GRAFTECH INTERNATIONAL LTD
Form 8-K12B
November 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 30, 2010

GRAFTECH INTERNATIONAL LTD.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**1-13888**	**27-2496053**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

12900 Snow Road

Parma, Ohio 44130

(Address of Principal Executive Offices, including Zip Code)

Registrant s Telephone Number, including Area Code: 216-676-2000

GrafTech Holdings Inc.

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off- Balance Sheet Arrangement of a Registrant.

Item 3.02. Unregistered Sales of Equity Securities.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Item 8.01. Other Events.

On November 30, 2010 (the Closing Date), the transactions contemplated by (i) that certain Agreement and Plan of Merger, dated as of April 28, 2010, by and among GrafTech International Ltd., GrafTech Holdings Inc., GrafTech Delaware I Inc., GrafTech Delaware II Inc., Seadrift Coke L.P. (Seadrift) and certain partners of Seadrift (the Seadrift Merger Agreement), and (ii) that certain Agreement and Plan of Merger, dated as of April 28, 2010, by and among GrafTech International Ltd., GrafTech Holdings Inc., GrafTech Delaware III Inc., C/G Electrodes LLC (C/G) and certain members of C/G (the C/G Merger Agreement) were consummated. The entry by GrafTech International Ltd. and GrafTech Holdings Inc. into the Seadrift Merger Agreement and the C/G Merger Agreement was previously reported in Item 5 Other Information of Part II of GrafTech International Ltd. s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on April 29, 2010. The terms of the Seadrift Merger Agreement and the C/G Merger Agreement are also more thoroughly described in the Prospectus, dated November 19, 2010, which is a part of Amendment No. 2 to the Registration Statement on Form S-4 (Registration No. 333-167446) filed by GrafTech Holdings Inc. with the Securities and Exchange Commission (the S-4 Registration Statement).

The Reorganization

Immediately prior to effectuating the reorganization of its holding company structure, on November 30, 2010, GrafTech International Ltd. (Old GTI) amended its existing Restated Certificate of Incorporation to eliminate the previously designated 1,000,000 shares of Series A Junior Participating Preferred Stock. No shares of Series A Junior Participating Preferred stock were ever issued by Old GTI. A copy of the Certificate of Elimination of Series A Junior Participating Preferred Stock (the Certificate of Elimination) as filed by Old GTI with the Secretary of State of Delaware as filed as Exhibit 3.1.0 to this Current Report on Form 8-K.

Following the filing of the certificate of Elimination, on the Closing Date, Old GTI and GrafTech Holdings Inc. (New GTI) reorganized their holding company structure (the Reorganization) pursuant to Section 251(g) of the Delaware General Corporation Law (DGCL) and the provisions of the Seadrift Merger Agreement. In connection with the Reorganization, New GTI became the parent public reporting company and changed its name to GrafTech International Ltd. In addition, the former public reporting company, Old GTI, changed its name to GrafTech Holdings Inc. and became a wholly-owned subsidiary of New GTI.

As part of the Reorganization, each outstanding share of common stock, par value \$.01 per share, of Old GTI was converted into one share of common stock, par value \$.01 per share, of New GTI having the same rights, powers, preferences, qualifications, limitations and restrictions as the common stock of Old GTI.

The certificate of incorporation and bylaws of New GTI immediately following consummation of the Reorganization are identical to those of Old GTI immediately prior to the consummation of the Reorganization (other than provisions regarding certain technical matters, as permitted by Section 251(g) of the DGCL), and the directors and officers of New GTI immediately following consummation of the Reorganization are identical to the directors and officers of Old GTI immediately prior to consummation of the Reorganization. Copies of the Amended and Restated Certificate of Incorporation of New GTI and the Amended and Restated Bylaws of New GTI as effective immediately following consummation of the Reorganization are filed as Exhibits 3.2.0 and 3.3.0, respectively, to this Current Report on Form 8-K. The shares of common stock of New GTI have been listed on the New York Stock Exchange in lieu of the shares of common stock of Old GTI and will continue to trade under the same GTI symbol and the same CUSIP Number (384313201).

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New GTI is deemed the successor to Old GTI pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934 (the Exchange Act), and the common stock of New GTI is deemed to be registered under Section 12(b) of the Exchange Act. New GTI will be deemed a large accelerated filer for purposes of Rule 12b-2 under the Exchange Act. New GTI has succeeded to Old GTI s Commission file number and will continue to file reports thereunder.

In connection with the Reorganization, all outstanding equity awards, including options, restricted stock, performance-based units or other rights to receive shares of common stock of Old GTI under the GrafTech International Ltd. 2005 Equity Incentive Plan, the GrafTech International Ltd. Management Stock Incentive Plan (Senior Management Version), the GrafTech International Ltd. Management Stock Incentive Plan (Mid-Management Version) and the GrafTech International Ltd. Management Stock Incentive Plan (Original Version), each as amended (collectively, the Equity Compensation Plans), were converted into equity awards, including options, restricted stock, performance-based units or other rights, respectively, for the same number of shares of common stock of New GTI upon the same terms and conditions as the existing equity awards. New GTI also assumed all of old GTI s obligations with respect to shares registered on Form S-8 for distribution pursuant to outstanding awards, and awards to be granted, under the Equity Compensation Plans.

