Trustee within 20 Business Days of the date on which it guaranteed or otherwise incurred such Indebtedness. Notwithstanding the preceding, any guarantee of a Restricted Subsidiary of the Parent that was incurred pursuant to this paragraph will be released in the circumstances described in clause (7) of the third paragraph under Guarantees.

## ***Reports***

Whether or not required by the Commission, so long as any notes are outstanding, the Parent will file with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing), and the Parent will furnish to the Trustee and, upon its prior request, to any of the Holders or Beneficial Owners of notes, within five Business Days of filing, or attempting to file, the same with the Commission:

- (1) all quarterly and annual financial and other information with respect to the Parent and its Subsidiaries that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Parent were required to file such forms, including a Management's Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report on the annual financial statements by the Parent's independent registered public accountants; and
- (2) all current reports that would be required to be filed with the Commission on Form 8-K if the Parent were required to file such reports.

Edgar Filing: Exterran Corp - Form 424B3

The availability of the foregoing information or reports on the SEC's website will be deemed to satisfy the foregoing delivery requirements. All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports, including Section 3-10 of Regulation S-X, if the Parent is not then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

Notwithstanding the foregoing, if the Parent files or furnishes any information or report pursuant to this covenant in a timely manner and the Parent subsequently amends or restates such information or report as a result

**Table of Contents**

of comments, requests or orders by the SEC or otherwise, the Parent shall be deemed to have furnished or filed the information or report required by this covenant in a timely manner notwithstanding any such amendment or restatement.

Any and all Defaults or Events of Default arising from a failure to furnish or file in a timely manner any information or report required by this covenant will be deemed cured (and the Parent will be deemed to be in compliance with this covenant) upon furnishing or filing such information or report as contemplated by this covenant (but without regard to the date on which such information or report is so furnished or filed), and, if the notes have been accelerated in accordance with the terms of the Indenture as a result of a failure to furnish or file such information or report in a timely manner, upon such cure, such acceleration shall be deemed rescinded or cancelled.

In addition, the Issuers and the Guarantors will agree in the Indenture that, for so long as any notes remain outstanding, they will furnish to the Holders and Beneficial Owners of the notes and to securities analysts and prospective investors in the notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

***Finance Corp. Activities***

Finance Corp. may not incur Indebtedness unless (i) the Company is a co-obligor or guarantor of such Indebtedness or (ii) the net proceeds of such Indebtedness are loaned to the Parent or its other Restricted Subsidiaries and used to acquire or to repay Indebtedness of the Parent or its other Restricted Subsidiaries. Finance Corp. may not engage in any business not related directly or indirectly to obtaining money or arranging financing for the Parent or its other Restricted Subsidiaries.

***Covenant Termination***

If on any date following the Issue Date (i) the rating assigned to the notes by either Rating Agency is an Investment Grade Rating and (ii) no Default has occurred and is continuing under the Indenture, the Parent and its Restricted Subsidiaries will no longer be subject to, and will be permanently released from their obligations under, the provisions of the Indenture described above under the caption **Repurchase at the Option of Holders** **Asset Sales** and the following provisions of the Indenture described above under the caption **Certain Covenants** :

Restricted Payments,

Incurrence of Indebtedness and Issuance of Preferred Stock,

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,

clause (4) of the first paragraph of the covenant described above under the caption **Merger, Consolidation or Sale of Assets**,

Transactions with Affiliates,



Designation of Restricted and Unrestricted Subsidiaries and

Finance Corp. Activities.

and no failure by the Parent or any Restricted Subsidiary to comply with any of the foregoing provisions shall constitute a Default or Event of Default under the Indenture.

The Company will promptly deliver an officers certificate to the Trustee certifying as to the termination of the preceding covenants. The Trustee shall not have any obligation to monitor the ratings of the notes, the occurrence or dates of any such termination and may rely conclusively on such officers certificate. The Trustee

---

**Table of Contents**

shall not have any obligation to notify the Holders of the occurrence or date of any such termination, but may provide a copy of such officers' certificate to any Holder upon request. However, the Parent and its Restricted Subsidiaries will remain subject to the provisions of the Indenture described above under the caption "Repurchase at the Option of Holders - Change of Control" and the following provisions of the Indenture described above under the caption "Certain Covenants":

Liens;

Merger, Consolidation or Sale of Assets (other than the financial tests set forth in clause (4) of the first paragraph of such covenant);

Additional Guarantees; and

Reports.

**Events of Default and Remedies**

Each of the following will be an Event of Default:

- (1) default for 30 days in the payment when due of interest on the notes;
- (2) default in payment when due of the principal of, or premium, if any, on the notes, whether at Stated Maturity, upon optional redemption or upon required repurchase (including a default in making a payment to purchase notes pursuant to a Change of Control Offer or Asset Sale Offer in accordance with the terms of the applicable offer to repurchase);
- (3) failure by the Parent for 180 days after notice to comply with the provisions described under "Certain Covenants - Reports";
- (4) failure by either Issuer or the Parent for 60 days after notice to comply with any of its other agreements in the Indenture;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:
  - (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default"); or
  - (b) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$75.0 million or more; *provided, however*, that if any such Payment Default is cured or waived or any such

acceleration rescinded, or such Indebtedness is repaid, within a period of 60 days from the continuation of such Payment Default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment, decree or applicable law;

(6) failure by the Parent or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of \$75.0 million (to the extent not covered by insurance by a reputable and creditworthy insurer as to which the insurer has not disclaimed coverage), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, the guarantee of the Parent or any Subsidiary Guarantor that is a Significant Subsidiary of the Parent shall be held in any judicial proceeding to be unenforceable or invalid

---

**Table of Contents**

or shall cease for any reason to be in full force and effect or the Parent or any Subsidiary Guarantor that is a Significant Subsidiary of the Parent, or any Person acting on behalf of the Parent or such Subsidiary Guarantor, shall deny or disaffirm its obligations under its guarantee; and

(8) certain events of bankruptcy, insolvency or reorganization described in the Indenture with respect to the Parent or any of the Parent's Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary of the Parent.

In the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization with respect to the Parent, any Restricted Subsidiary of the Parent that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary of the Parent, the principal of all outstanding notes, together with accrued and unpaid interest thereon, will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding notes may declare the principal of all the notes, together with accrued and unpaid interest thereon, to be due and payable immediately.

Holders of the notes may not enforce the Indenture or the notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold notice of any continuing Default or Event of Default from Holders of the notes if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, or interest or premium, if any, on, the notes.

The Holders of a majority in principal amount of the notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the notes.

The Issuers will be required to deliver to the Trustee annually an officers' certificate regarding compliance with the Indenture. Within 10 Business Days of any officer of the Company becoming aware of any Default, Reporting Default or Event of Default, the Issuers will be required to deliver to the Trustee a written statement specifying such event.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, partner, employee, incorporator, manager or stockholder or other owner of Capital Stock of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or any Guarantor under the notes, the Indenture or the guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

**Legal Defeasance and Covenant Defeasance**

The Issuers may, at their option, elect to have all of their obligations discharged with respect to the outstanding notes and all obligations of the Parent and the Subsidiary Guarantors discharged with respect to their guarantees ( Legal Defeasance ), except for:

(1) the rights of Holders of outstanding notes to receive payments in respect of the principal of, and interest or premium, if any, on, such notes when such payments are due from the trust referred to below;

(2) the Issuers' obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

---

**Table of Contents**

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuers' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuers may, at their option and at any time, elect to have their obligations and the obligations of each Guarantor released with respect to certain covenants that are described in the Indenture (Covenant Defeasance) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, insolvency or reorganization events) described under Events of Default and Remedies will no longer constitute an Event of Default with respect to the notes. If the Issuers exercise either their Legal Defeasance or Covenant Defeasance option, each Guarantor will be released and relieved of any obligations under its guarantee of the notes (other than the trust) will be released.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, and interest and premium, if any, on, the outstanding notes on the date of fixed maturity or on the applicable redemption date, as the case may be, and the Issuers must specify whether the notes are being defeased to the date of fixed maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuers must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that:

(a) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such opinion of counsel will confirm that, the Holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuers must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit or any similar concurrent deposit relating to other Indebtedness, and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other

Indebtedness being defeased, discharged or replaced) to which the Parent or any of its Subsidiaries is a party or by which the Parent or any of its Subsidiaries is bound;

(6) the Issuers must deliver to the Trustee an officers certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of notes over the other creditors of the Issuers with the intent of defeating, hindering, delaying or defrauding creditors of the Issuers or others; and

**Table of Contents**

(7) the Issuers must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture or the notes may be amended or supplemented with the consent of the Holders of a majority in principal amount of the then outstanding notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing default or compliance with any provision of the Indenture or the notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of each Holder affected, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting Holder):

- (1) reduce the principal amount of notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption or repurchase of the notes (other than provisions relating to the covenants described above under the caption "Repurchase at the Option of Holders" or provisions relating to minimum notices required for redemption of notes described above under the caption "Optional Redemption");
- (3) reduce the rate of or change the time for payment of interest on any note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the notes (except a rescission of acceleration of the notes by the Holders of a majority in principal amount of the notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any note payable in currency other than that stated in the notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of notes to receive payments of principal of, or interest or premium, if any, on the notes (other than as permitted in clause (7) below);
- (7) waive a redemption or repurchase payment with respect to any note (other than a payment required by one of the covenants described above under the caption "Repurchase at the Option of Holders");
- (8) release any Guarantor from any of its obligations under its guarantee or the Indenture, except in accordance with the terms of the Indenture; or
- (9) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any Holder of notes, the Issuers, the Parent, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture or the notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated notes in addition to or in place of certificated notes;



(3) to provide for the assumption of an Issuer's or a Guarantor's obligations to Holders of notes in the case of a merger or consolidation or sale of all or substantially all of such Issuer's or Guarantor's properties or assets;

(4) to make any change that would provide any additional rights or benefits to the Holders of notes or that does not adversely affect the legal rights under the Indenture of any such Holder, *provided* that any change to conform the Indenture or the notes to this offering memorandum will not be deemed to adversely affect such legal rights;

## **Table of Contents**

- (5) to secure the notes or the guarantees pursuant to the requirements of the covenant described above under the subheading Certain Covenants Liens or otherwise;
- (6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (7) to add any additional Guarantor or to evidence the release of any Guarantor from its guarantee, in each case as provided in the Indenture;
- (8) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; or
- (9) to evidence or provide for the acceptance of appointment under the Indenture of a successor Trustee.

The consent of the Holders will not be necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It will be sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. After an amendment, supplement or waiver under the Indenture requiring the approval of the Holders becomes effective, the Issuers will send to the Holders a notice briefly describing the amendment, supplement or waiver. However, the failure to give such notice, or any defect in the notice, will not impair or affect the validity of the amendment, supplement or waiver.

## **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all notes issued thereunder (except as to surviving rights of registration of transfer or exchange of the notes and as otherwise specified in the Indenture), when:

(1) either:

- (a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Issuers, have been delivered to the Trustee for cancellation; or
- (b) all notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the giving of a notice of redemption or otherwise and the Issuers or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest (in the opinion of a nationally recognized firm of independent public accountants if any Government Securities are so deposited), to pay and discharge the entire indebtedness on the notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of fixed maturity or redemption;

(2) in respect of clause (1)(b) above, no Event of Default has occurred and is continuing on the date of the deposit (other than an Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings), and the deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other Indebtedness that is being defeased, discharged or replaced) to which the Parent or any of its Subsidiaries is a party or by which the Parent or any of its Subsidiaries is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to

effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

## **Table of Contents**

- (3) the Issuers or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Issuers have delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the notes at fixed maturity or the redemption date, as the case may be.

In addition, the Issuers must deliver an officers' certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

## **Concerning the Trustee**

Wells Fargo Bank, National Association serves as trustee, registrar and paying agent.

If the Trustee becomes a creditor of the Issuers or any Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) after a Default has occurred and is continuing, it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee (if the Indenture has been qualified under the Trust Indenture Act) or resign.

The Holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. In case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its powers, to use the degree of care of a prudent person in the conduct of such person's own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of notes, unless such Holder has offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense.

## **Governing Law**

The Indenture, the notes and the guarantees are governed by, and construed in accordance with, the laws of the State of New York.

## **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

*Acquired Debt* means, with respect to any specified Person:

- (1) Indebtedness or Disqualified Stock of any other Person existing at the time such other Person was merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred or Disqualified Stock is issued in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person, but excluding any Indebtedness or Disqualified Stock which is extinguished, retired or repaid in connection with such Person merging with or into or becoming a Subsidiary of such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*Additional Assets* means:

(1) any assets used or useful in a Permitted Business, other than Indebtedness or Capital Stock;

---

**Table of Contents**

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary of the Parent as a result of the acquisition of such Capital Stock by the Parent or any of its Restricted Subsidiaries; or

(3) Capital Stock constituting a non-controlling interest in any Person that at such time is a Restricted Subsidiary;

*provided, however,* that any such Restricted Subsidiary described in clause (2) or (3) is primarily engaged in a Permitted Business.

*Affiliate* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, control, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; and the terms controlling, controlled by and under common control with have correlative meanings.

*Archrock* means Archrock, Inc., a Delaware corporation.

*Asset Sale* means:

(1) the sale, lease, conveyance or other disposition of any properties or assets (including by way of a sale and leaseback transaction) of the Parent or any of its Restricted Subsidiaries; *provided, however,* that the disposition of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption Repurchase at the Option of Holders Change of Control and/or the provisions described above under the caption Certain Covenants Merger, Consolidation or Sale of Assets and not by the provisions of the covenant described above under the caption Repurchase at the Option of Holders Asset Sales; and

(2) the issuance or sale of Equity Interests in any of the Parent's Restricted Subsidiaries (other than Disqualified Stock or preferred securities issued in compliance with the covenant described under Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock or directors qualifying shares and shares issued to foreign nationals as required under applicable law).

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves properties or assets having a fair market value of less than \$25.0 million;

(2) the sale, lease, conveyance or other disposition of properties or assets between or among any of the Parent and its Restricted Subsidiaries, including between or among its Restricted Subsidiaries;

(3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Parent to the Parent or to another Restricted Subsidiary (and, to the extent there are any other equity holders of such Restricted Subsidiary, to each other equity holder of such Restricted Subsidiary on a pro rata basis as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Parent);

(4) the sale, lease or other disposition of equipment, inventory, accounts receivable or other properties or assets in the ordinary course of business;

- (5) dispositions of equipment or assets that, in the Parent's reasonable judgment, are worn-out, obsolete or otherwise no longer used or useful in the business of the Parent or its Restricted Subsidiaries;
- (6) the sale or other disposition of cash or Cash Equivalents or other financial instruments in the ordinary course of business;
- (7) a Restricted Payment that does not violate the covenant described above under the caption Certain Covenants Restricted Payments or a Permitted Investment;

**Table of Contents**

- (8) the creation or perfection of a Lien that is not prohibited by the covenant described above under the caption Certain Covenants Liens;
- (9) dispositions in connection with Permitted Liens;
- (10) surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (11) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registrations therefor and other similar intellectual property;
- (12) an Asset Swap;
- (13) any disposition of assets resulting from an expropriation, involuntary taking or similar action by any government or the claims related thereto (including any receipt of proceeds related thereto or the subsequent sale or other disposition of any non-cash consideration received therefrom);
- (14) dispositions of Investments in Joint Ventures to the extent required by, or made pursuant to customary buy/sell arrangements between the Joint Venture parties set forth in, Joint Venture agreements or any similar binding arrangements;
- (15) dispositions of accounts receivable and notes receivable in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings (and exclusive of factoring or similar arrangements), and dispositions of Investments received in satisfaction or partial satisfaction of accounts receivable and notes receivable from financially troubled account debtors to the extent reasonably necessary or advisable in order to prevent or limit loss;
- (16) the lease, assignment or sub-lease of any real or personal property in the ordinary course of business and the exercise of termination rights with respect to any lease, sub-lease, license or sublicense or other agreement;
- (17) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (18) any disposition of Equity Interests, Indebtedness or other securities of an Unrestricted Subsidiary;
- (19) the unwinding or termination of any Hedging Contracts; and
- (20) dispositions of property subject to or resulting from casualty losses and condemnation or similar proceedings (including dispositions in lieu thereof).

*Asset Swap* means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange of any assets or properties used or useful in a Permitted Business between the Parent or any of its Restricted Subsidiaries and another Person; *provided* that any cash received must be applied in accordance with the covenant described above under the caption Repurchase at the Option of Holders Asset Sales as if the Asset Swap were an Asset Sale.



*Attributable Debt* in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP. As used in the preceding sentence, the net rental payments under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water

**Table of Contents**

rates or similar charges. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

*Beneficial Owner* has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular person (as that term is used in Section 13(d)(3) of the Exchange Act), such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms *Beneficially Owns* and *Beneficially Owned* have correlative meanings.

*Board of Directors* means, with respect to any Person, the board of directors, managers or trustees or other governing body of such Person (or, if such Person is a partnership or limited liability company that does not have such a governing body, the board of directors, managers or trustees or other governing body of any direct or indirect general partner of such partnership or of any direct or indirect managing member or other managing Person of such limited liability company) or any duly authorized committee thereof.

*Board Resolution* means a copy of a resolution certified by the secretary or an assistant secretary of the applicable Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

*Business Day* means each day that is not a Saturday, Sunday or other day on which banking institutions in Houston, Texas, New York, New York or another place of payment are authorized or required by law to close.

*Capital Lease Obligation* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, excluding liabilities resulting from a change in GAAP subsequent to the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

*Capital Stock* means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest ">

Deferred compensation

2.2

2.2

Share repurchases

(399.9

)

) (399.9

Dividend paid to shareholders (\$1.25 per share)

) (94.8

1.6

) (96.4

Distributions to noncontrolling shareholders

) (2.1

)	(2.1)
Purchase of noncontrolling interest	
)	(130.3)
)	(6.9)
)	(27.6)
)	
)	(95.8)
Other comprehensive income, net of tax	
)	
	74.3
Table of Contents	117

	72.9
	1.4
Net income	
	1,160.7
	1,161.5
	(0.8)
)	
Balance, September 30, 2013	
Table of Contents	118

Edgar Filing: Exterran Corp - Form 424B3

\$	2,499.4
\$	0.8
\$	1,249.5
\$	30.4
\$	1,464.2
\$	(401.3)
)	
\$	155.8

Edgar Filing: Exterran Corp - Form 424B3

Balance, January 1, 2012

\$	1,632.9
\$	0.8
\$	1,222.2
\$	10.1
\$	103.0
\$	(1.4)
)	
\$	298.2
Table of Contents	120



Issuance of common stock

6.0

6.0

Deferred compensation

1.5

1.5

Edgar Filing: Exterran Corp - Form 424B3

Dividend declared to shareholders (\$0.70 per share)

(54.3

)

1.5

(55.8

)

Distributions to noncontrolling shareholders

(45.0

)

)	(45.0)
Other comprehensive loss, net of tax	
)	(4.2)
)	(1.7)
)	(2.5)
Net income	380.6

	358.5
	22.1
Balance, September 30, 2012	
\$	1,917.5
\$	0.8
\$	1,231.2
\$	8.4
\$	405.7
\$	(1.4)
)	
\$	272.8
Table of Contents	124

Edgar Filing: Exterran Corp - Form 424B3

See accompanying notes to condensed consolidated financial statements.

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES**

**Notes To Condensed Consolidated Financial Statements (Unaudited)**

**1. BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS:**

**Basis of Presentation** Rockwood Holdings, Inc., which may be referred to as Rockwood or the Company prepared these unaudited condensed consolidated financial statements following the requirements of the Securities and Exchange Commission and accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the condensed consolidated financial statements included in this Form 10-Q. These condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position as of September 30, 2013 and December 31, 2012, the results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012, and cash flows and equity for the nine months ended September 30, 2013 and 2012. All intercompany balances and transactions have been eliminated. Material subsequent events are evaluated through the report issuance date and disclosed where applicable. These unaudited condensed consolidated financial statements and the related notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 included in the Annual Report on Form 10-K. Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited condensed consolidated financial statements may not be indicative of the full year results.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. These estimates include, among other things, assessing the collectability of accounts receivable, the use and recoverability of inventory, the valuation of deferred tax assets, the measurement of the accrual for uncertain tax benefits, impairment of goodwill as well as property, plant and equipment and other intangible assets, the accrual of environmental and legal reserves and the useful lives of tangible and intangible assets, among others. Actual results could differ from those estimates. Such estimates also include the fair value of assets acquired and liabilities assumed allocated to the purchase price of business combinations consummated.