New GTI assumed all obligations of Old GTI under each of the Severance Compensation Agreements with certain executives of Old GTI and its subsidiaries (the Severance Agreements) as well as the GrafTech International Ltd. Incentive Compensation Plan and the GrafTech International Ltd. Executive Incentive Compensation Plan (collectively, the Cash Incentive Plans). Each outstanding award under the Cash Incentive Plans was converted into the right to receive the same benefit from New GTI under the same terms and conditions as the existing awards. Each executive who was a party to a Severance Agreement consented to the assumption of the agreement by New GTI and the clarifications made under the agreements relating to Section 409A of the Internal Revenue Code.

New GTI also assumed all obligations of Old GTI under each of the Indemnification Agreements entered into between Old GTI and certain directors and officers of Old GTI.

Acquisitions of Seadrift and C/G

Immediately following the consummation of the Reorganization, New GTI consummated the acquisitions of Seadrift and C/G pursuant to the Seadrift Merger Agreement and the C/G Merger Agreement, respectively.

Pursuant to the Seadrift Merger we acquired from the equity holders of Seadrift the 81.1% of the equity interests in Seadrift that we did not already own. Seadrift is one of the world s largest manufacturers of petroleum-based needle coke and owns the world s only known stand-alone petroleum-based needle coke plant, located in Port Lavaca, Texas. The plant s capacity in 2009 was approximately 150,000 metric tons per year. In addition to calcined needle coke, the plant produces naphtha, gas oil and electricity as by-products. We believe that Seadrift produces approximately 17% of the world s needle coke supply. Needle coke is the key raw material used to make graphite electrodes, including premium UHP graphite electrodes, which are critical consumables in electric arc furnace (EAF) steel production. Seadrift shipped approximately 144,000 metric tons and 148,000 metric tons of needle coke in 2007 and 2008, respectively. In 2009, shipments declined dramatically in light of the global economic crisis to 39,000 metric tons. Seadrift s manufacturing facility is located on approximately 450 acres of land. The plant occupies approximately 80 of those acres. At December 31, 2009, Seadrift had approximately 150 employees.

Pursuant to the C/G Merger we acquired from the equity holders of C/G 100% of the equity interests in C/G. C/G is a manufacturer of large diameter UHP graphite electrodes used in the EAF steel making process.

The principal products produced by C/G are UHP graphite electrodes ranging in diameter from 18 to 30 inches, in length from 72 to 120 inches and in weight from 1,200 to over 5,000 pounds. C/G ships graphite electrodes to more than 55 EAF steel mills worldwide. C/G estimates that it supplied approximately 1% of all graphite electrodes purchased worldwide in 2009. While graphite electrodes comprise 95% of C/G s net revenues, C/G also sells various other graphite-related products, including specialty graphite blocks, granular graphite and partially processed electrodes. C/G s production facility is located in St. Mary s, Pennsylvania. It is comprised of 20 buildings located on approximately 150 acres and has a current shipment capacity of 26,500 metric tons of electrodes per year. At December 31, 2009, C/G had 155 employees.

For financial information concerning Seadrift and C/G, see Item 9.01, Financial Statements and Exhibits of this Current Report on Form 8-K.

The consideration paid for Seadrift consisted of $90.0 million in cash (including working capital adjustments), approximately 12,000,000 shares of New GTI common stock and $100 million in aggregate face amount of non-interest bearing senior subordinated promissory notes of New GTI due 2015. The consideration paid for C/G consisted of $160.6 million in cash (including working capital adjustments), approximately 12,000,000 shares of New GTI common stock and $100 million in aggregate face amount of non-interest bearing senior subordinated promissory notes of New GTI due 2015. Of the aggregate cash consideration, approximately $165 million was funded through borrowings under New GTI s principal revolving credit facility (the Revolving Facility). The balance of the cash portion of the purchase price, approximately $86 million, was paid from cash on hand.

Promissory Notes

The senior subordinated promissory notes issued to holders of equity in Seadrift and C/G on the Closing Date (the Promissory Notes) as part of the consideration for the acquisitions of Seadrift and C/G are substantially identical. Each Promissory Note will mature on the fifth anniversary the Closing.

The Promissory Notes are non-interest bearing and are subordinated on a senior subordinated basis to senior debt of New GTI and certain of its subsidiaries (including Seadrift and C/G). Senior debt includes: (i) indebtedness, obligations and guarantees under the Revolving Facility in an aggregate principal amount of up to $390 million; (ii) indebtedness and obligations under foreign liquidity facilities in an aggregate principal amount of up to $145 million; and (iii) other indebtedness for borrowed money (and related guarantees of subsidiaries) if, on the date of incurrence (or, if earlier, the date of entry into the agreement with respect to such indebtedness or guarantee) and after giving pro forma effect thereto, New GTI s leverage ratio (its ratio of consolidated net debt to consolidated EBITDA) would not exceed 4:00 to 1:00. If any indebtedness for borrowed money described in clause (iii) of the preceding sentence is incurred and after giving pro forma effect thereto New GTI s leverage ratio would exceed 4:00 to 1:00, New GTI and its subsidiaries will grant the holders of the Promissory Notes a security interest on a pari passu basis with any security interest granted to the holders of such indebtedness.

New GTI s significant U.S. subsidiaries (Subsidiary Guarantors), including Seadrift and C/G, have provided senior subordinated guarantees of the Promissory Notes, which are subordinated and secured to the same extent as New GTI s obligations under the Promissory Notes.

New GTI may redeem the Promissory Notes at any time, upon 30 days notice, at 100% of the principal amount of the Promissory Notes.

The Promissory Notes may be accelerated upon the occurrence of certain events of default, and the Promissory Notes will be automatically accelerated upon an insolvency event of default with respect to New GTI or any of the Subsidiary Guarantors. The holders of a majority in outstanding principal amount of the Promissory Notes may accelerate the Promissory Notes upon the occurrence of the following events of default:

the failure of New GTI or any of the Subsidiary Guarantors to comply with any term under the Promissory Notes for 30 days after written notice of default; the acceleration of senior debt of New GTI, any significant subsidiary or any Subsidiary Guarantor in excess of $50 million; or a change in control.

For purposes of the Promissory Notes, a change in control generally occurs on the date on which:

any person or group becomes the beneficial owner of more than 35% of New GTI s outstanding common stock or voting securities (not including securities held by its employee benefit plans or related trusts);

any person or group acquires the right to vote on any matter, by proxy or otherwise, with respect to more than 35% of New GTI s outstanding common stock or voting securities (not including securities held by its employee benefit plans or related trusts);

New GTI s stockholders approve a plan of dissolution or complete or substantially complete liquidation or its Board approves such a plan other than in connection with a reorganization, recapitalization or similar transaction following which all or a majority of the business of New GTI and its subsidiaries (taken as a whole) are continued by New GTI or any successor thereto;

any consummation of a merger or other business combination unless, following such business combination, the beneficial owners of the common stock and the voting securities of New GTI prior to such business combination beneficially own more than 50% of the common equity and voting securities of the surviving entity in substantially the same proportions as prior to such business combination, no person or group (excluding its employee benefit plans or related trusts) beneficially owns more than 50% of the common equity or voting securities of the surviving entity and at least a majority of the members of the board of directors of the surviving entity were members of New GTI s Board prior to such business combination; or

any consummation of a sale, lease or other transfer of all or substantially all of the assets of New GTI, whether held directly or indirectly through one or more subsidiaries (excluding a grant of security interest, sale-leaseback or similar transaction in the ordinary course of business, or in connection with a credit facility or other financing, but including any foreclosure sale).

A change in control will not be deemed to have occurred for purposes of the Promissory Notes, however, to the extent that the Milikowsky Holders (as defined under Registration Rights and Stockholders Agreement below) and their related parties initiate or participate in an event or circumstance prescribed by the standstill provisions of the Registration Rights and Stockholders Agreement, regardless of whether it would be permitted thereby.

The holders of a majority in outstanding principal amount of the Promissory Notes have the sole right to waive any default and any such waiver is binding on all holders. No holder of a Promissory Note may institute against New GTI, or join with or assist any person in instituting against New GTI, any bankruptcy or similar action.

The foregoing description of the Promissory Notes does not purport to be complete and is qualified in its entirety by reference to the form of Promissory Note filed as Exhibit 10.1.0 to this Current Report on Form 8-K.

Issuance of Unregistered Shares of New GTI Common Stock

In connection with the Closing of the Seadrift Merger and the C/G Merger, New GTI issued to the equity holders of Seadrift and the equity holders of C/G an aggregate of approximately 24,000,000 shares of New GTI common stock as part of the merger consideration. The shares were issued in reliance on the exemption set forth in Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. No cash proceeds were received from the issuance of these shares of common stock.

Registration Rights and Stockholders Agreement

On the Closing Date, New GTI entered into a Registration Rights and Stockholders Agreement, dated as of the Closing Date, with certain of the equity holders of Seadrift and C/G who received shares of common stock of New GTI as part of the consideration for their equity interests in Seadrift and C/G. The Registration Rights and Stockholders Agreement contains lock-up and standstill provisions, transfer restrictions, director nomination rights and registration rights with respect to the shares of New GTI common stock, par value $0.01 per share, issued to the equity holders of Seadrift and C/G. As used herein, the term Milikowsky Holders means Nathan Milikowsky, Daniel Milikowsky, The Rebecca and Nathan Milikowsky Family Foundation, The Daniel and Sharon Milikowsky Family Foundation, Inc., NMDM Investments LLC, Rebecca Milikowsky, Brina Milikowsky, Shira Milikowsky, Daniel Milikowsky Family Holdings, LLC and Seadrift Coke LLC.

Lock-up and Standstill Provisions

Each of the Milikowsky Holders agreed, for two (2) years following consummation of the Seadrift Merger and thereafter until six (6) months after the later of (i) the termination of the Milikowsky Holders right to nominate an individual for election as a director of New GTI (see, ***Board Nomination Rights*** , below) and (ii) the date on which any such nominated director ceases to be a member of New GTI s Board, that:

- it will not enter into, and will not permit any of its controlled affiliates or related parties to enter into, any contract to purchase, sell, borrow, lend, pledge, or otherwise acquire or transfer, directly or indirectly, any securities of New GTI; and

- it will not enter into, and will not permit any of its controlled affiliates or related parties to enter into, any economic or voting derivative, swap or other contract that transfers to, or acquires from, any other person any of the voting rights or economic consequences of ownership of any securities of New GTI or the value of which is measured or determined by, or with respect to, the value of any securities of New GTI.