During 2013, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and entered into a definitive agreement to sell its Titanium Dioxide Pigments, Color Pigments and Services, Timber Treatment Chemicals, Rubber/Thermoplastics Compounding and Water Chemistry businesses ( TiO<sub>2</sub> Pigments and Other ). As of September 30, 2013, all of these transactions met the criteria for being reported as discontinued operations. As a result, the Company's condensed consolidated financial statements have been reclassified to reflect discontinued operations for these transactions for all periods presented. See Note 2, Discontinued Operations, for further details of these transactions.

Noncontrolling interest represents the total of the noncontrolling party's interest in certain investments (principally the former Titanium Dioxide Pigments venture and the Timber Treatment joint venture in the Performance Additives segment) that are consolidated but less than 100% owned. On February 15, 2013, the Company acquired Kemira's 39% interest in its former Titanium Dioxide Pigments venture for a purchase price of 97.5 million (\$130.3 million based on the rate in effect on the date of purchase).

Unless otherwise noted, all balance sheet-related items which are denominated in Euros are translated at the September 30, 2013 exchange rate of 1.00 = \$1.35. For the three months ended September 30, 2013 and 2012 and the nine months ended September 30, 2013 and 2012, the average rate of exchange of the Euro to the U.S. dollar is \$1.33 and \$1.25, respectively, and \$1.32 and \$1.28, respectively.

*Recently Issued Accounting Standards:*

In February 2013, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ) that addressed the reporting of amounts reclassified out of accumulated other comprehensive income, as well as changes within accumulated other comprehensive income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income, but will require companies to present the effects of the line items of net income of significant amounts reclassified out of accumulated other comprehensive income. This ASU was effective for the Company beginning with its Form 10-Q for the quarterly period ended March 31, 2013. The required disclosures from this ASU are included in Note 15, Accumulated Other Comprehensive Income.

In February 2013, the FASB issued an ASU that addressed obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This ASU is effective for the Company in its first quarter beginning January 1, 2014 and is not expected to have a material impact on the Company's financial statements.

In March 2013, the FASB issued an ASU that addressed the release of the cumulative translation adjustment (CTA) into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business. This ASU requires a parent to release any related CTA into net income only if the sale results in the complete or substantially complete liquidation of the foreign entity. This practice is consistent with the Company's previous accounting policy and will not have an impact on the Company's financial statements. This ASU is effective for the Company in its first quarter beginning January 1, 2014.

In July 2013, the FASB issued an ASU that eliminates diversity in practice for presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward is available to reduce the taxable income or tax payable that would result from disallowance of a tax position. Under this ASU, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when: an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; and the entity does not intend to use the deferred tax asset for this purpose. This ASU is effective for the Company in its first quarter beginning January 1, 2014 and is not expected to have a material impact on the Company's financial statements.

## 2. DISCONTINUED OPERATIONS:

On June 14, 2013, the Company entered into a definitive agreement to sell its Advanced Ceramics segment, and completed this transaction on August 31, 2013 for cash proceeds of \$2.0 billion. On July 26, 2013, the Company entered into a definitive agreement to sell its Clay-based Additives business, which was part of the Performance Additives segment, and completed this transaction on October 1, 2013 for cash proceeds of \$626.6 million. On September 17, 2013, the Company entered into a definitive agreement to sell its TiO2 Pigments and Other businesses for \$1.325 billion, including \$225 million in pension obligations, and subject to other customary adjustments. This transaction is expected to close during the first half of 2014, following the receipt of regulatory approvals. As of September 30, 2013, all of these transactions met the criteria for being reported as discontinued operations. The Company's condensed consolidated financial statements have been reclassified to reflect discontinued operations for these transactions for all periods presented.

In the third quarter of 2013, the Company recorded a pre-tax charge of \$75.2 million related to an expected loss on sale of the TiO2 Pigments and Other businesses. The expected loss on sale represents the difference between the carrying value of these businesses and the expected proceeds. This carrying value includes the assumed recognition of actuarial (pension-related) losses and unrealized foreign exchange losses currently recorded in accumulated other comprehensive income within stockholders' equity, which must be recognized upon completion of the sale.

Results of the discontinued operations of the Advanced Ceramics segment, the Clay-based Additives business and the TiO2 Pigments and Other businesses included in the condensed consolidated statements of operations for the three and nine months ended September 30, 2013 and 2012 are as follows:

(\$ in millions)	Advanced Ceramics	Clay-based Additives	TiO2 Pigments and Other	Total
<b>Three months ended September 30, 2013</b>				
Net sales	\$ 91.7	\$ 48.5	\$ 404.1	\$ 544.3
(Loss) income before taxes	(3.4)	7.7	(76.6)	(72.3)
<b>Three months ended September 30, 2012</b>				
Net sales	\$ 130.3	\$ 46.4	\$ 365.2	\$ 541.9



Edgar Filing: Exterran Corp - Form 424B3

Income before taxes		28.9		10.0		0.1		39.0
<b>Nine months ended September 30, 2013</b>								
Net sales	\$	384.6	\$	147.8	\$	1,233.8	\$	1,766.2
Income (loss) before taxes		46.7		33.1		(126.8)		(47.0)
<b>Nine months ended September 30, 2012</b>								
Net sales	\$	417.6	\$	152.1	\$	1,106.4	\$	1,676.1
Income before taxes		97.7		38.7		94.8		231.2

## Edgar Filing: Exterran Corp - Form 424B3

The sale of the Advanced Ceramics segment resulted in a net gain of \$1,163.8 million (net of taxes of \$29.2 million) in the three and nine months ended September 30, 2013, subject to customary adjustments.

The carrying value of the assets and liabilities of the Advanced Ceramics segment, the Clay-based Additives business and the TiO2 Pigments and Other businesses included as discontinued operations in the condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012 are as follows:

(\$ in millions)	As of September 30, 2013		
	Clay-based Additives	TiO2 Pigments and Other	Total
<b>ASSETS</b>			
Accounts receivable, net	\$ 28.6	\$ 231.3	\$ 259.9
Inventories	27.0	421.4	448.4
Property, plant and equipment, net	47.7	674.0	721.7
Other intangible assets, net	11.2	149.5	160.7
Other assets	11.1	81.2	92.3
<b>Total assets</b>	<b>\$ 125.6</b>	<b>\$ 1,557.4</b>	<b>\$ 1,683.0</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 19.1	\$ 271.3	\$ 290.4
Long-term debt, including current portion		18.4	18.4
Pension and related liabilities	0.5	233.7	234.2
Other liabilities	4.7	(4.5)	0.2
<b>Total liabilities</b>	<b>\$ 24.3</b>	<b>\$ 518.9</b>	<b>\$ 543.2</b>

(\$ in millions)	As of December 31, 2012			
	Advanced Ceramics	Clay-based Additives	TiO2 Pigments and Other	Total
<b>ASSETS</b>				
Accounts receivable, net	\$ 64.4	\$ 20.3	\$ 182.3	\$ 267.0
Inventories	85.1	24.0	488.2	597.3
Property, plant and equipment, net	304.0	48.8	654.1	1,006.9
Goodwill	254.3			254.3
Other intangible assets, net	92.1	13.9	216.9	322.9
Other assets	6.9	11.7	125.6	144.2
<b>Total assets</b>	<b>\$ 806.8</b>	<b>\$ 118.7</b>	<b>\$ 1,667.1</b>	<b>\$ 2,592.6</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 57.1	\$ 26.3	\$ 253.1	\$ 336.5
Long-term debt, including current portion	1.7		532.7	534.4
Pension and related liabilities	79.5	1.0	224.2	304.7
Other liabilities	65.5	7.1	3.7	76.3
<b>Total liabilities</b>	<b>\$ 203.8</b>	<b>\$ 34.4</b>	<b>\$ 1,013.7</b>	<b>\$ 1,251.9</b>

In March 2013, the Company prepaid all of its outstanding borrowings under its Titanium Dioxide Pigments facility agreement. The aggregate amount prepaid was 394.5 million (\$512.4 million), consisting of 190.0 million (\$246.8 million) of term loan A, 200.0 million (\$259.8 million) of term loan B and a 4.5 million (\$5.8 million) revolving credit facility. The U.S. dollar amounts above were all based on the exchange rate in effect on the date of payment.

## Edgar Filing: Exterran Corp - Form 424B3

Included in other liabilities are reclamation obligations of \$8.2 million and \$7.7 million as of September 30, 2013 and December 31, 2012, respectively. These obligations primarily relate to post-closure reclamation of landfills in the Titanium Dioxide Pigments business.

### 3. SEGMENT INFORMATION:

In the Company's 2012 Annual Report on Form 10-K, the Company operated in five reportable segments. As discussed in Note 2, Discontinued Operations, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and entered into a

definitive agreement to sell its TiO<sub>2</sub> Pigments and Other businesses. As a result, the Company operates in two reportable segments according to the nature and economic characteristics of its products and services as well as the manner in which the information is used internally by the Company's chief operating decision maker, who is the Company's Chief Executive Officer. The two segments are: (1) Lithium and (2) Surface Treatment.

Items that cannot be readily attributed to individual segments have been classified as Corporate and other. Corporate and other operating loss primarily represents payroll, professional fees and other operating expenses of centralized functions such as treasury, tax, legal, internal audit and consolidation accounting as well as the cost of operating the Company's central offices (including some costs maintained based on legal or tax considerations). The Corporate and other classification also includes the results of operations of the metal sulfides and wafer reclaim businesses.

Summarized financial information for each of the reportable segments is provided in the following tables:

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Net Sales:</b>				
Lithium	\$ 120.3	\$ 116.0	\$ 364.5	\$ 355.3
Surface Treatment	193.6	175.3	569.3	547.7
Corporate and other	31.9	29.6	97.0	98.8
Total (a)	\$ 345.8	\$ 320.9	\$ 1,030.8	\$ 1,001.8

(a) This amount does not include \$544.3 million and \$541.9 million for the three months ended September 30, 2013 and 2012, respectively, and \$1,766.2 million and \$1,676.1 million for the nine months ended September 30, 2013 and 2012, respectively, of net sales from discontinued operations.

The Company uses Adjusted EBITDA on a segment basis to assess the ongoing performance of the Company's business segments and reporting units. Because the Company views Adjusted EBITDA on a segment basis as an operating performance measure, the Company uses income (loss) before taxes as the most comparable U.S. GAAP measure. The summary of segment information below includes Adjusted EBITDA, a non-GAAP financial measure used by the Company's chief operating decision maker and senior management to evaluate the operating performance of each segment. See Note 3, Segment Information, in the Company's 2012 Annual Report on Form 10-K for a discussion of the use of Adjusted EBITDA as a non-GAAP financial measure.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Adjusted EBITDA:</b>				
Lithium	\$ 43.1	\$ 45.4	\$ 139.0	\$ 137.9
Surface Treatment	45.0	37.9	127.9	116.6
Corporate and other	(6.5)	0.4	(21.8)	(14.1)
Total (a)	\$ 81.6	\$ 83.7	\$ 245.1	\$ 240.4

(a) This amount does not include \$77.1 million and \$95.7 million for the three months ended September 30, 2013 and 2012, respectively, and \$246.0 million and \$393.0 million for the nine months ended September 30, 2013 and 2012, respectively, of Adjusted EBITDA from

## Edgar Filing: Exterran Corp - Form 424B3

discontinued operations.

(\$ in millions)	Identifiable Assets as of	
	September 30, 2013	December 31, 2012
Lithium	\$ 1,306.2	\$ 1,257.6
Surface Treatment	1,051.1	977.4
Corporate and other (a)	1,369.1	1,616.8
Eliminations (b)	(391.1)	(431.9)
Total (c)	\$ 3,335.3	\$ 3,419.9

- 
- (a) Corporate and other identifiable assets primarily represent the operating assets of the businesses included herein described above, assets (primarily real estate) of legacy businesses formerly belonging to the Dynamit Nobel businesses acquired in 2004, deferred

income tax assets and cash and cash equivalent balances maintained in accordance with centralized cash management techniques.

(b) Amounts included in Eliminations represent individual subsidiaries' retained interest in their cumulative net cash balance (deposits less withdrawals) included in the corporate cash concentration arrangements. These amounts are eliminated as the cash concentration arrangement balances are included in the Corporate and other segment's identifiable assets.

(c) Amounts do not include \$1,683.0 million and \$2,592.6 million of identifiable assets at September 30, 2013 and December 31, 2012, respectively, from discontinued operations. Total identifiable assets including these amounts were \$5,018.3 million and \$6,012.5 million as of September 30, 2013 and December 31, 2012, respectively.

Geographic information regarding net sales based on seller's location and long-lived assets are described in Note 3, Segment Information, in the Company's 2012 Annual Report on Form 10-K.

Edgar Filing: Exterran Corp - Form 424B3

Major components within the reconciliation of income (loss) before taxes to Adjusted EBITDA are described more fully below:

(\$ in millions)	Lithium	Surface Treatment	Corporate and other	Consolidated
<b>Three months ended September 30, 2013</b>				
Income (loss) from continuing operations before taxes	\$ 27.6	\$ 43.4	\$ (71.6)	\$ (0.6)
Interest expense, net	0.5	2.9	17.8	21.2
Depreciation and amortization	11.6	7.9	3.3	22.8
Restructuring and other severance costs (a)	1.4	1.0	2.2	4.6
Systems/organization establishment expenses (b)	0.2	0.1		0.3
Acquisition and disposal costs (c)		0.7	1.5	2.2
Loss on early extinguishment/modification of debt (d)	2.2	3.1	10.2	15.5
Asset write-downs and other (e)	(0.8)	0.1		(0.7)
Gain on previously held equity investment (f)		(16.0)		(16.0)
Foreign exchange loss on financing activities, net (g)	0.4	1.3	29.5	31.2
Other		0.5	0.6	1.1
Total Adjusted EBITDA from continuing operations	\$ 43.1	\$ 45.0	\$ (6.5)	\$ 81.6
<b>Three months ended September 30, 2012</b>				
Income (loss) from continuing operations before taxes	\$ 32.2	\$ 23.1	\$ (12.9)	\$ 42.4
Interest expense, net	0.7	3.0	7.9	11.6
Depreciation and amortization	11.1	7.8	3.4	22.3
Restructuring and other severance costs (a)	1.3	2.4		3.7
Systems/organization establishment expenses (b)	0.1	0.6		0.7
Acquisition and disposal costs (c)			1.6	1.6
Asset write-downs and other		0.1		0.1
Foreign exchange loss (gain) on financing activities, net		1.0	(1.2)	(0.2)
Other		(0.1)	1.6	1.5
Total Adjusted EBITDA from continuing operations	\$ 45.4	\$ 37.9	\$ 0.4	\$ 83.7
<b>Nine months ended September 30, 2013</b>				
Income (loss) from continuing operations before taxes	\$ 87.2	\$ 100.8	\$ (146.6)	\$ 41.4
Interest expense, net	1.9	8.8	57.2	67.9
Depreciation and amortization	34.5	23.4	10.1	68.0
Restructuring and other severance costs (a)	5.8	4.4	3.0	13.2
Systems/organization establishment expenses (b)	0.7	0.8		1.5
Acquisition and disposal costs (c)	0.1	1.5	4.1	5.7
Loss on early extinguishment/modification of debt (d)	2.2	3.1	10.2	15.5
Asset write-downs and other (e)	3.9	0.1		4.0
Gain on previously held equity investment (f)		(16.0)		(16.0)
Foreign exchange loss on financing activities, net (g)	2.7		39.0	41.7
Other		1.0	1.2	2.2
Total Adjusted EBITDA from continuing operations	\$ 139.0	\$ 127.9	\$ (21.8)	\$ 245.1
<b>Nine months ended September 30, 2012</b>				
Income (loss) from continuing operations before taxes	\$ 84.6	\$ 69.5	\$ (61.5)	\$ 92.6
Interest expense, net	2.6	11.8	26.8	41.2
Depreciation and amortization	32.6	23.6	9.9	66.1
Restructuring and other severance costs (a)	13.4	4.4	0.1	17.9
Systems/organization establishment expenses (b)	0.4	0.6		1.0
Acquisition and disposal costs (c)		0.1	1.8	1.9
Loss on early extinguishment/modification of debt (d)	2.2	3.0	4.5	9.7
Asset write-downs and other		0.2		0.2
Foreign exchange loss on financing activities, net (g)	2.0	3.1	2.8	7.9
Other (c)	0.1	0.3	1.5	1.9
Total Adjusted EBITDA from continuing operations	\$ 137.9	\$ 116.6	\$ (14.1)	\$ 240.4

(a) See Note 14, Restructuring and Other Severance Costs, for further details.





- (b) Primarily represents costs incurred in conjunction with the integration of businesses acquired.
- (c) Primarily represents professional fees incurred in connection with exploring strategic options.
- (d) For the three and nine months ended September 30, 2013, in connection with the repayment of all outstanding borrowings under the senior secured credit facility in September 2013, the Company recorded a charge of \$15.5 million consisting of the write-off of deferred financing costs of \$10.3 million and fees of \$5.2 million. For the nine months ended September 30, 2012, the charge of \$9.7 million relates to redemption premiums of \$6.7 million and the write-off of deferred financing costs of \$3.0 million in connection with the redemption of the 2014 Notes.
- (e) Primarily represents the write-off of assets related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility.
- (f) Represents the gain as a result of revaluing the Company's previously held equity interest to fair value related to the acquisition of the remaining 50% interest in a Surface Treatment joint venture in India on July 1, 2013 for a purchase price of \$21.0 million.
- (g) For the three and nine months ended September 30, 2013, foreign exchange losses of \$31.2 million and \$41.7 million, respectively, primarily relate to the impact of a stronger Euro on U.S. denominated cash equivalents recorded in a Euro-denominated entity and Euro-denominated intercompany loans. For the nine months ended September 30, 2012, foreign exchange losses of \$7.9 million primarily relate to the impact of the weaker Euro as of September 30, 2012 as compared to December 31, 2011 in connection with non-operating Euro-denominated transactions.

#### 4. VARIABLE INTEREST ENTITIES:

As discussed in Note 2, Discontinued Operations, the Company entered into a definitive agreement on September 17, 2013 to sell its TiO<sub>2</sub> Pigments and Other businesses, which include Titanium Dioxide Pigments and the Timber Treatment Chemicals business. This transaction is expected to close during the first half of 2014, following the receipt of regulatory approvals.

#### Titanium Dioxide Pigments

The Company formed a Titanium Dioxide Pigments venture with Kemira Oyj ( Kemira ) in September 2008. The Company previously owned 61% of the venture and consolidated it based on the voting interest model given its majority ownership and ability to control decision making. On February 15, 2013, the Company acquired Kemira's 39% interest in the Titanium Dioxide Pigments venture for a purchase price of \$97.5 million (\$130.3 million based on the rate in effect on the date of purchase). The increase in ownership was accounted for as an equity transaction. As a result, the Company owns 100% of the Titanium Dioxide Pigments business. In conjunction with this venture, there is a power

## Edgar Filing: Exterran Corp - Form 424B3

plant that was previously determined to be a variable interest entity ( VIE ). Subsequent to the purchase of Kemira s 39% interest, the power plant will continue to be a VIE.

### Viance LLC

The Company also had a variable interest entity in its Viance LLC joint venture, which was part of the Timber Treatment Chemicals business. The carrying values of the assets and liabilities of the Viance joint venture included in assets of discontinued operations and liabilities of discontinued operations in the condensed consolidated balance sheets are as follows:

(\$ in millions)	September 30,		December 31,	
	2013		2012	
Total assets (a)	\$	71.1	\$	73.7
Total liabilities	\$	3.1	\$	5.3

---

(a) The majority of these assets are other intangible assets.

### Other

As of September 30, 2013 and December 31, 2012, Rockwood s aggregate net investment in ventures from continuing operations, particularly in the Surface Treatment segment, that are considered variable interest entities but are not consolidated as Rockwood is not the primary beneficiary, were \$31.9 million and \$25.6 million, respectively. These investments are classified as Other assets in the condensed consolidated balance sheets and represent Rockwood s approximate exposure to losses on these investments. Rockwood does not guarantee debt for or have other financial support obligations to these ventures.

See Item 8. Financial Statements and Supplementary Data - Note 4, Variable Interest Entities, in the Company s 2012 Annual Report for further details.