The foregoing lock-up terminates upon (i) a change in control as described below (except that the percentage thresholds in the first two bullets of the definition of change in control shall be 50% (and not 35%)); (ii) bankruptcy of New GTI or any of its significant subsidiaries; (iii) New GTI s failure to comply in any material respect with the board nomination rights; (iv) the delisting of New GTI s common stock from the New York Stock Exchange (other than in connection with relisting on another national or international exchange); or (v) the transfer by the Milikowsky Holders and their related parties of at least 90% of the New GTI common stock owned by them to persons other than related parties.

Each of the Milikowsky Holders agreed not to take any of the following actions for a period of two (2) years following consummation of the Seadrift Merger and thereafter until six (6) months after the later of (i) the termination of the Milikowsky Holders right to nominate an individual for election as a director of New GTI and (ii) the date on which any such nominated director ceases to be a member of New GTI s Board (the standstill):

- initiate or participate in any solicitation of proxies to vote any securities of New GTI;

- advise or influence any person (other than a related party) with respect to the voting of any securities of New GTI;

- take any action to change, control or influence the management (including the composition of New GTI s Board) or policies of New GTI (except in connection with the exercise of the fiduciary duties of the board nominee of the Milikowsky Holders if he is then serving as a member of New GTI s Board) or to obtain representation on the Board (except for the board designation rights in the Registration Rights and Stockholders Agreement);

- make any public announcement with respect to, submit a public proposal for or make any public offer as to any extraordinary transaction involving New GTI;

- form, assist or participate in a group in connection with any of the foregoing;

- enter into any discussions, arrangements or contracts with any other person regarding any of the foregoing; or

- take any action that would require New GTI under applicable laws, due to fiduciary duties, or otherwise, to make any public announcement relating to any of the foregoing or any extraordinary transaction.

The standstill provisions terminate upon (i) a change in control as described below (except that the percentage thresholds in the first two bullets of the definition of change in control shall be 50% (and not 35%)); (ii) bankruptcy of New GTI or any of its significant subsidiaries; (iii) New GTI s failure to comply in any material respect with the board nomination rights; or (iv) the delisting of New GTI s common stock from the New York Stock Exchange (other than in connection with relisting on another national or international exchange).

Notwithstanding the lock-up and standstill provisions, Nathan Milikowsky and Rebecca Milikowsky may transfer up to an aggregate of 1,600,000 shares (as adjusted for any stock split, stock dividend, combination or other recapitalization or reclassification transactions by us) of New GTI common stock to The Rebecca and Nathan Milikowsky Family Foundation and Daniel Milikowsky and Daniel Milikowsky Family Holdings LLC may transfer up to an aggregate of 1,600,000 shares (as adjusted for any stock split, stock dividend, combination or other recapitalization or reclassification transactions by us) of New GTI common stock to The Daniel and Sharon Milikowsky Family Foundation, Inc. Following the transfer of any such shares to one of such foundations (Exempt Shares), the applicable foundation may transfer such shares without restriction under the lock-up and standstill provisions.

Notwithstanding the lock-up and standstill provisions, at any time after six (6) months following the consummation of the Seadrift Merger, each of Nathan Milikowsky (and his affiliates and related parties) and Daniel Milikowsky (and his affiliates and related parties) may sell New GTI common stock in transactions exempt from registration under the Securities Act under Rule 144, or otherwise, or in a public offering; provided, that the aggregate number of shares each such group may sell in any three (3) month period may not exceed one percent (1%) of the outstanding shares of New GTI common stock (but excluding Exempt Shares for these purposes).

Notwithstanding the lock-up and standstill provisions, (a) if New GTI issues additional shares of its common stock or securities convertible into or exercisable or exchangeable for shares of its common stock, each of the Milikowsky Holders has the right to purchase, in connection with the offering thereof or thereafter in the open market, up to such additional number of shares of New GTI common stock or such securities so that its relative percentage of beneficial ownership of New GTI common stock is the same, after giving effect to such purchase, as it was immediately prior to such issuance and (b) each Seadrift equity holder and C/G equity holder who received shares of New GTI common stock in the Seadrift Merger or C/G Merger, respectively, has the right to transfer shares of New GTI common stock (i) in connection with the consummation of, or otherwise pursuant to, a merger, tender offer, exchange offer or other business combination, so long as such transaction has been approved or recommended by New GTI s Board, (ii) as required pursuant to any law or order, or (iii) two (2) years following consummation of the Seadrift Merger.

For purposes of the Registration Rights and Stockholders Agreement, a change in control generally occurs on the date on which:

- any person or group becomes the beneficial owner of more than 35% of the then outstanding common stock or voting securities of New GTI (not including securities held by its employee benefit plans or related trusts);

any person or group acquires the right to vote on any matter, by proxy or otherwise, with respect to more than 35% of the then outstanding common stock or voting securities of New GTI (not including securities held by its employee benefit plans or related trusts);

stockholders approve a plan of dissolution or complete or substantially complete liquidation of New GTI or its Board approves such a plan other than in connection with a reorganization, recapitalization or similar transaction following which all or a majority of the business of New GTI and its subsidiaries (taken as a whole) shall be continued by New GTI or any successor thereto;

any consummation of a merger or other business combination unless, following such business combination, the beneficial owners of the common stock and the voting securities of New GTI prior to such business combination beneficially own more than 50% of the common equity and voting securities of the surviving entity in substantially the same proportions as prior to such business combination, no person or group (excluding its employee benefit plans or related trusts) beneficially owns more than 50% of the common equity or voting securities of the surviving entity and at least a majority of the members of the board of directors of the surviving entity were members of New GTI s Board prior to such business combination; or

any consummation of a sale, lease or other transfer of all or substantially all of the assets of New GTI, whether held directly or indirectly through one or more subsidiaries (excluding a grant of security interest, sale-leaseback or similar transaction in the ordinary course of business or in connection with a credit facility or other financing, but including any foreclosure sale).

Registration Rights

New GTI granted customary registration rights to the Seadrift equity holders and C/G equity holders, which include up to four (4) demand registrations (two (2) of which may be underwritten offerings) exercisable at any time after sixty (60) days prior to the second anniversary of the Closing and piggyback rights on certain registrations by New GTI (whether for its own account or for the account of other stockholders). New GTI agreed to (a) within five (5) days following the Closing, include in any shelf registration statement which it may file to register resales of New GTI common stock by directors and officers of New GTI, shares of New GTI common stock issued in connection with the Seadrift Merger to the Milikowsky Holders (and their related parties and affiliates), (b) within five (5) days following the Closing, file a registration statement covering the shares of New GTI common stock issued in connection with the Seadrift Merger to the other equity holders of Seadrift, and each such other equity holder agreed to use its best efforts to limit sales under such registration statement to not more than (i) 50,000 shares per week (to the extent such equity holder holds less than 200,000 shares of New GTI common stock) and (ii) 125,000 shares per week (to the extent such equity holder holds at least 200,000 shares of New GTI common stock) and (c) within five (5) days following the Closing, file a registration statement covering the shares of New GTI common stock issued in connection with the C/G Merger to the other equity holders of C/G, and each such other equity holders agreed to use best efforts to limit sales under such registration statement to not more than (i) 50,000 shares per week (to the extent such equity holder holds less than 200,000 shares of New GTI common stock) and (ii) 125,000 shares per week (to the extent such equity holder holds at least 200,000 shares of New GTI common stock). The Registration Rights and Stockholders Agreement contains customary registration procedures and indemnification provisions relating to the registration rights, and New GTI agreed to pay all expenses (other than commissions, discounts and stock transfer taxes) relating to such registrations. The registration rights provisions (other than the indemnification provisions) terminate on the earlier of (a) the date that the Seadrift equity holders and the C/G equity holders no longer beneficially own any registrable securities and (b) the consummation of a change in control unless New GTI (or any successor thereto as a result of the change in control) is a reporting company under the Exchange Act.

Board Nomination Rights

Following the acquisitions of Seadrift and C/G, and pursuant to the Registration Rights and Stockholders Agreement, we agreed to (i) increase the size of our Board of Directors by one (1) and elect a representative of the Milikowsky Holders (and their related parties and affiliates) to our Board of Directors and (ii) nominate such representative for re-election in subsequent years, provided the Milikowsky Holders (and their related parties and affiliates) continue to hold in the aggregate at least twelve million shares of our common stock (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification transactions by us). If at least three years have passed since the initial representative (or a then prior designee) was elected to our Board of Directors or, if prior to such three year period, such initial representative (or prior designee) ceases to serve due to death, disability or mandatory retirement, the Milikowsky Holders (and their related parties and affiliates) may designate a different representative to be nominated to our Board of Directors, provided, that such replacement representative is reasonably acceptable to our Board of Directors. The representative of the Milikowsky Holders (and their related parties and affiliates) must meet the requirements of an independent director under the listing rules of the New York Stock Exchange and must otherwise satisfy the requirements of our corporate policies relating to directors. Mr. Nathan Milikowsky will be elected to our Board of Directors as the initial representative of the Milikowsky Holders. Our obligations with respect to the board nomination rights shall terminate upon the consummation of a change in control (except that the percentage thresholds in the first two bullets of the definition of change in control shall be 67% (and not 35%)).

The foregoing description of the Registration Rights and Stockholders Agreement does not purport to be complete and is qualified in its entirety by reference to the Registration Rights and Stockholders Agreement filed as Exhibit 10.2.0 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(b) **Pro Forma Financial Information.** The following Unaudited Pro Forma Condensed Combined Financial Information of GrafTech, Seadrift and C/G is filed as part of this Current Report on Form 8-K:

(c) **Shell company transactions.**

Not applicable.

(d) **Exhibits.**
The following exhibits are filed as part of this Current Report on Form 8-K:

Exhibit 2.1.0	Agreement and Plan of Merger, dated as of April 28, 2010, by and among GrafTech International Ltd., GrafTech Holdings Inc., GrafTech Delaware I Inc., GrafTech Delaware II Inc., Seadrift Coke L.P. and certain partners of Seadrift Coke L.P. (incorporated by reference to Exhibit 2.9.0 to the Registration Statement on Form S-4 filed by GrafTech Holdings Inc. with the Securities and Exchange Commission on June 10, 2010 (Registration No. 333-167446)).
Exhibit 2.2.0	Agreement and Plan of Merger, dated as of April 28, 2010, by and among GrafTech International Ltd., GrafTech Holdings Inc., GrafTech Delaware III Inc., C/G Electrodes LLC and certain members of C/G Electrodes LLC (incorporated by reference to Exhibit 2.10.0 to the Registration Statement on Form S-4 filed by GrafTech Holdings Inc. with the Securities and Exchange Commission on June 10, 2010 (Registration No. 333-167446)).
Exhibit 3.1.0	Certificate of Elimination of Series A Junior Participating Preferred Stock of GrafTech International Ltd.
Exhibit 3.2.0	Amended and Restated Certificate of Incorporation of GrafTech International Ltd.
Exhibit 3.3.0	Amended and Restated Bylaws of GrafTech International Ltd.