## 5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS:

Financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, debt instruments and derivatives. Due to their short term maturity, the carrying amount of receivables and payables approximates fair value. Cash equivalents primarily consist of highly liquid investments with original maturities of three months or less at the time of purchase and are recorded at cost, which approximates fair value. The Company has exposure to market risk from changes in interest rates and foreign currency exchange rates. As a result, certain derivative financial instruments may be used when available on a cost-effective basis to hedge the underlying economic exposure. Certain of these instruments qualify as cash flow and net investment hedges upon meeting the requisite criteria, including effectiveness of offsetting hedged exposures. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in earnings as they occur. Derivative financial instruments are not used for trading purposes.

**Qualifying Hedges**

**Cash Flow Hedges**

Foreign currency forward contracts are utilized to hedge forecasted transactions for certain foreign currencies in the Company's Surface Treatment segment. These contracts have been designated as foreign currency cash flow hedges and expire in December 2013. The effective portion of changes in fair value for the designated foreign currency hedges is temporarily reported in accumulated other comprehensive income and recognized in earnings when the hedged item affects earnings. The net deferred losses on foreign currency contracts for cash flow accounting are expected to be reclassified into earnings by the end of December 2013.

Effectiveness is assessed at inception of the hedge and on a quarterly basis. These assessments determine whether derivatives designated

Edgar Filing: Exterran Corp - Form 424B3

as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of a change in fair value is included in current period earnings. There was no impact of ineffectiveness on earnings during the three and nine months ended September 30, 2013 and 2012.

For the three and nine months ended September 30, 2013, gains of \$0.1 million were reclassified for both periods from accumulated other comprehensive income into income. For the three and nine months ended September 30, 2012, losses of \$0.2 million and \$0.3 million, respectively, were reclassified from accumulated other comprehensive income into income.

The following table provides the fair value and balance sheet location of the Company's derivative instruments as of September 30, 2013 and December 31, 2012:

(\$ in millions)	Balance Sheet Location	September 30, 2013		December 31, 2012	
		Notional	Fair Value	Notional	Fair Value
<b>Derivatives Designated as Hedging Instruments:</b>					
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 4.2	\$ 0.2	\$	\$
Total derivatives designated as hedging instruments			\$ 0.2		\$

All financial instruments, including derivatives, are subject to counterparty credit risk which is considered as part of the overall fair value measurement. Counterparty credit risk is mitigated by entering into derivative contracts with only major financial institutions of investment grade quality and by limiting the amount of exposure to each financial institution. The Company has considered credit adjustments in its determination of the fair value of its derivative assets and liabilities as of September 30, 2013 and December 31, 2012, based on market participant assumptions. In addition, based on the credit evaluation of each counter-party institution as of September 30, 2013 and December 31, 2012, the Company believes the carrying values to be fully realizable. No counterparty has experienced a significant downgrade in 2013 and the condensed consolidated financial statements would not be materially impacted if any counterparties failed to perform according to the terms of its agreement. Under the terms of the agreements, posting of collateral is not required by any party whether derivatives are in an asset or liability position.

The following table provides the gains and losses reported in Other Comprehensive Income (OCI) within Equity for the three and nine months ended September 30, 2013 and 2012:

(\$ in millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives and Other Financial Instruments (Effective Portion)			
	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Derivatives Designated as Cash Flow Hedges:</b>				
Foreign exchange contracts	\$ 0.2	\$ 0.2	\$ 0.2	\$ (0.1)
<b>Non-Derivative Debt Designated as Net Investment Hedge:</b>				
Euro-denominated debt	\$	\$	\$	\$ (0.3)

## Edgar Filing: Exterran Corp - Form 424B3

The Company follows a fair value measurement hierarchy to measure assets and liabilities. As of September 30, 2013 and December 31, 2012, the assets and liabilities measured at fair value on a recurring basis are derivatives, cash equivalents, marketable securities and government debt securities. In addition, the Company measures its pension plan assets at fair value (see Item 8. Financial Statements and Supplementary Data - Note 14, Employee Benefit Plans in the Company's 2012 Annual Report on Form 10-K for further details). The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy as follows:

**Level 1** Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. The fair values of cash equivalents, marketable equity securities and government securities are based on unadjusted quoted market prices from various financial information service providers and securities exchanges.

**Level 2** Inputs are directly or indirectly observable, which include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The fair values of derivatives are based on quoted market prices from various banks for similar instruments. The valuation of these instruments reflects the contractual terms of the derivatives, including the

## Edgar Filing: Exterran Corp - Form 424B3

period to maturity, and uses observable market-based inputs, including forward curves.

Level 3 Inputs are unobservable inputs that are used to measure fair value to the extent observable inputs are not available. The Company does not have any recurring financial assets or liabilities that are recorded on its condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012 that are classified as Level 3 inputs.

In accordance with the fair value hierarchy, the following table provides the fair value of the Company's recurring financial assets and liabilities that are measured at fair value in the condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012:

(\$ in millions)	As of September 30, 2013			As of December 31, 2012		
	Total	Level 1	Level 2	Total	Level 1	Level 2
<b>Assets</b>						
Cash equivalents	\$ 759.5	\$ 759.5	\$	\$ 1,110.1	\$ 1,110.1	\$
Government securities	0.3	0.3		0.3	0.3	
Marketable equity securities				2.2	2.2	
Foreign exchange contracts	0.2		0.2			
Total assets at fair value	\$ 760.0	\$ 759.8	\$ 0.2	\$ 1,112.6	\$ 1,112.6	\$
<b>Liabilities</b>						
Interest rate swaps	\$	\$	\$	\$ 4.8	\$	\$ 4.8
Total liabilities at fair value	\$	\$	\$	\$ 4.8	\$	\$ 4.8

With regard to assets and liabilities required to be measured at fair value on a non-recurring basis, the Company wrote-off assets in the amount of \$4.0 million in the nine months ended September 30, 2013 related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility. These assets were written down to zero as it was determined there is no estimated recoverability as these assets will no longer be used. These write-downs are characterized as Level 3 in the fair value hierarchy and were recorded in asset write-downs and other in the condensed consolidated statements of operations.

### Debt

As of September 30, 2013 and December 31, 2012, the Company's estimated fair value of its unsecured Senior Notes due in 2020 ( 2020 Notes ) was \$1,259.4 million and \$1,300.8 million, respectively, based on quoted market values in active markets from financial service providers. The Company's principal carrying amount of the 2020 Notes was \$1,250.0 million at September 30, 2013 and December 31, 2012. The Company categorizes these 2020 Notes as Level 1 in the fair value hierarchy.

The carrying value of the Company's term loans under the senior secured credit facility that were paid in September 2013 approximated fair value as interest was based on prevailing variable market rates currently available. As a result, the Company categorized these term loans as level 2 in the fair value hierarchy as of December 31, 2012.

### 6. INVENTORIES:

Inventories are comprised of the following:

(\$ in millions)	September 30, 2013		December 31, 2012	
Raw materials	\$	64.6	\$	55.2
Work-in-process		53.6		51.3
Finished goods		113.2		106.2
Total	\$	231.4	\$	212.7

#### 7. GOODWILL:

Below are goodwill balances and activity by segment:

(\$ in millions)	Lithium		Surface Treatment		Corporate and other		Total	
Balance, December 31, 2012	\$	263.7	\$	342.1	\$	4.7	\$	610.5
Acquisitions				16.6				16.6
Foreign exchange		6.9		8.8		0.2		15.9
Balance, September 30, 2013		270.6		367.5		4.9		643.0

**8. OTHER INTANGIBLE ASSETS, NET:**

Other intangible assets, net consist of:

(\$ in millions)	As of September 30, 2013			As of December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents and other intellectual property	\$ 109.8	\$ (77.6)	\$ 32.2	\$ 102.6	\$ (69.6)	\$ 33.0
Trade names and trademarks	43.3	(19.3)	24.0	46.0	(21.1)	24.9
Customer relationships	145.3	(80.7)	64.6	127.2	(72.6)	54.6
Other	35.6	(25.2)	10.4	37.2	(26.3)	10.9
<b>Total</b>	<b>\$ 334.0</b>	<b>\$ (202.8)</b>	<b>\$ 131.2</b>	<b>\$ 313.0</b>	<b>\$ (189.6)</b>	<b>\$ 123.4</b>

Amortization of other intangible assets was \$6.8 million and \$6.2 million in each of the three months ended September 30, 2013 and 2012, respectively, and \$19.6 million and \$19.0 million, respectively, for the nine months ended September 30, 2013 and 2012, respectively.

Estimated amortization expense for each of the next five fiscal years is as follows:

(\$ in millions) Year ending	Amortization Expense
2013	\$ 25.9
2014	23.1
2015	19.8
2016	17.9
2017	17.0

**9. LONG-TERM DEBT:**

Long-term debt and loans payable are summarized as follows:

(\$ in millions)	September 30, 2013	December 31, 2012
Senior secured credit facilities:		
Term Loan A	\$	\$ 336.9
Term Loan B		587.3
2020 Unsecured senior notes	1,250.0	1,250.0
Capitalized lease obligations	31.8	32.8
Other loans	13.7	12.8
	<b>1,295.5</b>	<b>2,219.8</b>



## Edgar Filing: Exterran Corp - Form 424B3

Less current maturities		(8.2)		(38.4)
<b>Total</b>	<b>\$</b>	<b>1,287.3</b>	<b>\$</b>	<b>2,181.4</b>

On September 4, 2013, Rockwood Specialties Group, Inc. ( RSGI ), an indirect 100% owned subsidiary of the Company, prepaid all of its outstanding borrowings under the term loans under the Company's senior secured credit facility. The aggregate outstanding borrowings were \$893.5 million, consisting of \$306.2 million of term loan A and \$587.3 million of term loan B. On September 20, 2013, RSGI terminated all commitments under the its senior secured credit agreement and all obligations were discharged, including those under the revolving credit commitments.

For further details of the terms of the Company's long-term debt, see Item 8. Financial Statements and Supplementary Data - Note 10, Long-Term Debt in the Company's 2012 Annual Report on Form 10-K.

### 10. INCOME TAXES:

The Company recorded an income tax benefit of \$9.0 million on a loss from continuing operations of \$0.6 million for the three months ended September 30, 2013 and an income tax charge of \$0.8 million on income from continuing operations of \$41.4 million (effective tax rate of 1.9%) for the nine months ended September 30, 2013. The income tax benefit for the three month period is favorably impacted

by the reversal of tax reserves and a beneficial foreign earnings mix. The effective tax rate for the nine months ended September 30, 2013 is lower than the U.S. statutory rate of 35% primarily due to the reversal of tax reserves and a beneficial foreign earnings mix.

The effective tax rate on income from continuing operations was 32.1% and (121.0)% for the three and nine months ended September 30, 2012, respectively. Excluding the impact of the \$139.0 million valuation allowance reversal, the effective tax rate on income from continuing operations was 29.2% for the nine months ended September 30, 2012. The effective tax rate for each period is lower than the U.S. statutory rate of 35% primarily due to the favorable impact of certain current year domestic income that was not tax effected due to a valuation allowance reversal and a beneficial foreign earnings mix.

The following table reflects the activity in the Company's worldwide valuation allowance attributable to deferred tax assets:

(\$ in millions)	Valuation Allowance
Balance as of December 31, 2012	\$ 17.7
U.S. valuation allowance - Federal (capital loss)	(2.1)
U.S. valuation allowance - State	1.0
Foreign valuation allowance	0.1
Balance as of September 30, 2013	\$ 16.7

Unrecognized tax benefits at September 30, 2013 were \$31.2 million, all of which, if recognized, would impact the effective tax rate. The Company had accrued \$10.2 million for interest and penalties as of September 30, 2013. The Company recognizes interest and penalties related to unrecognized tax benefits in its income tax provision.

The Company is currently under audit in certain jurisdictions and during the next twelve months, it is reasonably possible that resolution of these audits could result in a benefit of up to \$3.7 million.

## 11. STOCK-BASED COMPENSATION:

In December 2012, the Company awarded 309,287 of market-based restricted stock unit awards to its management and key employees which will vest on January 1, 2016 as long as the employee continues to be employed by the Company on this date and upon the achievement of certain performance targets approved by the Compensation Committee. In January 2013, the performance targets that formed the basis for vesting of these restricted stock units were set. As a result, the Company recognized compensation cost beginning in January 2013. A portion of the share units vest based on the percentage change in the price of the Company's common stock over the award period January 1, 2013 to December 31, 2015. The remaining portion vest based upon the Company's total shareholder return as compared to the total shareholder return for the Dow Jones U.S. Chemical Index for the period January 1, 2013 to December 31, 2015.

All restricted stock units contain a provision in which the units shall immediately vest and become converted into the right to receive a cash payment after a change in control as defined in the award agreement. As the provisions for redemption are outside the control of the Company, the fair value of these units as of September 30, 2013 and December 31, 2012 has been recorded as mezzanine equity (outside of permanent equity) in the condensed consolidated balance sheets.

The aggregate compensation cost for restricted stock units and Board of Director stock grants recorded under the stock-based compensation plans caused income from continuing operations before taxes to decrease by \$3.3 million and \$2.9 million for the three months ended September 30, 2013 and 2012, respectively, and \$9.9 million and \$8.7 million for the nine months ended September 30, 2013 and 2012, respectively. The total tax benefit recognized related to stock awards was \$1.1 million and \$0.3 million for the three months ended September 30, 2013 and 2012, respectively, and \$3.2 million and \$1.1 million for the nine months ended September 30, 2013 and 2012, respectively.

In the third quarter of 2013, the Company modified equity awards held by employees of the former Advanced Ceramics segment and recognized additional expense of \$4.5 million, which is included in income from discontinued operations in the condensed consolidated statements of operations, for the three and nine months ended September 30, 2013.

See Item 8. Financial Statements and Supplementary Data - Note 13, Stock-Based Compensation, in the Company's 2012 Annual Report on Form 10-K for further details of the Company's stock-based compensation plans.

## **12. PENSION AND POSTRETIREMENT LIABILITIES:**

The following table represents the net periodic benefit cost of defined benefit pension plans:

Edgar Filing: Exterran Corp - Form 424B3

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	2013		2012		2013		2012	
Service cost	\$	0.9	\$	0.9	\$	2.8	\$	2.7
Interest cost		3.6		4.0		10.8		12.0
Expected return on assets		(2.1)		(2.1)		(6.2)		(6.2)
Amortization of actuarial losses		1.5		0.7		4.4		2.1
Amortization of prior service cost		0.2		0.2		0.5		0.5
Total pension cost	\$	4.1	\$	3.7	\$	12.3	\$	11.1

Contributions to defined benefit pension plans, including benefit payments paid directly to plan participants, are expected to approximate \$17.1 million during 2013, of which \$13.6 million was contributed in the nine months ended September 30, 2013.

The Company also sponsors and participates in various defined contribution and multi-employer plans. The expense for the defined contribution plans was \$1.9 million and \$1.5 million for the three months ended September 30, 2013 and 2012, respectively, and \$5.1 million and \$5.0 million for the nine months ended September 30, 2013 and 2012, respectively. The expense for the multi-employer plans was \$0.4 million for each of the three months ended September 30, 2013 and 2012, respectively, and \$1.2 million for each of the nine months ended September 30, 2013 and 2012, respectively.

### 13. EARNINGS PER COMMON SHARE:

Basic and diluted earnings per common share ( EPS ) were computed using the following common share data:

(\$ in millions, except per share amounts; shares in thousands)	Three months ended September 30,				Nine months ended September 30,			
	2013		2012		2013		2012	
<b>EPS Numerator:</b>								
Amounts attributable to Rockwood Holdings, Inc.:								
Income from continuing operations	\$	8.4	\$	28.8	\$	40.6	\$	204.6
Income from discontinued operations		1,103.5		30.8		1,120.9		153.9
Net income	\$	1,111.9	\$	59.6	\$	1,161.5	\$	358.5
<b>EPS Denominator:</b>								
Basic weighted average number of common shares outstanding		74,262		77,639		76,611		77,542
Effect of dilutive stock options and other incentives		1,644		2,324		1,653		2,372
Diluted weighted average number of common shares outstanding and common stock equivalents		75,906		79,963		78,264		79,914
Basic earnings per share attributable to Rockwood Holdings, Inc. shareholders:								
Earnings from continuing operations	\$	0.11	\$	0.37	\$	0.53	\$	2.64
Earnings from discontinued operations		14.86		0.40		14.63		1.98
Basic earnings per share	\$	14.97	\$	0.77	\$	15.16	\$	4.62
Diluted earnings per share attributable to Rockwood Holdings, Inc. shareholders:								
Earnings from continuing operations	\$	0.11	\$	0.36	\$	0.52	\$	2.56
Earnings from discontinued operations		14.54		0.39		14.32		1.93

## Edgar Filing: Exterran Corp - Form 424B3

Diluted earnings per share	\$	14.65	\$	0.75	\$	14.84	\$	4.49
----------------------------	----	-------	----	------	----	-------	----	------

For the three and nine months ended September 30, 2013 and 2012, there were no outstanding shares that would have had an anti-dilutive effect.

### **14. RESTRUCTURING AND OTHER SEVERANCE COSTS:**

The Company records restructuring liabilities that represent charges incurred in connection with consolidations and cessations of certain of its operations, including operations from acquisitions, as well as headcount reduction programs. These charges consist primarily of severance and facility/entity closure costs. Severance charges are based on various factors including the employee's length of service, contract provisions, salary levels and local governmental legislation. At the time a related charge is recorded, the Company calculates its

## Edgar Filing: Exterran Corp - Form 424B3

best estimate based upon detailed analysis. Although significant changes are not expected, actual costs may differ from these estimates.

The following table provides the restructuring and other severance costs for the three and nine months ended September 30, 2013 and 2012:

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	2013		2012		2013		2012	
Severance/Relocation	\$	0.2	\$	0.7	\$	2.2	\$	1.0
Facility/entity closure and other		4.0		2.8		8.9		4.4
Asset write-downs				0.1				11.6
Restructuring charge		4.2		3.6		11.1		17.0
Other severance costs		0.4		0.1		2.1		0.9
Total	\$	4.6	\$	3.7	\$	13.2	\$	17.9

For the three months ended September 30, 2013, the restructuring charges primarily relate to environmental reserves recorded for facilities retained as part of the sale of the TiO<sub>2</sub> Pigments and Other businesses, as well as closure costs related to the move of the Lithium headquarters to a new location.

For the nine months ended September 30, 2013, the restructuring charges primarily relate to the closure of a lithium manufacturing facility in the U.S., environmental reserves recorded for facilities retained as part of the sale of the TiO<sub>2</sub> Pigments and Other businesses, organizational changes in the Surface Treatment segment, as well as closure costs related to the move of the Lithium headquarters to a new location.

All restructuring actions still in progress as of September 30, 2013 are expected to be substantially complete within the next twelve months. However, payouts of certain liabilities resulting from these actions will take place over several years. Selected information for outstanding liabilities from recent restructuring actions is as follows:

(\$ in millions)	Severance/ Relocation		Facility/Entity Closure and Other		Total	
Liability balance, December 31, 2012	\$	6.1	\$	1.9	\$	8.0
Restructuring charge in 2013		2.2		8.9		11.1
Utilized		(4.3)		(4.0)		(8.3)
Foreign exchange and other		(0.3)		(1.8)		(2.1)
Liability balance, September 30, 2013	\$	3.7	\$	5.0	\$	8.7

The total charges for open restructuring actions and the future costs for those actions are summarized below:

(\$ in millions)	Lithium		Surface Treatment		Corporate and other		Total	
<b>Severance/Relocation</b>								
Total charges	\$	4.6	\$	5.1	\$	0.4	\$	10.1
Incurred to date		(4.4)		(5.0)		(0.2)		(9.6)

Edgar Filing: Exterran Corp - Form 424B3

Expected future costs	\$	0.2	\$	0.1	\$	0.2	\$	0.5
<b>Facility/Entity Closure</b>								
Total charges (a)	\$	32.4	\$	7.4	\$	1.6	\$	41.4
Incurred to date (a)		(31.6)		(5.8)		(0.6)		(38.0)
Expected future costs	\$	0.8	\$	1.6	\$	1.0	\$	3.4

---

(a) Includes \$10.3 million related to the write-off of a trade name in the Lithium segment in connection with the reorganization of the Specialty Chemicals segment into two reportable segments and a write-down of \$12.0 million of machinery and equipment related to the closure of a Lithium manufacturing facility in the U.S.