Exhibit 10.1.0	Form of Senior Subordinated Promissory Note.
Exhibit 10.2.0	Registration Rights and Stockholders Agreement, dated as of November 30, 2010, by and among GrafTech International Ltd. and each of the stockholders party thereto.
Exhibit 23.1.0	Consent of Alpern Rosenthal for report relating to consolidated financial statements of Seadrift Coke L.P. and Subsidiary as of December 31, 2009 and 2008 and for two years then ended.
Exhibit 23.2.0	Consent of Alpern Rosenthal for report relating to consolidated financial statements of Seadrift Coke L.P. and Subsidiary as of December 31, 2008 and 2007 and for two years then ended.
Exhibit 23.3.0	Consent of Alpern Rosenthal for report relating to consolidated financial statements of C/G Electrodes LLC and Subsidiary as of December 31, 2009 and 2008 and for two years then ended.
Exhibit 23.4.0	Consent of Alpern Rosenthal for report relating to consolidated financial statements of C/G Electrodes LLC and Subsidiary as of December 31, 2008 and 2007 and for two years then ended.
Exhibit 99.1.0	Press release issued by GrafTech International Ltd. on November 30, 2010, relating to the acquisitions of Seadrift Coke L.P. and C/G Electrodes LLC. Such press release shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth by specific reference in such filing.

Independent Auditors Report

To the Partners

Seadrift Coke, L.P.

Port Lavaca, Texas

We have audited the accompanying consolidated balance sheets of Seadrift Coke, L.P. and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in partners equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Partnership s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seadrift Coke, L.P. and Subsidiary as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Alpern Rosenthal

Pittsburgh, Pennsylvania

March 17, 2009

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Balance Sheets

December 31	**2008**	**2007**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 354,000	$ 7,308,151
Accounts receivable (includes related party accounts receivable of $2,027,157 in 2007 Note 9)	26,838,531	16,297,200
Inventories Note 2	21,626,725	28,100,063
Prepaid inventory		3,122,902
Prepaid expenses and other current assets	541,249	591,392
Total Current Assets	49,360,505	55,419,708
Property, Plant and Equipment Net of accumulated depreciation Note 3	76,174,301	41,044,482
Other Assets Note 4	362,958	594,345
Total Assets	$ 125,897,764	$ 97,058,535
LIABILITIES AND PARTNERS EQUITY		
Current Liabilities		
Current portion of long-term debt Note 5	$ 22,216	$ 6,036,861
Line of credit Note 5		
Accounts payable	5,402,371	6,673,038
Accrued maintenance costs		3,600,000
Accrued manufacturing costs	557,019	603,818
Accrued property taxes	1,093,805	945,928
Accrued vacation	619,670	425,809
Accrued expenses and other current liabilities	1,048,196	978,555
Total Current Liabilities	8,743,277	19,264,009
Long-term Liabilities		
Line of credit Note 5	31,343,470	210,529
Long-term debt net of current portion Note 5		20,272,216
Interest rate swap liability Note 10	1,288,483	662,100
Commitments and contingent liabilities Note 12	800,000	800,000
Other long-term liabilities	242,204	
Total Liabilities	42,417,434	41,208,854
Partners Equity Note 6		
Partners capital	9,781,100	9,780,100
Retained earnings	73,699,230	46,731,681
Accumulated other comprehensive loss		(662,100)
Total Partners Equity	83,480,330	55,849,681
Total Liabilities and Partners Equity	$ 125,897,764	$ 97,058,535

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31	**2008**	**2007**
Net Sales		
Net sales (Includes related party net sales of $37,936,198 in 2008 and $23,419,750 in 2007 Note 9)	$ 329,681,560	$ 239,203,121
Cost of Sales (Includes related party cost of sales of $26,614,198 in 2008 and $15,962,229 in 2007 Note 9)	269,061,424	163,033,978
Gross Profit	60,620,136	76,169,143
Operating Expenses	13,171,965	11,839,778
Income From Operations	47,448,171	64,329,365
Other Expenses		
Interest expense net	1,198,983	3,621,246
Fair value adjustment interest rate swap Note 10	1,288,483	
Loss on extinguishment of debt Note 5		1,543,318
Total Other Expenses	2,487,466	5,164,564
Net Income	$ 44,960,705	$ 59,164,801

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Changes in Partners Equity

For the Years Ended December 31, 2008 and 2007

	Partners Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total
Balance January 1, 2007	$ 9,889,200	$ 4,332,572	$		$ 14,221,772
Partner distributions		(15,642,692)			(15,642,692)
Partner units issued for services Note 6	16,000	160,000			176,000
Purchase of partnership units Note 6	(125,100)	(1,283,000)			(1,408,100)
Comprehensive income					
Change in fair value of interest rate swap Note 10			(662,100)	$ (662,100)	(662,100)
Net income		59,164,801		59,164,801	59,164,801
Comprehensive income				$ 58,502,701	
Balance December 31, 2007	9,780,100	46,731,681	(662,100)		55,849,681
Partner distributions		(18,065,156)			(18,065,156)
Partner units issued for services Note 6	1,000	72,000			73,000
Comprehensive income					
Amount reclassified to income unrealized loss on interest rate swap Note 10			662,100	$ 662,100	662,100
Net income		44,960,705		44,960,705	44,960,705
Comprehensive income				$ 45,622,805	
Balance December 31, 2008	$ 9,781,100	$ 73,699,230	$		$ 83,480,330

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31	**2008**	**2007**
Cash Provided by (Used for) Operating Activities		
Net income	$ 44,960,705	$ 59,164,801
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,522,274	3,641,972
LIFO inventory reserves	5,327,796	7,385,682
Loss on extinguishment of debt		1,543,318
Unrealized losses on interest rate swap	1,288,483	
Noncash line-of-credit fees	96,664	239,399
Partnership units issued for services	73,000	176,000
Accretion of debt discount		95,240
Changes in		
Accounts receivable	(10,541,331)	(4,661,686)
Inventories	1,145,542	(14,051,386)
Accounts payable and accrued liabilities	(4,263,883)	8,955,183
Other assets	3,213,005	(1,306,275)
Net Cash Provided by Operating Activities	44,822,255	61,182,248
Cash Used for Investing Activities		
Purchases of property, plant and equipment	(37,263,536)	(10,228,790)
Capitalized interest on machinery under construction	(1,107,439)	(126,879)
Net Cash Used for Investing Activities	(38,370,975)	(10,355,669)
Cash Provided by (Used for) Financing Activities		
Net proceeds (payments) on line of credit	6,382,941	(19,952,941)
Proceeds from long-term debt	14,903,336	
Payments on long-term debt	(16,536,861)	(6,504,601)
Loan acquisition fees	(89,691)	(49,475)
Purchase of partnership units		(1,408,100)
Partner distributions	(18,065,156)	(15,642,692)
Net Cash Used for Financing Activities	(13,405,431)	(43,557,809)

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31	**2008**	**2007**
Increase (Decrease) in Cash and Cash Equivalents	(6,954,151)	7,268,770
Cash and Cash Equivalents Beginning of year	7,308,151	39,381
Cash and Cash Equivalents End of year	$ 354,000	$ 7,308,151

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	$ 2,132,676	$ 3,399,870

Supplemental Disclosures of Noncash Investing and Financing Activities

Proceeds from note payable line of credit	$ 24,750,000	$ 1,333,889
Proceeds from note payable bank	$	$ 19,500,000
Payment of note payable bank	$ 24,750,000	$
Payment of subordinated note payable	$	$ 19,071,440

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

A. Organization and Basis of Consolidation

Seadrift Coke, L.P. and its wholly owned subsidiary, Seadrift Coke Export, Inc., a Delaware limited partnership (collectively the Partnership) is primarily engaged in the manufacturing and distribution of needle coke for sale to customers in the steel and aluminum manufacturing industries. The Partnership s principal operating location is in Port Lavaca, Texas. The Partnership sells to customers primarily in North America, Europe and Asia.

The accompanying consolidated financial statements include the accounts of Seadrift Coke, L.P and its wholly owned subsidiary, Seadrift Coke Export Inc., an Interest Charge Domestic International Sales Corporation (IC-DISC). All material intercompany balances and transactions have been eliminated in consolidation.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

The Partnership considers all highly liquid investments with original maturities of less than three months as cash equivalents. All of the Partnership s cash is maintained in one financial institution located in Texas.

D. Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. Based on management s assessment of the credit history with customers having outstanding balances and current relationships with them, it believes that realization losses on balances outstanding at year end will be immaterial. Accordingly, no allowance for doubtful accounts is deemed necessary.

Six customers accounted for approximately 83% of gross sales in 2008 and four customers accounted for approximately 64% of gross sales in 2007. Accounts receivable relating to these customers represented approximately 64% of total accounts receivable at December 31, 2008 and 77% at December 31, 2007.

Total sales to customers located in foreign countries were approximately 36% of 2008 sales and 42% of 2007 sales. Needle coke sales to customers in foreign countries were approximately 49% of 2008 needle coke sales and 57% of 2007 needle coke sales.

E. Revenue Recognition

Sales and related costs of sales are generally recorded when goods are shipped and title, ownership and risk of loss has passed to the customer, all of which occurs upon shipment or delivery of the product based upon the applicable shipping terms. The shipping terms may vary depending on the nature of the customer, domestic or foreign, and the type of transportation used. Shipping and handling costs are recognized as a component of cost of sales as sales occur.

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

F. Inventories

Inventories are stated at the lower of cost or market. For all of the Partnership s inventory, except certain by-products and its supplies inventory, costs have been determined by the last-in, first-out (LIFO) method. The remainder of the Partnership s inventory cost is determined using the first-in, first-out (FIFO) method.

G. Property, Plant and Equipment

Property, plant and equipment are recorded at cost including expenditures for additions and major improvements. Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other (income) expenses for the year.

For financial reporting, depreciation of property, plant and equipment is computed using the straight-line method at rates calculated to amortize costs over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

	Years
Buildings and leasehold improvements	5 - 25
Machinery and equipment	5 - 20
Computer software	5 - 10

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Partnership has determined there is no impairment at December 31, 2008 and 2007.

H. Other Assets

Loan acquisition fees are capitalized and are being amortized on a straight-line basis over the term of the related debt (Note 4).