**15. ACCUMULATED OTHER COMPREHENSIVE INCOME:**

Changes in accumulated other comprehensive income (loss) are as follows:

(\$ in millions)	Pension related adjustments, net of tax	Foreign currency translation	Intercompany foreign currency loans	Net investment hedge, net of tax	Foreign exchange contracts, net of tax	Total accumulated other comprehensive income (loss)
Balance at December 31, 2012	\$ (146.0)	\$ 203.6	\$ 117.4	\$ (189.9)	\$	\$ (14.9)
Other comprehensive loss before reclassifications	(1.4)	30.7	19.1		0.1	48.5
Amounts reclassified from accumulated other comprehensive loss to net income	22.6	3.3	(1.5)			24.4
Amounts reclassified from noncontrolling interest to accumulated other comprehensive loss (a)	(27.6)					(27.6)
Balance at September 30, 2013	\$ (152.4)	\$ 237.6	\$ 135.0	\$ (189.9)	\$ 0.1	\$ 30.4

- (a) This represents the amount of accumulated other comprehensive loss reclassified as a result of the Company's purchase of Kemira's 39% interest in the Titanium Dioxide Pigment's venture in February 2013.

The amounts reclassified from accumulated other comprehensive income (loss) into net income are as follows:

Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	
	Three months ended September 30, 2013	Nine months ended September 30, 2013
<b>Pension related adjustments:</b>		
Sale of Advanced Ceramics (a)	\$ (18.1)	\$ (18.1)
Actuarial losses (b)	(4.1)	(12.4)
Prior service costs (b)	(0.2)	(0.6)
	(22.4)	(31.1)
Income tax provision	6.1	8.5
	\$ (16.3)	\$ (22.6)
<b>Foreign currency translation:</b>		
Sale of Advanced Ceramics (a)	(3.3)	(3.3)
	\$ (3.3)	\$ (3.3)
<b>Intercompany foreign currency loans:</b>		
Sale of Advanced Ceramics (a)	\$ 1.5	\$ 1.5
	\$ 1.5	\$ 1.5
Total reclassifications for the period	\$ (18.1)	\$ (24.4)



- (a) Amounts reclassified to gain on sale of discontinued operations, net of tax in the Condensed Consolidated Statements of Operations.
- (b) These accumulated other comprehensive income components are included in the computation of net periodic pension costs that are recorded in costs of products sold and selling, general and administrative expenses in the condensed consolidated statements of operations. In addition, these accumulated other comprehensive income components include the effect of actuarial losses and prior service costs from discontinued operations.

**16. COMMITMENTS AND CONTINGENCIES:**

*Legal Proceedings* The Company is involved in various legal proceedings, including commercial, intellectual property, product liability, regulatory and environmental matters of a nature considered normal for its business. The Company accrues for amounts related

to these matters if it is probable that a liability has been incurred, and an amount can be reasonably estimated. The Company discloses such matters when there is at least a reasonable possibility that a material loss may have been incurred. However, the Company cannot predict the outcome of any litigation or the potential for future litigation.

#### **Former Glass Sealants Business**

A subsidiary in the Surface Treatment segment formerly manufactured and distributed sealants for insulating glass, which was sold in 2003. This subsidiary has been named as a defendant in several lawsuits in Germany (District Court of Frankfurt and District Court of Rottweil) and the Netherlands (High Court of Hertogenbosch), which were initiated prior to and after the sale of the business, relating to allegedly defective manufacturing of those products. The court in the Dutch litigation concluded in March 2012 that our subsidiary breached certain implied product warranties and is responsible for certain alleged damages to be determined. The Company's subsidiary has appealed this decision. In general, this subsidiary may be required to compensate damage claims asserted by the various plaintiffs in these actions. Although the Company expects its subsidiary to have coverage under its product liability insurance policies should damages ultimately be awarded or agreed to, in such an event, its insurance may not cover such damages and, if not, its subsidiary may not have sufficient cash flow to pay them. The Company estimates that the possible range of loss from those damage claims, net of expected insurance recoveries, is from 1.3 million (\$1.8 million) to 4.3 million (\$5.8 million) as of September 30, 2013. However, the Company does not believe that the resolution of these matters will have a material effect on its financial condition, results of operations or cash flows.

#### **Migratory Bird Matter**

In August 2011, the U.S. Department of Justice Environment and Natural Resources Division ( DOJ ), along with the U.S. Fish and Wildlife Service ( FWS ) and the Nevada Department of Wildlife ( NDOW ) commenced an investigation relating to alleged migratory bird deaths at the Company's subsidiary in Silver Peak, Nevada in violation of the Migratory Bird Treaty Act of 1918 ( MBTA ). The Company's subsidiary is working with the DOJ, FWS and NDOW to address any migratory bird issues. On October 16, 2013, the Company's subsidiary entered into a plea agreement, and the court entered a judgment for a one count class B misdemeanor for violations of the MBTA. Pursuant to such judgment, the Company's subsidiary was sentenced to probation for a period of 18 months, paid a fine to the FWS of \$15,000 and paid restitution to the North American Wetlands fund of \$75,000.

#### **Real Estate Transfer Tax Matter**

In December 2009, the Company received a tax assessment from German tax authorities, claiming that the Company's acquisition of Dynamit Nobel in 2004 triggered a real estate transfer tax obligation. The Company appealed the assessment to the German tax authorities on the grounds that it had already paid the relevant real estate transfer tax and that the further assessment would constitute duplicate taxation of the real estate transfers. However, in October 2011, the German tax authorities affirmed their position with regard to the assessment. Consequently, the Company appealed this assessment with the German Fiscal Court and intends to vigorously defend its position in this matter. The Company estimates that the possible range of loss from these claims as of September 30, 2013 is from 0.0 million to 5.2 million (\$7.0 million). The Company does not expect this matter to have a material impact on its financial condition, results of operations or cash flows.

#### **Inspector General Subpoena**

## Edgar Filing: Exterran Corp - Form 424B3

In February 2010, a subsidiary of the Company received a subpoena from the Inspector General of the Department of Defense ( DOD ) seeking information related to a product in the Timber Treatment Chemicals business in the Performance Additives segment. In June 2012, the United States government filed a notice of election indicating that it would not intervene at that time and the court ordered the complaint to be unsealed. The complaint was served on the Company in November 2012 by Osmose, Inc. ( Osmose ), a competitor of our Timber Treatment business, and alleges that our subsidiary misrepresented properties of certain fire retardants in relation to a military specification for such products. In March 2013, Osmose filed an amended complaint. In May 2013, the Company's subsidiary filed a motion to dismiss the action. The Company cannot estimate the loss or possible range of loss, if any, in connection with this matter and intends to vigorously defend this matter.

### Other Matters

Although the Company expects to continue to pay legal fees in connection with the above matters and other legal actions such as chromated copper arsenate and other product liability matters, based on currently available facts, the Company does not believe that any other individual action will have a material effect on its financial condition, results of operations or cash flows.

Reserves in connection with known product liability matters, net of expected insurance recoveries, do not individually exceed \$1.8 million and in the aggregate equal \$2.7 million as of September 30, 2013. The Company's reserve estimates are based on available facts, including damage claims and input from its internal and external legal counsel, past experience, and, in some instances where defense costs are being paid by its insurer, known or expected insurance recoveries. The Company is unable to estimate the amount or range of any potential incremental charges should facts and circumstances change and may in the future revise its estimates based on new

information becoming available. Further, the Company cannot predict the outcome of any litigation or the potential for future litigation.

**Indemnity Matters** The Company is indemnified by third parties in connection with certain matters related to acquired and divested businesses. The Company has no reason to believe that the financial condition of those parties who may have indemnification obligations to the Company is other than sound, except as regards to pension obligations disclosed below. However, in the event the Company seeks indemnity under any of these agreements or through other means, there can be no assurance that any party who may have obligations to indemnify the Company will adhere to their obligations and the Company may have to resort to legal action to enforce its rights under the indemnities. In cases where the Company's indemnification claims to such third parties are uncontested, the Company expects to realize recoveries within the short term.

The Company may be subject to indemnity claims relating to properties or businesses it divested. For example, the Company has agreed to indemnify the buyer of its former plastic compounding and Clay-based Additives businesses for certain environmental matters which may arise in the future that relate to the period prior to the closing.

The Company's pension liability includes defined benefit obligations to employees of a previously divested company which cannot legally be transferred to the owners under local law. The owner of the business had agreed to indemnify the Company for these obligations, however, such company has filed for bankruptcy. Accordingly, as of September 30, 2013, the Company has recorded a reserve of 4.9 million (\$6.6 million) against its related receivable of 5.4 million (\$7.3 million) due from the current owner. The Company cannot predict the ultimate outcome of this matter.

In the opinion of management, and based upon information currently available, the ultimate resolution of any indemnification obligations owed to the Company or by the Company is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

### ***Safety, Health and Environmental Matters***

For further details of the Company's Safety, Health and Management Systems, SHE Capital Expenditures, and Regulatory Developments, see Item 8. Financial Statements and Supplementary Data - Note 19, Commitments and Contingencies in the Company's 2012 Annual Report on Form 10-K.

### **Environmental Reserves**

Environmental laws have a significant effect on the nature and scope of any clean-up of contamination at current and former operating facilities, the costs of transportation and storage of chemicals and finished products and the costs of the storage and disposal of wastes.

In addition, Superfund statutes in the United States as well as statutes in other jurisdictions impose strict, joint and several liability for clean-up costs on the entities that generated waste and/or arranged for its disposal at contaminated third party sites, as well as the past and present owners and operators of contaminated sites. All responsible parties may be required to bear some or all of the clean-up costs regardless of fault, legality



## Edgar Filing: Exterran Corp - Form 424B3

The following table provides a list of the Company's present and former facilities with environmental contamination or reclamation obligations for which the Company has reserved for at September 30, 2013:

Country	Location	(a)	(b)	(c)	(d)	(e)
Brazil	Diadema			X		X
Chile	La Negra				X	
	Salar de Atacama				X	
China	Shenzhen			X		
France	Sens	X				
Germany	Duisburg				X	
	Empelde	X				X
	Hainhausen	X				
	Liebenau			X		
	Stadeln	X	X			
	Troisdorf	X	X	X		
The Netherlands	Oss	X				
United Kingdom	Birtley			X		
United States	Beltsville, MD	X				
	East St. Louis, IL			X		
	Easton, PA			X		
	Kings Mountain, NC				X	
	Pineville, NC					X
	Silver Peak, NV				X	
	Sunbright, VA	X				X
	Valdosta, GA	X				

(a) The Company is currently operating groundwater monitoring and/or remediation systems at these locations.

(b) The Company is currently operating groundwater monitoring and/or remediation systems at these locations for which prior owners or insurers have assumed all or most of the responsibility.

(c) The Company is currently conducting investigations into additional possible soil and/or groundwater contamination at these locations.

(d) The Company has land restoration obligations generally relating to landfill activities or surface mining at these locations.

(e) The Company is responsible for certain liabilities related to environmental matters at these formerly owned or closed facilities.

The Company is also responsible for environmental matters at some of its former off-site disposal locations owned by third parties. These sites are considered Superfund sites as defined by the EPA or state regulatory authority. The Company is a potentially responsible party or *de minimis* participant at a Superfund location in South Gate, CA. Although the Company cannot provide assurances in this regard, the Company does not believe that these issues will have a material effect on its financial condition, results of operations or cash flows. Nonetheless, the discovery of

## Edgar Filing: Exterran Corp - Form 424B3

contamination arising from present or historical industrial operations at some of the Company's or its predecessor's former and present properties and/or at sites where the Company and its predecessor disposed wastes could expose the Company to cleanup obligations and other damages in the future.

In connection with the sale of Titanium Dioxide Pigments and Other business, the Company agreed to retain liability for certain environmental matters at several operating sites where the Company currently has environmental reserves, including Birtley, UK, Hainhausen, Germany, Shenzhen, China, Beltsville, Maryland, East St. Louis, Illinois, Easton, Pennsylvania and Valdosta, Georgia. Accordingly, the reserves for these sites are not included in discontinued operations and the reserves for other operating sites are included in discontinued operations (Duisburg, Uerdingen, and Schwarzheide, Germany, Kipsikorpi, Finland, Harrisburg, North Carolina and Turin, Italy). In addition, the Company agreed to indemnify the buyer for certain environmental matters at such other operating sites of the businesses for a limited period subject to certain limitations, caps and deductibles.

The Company has established financial reserves relating to anticipated environmental cleanup obligations, site reclamation and remediation and closure costs, which are reviewed at least quarterly based on currently available information. Liabilities are recorded when potential liabilities are either known or believed to be probable and can be reasonably estimated. In the event that the Company establishes a financial reserve in connection with site remediation costs, the Company records a reserve for the estimated cost of the remediation, even though the costs of the remediation will likely be spread out over many years. The Company does not include

unasserted claims in its reserves.

The Company's liability estimates are based upon available facts, existing technology, indemnities from or to third parties, past experience and, in some instances, insurance recoveries where the remediation costs are being paid by its insurers, and are generated by several means, including State-mandated schedules, environmental consultants and internal experts, depending on the circumstances. On a consolidated basis, the Company has accrued \$40.9 million and \$38.4 million for environmental liabilities as of September 30, 2013 and December 31, 2012, respectively, most of which were classified as other non-current liabilities in the condensed consolidated balance sheets.

Included in the environmental liabilities are reclamation obligations of \$15.1 million and \$14.9 million as of September 30, 2013 and December 31, 2012, respectively. These obligations primarily relate to post-closure reclamation in the surface mining and manufacturing sites within the Lithium segment.

The remaining environmental liabilities (\$25.8 million and \$23.5 million as of September 30, 2013 and December 31, 2012, respectively) represent remediation obligations. The Company estimates that the potential range for such environmental matters (excluding reclamation obligations) as of September 30, 2013 is from \$25.8 million to \$50.3 million. Of these accruals, \$13.9 million and \$13.4 million as of September 30, 2013 and December 31, 2012, respectively, represent liabilities discounted using discount rates ranging from 2.8% to 7.0%.

The Company's remediation liabilities are payable over periods of up to 30 years. At a number of the sites described above, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable and could potentially affect the range. For the nine months ended September 30, 2013, the Company recorded charges of \$3.4 million to increase its environmental liabilities and made payments of \$1.2 million for reclamation and remediation costs, which reduced its environmental liabilities. For the nine months ended September 30, 2013, the recurring cost of managing hazardous substances for ongoing operations is \$7.1 million.

The Company believes these accruals are adequate based on currently available information. The Company may incur losses in excess of the amounts accrued; however, based on currently available information, it does not believe the additional amount of potential losses would have a material effect on its business or financial condition, but may have a material effect on the results of operations or cash flows in any given quarterly or annual reporting period. The Company does not believe that any known individual environmental matter would have a material effect on its financial condition, results of operations or cash flows. The Company is unable to estimate the amount or range of any potential incremental charges should facts and circumstances change and may in the future revise its estimates based on new information becoming available.

In the event that manufacturing operations are discontinued at any of the Company's facilities with known contamination, regulatory authorities may impose more stringent requirements on the Company including soil remediation. The Company does not contemplate any such action occurring in the foreseeable future, as these facilities' remaining lives are not known. Given the indeterminate useful life of these facilities and the corresponding indeterminate settlement date of any soil remediation obligations, the Company does not have sufficient information to estimate a range of potential settlement dates for its obligations. Consequently, the Company cannot employ a present value technique to estimate fair value and, accordingly, has not accrued for any environmental-related costs to remediate soil at these facilities.

## 17. GUARANTOR FINANCIAL STATEMENTS:



## Edgar Filing: Exterran Corp - Form 424B3

Rockwood Holdings Inc. ( Parent Company ) and certain of its 100% owned domestic subsidiaries ( Guarantor Subsidiaries ) jointly and severally, and fully and unconditionally guarantee the 2020 Notes in the aggregate principal amount of \$1.25 billion issued in September 2012 by RSGI, an indirect 100% owned subsidiary of the Company. The following presents the consolidating financial information separately for:

- Parent Company Guarantor the Parent Company owns a 100% direct investment in Rockwood Specialties Consolidated, Inc. ( RSCI ). RSCI owns a 100% direct investment in Rockwood Specialties International, Inc. ( RSII ). RSII owns a 100% direct investment in RSGI. Each of these entities is a domestic holding company;
- Issuer - RSGI, the issuer of the guaranteed obligations, owns direct or indirect investments in all other domestic and foreign subsidiaries;
- Guarantor Subsidiaries these represent substantially all of RSGI s domestic subsidiaries on a combined basis. The investment in subsidiary and equity in undistributed earnings of subsidiaries represents all non-guarantor subsidiaries of such guarantors;
- Non-Guarantor Subsidiaries these include all of the Company s foreign subsidiaries, two domestic subsidiaries and RSCI and RSII (because they are non-guarantors) on a combined basis. As a result, the investment in subsidiary and equity in undistributed earnings of subsidiaries presented in the Non-Guarantor Subsidiaries column includes all of the subsidiaries of RSCI;
- Consolidating Adjustments represent adjustments to (a) eliminate intercompany transactions between or among the Parent

Company, RSGI, the Guarantor Subsidiaries and the Non-Guarantor subsidiaries, (b) eliminate the investments in subsidiaries (c) eliminate the cash overdrafts in intergroup payable, and (d) offset deferred income taxes within the same tax jurisdictions; and

- Total Consolidated Amounts - Parent Company and its subsidiaries on a consolidated basis.

Each entity in the consolidating financial information follows the same accounting policies as described in the condensed consolidated financial statements.

The Parent Company Guarantor, Issuer, Guarantor Subsidiaries and Non-Guarantor Subsidiaries are parties to cash concentration arrangements with three financial institutions to maximize the availability of cash for general corporate and operating purposes. Cash balances under one of the cash concentration arrangements are swept daily from the accounts of the entities who are party to the arrangement into the concentration account. There are no restrictions under the cash concentration arrangements on the movement of cash between the Parent Company Guarantor, the Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. There are no significant restrictions on the ability of RSGI or any Guarantor Subsidiaries to obtain funds by dividend or loan. However, there are restrictions contained in the indenture governing the 2020 Notes on the ability of the Parent Company to obtain funds from RSGI and its subsidiaries. See Item 8. Financial Statements and Supplementary Data - Note 10, Long-Term Debt in the Company's 2012 Annual Report on Form 10-K for further details.

The following tables present the Company's consolidating statement of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012, consolidating statements of cash flows for the nine months ended September 30, 2013 and 2012, respectively, and the Company's consolidating balance sheets as of September 30, 2013 and December 31, 2012:

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net sales	\$	\$	\$ 88.3	\$ 282.5	\$ (25.0)	\$ 345.8
Cost of products sold			56.1	162.5	(25.5)	193.1
Gross profit			32.2	120.0	0.5	152.7
Selling, general and administrative expenses			29.4	68.1		97.5
Gain on previously held equity investment				(16.0)		(16.0)
Restructuring and other severance costs			0.3	4.3		4.6
Asset write-downs and other			(0.9)	0.2		(0.7)
Operating income			3.4	63.4	0.5	67.3
Other income (expenses), net:						
Intergroup interest, net		15.6	(3.0)	(12.6)		
Interest expense, net		(20.7)	(0.8)	0.3		(21.2)
Loss on early extinguishment/modification of debt		(0.8)	(4.3)	(10.4)		(15.5)
Intergroup other, net		58.7	(51.5)	(7.2)		
Foreign exchange loss on financing activities, net		(11.6)	(0.2)	(19.4)		(31.2)
Other, net						
Other income (expenses), net		41.2	(59.8)	(49.3)		(67.9)
Income (loss) from continuing operations before taxes		41.2	(56.4)	14.1	0.5	(0.6)
Income tax provision (benefit)		2.7	(0.4)	(11.3)		(9.0)
Net income (loss) from continuing operations		38.5	(56.0)	25.4	0.5	8.4
(Loss) income from discontinued operations, net of tax		(6.1)	6.4	(60.5)		(60.2)
Gain on sale of discontinued operations, net of tax		3.0	8.9	1,151.9		1,163.8
Equity in undistributed earnings of subsidiaries	1,111.9	1,076.5	13.4	1,111.9	(3,313.7)	
Net income (loss)	1,111.9	1,111.9	(27.3)	2,228.7	(3,313.2)	1,112.0
Net income attributable to the noncontrolling interest				(0.1)		(0.1)
Net income (loss) attributable to Rockwood Holdings, Inc. shareholders	\$ 1,111.9	\$ 1,111.9	\$ (27.3)	\$ 2,228.6	\$ (3,313.2)	\$ 1,111.9

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net income (loss)	\$ 1,111.9	\$ 1,111.9	\$ (27.3)	\$ 2,228.7	\$ (3,313.2)	\$ 1,112.0
Other comprehensive income	103.5	103.5	0.9	177.0	(280.7)	104.2
Comprehensive income (loss)	1,215.4	1,215.4	(26.4)	2,405.7	(3,593.9)	1,216.2
Comprehensive income attributable to noncontrolling interest				(0.2)		(0.2)
Comprehensive income (loss) attributable to Rockwood Holdings, Inc. shareholders	\$ 1,215.4	\$ 1,215.4	\$ (26.4)	\$ 2,405.5	\$ (3,593.9)	\$ 1,216.0

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net sales	\$	\$	\$ 249.1	\$ 849.4	\$ (67.7)	\$ 1,030.8
Cost of products sold			156.1	478.7	(67.3)	567.5
Gross profit			93.0	370.7	(0.4)	463.3
Selling, general and administrative expenses		0.4	89.8	205.4		295.6
Gain on previously held equity investment				(16.0)		(16.0)
Restructuring and other severance costs			7.2	6.0		13.2
Asset write-downs and other			3.8	0.2		4.0
Operating (loss) income		(0.4)	(7.8)	175.1	(0.4)	166.5
Other income (expenses), net:						
Intergroup interest, net		53.4	(9.2)	(44.2)		
Interest expense, net		(66.1)	(1.8)			(67.9)
Loss on early extinguishment/modification of debt		(0.8)	(4.3)	(10.4)		(15.5)
Intergroup other, net		58.7	(36.6)	(22.1)		
Foreign exchange loss on financing activities, net		(18.0)	(0.5)	(23.2)		(41.7)
Other, net						
Other income (expenses), net		27.2	(52.4)	(99.9)		(125.1)
Income (loss) income from continuing operations before taxes		26.8	(60.2)	75.2	(0.4)	41.4
Income tax (benefit) provision		(0.7)	(0.2)	1.9	(0.2)	0.8
Net income (loss) from continuing operations		27.5	(60.0)	73.3	(0.2)	40.6
(Loss) income from discontinued operations, net of tax		(6.1)	17.9	(55.5)		(43.7)
Gain on sale of discontinued operations, net of tax		3.0	8.9	1,151.9		1,163.8
Equity in undistributed earnings of subsidiaries	1,161.5	1,137.1	46.7	1,161.5	(3,506.8)	
Net income	1,161.5	1,161.5	13.5	2,331.2	(3,507.0)	1,160.7
Net loss attributable to the noncontrolling interest				0.8		0.8
Net income attributable to Rockwood Holdings, Inc. shareholders	\$ 1,161.5	\$ 1,161.5	\$ 13.5	\$ 2,332.0	\$ (3,507.0)	\$ 1,161.5

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net income	\$ 1,161.5	\$ 1,161.5	\$ 13.5	\$ 2,331.2	\$ (3,507.0)	\$ 1,160.7
Other comprehensive income	45.3	45.3	0.1	99.0	(115.4)	74.3
Comprehensive income	1,206.8	1,206.8	13.6	2,430.2	(3,622.4)	1,235.0
Comprehensive income attributable to noncontrolling interest				(0.6)		(0.6)
Comprehensive income attributable to Rockwood Holdings, Inc. shareholders	\$ 1,206.8	\$ 1,206.8	\$ 13.6	\$ 2,429.6	\$ (3,622.4)	\$ 1,234.4

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATING STATEMENT OF OPERATIONS****THREE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in millions)****(Unaudited)**

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net sales	\$	\$	\$ 78.8	\$ 267.0	\$ (24.9)	\$ 320.9
Cost of products sold			55.4	147.8	(24.9)	178.3
Gross profit			23.4	119.2		142.6
Selling, general and administrative expenses			24.2	60.5		84.7
Restructuring and other severance costs			2.5	1.2		3.7
Asset write-downs and other				0.1		0.1
Operating income			(3.3)	57.4		54.1
Other income (expenses), net:						
Intergroup interest, net		7.1	(2.5)	(4.6)		
Interest expense, net		(10.6)	(0.3)	(0.7)		(11.6)
Intergroup other, net			12.3	(12.3)		
Foreign exchange gain (loss) on financing activities, net		0.1	(0.2)	0.3		0.2
Other, net			(0.1)	(0.2)		(0.3)
Other (expense) income, net		(3.4)	9.2	(17.5)		(11.7)
(Loss) income from continuing operations before taxes		(3.4)	5.9	39.9		42.4
Income tax (benefit) provision		(10.8)	11.6	12.8		13.6
Net income (loss) from continuing operations		7.4	(5.7)	27.1		28.8
Income from discontinued operations, net of tax			7.6	22.6		30.2
Equity in undistributed earnings of subsidiaries	59.6	52.2	14.6	59.6	(186.0)	
Net income	59.6	59.6	16.5	109.3	(186.0)	59.0
Net income attributable to the noncontrolling interest				0.6		0.6
Net income attributable to Rockwood Holdings, Inc. shareholders	\$ 59.6	\$ 59.6	\$ 16.5	\$ 109.9	\$ (186.0)	\$ 59.6

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME****THREE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in millions)**

Edgar Filing: Exterran Corp - Form 424B3

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net income	\$ 59.6	\$ 59.6	\$ 16.5	\$ 109.3	\$ (186.0)	\$ 59.0
Other comprehensive income	29.1	29.1		154.8	(181.9)	31.1
Comprehensive income	88.7	88.7	16.5	264.1	(367.9)	90.1
Comprehensive income attributable to noncontrolling interest				(1.2)		(1.2)
Comprehensive income attributable to Rockwood Holdings, Inc. shareholders	\$ 88.7	\$ 88.7	\$ 16.5	\$ 262.9	\$ (367.9)	\$ 88.9



**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATING STATEMENT OF OPERATIONS****NINE MONTHS ENDED SEPTEMBER 30, 2012****(Dollars in millions)****(Unaudited)**

	<b>Parent Company Guarantor</b>	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Total Consolidated Amounts</b>
Net sales	\$	\$	\$ 241.9	\$ 830.0	\$ (70.1)	\$ 1,001.8
Cost of products sold			159.1	466.9	(70.1)	555.9
Gross profit			82.8	363.1		445.9
Selling, general and administrative expenses		0.3	81.4	194.5		276.2
Restructuring and other severance costs			3.3	14.6		17.9
Asset write-downs and other				0.2		0.2
Operating (loss) income		(0.3)	(1.9)	153.8		151.6
Other income (expenses), net:						
Intergroup interest, net		40.8	(9.6)	(31.2)		
Interest expense, net		(38.1)	(0.5)	(2.6)		(41.2)
Loss on early extinguishment/modification of debt		(0.3)	(3.4)	(6.0)		(9.7)
Intergroup other, net			28.0	(28.0)		
Foreign exchange loss on financing activities, net		(4.3)	(0.6)	(3.0)		(7.9)
Other, net			(0.1)	(0.1)		(0.2)
Other (expenses) income, net		(1.9)	13.8	(70.9)		(59.0)
Income from continuing operations before taxes		(2.2)	11.9	82.9		92.6
Income tax (benefit) provision		(149.4)	13.9	23.5		(112.0)
Net income (loss) from continuing operations		147.2	(2.0)	59.4		204.6
Income from discontinued operations, net of tax			31.7	144.3		176.0
Equity in undistributed earnings of subsidiaries	358.5	211.3	43.1	358.5	(971.4)	
Net income	358.5	358.5	72.8	562.2	(971.4)	380.6
Net income attributable to the noncontrolling interest				(22.1)		(22.1)
Net income attributable to Rockwood Holdings, Inc. shareholders	\$ 358.5	\$ 358.5	\$ 72.8	\$ 540.1	\$ (971.4)	\$ 358.5

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME****NINE MONTHS ENDED SEPTEMBER 30, 2012**

Edgar Filing: Exterran Corp - Form 424B3

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net income	\$ 358.5	\$ 358.5	\$ 72.8	\$ 562.2	\$ (971.4)	\$ 380.6
Other comprehensive (loss) income	(1.9)	(3.6)	0.1	0.1	1.1	(4.2)
Comprehensive income	356.6	354.9	72.9	562.3	(970.3)	376.4
Comprehensive income attributable to noncontrolling interest				(19.6)		(19.6)
Comprehensive income attributable to Rockwood Holdings, Inc. shareholders	\$ 356.6	\$ 354.9	\$ 72.9	\$ 542.7	\$ (970.3)	\$ 356.8

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts						
<b>ASSETS</b>												
Current assets:												
Cash and cash equivalents	\$	\$	3.4	\$	811.5	\$	1,550.2	\$	(1,433.1)	\$	932.0	
Restricted Cash			14.2								14.2	
Accounts receivable, net				43.7		192.7					236.4	
Intergroup receivable			764.3	520.9		15.3			(1,300.5)			
Inventories				59.4		178.8			(6.8)		231.4	
Deferred income taxes						6.6					6.6	
Prepaid expenses and other current assets			0.1	15.0		70.6					85.7	
Assets of discontinued operations			94.0	290.0		1,411.2			(112.2)		1,683.0	
Total current assets			876.0	1,740.5		3,425.4			(2,852.6)		3,189.3	
Property, plant and equipment, net				134.1		666.5					800.6	
Investment in subsidiary	2,815.7	2,364.1	482.4	2,815.7	(8,477.9)							
Goodwill			25.5	617.5							643.0	
Other intangible assets, net			35.0	96.2							131.2	
Intergroup receivable	88.4	854.3	142.1	993.5	(2,078.3)							
Deferred financing costs, net			18.5								18.5	
Deferred income taxes			122.5			68.9			(16.2)		175.2	
Other assets			0.9	59.6							60.5	
Total assets	\$	2,904.1	\$	4,235.4	\$	2,560.5	\$	8,743.3	\$	(13,425.0)	\$	5,018.3
<b>LIABILITIES</b>												
Current liabilities:												
Accounts payable	\$		\$	7.9	\$	56.8	\$		\$		64.7	
Intergroup payable		515.5	0.1	1,574.6	643.2	(2,733.4)						
Accrued compensation				13.0	56.4						69.4	
Accrued expenses and other current liabilities			27.0	19.3	57.8						104.1	
Deferred income taxes			3.0	1.3	5.7	(2.3)					7.7	
Long-term debt, current portion					8.2						8.2	
Liabilities of discontinued operations			7.1	203.1	504.6	(171.6)					543.2	
Total current liabilities		515.5	37.2	1,819.2	1,332.7	(2,907.3)					797.3	
Long-term debt			1,250.0		37.3						1,287.3	
Pension and related liabilities				14.4	258.9						273.3	
Intergroup payable		23.0	120.0	399.9	1,475.7	(2,018.6)						
Deferred income taxes				16.2	33.6	(16.2)					33.6	
Other liabilities			12.5	25.1	68.1	(0.3)					105.4	
Total liabilities		538.5	1,419.7	2,274.8	3,206.3	(4,924.4)					2,496.9	
Restricted stock units		22.0									22.0	
<b>EQUITY</b>												
Rockwood Holdings, Inc. stockholders equity:												

Edgar Filing: Exterran Corp - Form 424B3

Common stock	0.8		190.6	164.7	(355.3)	0.8
Paid-in capital	1,249.5	1,037.1	516.0	1,678.1	(3,231.2)	1,249.5
Accumulated other comprehensive income	30.4	31.7	2.4	139.5	(173.6)	30.4
Retained earnings (deficit)	1,464.2	1,746.9	(423.3)	3,398.9	(4,772.5)	1,464.2
Treasury stock, at cost	(401.3)					(401.3)
Total Rockwood Holdings, Inc. stockholders equity	2,343.6	2,815.7	285.7	5,381.2	(8,482.6)	2,343.6
Noncontrolling interest				155.8		155.8
Total equity	2,343.6	2,815.7	285.7	5,537.0	(8,482.6)	2,499.4
Total liabilities and equity	\$ 2,904.1	\$ 4,235.4	\$ 2,560.5	\$ 8,743.3	\$ (13,425.0)	\$ 5,018.3

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2012

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 665.3	\$ 296.6	\$ 1,253.3	\$ (949.1)	\$ 1,266.1
Accounts receivable, net			34.4	171.1		205.5
Intergroup receivable		263.5	34.8	7.8	(306.1)	
Inventories			59.2	159.8	(6.3)	212.7
Deferred income taxes				6.8	0.7	7.5
Prepaid expenses and other current assets			14.0	33.9		47.9
Assets of discontinued operations		134.3	267.4	2,333.7	(142.8)	2,592.6
Total current assets		1,063.1	706.4	3,966.4	(1,403.6)	4,332.3
Property, plant and equipment, net			137.4	582.2		719.6
Investment in subsidiary	1,615.8	1,193.7	441.7	1,615.9	(4,867.1)	
Goodwill			25.4	585.1		610.5
Intergroup receivable	70.3	1,415.6	146.4	55.5	(1,687.8)	
Other intangible assets, net			41.8	81.6		123.4
Deferred financing costs, net		21.9	5.1	6.2		33.2
Deferred income taxes		130.9	6.7	9.3		146.9
Other assets			0.7	45.9		46.6
Total assets	\$ 1,686.1	\$ 3,825.2	\$ 1,511.6	\$ 6,948.1	\$ (7,958.5)	\$ 6,012.5
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$	\$	\$ 12.7	\$ 60.5	\$	\$ 73.2
Intergroup payable	30.2		558.1	666.9	(1,255.2)	
Income taxes payable				23.7		23.7
Accrued compensation			9.4	48.0		57.4
Accrued expenses and other current liabilities		20.6	23.9	42.7		87.2
Deferred income taxes		0.7	1.0	3.7	(1.4)	4.0
Long-term debt, current portion		30.6		7.8		38.4
Liabilities of discontinued operations			162.2	1,232.5	(142.8)	1,251.9
Total current liabilities	30.2	51.9	767.3	2,085.8	(1,399.4)	1,535.8
Long-term debt		2,143.5		37.9		2,181.4
Pension and related liabilities			15.3	260.8		276.1
Intergroup payable	16.7	2.1	440.2	1,228.7	(1,687.7)	
Deferred income taxes				31.2		31.2
Other liabilities		11.9	27.7	56.1		95.7
Total liabilities	46.9	2,209.4	1,250.5	3,700.5	(3,087.1)	4,120.2
Restricted stock units	12.5					12.5
<b>EQUITY</b>						
Rockwood Holdings, Inc. stockholders equity:						
Common stock	0.8		190.6	164.7	(355.3)	0.8

Edgar Filing: Exterran Corp - Form 424B3

Paid-in capital	1,243.1	1,044.0	505.8	1,691.1	(3,240.9)	1,243.1
Accumulated other comprehensive (loss) income	(14.9)	(13.6)	2.3	69.5	(58.2)	(14.9)
Retained earnings (deficit)	399.1	585.4	(437.6)	1,069.2	(1,217.0)	399.1
Treasury stock, at cost	(1.4)					(1.4)
Total Rockwood Holdings, Inc. stockholders' equity	1,626.7	1,615.8	261.1	2,994.5	(4,871.4)	1,626.7
Noncontrolling interest				253.1		253.1
Total equity	1,626.7	1,615.8	261.1	3,247.6	(4,871.4)	1,879.8
Total liabilities and equity	\$ 1,686.1	\$ 3,825.2	\$ 1,511.6	\$ 6,948.1	\$ (7,958.5)	\$ 6,012.5

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Net income	\$ 1,161.5	\$ 1,161.5	\$ 13.5	\$ 2,331.2	\$ (3,507.0)	\$ 1,160.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Equity in undistributed earnings of subsidiaries	(1,161.5)	(1,137.1)	(46.7)	(1,161.5)	3,506.8	
Loss (income) from discontinued operations, net of tax		6.1	(17.9)	55.5		43.7
Gain on sale of discontinued operations, net of tax		(3.0)	(8.9)	(1,151.9)		(1,163.8)
Depreciation and amortization			19.5	48.5		68.0
Deferred financing costs amortization		2.1	0.8	0.8		3.7
Loss on early extinguishment/modification of debt		0.8	4.3	10.4		15.5
Gain on previously held equity investment				(16.0)		(16.0)
Foreign exchange loss on financing activities, net		18.0	0.5	23.2		41.7
Fair value adjustment of derivatives						
Bad debt provision				0.2		0.2
Stock-based compensation			5.7	4.2		9.9
Deferred income taxes		(0.7)	(0.2)		(0.2)	(1.1)
Asset write-downs and other			3.8	0.2		4.0
Excess tax benefits from stock-based payment arrangements				(3.8)		(3.8)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:						
Accounts receivable			(9.3)	(17.4)		(26.7)
Inventories			(0.3)	(15.3)	0.4	(15.2)
Prepaid expenses and other assets			9.3	(15.9)		(6.6)
Accounts payable			(2.9)	(1.8)		(4.7)
Income taxes payable		(4.9)	4.2	(43.1)		(43.8)
Accrued expenses and other liabilities		12.3	13.9	(0.1)		26.1
Intercompany operating activities, net	485.2	(510.8)	535.8	(26.2)	(484.0)	
Net cash (used in) provided by operating activities of continuing operations	485.2	(455.7)	525.1	21.2	(484.0)	91.8
Net cash provided by operating activities of discontinued operations		(6.1)	22.6	170.5		187.0
Net cash (used in) provided by operating activities	485.2	(461.8)	547.7	191.7	(484.0)	278.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Capital expenditures (a)			(15.2)	(113.5)		(128.7)
Acquisitions				(33.8)		(33.8)
Increase in restricted cash		(14.2)				(14.2)

Edgar Filing: Exterran Corp - Form 424B3

Proceeds on sale of assets		2.2		0.3		2.5				
Intercompany investing related activity										
Net cash used in investing activities of continuing operations	(14.2)	(13.0)		(147.0)		(174.2)				
Net cash provided by (used in) investing activities of discontinued operations	56.7	(32.6)		1,624.8		1,648.9				
Net cash used in investing activities	42.5	(45.6)		1,477.8		1,474.7				
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>										
Issuance of common stock, net of fees		9.5				9.5				
Excess tax benefits from stock-based payment arrangements				3.8		3.8				
Payments of long-term debt	(1,128.1)			(2.2)		(1,130.3)				
Proceeds from long-term debt	204.0			0.6		204.6				
<b>Deferred financing costs</b>										
Fees related to early extinguishment/modification of debt	(0.1)			(5.1)		(5.2)				
Purchase of noncontrolling interest	(1.0)			(129.3)		(130.3)				
Dividends paid to shareholders	(94.8)					(94.8)				
<b>Distributions to noncontrolling shareholders</b>										
Share repurchases	(399.9)					(399.9)				
Intercompany financing related activity		683.4	11.2	(694.6)						
Net cash provided by (used in) financing activities of continuing operations	(485.2)	(241.8)	11.2	(826.8)		(1,542.6)				
Net cash used in financing activities of discontinued operations			2.0	(512.2)		(510.2)				
Net cash provided by (used in) financing activities	(485.2)	(241.8)	13.2	(1,339.0)		(2,052.8)				
Effect of exchange rate changes on cash and cash equivalents	(0.8)	(0.4)		(32.0)		(33.2)				
Net (decrease) increase in cash and cash equivalents	(661.9)	514.9		298.5	(484.0)	(332.5)				
Less net (decrease) increase in cash and cash equivalents from discontinued operations				1.6		1.6				
Increase (decrease) in cash and cash equivalents from continuing operations	(661.9)	514.9		296.9	(484.0)	(334.1)				
Cash and cash equivalents, beginning of period		665.3	296.6	1,253.3	(949.1)	1,266.1				
Cash and cash equivalents, end of period	\$	\$	3.4	\$	811.5	\$	1,550.2			
							\$	(1,433.1)	\$	932.0

(a) Net of governments grants of \$2.2 million.



## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2012

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Net income	\$ 358.5	\$ 358.5	\$ 72.8	\$ 562.2	\$ (971.4)	\$ 380.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Equity in undistributed earnings of subsidiaries	(358.5)	(211.3)	(43.1)	(358.5)	971.4	
Income from discontinued operations, net of tax			(31.7)	(144.3)		(176.0)
Depreciation and amortization			21.6	44.5		66.1
Deferred financing costs amortization		0.1	0.9	1.6		2.6
Loss on early extinguishment/modification of debt		0.3	3.4	6.0		9.7
Foreign exchange loss on financing activities, net		4.3	0.6	3.0		7.9
Bad debt provision			0.2	0.4		0.6
Stock-based compensation			4.6	4.1		8.7
Deferred income taxes		(141.6)	4.8	4.7		(132.1)
Asset write-downs and other			1.2	10.6		11.8
Excess tax benefits from stock-based payment arrangements				(1.4)		(1.4)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:						
Accounts receivable			(6.9)	(21.2)		(28.1)
Inventories			(13.1)	(6.2)		(19.3)
Prepaid expenses and other assets		(1.8)	(2.8)	(4.7)		(9.3)
Accounts payable			(2.4)	(2.9)		(5.3)
Income taxes payable		(7.7)	8.1	(13.1)		(12.7)
Accrued expenses and other liabilities		(4.0)	(13.8)	7.1		(10.7)
Intercompany operating activities, net	5.6	54.9	41.9	27.8	(130.2)	
Net cash provided by operating activities of continuing operations	5.6	51.7	46.3	119.7	(130.2)	93.1
Net cash provided by operating activities of discontinued operations			31.6	170.1		201.7
Net cash provided by operating activities	5.6	51.7	77.9	289.8	(130.2)	294.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Capital expenditures (a)			(45.7)	(63.2)		(108.9)
Acquisitions				0.2		0.2

Edgar Filing: Exterran Corp - Form 424B3

Proceeds on sale of assets				0.4		0.4
Net cash used in investing activities of continuing operations		(45.7)		(62.6)		(108.3)
Net cash used in investing activities of discontinued operations		(17.8)		(162.1)		(179.9)
Net cash used in investing activities		(63.5)		(224.7)		(288.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Issuance of common stock, net of fees	6.0					6.0
Excess tax benefits from stock-based payment arrangements				1.4		1.4
Payments of long-term debt		(555.7)		(1.4)		(557.1)
Proceeds from long-term debt		1,600.0		6.2		1,606.2
Deferred financing costs		(27.1)				(27.1)
Fees related to early extinguishment/modification of debt		(6.8)				(6.8)
Dividends paid to shareholders	(54.3)					(54.3)
Intercompany financing related activity		(116.7)	384.7	(268.0)		
Net cash (used in) provided by financing activities of continuing operations	(48.3)	893.7	384.7	(261.8)		968.3
Net cash provided by financing activities of discontinued operations				180.4		180.4
Net cash (used in) provided by financing activities	(48.3)	893.7	384.7	(81.4)		1,148.7
Effect of exchange rate changes on cash and cash equivalents		2.8	(0.5)	10.8		13.1
Net increase in cash and cash equivalents	(42.7)	948.2	398.6	(5.5)	(130.2)	1,168.4
Less net increase in cash and cash equivalents from discontinued operations				2.0		2.0
(Decrease) increase in cash and cash equivalents from continuing operations	(42.7)	948.2	398.6	(7.5)	(130.2)	1,166.4
Cash and cash equivalents, beginning of period	42.7		234.5	291.8	(253.8)	315.2
Cash and cash equivalents, end of period	\$	\$ 948.2	\$ 633.1	\$ 284.3	\$ (384.0)	\$ 1,481.6

(a) Net of governments grants of \$8.9 million.

**18. IMMATERIAL CORRECTIONS:**

During the financial closing period for the third quarter of 2013, after a formal investigation, the Company determined that management at a single location in Italy within the Color Pigments and Services business of its former Performance Additives segment (reported in discontinued operations effective September 2013 - see Note 2, Discontinued Operations, for further details) had falsified accounting records supporting certain asset, liability and income statement balances, beginning in 2007. Based on the investigation, the Company has identified amounts and concluded that they were not material individually or in the aggregate to any of its previously issued annual and interim financial statements, including the presentation of the Color Pigments and Services business as discontinued operations. Although management has determined the amounts individually and in the aggregate are not material to prior periods, in accordance with authoritative accounting literature on considering the effects of misstatements in prior years when quantifying misstatements in the current year, the financial statements included herein have been adjusted to correct for the impact of these items.

## Edgar Filing: Exterran Corp - Form 424B3

The Company has corrected the relevant financial information from previous reporting periods contained in these financial statements, now classified within discontinued operations, as well as the Non-Guarantor Subsidiaries column in the Company's guarantor financial information (See Note 17, Guarantor Financial Statements). The major adjustments to the relevant balances as originally reported in continuing operations would have been as follows:

## Edgar Filing: Exterran Corp - Form 424B3

- Cost of products sold would have increased by \$2.9 million and \$5.5 million (including depreciation of \$0.3 million and \$0.9 million) for the three and nine month periods ended September 30, 2012, respectively (with gross profit correspondingly decreased). After tax effects, net income would have decreased \$2.0 million (\$0.03 per share) and \$3.8 million (\$0.05 per share) for the three and nine months ended September 30, 2012, respectively.
- Inventories would have decreased by \$12.8 million as of December 31, 2012.
- Accounts receivable, prepaid expenses and other current assets and other assets (non-current) would have decreased by \$15.8 million as of December 31, 2012.
- Property, plant and equipment, net and other intangible assets, net would have increased by \$11.7 million as of December 31, 2012.
- Accounts payable and other accrued liabilities would have increased by \$17.6 million as of December 31, 2012.
- Deferred income taxes and other liabilities would have decreased by \$4.6 million as of December 31, 2012.

The following tables set forth the impact of the corrections of immaterial errors in the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and the Condensed Consolidated Balance Sheet as of December 31, 2012 and the Statement of Cash Flows for the nine months ended September 30, 2012. As noted above, certain of the immaterial adjustments related to periods prior to fiscal 2012 and have been reflected as a decrease in retained earnings as of January 1, 2012 in the Company's Condensed Consolidated Statements of Changes in Stockholders' Equity. The cumulative (after-tax) effect of those adjustments is \$25.5 million.

### Three months ended September 30, 2012

	As Previously Reported	Adjustments	Reclassifications for Discontinued Operations (See Note 2)	As Corrected and Reclassified
Cost of products sold	\$ 595.2	\$ 2.9	\$ (419.8)	\$ 178.3
Gross profit	267.6	(2.9)	(122.1)	142.6
Operating income	105.3	(2.9)	(48.3)	54.1
Income from continuing operations before taxes	84.3	(2.9)	(39.0)	42.4
Income from continuing operations	61.0	(2.0)	(30.2)	28.8
Net income	61.0	(2.0)		59.0
Net income attributable to Rockwood Holdings, Inc. shareholders	61.6	(2.0)		59.6

### Nine months ended September 30, 2012

	As Previously Reported	Adjustments	Reclassifications for Discontinued Operations (See Note 2)	As Corrected and Reclassified
Cost of products sold	\$ 1,747.2	\$ 5.5	\$ (1,196.8)	\$ 555.9
Gross profit	930.7	(5.5)	(479.3)	445.9
Operating income	405.9	(5.6)	(248.7)	151.6
Income from continuing operations before taxes	329.5	(5.7)	(231.2)	92.6
Income from continuing operations	384.4	(3.8)	(176.0)	204.6
Net income	384.4	(3.8)		380.6
Net income attributable to Rockwood Holdings, Inc. shareholders	362.3	(3.8)		358.5

Edgar Filing: Exterran Corp - Form 424B3

	As of December 31, 2012			
	As Previously Reported	Adjustments	Reclassifications for Discontinued Operations (See Note 2)	As Corrected and Reclassified
Total current assets (a)	\$ 2,666.5	\$ (27.7)	\$ 1,693.5	\$ 4,332.3
Total assets	5,973.7	(16.9)	55.7	6,012.5
Total current liabilities (b)	1,081.2	17.6	437.0	1,535.8
Total liabilities (c)	4,051.5	13.0	55.7	4,120.2
Retained earnings	428.4	(29.3)		399.1
Total equity	1,909.7	(29.9)		1,879.8

---

(a) Adjustments primarily in inventories, prepaid and other current assets.

(b) Adjustments primarily in accounts payable.

(c) Adjustments primarily in deferred income taxes and other liabilities.

Net cash provided by operating activities from continuing operations	\$	291.6	\$	5.9	\$	(204.4)	\$	93.1
Net cash used by investing activities from continuing operations		(282.8)		(5.4)		179.9		(108.3)

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Executive Summary**

We are a global developer, manufacturer and marketer of technologically advanced and high value-added specialty chemicals. We serve more than 50,000 customers across a wide variety of industries and geographic areas. We operate through two reportable segments: (1) Lithium and (2) Surface Treatment. We are focused on growth, productivity, cost reduction, margin expansion, divestment of non-core businesses, debt reduction, bolt-on acquisitions and increasing stockholder value.

In early 2013, we announced our plans to strategically evaluate our businesses. As a result:

- On June 14, 2013, the Company entered into a definitive agreement to sell CeramTec, its Advanced Ceramics segment, and completed this transaction on August 31, 2013.
- On July 26, 2013, the Company entered into a definitive agreement to sell its Clay-based Additives business, which was part of the Performance Additives segment, and completed this transaction on October 1, 2013.
- On September 17, 2013, the Company entered into a definitive agreement to sell its Titanium Dioxide Pigments, Color Pigments and Services, Timber Treatment Chemicals, Rubber/Thermoplastics Compounding and Water Chemistry businesses ( TiO2 Pigments and Other ). This transaction is expected to close during the first half of 2014, following the receipt of regulatory approvals.

The Company's condensed consolidated financial statements have been reclassified to reflect discontinued operations for all of these businesses for all periods presented. See Note 2, Discontinued Operations, for further details.

The following table is a summary of our financial highlights:

## Edgar Filing: Exterran Corp - Form 424B3

(\$ in millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 345.8	\$ 320.9	\$ 1,030.8	\$ 1,001.8
Net income from continuing operations	8.4	28.8	40.6	204.6
Adjusted EBITDA from continuing operations	81.6	83.7	245.1	240.4
Adjusted EBITDA from continuing operations margin	23.6%	26.1%	23.8%	24.0%
Diluted earnings per share from continuing operations attributable to Rockwood Holdings, Inc. shareholders	0.11	0.36	0.52	2.56

### *Results Third Quarter Review*

Total net sales were up in the third quarter of 2013 compared to the same period in the prior year primarily due to higher surface treatment volumes, particularly by higher automotive OEM and general industrial applications, as well as higher lithium volumes, primarily for lithium carbonate, lithium chloride and lithium hydroxide. This was partially offset by lower volumes and selling prices of potash in our Lithium segment.

Adjusted EBITDA from continuing operations decreased slightly in the third quarter of 2013 compared to the same period in the prior year primarily due to higher variable compensation costs and decreased volumes and selling prices of potash in our Lithium segment. This was partially offset by the higher net sales noted above.

Net income and diluted earnings per share from continuing operations were lower in the third quarter of 2013 compared to the same period in the prior year primarily due to higher foreign exchange losses on financing activities, increased interest expense, a loss on early extinguishment/modification of debt and higher variable compensation costs. This was partially offset by a gain recorded as a result of revaluing a previously held unconsolidated equity interest to fair value and the increased net sales noted above.

*Results Year-to-date Review*

Total net sales were up in the nine months ended September 30, 2013 compared to the same period in the prior year primarily due to higher surface treatment volumes, particularly by higher automotive OEM, general industrial and aerospace applications, and higher lithium volumes, primarily for lithium carbonate, lithium hydroxide and lithium chloride. Higher selling prices for surface treatment chemicals also had a favorable impact on net sales. This was partially offset by lower volumes and selling prices of potash and lower volumes of battery products in our Lithium segment.

Adjusted EBITDA from continuing operations increased in the nine months ended September 30, 2013 compared to the same period in the prior year primarily from the higher net sales noted above. This was partially offset by higher raw material costs in our Lithium segment, as well as higher variable compensation costs.

Net income and diluted earnings per share from continuing operations were lower in the nine months ended September 30, 2013 compared to the same period in the prior year primarily due to a \$139.0 million reversal of our federal valuation allowance on net deferred tax assets in the second quarter of 2012, higher foreign exchange losses on financing activities, increased interest expense and higher variable compensation costs. This was partially offset by a gain recorded as a result of revaluing a previously held unconsolidated equity interest to fair value and the increased net sales noted above.

*This discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements as a result of these risks and uncertainties, including those set forth in Forward-Looking Statements at the end of this Management's Discussion and Analysis ( MD&A ) section and the risk factors section of our 2012 Annual Report on Form 10-K. You should read the following MD&A together with our condensed consolidated financial statements and the notes to those statements that appear elsewhere in this Quarterly Report.*

**Factors Which Affect Our Results of Operations**

**Our Markets**

Because the businesses in our segments generally serve many unrelated end-use markets, we discuss the principal market conditions on a segment basis rather than a consolidated basis for our continuing operations. The principal market conditions in our segments and regions in which we operate that impacted our results of operations during the periods presented and in future periods include the following:



*Lithium*

- Demand for our lithium carbonate products is generally driven by demand in industrial applications, the aluminum business, the battery industry, glass ceramics and cement. Sales of lithium products specifically used in life science applications depend on the trends in drug development and growth in pharmaceuticals and agrochemicals markets, as well as generic competition. In 2012, net sales were up primarily from increased selling prices, as well as higher volumes of lithium carbonate used in battery applications and lithium specialties, partially offset by a decline in lithium carbonate technical grade and potash volumes. In the first nine months of 2013, net sales were up primarily from higher volumes of lithium carbonate, lithium hydroxide and lithium chloride. Compared to the fourth quarter of the prior year, we expect net sales growth for the remainder of the year driven primarily by increased volumes, particularly for lithium carbonate, as well as higher selling prices, partially offset by lower potash volumes and selling prices.

*Surface Treatment*

- Demand for Surface Treatment products generally follows the activity levels of metal processing manufacturers, including the automotive, steel and aerospace industries. In 2012, net sales were down slightly from lower volumes in Europe across most markets, partially offset by higher selling prices and increased volumes in the U.S. and Asia. In the first nine months of 2013, net sales were up primarily from higher automotive OEM, general industrial and aerospace applications, as well as higher selling prices. Compared to the fourth quarter of the prior year, we expect net sales growth for the remainder of 2013 primarily from increased volumes across most markets, as well as higher selling prices.

### **Global Exposure**

We operate a geographically diverse business, with 53% of our net sales in 2012 generated from shipments to customers in Europe, 21% to North America (predominantly, the United States), 15% to Asia and 11% to the rest of the world. For a geographic description of the origin of our net sales and location of our long-lived assets, see Item 8. Financial Statements and Supplementary Data - Note 3, Segment Information in our 2012 Form 10-K.

We have sold to customers in more than 60 countries and currently serve our diverse and extensive customer base with 31 operating manufacturing facilities in 17 countries. Consequently, we are exposed to global economic and political changes, particularly currency fluctuations that could impact our profitability and demand for our products.

Our sales and production costs are mainly denominated in U.S. dollars or Euros. Our results of operations and financial condition have been historically impacted by the fluctuation of the Euro against our reporting currency, the U.S. dollar. For the three and nine months ended September 30, 2013, the average exchange rate of the Euro against the U.S. dollar was higher compared to the same period in 2012. As a result, our net sales, gross profit and operating income were positively impacted. Historically, however, our operating margins have not been significantly impacted by currency fluctuations because, in general, sales and costs of products sold are generated or incurred in the same currency, subject to certain exceptions.

The foreign currency effect is the translation impact of the change in the average rate of exchange of another currency to the U.S. dollar for the applicable period as compared to the preceding period. The impact relates primarily to the conversion of the Euro to the U.S. dollar. Unless otherwise noted, all balance sheet items as of September 30, 2013 which are denominated in Euros are converted at the September 30, 2013 exchange rate of 1.00 = \$1.35. For the three months ended September 30, 2013 and 2012 and the nine months ended September 30, 2013 and 2012, the average rate of exchange of the Euro to the U.S. dollar is \$1.33 and \$1.25, respectively, and \$1.32 and \$1.28, respectively.

### **Raw Materials**

Raw materials constituted approximately 60% of our 2012 cost of products sold and we have a broad raw material base, with the cost of no single raw material representing more than 6% of our cost of products sold in 2012. Nonetheless, the significant price fluctuations our raw materials have experienced in the past during periods of high demand have had an adverse impact on our results of operations. In the first nine months of 2013, raw material costs were relatively flat compared to the same period in the prior year. We cannot accurately predict the impact of any future price increases for raw materials or any raw material shortages on our business as a whole or in specific geographic regions. In addition, we may not be able to pass on raw material price increases to our customers.

### **Energy Costs**

In 2012, energy purchases represented approximately 4% of our costs of products sold. Energy costs were down slightly in the first nine months of 2013 primarily in Europe, as well as Chile in our Lithium segment.

**Income Taxes**

We recorded an income tax benefit of \$9.0 million on a loss from continuing operations before taxes of \$0.6 million in the three months ended September 30, 2013. The income tax benefit was favorably impacted by the reversal of tax reserves and a beneficial foreign earnings mix.

**Other Charges and Credits**

During the periods presented, we incurred certain other charges that included acquisition and disposal costs, systems/organization establishment expenses, restructuring and other severance costs, foreign exchange gains and losses, and a loss on early extinguishment/modification of debt. See Items excluded from Adjusted EBITDA section in Note 3, Segment Information, for a discussion of other charges and credits recorded in the three and nine months ended September 30, 2013 and 2012.

**Note Regarding Non-GAAP Financial Measures**

A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. From time to time in this management's discussion and analysis, we disclose non-GAAP financial measures, such as Adjusted EBITDA, with supporting reconciliations to GAAP financial measures. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, in our 2012 Annual Report on Form 10-K for a definition of Adjusted EBITDA, management's uses of Adjusted EBITDA and its limitations.

**Results of Operations**

**Actual Results of Operations**

The following table presents the major components of our operations on an actual basis and Adjusted EBITDA (the reconciliation to net

Edgar Filing: Exterran Corp - Form 424B3

income is set forth in Reconciliation of Net Income Attributable to Rockwood Holdings, Inc. Shareholders to Adjusted EBITDA for the three and nine months ended September 30, 2013 and 2012 within this MD&A section), including as a percentage of net sales, for the periods presented. See Note 3, Segment Information, for segment information and a reconciliation from income (loss) from continuing operations before taxes to Adjusted EBITDA on a segment basis.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Statement of operations data:</b>				
<b>Net sales:</b>				
Lithium	\$ 120.3	\$ 116.0	\$ 364.5	\$ 355.3
Surface Treatment	193.6	175.3	569.3	547.7
Corporate and other	31.9	29.6	97.0	98.8
Total net sales	345.8	320.9	1,030.8	1,001.8
Gross profit	152.7	142.6	463.3	445.9
	44.2%	44.4%	44.9%	44.5%
Selling, general and administrative expenses	97.5	84.7	295.6	276.2
	28.2%	26.4%	28.7%	27.6%
Gain on previously held equity interest	(16.0)		(16.0)	
Restructuring and other severance costs	4.6	3.7	13.2	17.9
Asset write-downs and other	(0.7)	0.1	4.0	0.2
<b>Operating income (loss):</b>				
Lithium	30.7	33.0	94.0	91.5
	25.5%	28.4%	25.8%	25.8%
Surface Treatment	50.6	27.0	112.7	87.5
	26.1%	15.4%	19.8%	16.0%
Corporate and other	(14.0)	(5.9)	(40.2)	(27.4)
Total operating income	67.3	54.1	166.5	151.6
<b>Other expenses, net:</b>				
Interest expense, net	(21.2)	(11.6)	(67.9)	(41.2)
Loss on early extinguishment/modification of debt	(15.5)		(15.5)	(9.7)
Foreign exchange (loss) gain on financing activities, net	(31.2)	0.2	(41.7)	(7.9)
Other, net		(0.3)		(0.2)
Other expenses, net	(67.9)	(11.7)	(125.1)	(59.0)
(Loss) income from continuing operations before taxes	(0.6)	42.4	41.4	92.6
Income tax (benefit) provision	(9.0)	13.6	0.8	(112.0)
Income from continuing operations	8.4	28.8	40.6	204.6
(Loss) income from discontinued operations, net of tax	(60.2)	30.2	(43.7)	176.0
Gain on sale of discontinued operations, net of tax	1,163.8		1,163.8	
Net income	1,112.0	59.0	1,160.7	380.6
Net (income) loss attributable to noncontrolling interest	(0.1)	0.6	0.8	(22.1)
Net income attributable to Rockwood Holdings, Inc.	\$ 1,111.9	\$ 59.6	\$ 1,161.5	\$ 358.5
<b>Adjusted EBITDA from continuing operations:</b>				
Lithium	\$ 43.1	\$ 45.4	\$ 139.0	\$ 137.9
	35.8%	39.1%	38.1%	38.8%
Surface Treatment	45.0	37.9	127.9	116.6
	23.2%	21.6%	22.5%	21.3%
Corporate and other	(6.5)	0.4	(21.8)	(14.1)
Total Adjusted EBITDA from continuing operations	\$ 81.6	\$ 83.7	\$ 245.1	\$ 240.4

### Immaterial Corrections

During the financial closing period for the third quarter of 2013, after a formal investigation, we determined that management at a single location in Italy within the Color Pigments and Services business of our former Performance Additives segment (reported in discontinued operations effective September 2013 - see Note 2, Discontinued Operations, for further details) had falsified accounting records supporting certain asset, liability and income statement balances, beginning in 2007. We have evaluated the identified amounts and concluded that they were not material individually or in the aggregate to any of our previously issued annual and interim financial statements, including the presentation of the Color Pigments and Services business as discontinued operations. Although we have determined the amounts individually and in the aggregate are not material to prior periods, in accordance with authoritative accounting literature on considering the effects of misstatements in prior years when quantifying misstatements in the current year, the financial statements included herein have been adjusted to correct for the impact of these items.

As a result, we have revised our previously reported operating results to reflect certain immaterial adjustments, primarily related to cost of products sold. These adjustments reduced previously reported operating income by \$2.9 million and \$5.5 million and net income by \$2.0 million (\$0.03 per share) and \$3.8 million (\$0.05 per share) in the three and nine months ended September 30, 2012, respectively. See Note 18, Immaterial Corrections, for further details.

### *Three months ended September 30, 2013 compared to three months ended September 30, 2012*

### Overview

Net sales increased \$24.9 million, or 7.8%, over the prior year primarily due to higher volumes of \$20.4 million, particularly in our Surface Treatment segment, as well as higher volumes in our Lithium segment. The impact of currency changes of \$2.6 million and higher selling prices of \$1.9 million also had a favorable effect on net sales. See further discussion by segment below.

Operating income increased \$13.2 million, or 24.4%, over the prior year primarily due to the gain of \$16.0 million recorded in the three months ended September 30, 2013 as a result of revaluing our equity interest to fair value related to the acquisition of the remaining 50% interest in the previously unconsolidated Surface Treatment joint venture in India in July 2013 and the impact of higher sales volumes of \$9.9 million. This was partially offset by higher corporate costs of \$8.1 million, primarily for higher variable compensation costs, higher miscellaneous manufacturing costs of \$2.9 million and an unfavorable product mix of \$2.0 million.

Adjusted EBITDA from continuing operations decreased \$2.1 million, or 2.5%, over the prior year primarily due to higher corporate costs of \$6.9 million, primarily for higher variable compensation costs, higher miscellaneous manufacturing costs of \$2.9 million and an unfavorable product mix of \$2.0 million, partially offset by the impact of higher sales volumes of \$9.9 million.

Net income from continuing operations decreased \$20.4 million, or 70.8%, over the prior year due to increased foreign exchange losses on financing activities of \$31.4 million, a loss on extinguishment/modification of debt of \$15.5 million and increased interest expense, net of \$9.6 million, partially offset by the reasons noted above.

Income from discontinued operations, net of tax, decreased \$90.4 million to a loss of \$(60.2) million in the three months ended September 30, 2013 compared with the same period in the prior year primarily from an expected net loss of \$52.7 million in connection with the sale of the TiO<sub>2</sub> Pigments and Other businesses, lower selling prices of titanium dioxide pigments of \$41.5 million, acquisition and disposal costs of \$31.4 million related to professional fees incurred for the sale of the Advanced Ceramics, Clay-based Additives and TiO<sub>2</sub> and Other businesses and lower gross profit of \$19.3 million from the inclusion of only two months of the Advanced Ceramics business versus three months in the prior year quarter. This was partially offset by the impact of higher volumes of titanium dioxide pigments of \$26.3 million, as well as lower raw material costs of \$16.8 million, particularly for slag and ilmenite.

The gain on sale of discontinued operations, net of tax, of \$1,163.8 million recorded in the three months ended September 30, 2013 relates to the sale of the Advanced Ceramics segment in August 2013.

Net income attributable to Rockwood Holdings, Inc. shareholders increased \$1,052.3 million to \$1,111.9 million in the three months ended September 30, 2013 compared with the same period in the prior year due to the reasons noted above.

#### **Net sales**

*Lithium.* Net sales increased \$4.3 million, or 3.7%, over the prior year primarily from higher volumes of \$5.6 million, partially offset by lower selling prices of \$2.1 million from potash. Higher volumes of lithium carbonate, lithium chloride and lithium hydroxide were partially offset by lower volumes of potash.

*Surface Treatment.* Net sales increased \$18.3 million, or 10.4%, over the prior year primarily from higher volumes of \$13.6 million, particularly driven by higher automotive OEM and general industrial applications, and the acquisition of the remaining 50% interest in a previously unconsolidated joint venture, as well as higher selling prices of \$4.7 million.

*Corporate and other.* Net sales increased \$2.3 million, or 7.8%, over the prior year primarily from the favorable impact of currency changes.

### **Gross profit**

Gross profit increased \$10.1 million, or 7.1%, over the prior year due to the impact of higher sales volumes. Gross profit as a percentage of net sales were 44.2% and 44.4% for the three months ended September 30, 2013 and 2012, respectively.

### **Selling, general and administrative ( SG&A ) expenses**

SG&A expenses increased \$12.8 million, or 15.1%, over the prior year primarily from higher variable compensation costs. SG&A expenses as a percentage of net sales were 28.2% and 26.4 % for the three months ended September 30, 2013 and 2012, respectively.

### **Restructuring and other severance costs**

See Note 14, Restructuring And Other Severance Costs, for further details.

### **Gain on previously held equity interest**

The gain on previously held equity interest of \$16.0 million recorded in the three months ended September 30, 2013 is from the revaluation of the Company's equity interest to fair value related to the acquisition of the remaining 50% interest in the previously unconsolidated India joint venture.

### **Operating income**

*Lithium.* Operating income decreased \$2.3 million, or 7.0%, over the prior year primarily due to lower selling prices of \$2.1 million from potash, and higher miscellaneous manufacturing costs of \$1.6 million. This was partially offset by the impact of higher volumes of \$1.7 million.

*Surface Treatment.* Operating income increased \$23.6 million, or 87.4%, over the prior year primarily due to the gain on previously held equity interest of \$16.0 million related to the India joint venture, the impact of higher volumes of \$7.7 million and higher selling prices of \$4.7 million. This was partially offset by an unfavorable product mix of \$1.9 million, higher miscellaneous manufacturing costs of \$1.4 million and higher SG&A expenses of \$1.2 million.

*Corporate and other.* Operating loss increased \$8.1 million to \$14.0 million in the three months ended September 30, 2013 compared with the same period in the prior year, primarily from higher variable compensation costs.

#### **Other income (expenses)**

*Interest expense, net.* Interest expense, net increased \$9.6 million, or 82.8%, compared to the same period in the prior year primarily due to higher interest of \$13.7 million from the issuance of \$1.25 billion of the 2020 Notes in September 2012, partially offset by lower interest of \$4.4 million related to the repayment of all of the outstanding borrowings under the senior secured credit facility in September 2013.

*Loss on early extinguishment/modification of debt.* For the three months ended September 30, 2013, in connection with the repayment of all outstanding borrowings under the senior secured credit facility in September 2013, we recorded a charge of \$15.5 million consisting of the write-off of deferred financing costs of \$10.3 million and fees of \$5.2 million.

*Foreign exchange, net.* For the three months ended September 30, 2013, foreign exchange losses of \$31.2 million primarily relate to the impact of a stronger Euro on U.S. denominated cash equivalents recorded in a Euro-denominated entity and Euro-denominated intercompany loans.

#### **Income tax benefit/provision**

We recorded an income tax benefit of \$9.0 million on a loss from continuing operations before taxes of \$0.6 million in the three months ended September 30, 2013. This income tax benefit was favorably impacted by the reversal of tax reserves and a beneficial foreign earnings mix.



We recorded an income tax provision of \$13.6 million on income from continuing operations before taxes of \$42.4 million in the three months ended September 30, 2012 resulting in an effective tax rate of 32.1%. The effective tax rate of 32.1% is lower than the U.S. statutory rate of 35% primarily due to a release in a foreign valuation allowance.

#### **Adjusted EBITDA**

*Lithium.* Adjusted EBITDA decreased \$2.3 million, or 5.1%, from the prior year primarily due to lower selling prices of \$2.1 million primarily for potash, and higher miscellaneous manufacturing costs of \$1.6 million. This was partially offset by the impact of higher volumes for Lithium applications of \$1.7 million.

*Surface Treatment.* Adjusted EBITDA increased \$7.1 million, or 18.7%, over the prior year primarily due to higher volumes of \$7.7 million and higher selling prices of \$4.7 million. This was partially offset by an unfavorable product mix of \$1.9 million, higher miscellaneous manufacturing costs of \$1.4 million and higher SG&A expenses of \$1.2 million.

*Corporate and other.* Adjusted loss before interest, taxes, depreciation and amortization increased \$6.9 million to \$6.5 million in the three months ended September 30, 2013 compared with the same period in the prior year primarily from higher variable compensation costs.

#### ***Nine months ended September 30, 2013 compared to nine months ended September 30, 2012***

#### **Overview**

Net sales increased \$29.0 million, or 2.9%, over the prior year primarily due to higher volumes of \$17.5 million in our Surface Treatment and Lithium segments, as well as increased selling prices of \$11.3 million, primarily in our Surface Treatment segment. See further discussion by segment below.

Operating income increased \$14.9 million, or 9.8%, over the prior year primarily due to the gain of \$16.0 million as a result of revaluing the Company's previously held equity interest to fair value related to the acquisition of its remaining 50% interest in the previously unconsolidated Surface Treatment joint venture in India, higher selling prices of \$11.3 million, the impact of higher sales volumes of \$8.5 million and lower energy costs of \$2.1 million. This was partially offset by higher corporate costs of \$12.8 million, particularly variable compensation costs, increased asset write-downs of \$3.8 million, higher manufacturing costs of \$3.6 million and an unfavorable product mix of \$3.3 million.

Adjusted EBITDA from continuing operations increased \$4.7 million, or 2.0%, over the prior year primarily due to higher selling prices of \$11.3 million, the impact of higher sales volumes of \$8.5 million, lower energy costs of \$2.1 million and the favorable impact of currency changes of \$2.1 million. This was partially offset by higher corporate costs of \$12.8 million, higher manufacturing costs of \$3.6 million and an unfavorable product mix of \$3.3 million.

## Edgar Filing: Exterran Corp - Form 424B3

Net income from continuing operations decreased \$164.0 million, or 80.2% over the prior year due to the reversal of a \$139.0 million federal valuation allowance on net deferred tax assets in the nine months ended September 30, 2012 (see further discussion below and in Note 10, Income Taxes ), increased foreign exchange losses on financing activities of \$33.8 million, increased interest expense, net of \$26.7 million, partially offset by the reasons noted above.

Income from discontinued operations, net of tax, decreased \$219.7 million to a loss of \$(43.7) million in the nine months ended September 30, 2013 compared with the same period in the prior year primarily from lower selling prices of titanium dioxide pigments of \$158.7 million, acquisition and disposal costs of \$58.4 million related to professional fees incurred for the sale of the Advanced ceramics, Clay-based Additives and TiO<sub>2</sub> and Other businesses, an expected net loss of \$52.7 million in connection with the sale of the TiO<sub>2</sub> Pigments and Other businesses and lower production levels to reduce inventory resulting in lower fixed costs absorption of \$42.1 million. This was partially offset by the impact of higher volumes of titanium dioxide pigments of \$81.0 million.

The gain on sale of discontinued operations, net of tax, of \$1,163.8 million, recorded in the nine months ended September 30, 2013 relates to the sale of the Advanced Ceramics segment in August 2013.

Net loss attributable to noncontrolling interest of \$0.8 million was recorded in the nine months ended September 30, 2013 compared to net income attributable to noncontrolling interest of \$22.1 million in the nine months ended September 30, 2012. The change from the prior year was primarily related to lower net income generated by our Titanium Dioxide Pigments venture and the acquisition of our Titanium Dioxide Pigments venture partners' 39% interest in February 2013. See further discussion below.

Net income attributable to Rockwood Holdings, Inc. shareholders increased \$803.0 million to \$1,161.5 million for the nine months ended September 30, 2013 compared with the prior year due to the reasons noted above.

### **Net sales**

*Lithium.* Net sales increased \$9.2 million, or 2.6%, over the prior year primarily on increased volumes from lithium carbonate, lithium hydroxide and lithium chloride. This was partially offset by lower volumes of battery products.

*Surface Treatment.* Net sales increased \$21.6 million, or 3.9%, over the prior year primarily from higher volumes of \$11.4 million, particularly driven by automotive OEM, general industrial and aerospace applications, and the acquisition of the remaining 50% interest in a previously unconsolidated joint venture, as well as higher selling prices of \$11.2 million.

### **Gross profit**

Gross profit increased \$17.4 million, or 3.9%, over the prior year from higher selling prices of \$11.3 million and the impact of higher sales volumes of \$8.5 million. Gross profit as a percentage of net sales were 44.9% and 44.5% for the nine months ended September 30, 2013 and 2012, respectively.

### **Selling, general and administrative expenses**

SG&A expenses increased \$19.4 million, or 7.0%, over the prior year primarily from higher variable compensation costs. SG&A expenses as a percentage of net sales were 28.7% and 27.6% for the nine months ended September 30, 2013 and 2012, respectively.

### **Restructuring and other severance costs**

We recorded restructuring and other severance costs of \$13.2 million for the nine months ended September 30, 2013, primarily related to the closure of a lithium manufacturing facility in the U.S., environmental reserves recorded for facilities retained as part of the sale of the TiO<sub>2</sub> Pigments and Other businesses, organizational changes in the Surface Treatment segment, as well as closure costs related to the move of the Lithium headquarters to a new location. Restructuring and other severance costs of \$17.9 million recorded in the nine months ended September 30, 2012 primarily relate to the write-off of a trade name of \$10.3 million in the Lithium segment related to the reorganization of our former Specialty Chemicals segment and facility closure costs in connection with organizational changes in the Lithium and Surface Treatment segments. See Note 14, Restructuring And Other Severance Costs, for further details.

### **Gain on previously held equity interest**

The gain on previously held equity interest of \$16.0 million recorded in the nine months ended September 30, 2013 is from the revaluation of the Company's equity interest to fair value related to the acquisition of its remaining 50% interest in the previously unconsolidated India joint

venture in July 2013.

#### **Asset write-downs and other**

Asset write-downs and other were \$4.0 million and \$0.2 million for the nine months ended September 30, 2013 and 2012, respectively. The \$4.0 million recorded in 2013 is primarily related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility.

#### **Operating income**

*Lithium.* Operating income increased \$2.5 million, or 2.7%, over the prior year primarily due to lower restructuring and other severance costs of \$7.6 million, the impact of higher volumes of \$3.6 million, as well as lower energy costs of \$2.2 million. This was partially offset by higher raw material costs of \$5.4 million, asset write-downs of \$3.9 million related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility, and increased depreciation and amortization costs of \$1.9 million.

*Surface Treatment.* Operating income increased \$25.2 million, or 28.8%, over the prior year primarily due to the gain on previously held equity interest of \$16.0 million related to the India joint venture, higher selling prices of \$11.2 million, the impact of higher volumes of \$5.7 million and lower raw material costs of \$4.0 million. This was partially offset by higher selling, general and administrative costs of \$4.8 million, an unfavorable product mix of \$3.5 million and higher miscellaneous manufacturing costs of \$2.0 million.

*Corporate and other.* Operating loss increased \$12.8 million, or 46.7%, over the prior year primarily due to higher variable compensation costs.

#### **Other income (expenses)**

*Interest expense, net.* Interest expense, net increased \$26.7 million, or 64.8%, compared to the prior year primarily due to higher interest of \$42.6 million from the issuance of the 2020 Notes in September 2012, partially offset by lower interest of \$9.1 million from

the repayment of the 2014 Notes in March 2012 and lower interest of \$7.5 million from the repayment of all of the outstanding borrowings under the senior secured credit facility in September 2013.

*Loss on early extinguishment/modification of debt.* For the nine months ended September 30, 2013, in connection with the repayment of all outstanding borrowings under the senior secured credit facility in September 2013, we recorded a charge of \$15.5 million consisting of the write-off of deferred financing costs of \$10.3 million and fees of \$5.2 million. For the nine months ended September 30, 2012, we recorded a charge of \$9.7 million in connection with the redemption of our 2014 Notes in March 2012 comprised of redemption premiums of \$6.7 million and the write off of \$3.0 million of deferred financing costs.

*Foreign exchange, net.* For the nine months ended September 30, 2013, foreign exchange losses of \$41.7 million primarily relate to the impact of a stronger Euro on U.S. denominated cash equivalents recorded in a Euro-denominated entity and Euro-denominated intercompany loans. For the nine months ended September 30, 2012, foreign exchange losses of \$7.9 million primarily relate to the impact of the weaker Euro as of September 30, 2012 as compared to December 31, 2011 in connection with non-operating Euro-denominated transactions.

#### **Income tax benefit/provision**

We recorded an income tax provision of \$0.8 million on income from continuing operations before taxes of \$41.4 million in the nine months ended September 30, 2013 resulting in an effective tax rate of 1.9%. The effective tax rate of 1.9% is lower than the U.S. statutory rate of 35% primarily due to the reversal of tax reserves (9.9)% and a beneficial foreign earnings mix (24.4)%.

We recorded an income tax benefit of \$112.0 million on income from continuing operations before taxes of \$92.6 million in the nine months ended September 30, 2012. The effective tax rate of (121.0)% is lower than the U.S. statutory rate of 35% primarily due to a release of the federal valuation allowance (152.5)% and earnings generated in foreign jurisdictions with lower statutory tax rates of (3.6)%.

#### **Adjusted EBITDA**

*Lithium.* Adjusted EBITDA increased \$1.1 million, or 0.8%, over the prior year primarily due to the impact of higher volumes of \$3.6 million, lower energy costs of \$2.2 million and the favorable impact of currency changes of \$1.7 million. This was partially offset by higher raw material costs of \$5.4 million.

*Surface Treatment.* Adjusted EBITDA increased \$11.3 million, or 9.7%, over the prior year primarily due to higher selling prices of \$11.2 million, the impact of higher volumes of \$5.7 million and lower raw material costs of \$4.0 million. This was partially offset by higher selling, general and administrative costs of \$4.8 million, an unfavorable product mix of \$3.5 million and higher miscellaneous manufacturing costs of \$2.0 million.

## Edgar Filing: Exterran Corp - Form 424B3

*Corporate and other.* Adjusted loss before interest, taxes, depreciation and amortization increased \$7.7 million, or 54.6%, over the prior year primarily due to higher variable compensation costs.

**Reconciliation of Net Income Attributable to Rockwood Holdings, Inc. Shareholders to Adjusted EBITDA from Continuing Operations**

Because we view Adjusted EBITDA on both a consolidated basis and a segment basis as an operating performance measure, we use net income as the most comparable U.S. GAAP measure on a consolidated basis. The following table, which sets forth the applicable components of Adjusted EBITDA, presents a reconciliation of net income attributable to Rockwood Holdings, Inc. shareholders to Adjusted EBITDA from continuing operations on a consolidated basis:

(\$ in millions)	Three months ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income attributable to Rockwood Holdings, Inc. shareholders	\$ 1,111.9	\$ 59.6	\$ 1,161.5	\$ 358.5
Net income (loss) attributable to noncontrolling interest	0.1	(0.6)	(0.8)	22.1
Net income	1,112.0	59.0	1,160.7	380.6
Income tax (benefit) provision	(9.0)	13.6	0.8	(112.0)
Loss (income) from discontinued operations, net of tax	60.2	(30.2)	43.7	(176.0)
Gain on sale of discontinued operations, net of tax	(1,163.8)		(1,163.8)	
Income from continuing operations before taxes	(0.6)	42.4	41.4	92.6
Interest expense, net	21.2	11.6	67.9	41.2
Depreciation and amortization	22.8	22.3	68.0	66.1
Restructuring and other severance costs	4.6	3.7	13.2	17.9
Systems/organization establishment expenses	0.3	0.7	1.5	1.0
Acquisition and disposal costs	2.2	1.6	5.7	1.9
Loss on early extinguishment/modification of debt	15.5		15.5	9.7
Asset write-downs and other	(0.7)	0.1	4.0	0.2
Gain on previously held equity interest	(16.0)		(16.0)	
Foreign exchange loss (gain) on financing activities, net	31.2	(0.2)	41.7	7.9
Other	1.1	1.5	2.2	1.9
Adjusted EBITDA from continuing operations	\$ 81.6	\$ 83.7	\$ 245.1	\$ 240.4

**Liquidity and Capital Resources****Cash Flows**

*Operating Activities.* Net cash provided by operating activities was \$278.8 million and \$294.8 million for the nine months ended September 30, 2013 and 2012, respectively. This decrease was primarily due to lower net income (excluding gain on sale of discontinued operations), partially offset by lower working capital usage driven by lower inventory levels in Titanium Dioxide Pigments resulting from working capital initiatives.

*Investing Activities.* Net cash provided by (used in) investing activities was \$1,474.7 million and \$(288.2) million for the nine months ended September 30, 2013 and 2012, respectively. The increase in the nine months ended September 30, 2013 was primarily due to net proceeds received from the sale of the Advanced Ceramics segment in August 2013, partially offset by acquisitions in 2013, particularly the Surface Treatment India joint venture, and higher capital expenditures.

## Edgar Filing: Exterran Corp - Form 424B3

*Financing Activities.* Net cash (used in) provided by financing activities was \$(2,052.8) million and \$1,148.7 million for the nine months ended September 30, 2013 and 2012, respectively. In the nine months ended September 30, 2013, we repaid all of our outstanding borrowings under the term loans under our senior secured credit facility in the aggregate amount of \$911.0 million, repurchased Rockwood common shares in the aggregate amount of \$400 million, acquired the remaining 39% interest in our former Titanium Dioxide Pigments venture from Kemira for a purchase price of \$97.5 million (\$130.3 million based on the rate in effect on the date of purchase) and paid dividends to shareholders of \$94.8 million. With regard to financing activities of discontinued operations, we repaid all of our outstanding borrowings under the Titanium Dioxide Pigments facility agreement in the aggregate amount of \$394.5 million (\$512.4 million). In the first nine months of 2012, we issued a new tranche of term loan A under our existing senior secured credit facility in the amount of \$350.0 million and used the proceeds along with cash on hand to redeem all of our 2014 Notes (\$534.1 million in the aggregate based on the exchange rate in effect on the date of payment). Further, in September 2012, RSGI issued \$1.25 billion of 4.625% Senior Notes due in 2020. With regard to financing activities of discontinued operations, in June 2012, our former titanium dioxide venture Sachtleben GmbH issued new term loans in the aggregate amount of \$400.0 million (\$500.7 million based on the exchange rate in effect on the date of the transaction) and used a portion of the proceeds to retire existing term loans (\$195.0 million - \$244.1 million) and to pay a dividend to Kemira, the former venture partner of \$43.8 million.

### Liquidity

Our primary recurring source of liquidity has been and will continue to be cash generated from the operations of our subsidiaries. In addition, we



received cash proceeds of \$2.0 billion in August 2013 from the sale of our Advanced Ceramics segment and cash proceeds of \$626.6 million in October 2013 from the sale of our Clay-based Additives business. We also entered into a definitive agreement in September 2013 to sell our TiO<sub>2</sub> Pigments and Other businesses for \$1.325 billion, including \$225 million in pension obligations, subject to other customary adjustments. This transaction is expected to close during the first half of 2014, following the receipt of regulatory approvals.

In August 2013, our board of directors increased our quarterly cash dividend to \$0.45 per share. In January 2013, our board of directors authorized us to repurchase shares of Rockwood common stock up to an aggregate amount of \$400 million. This share repurchase program was completed in September 2013. In November 2013, our Board of Directors have authorized a new share repurchase program for shares of common stock up to \$500 million to be completed over two years. See Part II Other Information Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, for a summary of share repurchases in 2013. See Item 1A. Risk Factors - Dividends and Stock Repurchases. There can be no guarantee that we will continue to declare dividends or repurchase our stock in our 2012 Annual Report on Form 10-K.

Our primary liquidity requirements are working capital, debt service, capital expenditures, dividend payments, share repurchases and acquisitions. In 2013 and future periods, we believe that based on current conditions in our industry and markets, our cash reserves, cash flows from operations and borrowings will be adequate sources of liquidity. However, an economic downturn or recession may have a material adverse impact on our results of operations, cash flows from operations and our liquidity. See Item 1, Business, and Item 1A, Risk Factors in our 2012 Annual Report on Form 10-K.

In addition, our liquidity may be negatively impacted due to funding obligations related to certain pension plans. We have several pension plans located in Germany, Finland, the United Kingdom and the United States. We have entered into long-term funding arrangements related to the Dynamit Nobel Pensionskasse multiemployer pension plan located in Germany and our defined benefit pension plans located in the U.K. See Item 8. Financial Statements and Supplementary Data - Note 14, Employee Benefit Plans, of our 2012 Annual Report on Form 10-K for further details. Our funding obligations could change significantly based on the investment performance of the pension plan assets and changes in actuarial assumptions for local statutory funding valuations.

For our continuing operations, our overall unfunded position in our defined benefit plans as of September 30, 2013 is \$285.3 million and the funded status of our plans is 30%. However, 86% of our unfunded position is concentrated in plans mostly in Germany, where funding is neither legally required nor customary. When only the plans that have funding requirements are considered, the unfunded portion is \$41.1 million and the funded status is 75%.

For our discontinued operations, our overall unfunded position in our defined benefit plans as of September 30, 2013 is \$230.0 million and the funded status of our plans is 36%. However, 56% of our unfunded position is concentrated in plans mostly in Germany, where funding is neither legally required nor customary. When only the plans that have funding requirements are considered, the unfunded portion is \$101.8 million and the funded status is 54%. As of September 30, 2013, we have an outstanding letter of credit of \$28.5 million (\$38.6 million) related to a Titanium Dioxide Pigments defined benefit pension obligation in Finland.

The funding of our pension plans was in compliance with local requirements as of September 30, 2013. Almost all of our pension obligations are long-term in nature. Our annual cash outflows to meet funding requirements and benefit obligations historically have not significantly exceeded our pension expense. The measurement of our pension obligations and plan assets is dependent on a variety of actuarial assumptions and investment performance and is assessed annually.

## Edgar Filing: Exterran Corp - Form 424B3

As of September 30, 2013, we had cash and cash equivalents of \$932.0 million of which \$913.1 million was held by our foreign subsidiaries. We believe that the amount of funds held by our foreign subsidiaries as of such date not readily convertible into Euros or U.S. dollars was \$3.5 million. Based on our cash reserves, domestic cash flows from operations and our other sources of liquidity, we believe we have sufficient access to funds for our expected future domestic liquidity needs. Our intent is to permanently invest foreign funds outside the U.S. and our current plans do not demonstrate a need to repatriate them to fund our operations or dividends in the U.S. Further, if the cash and cash equivalents held by our foreign subsidiaries were needed for our operations or dividends in the U.S., we do not believe we would be required to accrue and pay taxes in the U.S. to repatriate these funds as sufficient funds could be repatriated by recalling certain intercompany loans we have with our foreign subsidiaries. Among other things, we may use available cash to invest in our business, reduce our term debt, pay dividends, repurchase shares or fund acquisitions.

As of September 30, 2013, we held \$14.2 million in restricted cash to collateralize the former letters of credit that have not yet been cancelled. In September 2013, we entered into a reimbursement agreement that commits the issuance of up to \$30 million in letters of credit on an unsecured basis. This is expected to substantially eliminate the cash collateral by December 31, 2013.

As of September 30, 2013, we had actual total indebtedness of \$1,295.5 million, consisting primarily of the 2020 Notes (\$1,250.0 million). See Item 8. Financial Statements and Supplementary Data - Note 10, Long-Term Debt, in our 2012 Annual Report on Form 10-K for a detailed discussion of these borrowings.

*Senior secured credit facilities.* On September 4, 2013, RSGI, a subsidiary of the Company, repaid all of its outstanding borrowings under the term loans under the Company's senior secured credit facility. The aggregate amount prepaid was \$893.5 million, consisting of \$306.2 million of term loan A and \$587.3 million of term loan B. RSGI also made a principal payment of \$17.5 million in August 2013 under its senior secured credit facility. On September 20, 2013, RSGI terminated its senior secured credit agreement. As a result, all commitments under the Credit Agreement were terminated and all obligations were discharged, including those under the revolving credit commitments.

## Edgar Filing: Exterran Corp - Form 424B3

*2020 Notes.* As of September 30, 2013, the outstanding amount of the 2020 Notes was \$1,250.0 million. The indenture governing the 2020 Notes contains certain negative and affirmative covenants. For example, the indenture prohibits us from incurring additional indebtedness, up to an amount not to exceed the greater of: i) \$2,250.0 million and ii) an amount such that the net secured leverage ratio shall not exceed 2.50 to 1.00 and prohibits us from making certain restricted payments subject to satisfying a fixed-charge coverage ratio, which is the ratio of Adjusted EBITDA (as defined therein) to fixed charges (as defined therein), which for the most recently ended four fiscal quarters is to be at least 2.00 to 1. For the four-fiscal-quarter period ended September 30, 2013, the fixed-charge coverage ratio equaled 6.65 to 1. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Definitions of Adjusted EBITDA, in our 2012 Annual Report on Form 10-K for a discussion of the definition of Adjusted EBITDA used in calculating our financial covenants.

As of September 30, 2013, the weighted-average interest rate for the Company is 4.6%, excluding deferred financing costs.

Given our use of Adjusted EBITDA (see Note Regarding Non-GAAP Financial Measures for the definition of Adjusted EBITDA and management's uses of Adjusted EBITDA) as a liquidity measure, the following table presents a reconciliation of net cash provided by operating activities from continuing operations to Adjusted EBITDA from continuing operations:

(\$ in millions)	Nine months ended September 30,	
	2013	2012
Net cash provided by operating activities from continuing operations	\$ 91.8	\$ 93.1
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions	60.7	66.3
Current portion of income tax provision	2.0	20.1
Interest expense, net, excluding amortization of deferred financing costs and unrealized losses/gains on derivatives	64.2	38.6
Restructuring and other severance costs	13.2	17.9
Systems/organization establishment expenses	1.5	1.0
Acquisition and disposal costs	5.7	1.9
Bad debt provision	(0.2)	(0.6)
Asset write-downs and other	4.0	0.2
Other	2.2	1.9
Total Adjusted EBITDA from continuing operations	\$ 245.1	\$ 240.4

### *Contractual Obligations*

The Company is obligated to make future payments under various contracts such as debt agreements (including scheduled cash interest payments), operating lease agreements, and unconditional purchase obligations. A discussion of these contractual obligations is included in our 2012 Annual Report on Form 10-K. As noted above, in March 2013, the Company repaid all of its outstanding borrowings under its Titanium Dioxide Pigments facility agreement, in the aggregate amount of \$394.5 million (\$512.4 million), and in September 2013, RSGI prepaid all of its outstanding borrowings under the term loans under the Company's senior secured credit facility. The aggregate amount prepaid was \$893.5 million, consisting of \$306.2 million of term loan A and \$587.3 million of term loan B. RSGI also made a principal payment of \$17.5 million in August 2013 under its senior secured credit facility.

### *Capital Expenditures*

## Edgar Filing: Exterran Corp - Form 424B3

Rockwood's capital expenditures for the nine months ended September 30, 2013 includes replacements of worn, obsolete or damaged equipment as well as investments in new equipment and plants. For the nine months ended September 30, 2013, capital expenditures, net of government grants received, were \$128.7 million and included the expansion of our production capacity for lithium compounds in Chile. For the nine months ended September 30, 2012, our capital expenditures, net of government grants received, were \$108.9 million.

Capital expenditures for each of our reporting segments are provided in the following table:

(\$ in millions)	Nine months ended September 30,			
	2013		2012	
Lithium	\$	111.7	\$	72.5
Surface Treatment		14.1		28.8
Corporate and other		2.9		7.6
Total	\$	128.7	\$	108.9

We may incur future costs for capital improvements and general compliance under Safety, Health and Environmental ( SHE ) laws. For the year ended December 31, 2012, our capital expenditures for SHE matters totaled \$23.1 million, excluding costs to maintain and repair pollution control equipment. For 2013, we estimate capital expenditures for compliance with SHE laws to be at similar levels; however, because capital expenditures for these matters are subject to changes in and new SHE laws, we cannot provide assurance that our recent expenditures will be indicative of future amounts required to comply with any such laws.

#### Recent Accounting Standards

See Item 1. Financial Statements (Unaudited) - Note 1, Basis of Presentation and New Accounting Standards, for a discussion of recent accounting standards.

#### Off-Balance Sheet Arrangements

In the normal course of business, the Company incurs obligations which include guarantees related to contract completion, regulatory compliance and product performance. Under certain circumstances, these obligations are supported through the issuance of letters of credit and other bank guarantees. As of September 30, 2013, the Company had approximately \$42.8 million of letters of credit and other bank guarantees, of which \$41.4 million will expire in 2013 through 2017. The remaining guarantees have no specified expiration date. In September 2013, we replaced all of our former letters of credit with uncollateralized letters of credit. In September 2013, we entered into a reimbursement agreement that commits the issuance of up to \$30 million in letters of credit on an unsecured basis. In the opinion of management, such obligations will not significantly affect the Company's financial position, results of operations or cash flows, as the Company anticipates fulfilling its performance obligations.

#### Commitments and Contingencies

See Item 1. Financial Statements (Unaudited) - Note 16, Commitments and Contingencies, for a discussion of the Company's Commitments and Contingencies.

#### Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities.

In our 2012 Annual Report on Form 10-K, our significant accounting policies are described in Note 1, Basis of Presentation and Significant Accounting Policies, and the critical accounting policies and estimates are described in the Management's Discussion and Analysis of Financial Condition and Results of Operations section. There have been no significant changes to these critical accounting policies and estimates as of September 30, 2013.

### **Forward-Looking Statements**

This document contains forward-looking statements. Forward-looking statements within the context of the Private Securities Litigation Reform Act of 1995 are not statements of historical fact and may involve a number of risks and uncertainties. Forward-looking statements give our current expectations or forecasts of future events and estimates of amounts not yet determinable. We have used the words anticipate, estimate, expect, project, intend, plan, believe, predict, could, may and other words and terms of similar meaning, including references to as, to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those expressed in or implied by these forward-looking statements. In particular, these factors include, among other things:

## Edgar Filing: Exterran Corp - Form 424B3

- our business strategy;
  - our ability to complete previous announced divestitures;
- our uses of the cash and cash equivalents from the completed or expected to be completed divestitures;
  - the prospects for and our outlook for our business;
- changes in the general economic conditions in North America and Europe and in other locations in which we currently do business;
  - competitive pricing or product development activities affecting demand for our products;
    - technological changes affecting production of our materials;
    - fluctuations in interest rates, exchange rates and currency values;
      - availability and pricing of raw materials;
  - governmental and environmental regulations and changes in those regulations;
    - fluctuations in energy prices;
  - changes in the end-use markets in which our products are sold;
    - hazards associated with chemicals manufacturing;
      - our ability to access capital markets;
      - our high level of indebtedness;
  - risks associated with negotiating, consummating and integrating acquisitions and divestitures;
- risks associated with competition and the introduction of new competing products, especially from the Asia-Pacific region;
  - risks associated with international sales and operations; and
  - risks associated with information security.

You should keep in mind that any forward-looking statements made by us in this document or elsewhere speak only as of the date on which we make them. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk from changes in interest rates, foreign currency exchange rates and commodity prices. We manage our exposure to these market risks through regular operating and financing activities and, in certain cases, through the use of derivatives. When used, derivatives are employed as risk management tools and not for trading purposes. A discussion and analysis of the Company's market risk is included in our 2012 Annual Report on Form 10-K. There have been no significant changes to these market risks as of September 30, 2013.

As discussed in See Item 1. Financial Statements (Unaudited) Note 5, Financial Instruments and Fair Value Measurements, in connection with the repayment of all borrowings under the Titanium Dioxide Pigments facility agreement in March 2013 in the aggregate amount of \$394.5 million (\$512.4 million), interest rate swaps with a notional amount of \$400 million (\$519.6 million based on the exchange rate in effect on the date of payment) were terminated resulting in a payment of \$3.0 million (\$3.9 million based on the exchange rate in effect on the date of the payment).

#### **Item 4. Controls and Procedures**

Our disclosure controls and procedures are designed to ensure that (a) information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2013 and concluded that, as of September 30, 2013, our disclosure controls and procedures are effective to accomplish their objectives at the reasonable assurance level.

There were no changes in our internal control over financial reporting during the third quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are involved in legal proceedings from time to time in the ordinary course of our business, including with respect to product liability, intellectual property and environmental matters. In addition, we may be required to make indemnity payments in connection with certain product liability and environmental claims. See Item 1, Business, and Item 1A, Risk Factors, Environmental Indemnities. We may be subject to environmental indemnity claims relating to properties we have divested; Product Liability. Due to the nature of our business and products, we may be liable for damages arising out of product liability claims; and Product Liability. Due to the nature of our business and products, we may be liable for damages arising out of certain indemnity claims in our 2012 Annual Report on Form 10-K.



**Migratory Bird Matter**

On October 16, 2013, the Company's subsidiary entered into a plea agreement, and the court entered a judgment for a one count class B misdemeanor for violations of the Migratory Bird Treaty Act of 1918. Pursuant to such judgment, the Company's subsidiary was sentenced to probation for a period of 18 months, paid a fine to the U.S. Fish and Wildlife Service of \$15,000 and paid restitution to the North American Wetlands fund of \$75,000.

We do not believe that any individual legal proceeding, government action or arbitration is likely to have a material effect on our financial condition, results of operations or cash flows. However, we cannot predict the outcome of any such actions or the potential for such future actions, and cannot predict whether the resolution of such actions could have a material effect on our financial condition, results of operations or cash flows in any quarterly or annual reporting period. See Note 16, Commitments and Contingencies, in this Form 10-Q and Item 3, Legal Proceedings in our 2012 Annual Report on Form 10-K.

**Item 1A. Risk Factors.**

A discussion of the Company's risk factors is included in our 2012 Annual Report on Form 10-K. There have been no material changes to these risk factors.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

**Issuer Purchases of Equity Securities**

The following table summarizes our repurchases of equity securities for the three month period ended September 30, 2013:

	<b>Total Number of Shares Purchased (a)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs (a)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (\$ in millions)</b>
July 1, 2013 - July 31, 2013	1,038,570	\$ 65.84	1,038,570	\$ 115.2
August 1, 2013 - August 31, 2013	1,219,194	64.81	1,219,194	36.2
September 1, 2013 - September 30, 2013	565,066	64.02	565,066	
	2,822,830		2,822,830	

(a) In January 2013, we announced that our board of directors has authorized us to repurchase shares of Rockwood common stock up to an aggregate amount of \$400 million and began repurchasing these shares in February 2013. This share repurchase program was completed in September 2013.

Rockwood's operations are conducted through its subsidiaries and its ability to make payments on any obligations it may have is dependent on the earnings and the distribution of funds from its subsidiaries. As a result, we are dependent upon cash dividends and distributions and other transfers from our subsidiaries to make dividend payments on our common stock. The amounts available to us to pay cash dividends are restricted by our subsidiaries' debt agreements. The indenture governing the 2020 Notes limits the ability of RSGI to make payments to us for regularly cash quarterly dividends on our common stock to an amount not to exceed \$0.45 per share, and limits our ability to repurchase shares of our common stock, subject to certain exceptions.

**Item 3. Defaults upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

The information concerning mine safety violations or other regulatory matters required by Section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 of this quarterly report. There were no items to report for the period ended September 30, 2013.

**Item 5. Other Information.**

None.

**Item 6. Exhibits**

See the Exhibit Index immediately following the signature page to this report. Such Exhibit Index is hereby incorporated by reference.

**SIGNATURES**

Pursuant to the requirements 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.

ROCKWOOD HOLDINGS, INC.

By: /s/ SEIFI GHASEMI  
Seifi Ghasemi  
Chairman and Chief Executive Officer  
Date: November 15, 2013

ROCKWOOD HOLDINGS, INC.

By: /s/ ROBERT J. ZATTA  
Robert J. Zatta  
Senior Vice President and Chief Financial Officer  
Date: November 15, 2013

**Exhibit Index**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.1 (A)	Stock Purchase Agreement, dated July 26, 2013, by and among RSGI, BYK Chemie GmbH and Altana AG.
10.2 (B)	Stock Purchase Agreement, dated September 17, 2013, by and among RSGI and Huntsman International LLC.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 or any other provision of the Securities Exchange Act of 1934, as amended.
32.2	Section 1350 Certification of Chief Financial Officer. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 or any other provision of the Securities Exchange Act of 1934, as amended.
95.1*	Mine Safety Disclosure Exhibit
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
101.DEF.XBRL**	XBRL Taxonomy Extension Definition Linkbase

---

\* Filed herewith.

\*\* Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

(A) Incorporated by reference to the Current Report on Form 8-K of Rockwood Holdings, Inc. filed on July 31, 2013.

(B) Incorporated by reference to the Current Report on Form 8-K of Rockwood Holdings, Inc. filed on September 23, 2013.