Non-compete and licensing agreements are being amortized on a straight-line basis over the term of the related agreements (Note 4).

I. Financial Instruments

The Partnership accounts for its derivative activity in accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, as amended, which establishes accounting and financial reporting standards for certain derivative instruments and certain hedging activities. The Partnership s derivative instrument, an interest rate swap, is recognized as an asset or liability in the consolidated balance sheets at its fair value with subsequent changes in fair value reported in net income or other comprehensive income based on the effectiveness of the hedged transaction. Changes in fair value are also reflected as an adjustment to reconcile net income to net cash provided by operating activities in the consolidated statements of cash flows.

During 2007, the Partnership elected hedge accounting for its derivative financial instrument and, therefore, changes in fair value were recorded in other comprehensive income (loss).

During 2008, substantive amendments were made to the Partnership s credit agreement (Note 5) and, as a result of the amendments, hedge accounting was not elected for the derivative financial instrument and changes

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

in fair value were recorded in the consolidated statements of income. Amounts previously accounted for in other comprehensive income (loss) during 2007 related to the prior credit agreement have been reclassified to the consolidated statements of income as a component of other expense.

J. Income Taxes

As a limited partnership, the Partnership is not subject to income taxes. The taxable income or loss of the Partnership is includible in the individual income tax returns of its partners based upon their percentage of ownership. The IC-DISC is not subject to Federal or state income taxes. Consequently, no provision for income taxes is provided in the accompanying consolidated financial statements.

K. Stock-based Compensation

The Partnership has a unit award plan and has accounted for the award plan in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R)), *Share-based Payment*. SFAS 123(R) requires companies to measure the cost of employee services rendered in exchange for unit awards based on a fair value calculation at the grant date. Stock-based compensation represents the cost related to stock-based awards granted to employees. The Partnership measures compensation expense at the grant date based on the fair value of the award and recognizes the cost as expense on a straight-line basis over the employee requisite service period, which is generally the vesting period, as required by SFAS 123(R). The Partnership estimates the fair value of its unit awards using a market approach for transactions involving identical unit awards.

L. Planned Major Maintenance Expenses

The Partnership accounts for their planned major maintenance expenses using the direct expensing method where actual costs incurred are expensed directly when maintenance is performed. The Partnership recognized planned major maintenance expenses, which are included in cost of sales, of approximately $14,500,000 during 2008 and $3,100,000 during 2007.

M. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Certain provisions of SFAS 157 were effective for the Partnership in 2008 and the remaining provisions are effective in 2009. The Partnership does not expect that the provisions of SFAS 157 will have a significant impact on its financial position, results of operations and cash flows.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 Observable inputs such as quoted prices in active markets.

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Partnership s financial instruments within the fair value hierarchy as prescribed by SFAS 157 are more fully disclosed in Note 10 of the consolidated financial statements.

N. Recent Pronouncements

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Interpretation was originally effective for nonpublic entities for fiscal years beginning after December 15, 2006. FASB Staff Position No. FIN 48-3 permits nonpublic entities to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The Partnership has elected to defer the application of FIN 48 and is evaluating the impact of the provisions of FIN 48 on the Partnership s consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (SFAS 161), *Disclosure About Derivative Instruments and Hedging Activities*. SFAS 161 requires enhanced disclosures regarding an entity s derivative and hedging activities. SFAS 161 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2008. The Partnership is currently evaluating the impact of adopting SFAS 161 on its consolidated financial statements.

O. Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform with the 2008 presentation.

Note 2 Inventories

Inventories consisted of the following at December 31:

	2008	**2007**
Raw materials	$ 18,632,045	$ 18,950,415
Work-in-process	10,586,412	3,310,637
Finished goods	7,076,231	15,458,752
Supplies	2,721,873	2,442,299
	39,016,561	40,162,103
Less: Amount to reduce certain inventories to LIFO value	17,389,836	12,062,040
Total inventories	$ 21,626,725	$ 28,100,063

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SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

The use of LIFO decreased net income by approximately $5,328,000 in 2008 and $7,386,000 in 2007.

Approximately 91% and 81% of the Partnership s inventories at December 31, 2008 and 2007 are costed at the lower of LIFO cost or market.

Note 3 Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	2008	2007
Land	$ 207,388	$ 207,388
Buildings and leasehold improvements	1,679,491	1,183,487
Machinery and equipment	43,750,904	36,539,740
Computer software	1,513,559	127,750
Machinery under construction	39,432,640	10,154,642
	86,583,982	48,213,007
Less: Accumulated depreciation	10,409,681	7,168,525
	$ 76,174,301	$ 41,044,482

Depreciation expense, included in cost of sales and operating expenses, amounted to approximately $3,241,000 for 2008 and $2,894,000 for 2007. Capitalized interest on machinery under construction amounted to approximately $1,107,000 in 2008 and $127,000 in 2007.

Note 4 Other Assets

Other assets consisted of the following at December 31:

	2008	2007
Intangible assets	$ 129,617	$ 129,617
Deferred loan origination costs	947,847	858,156
Other non-amortizable	53,280	93,240
	1,130,744	1,081,013
Less: Accumulated amortization	767,786	486,668
	$ 362,958	$ 594,345

Intangible assets consist of non-compete, licensing agreements and other intangibles. Amortization expense of intangibles, included in operating expenses, amounted to approximately $26,000 in 2008 and 2007.

Amortization of debt-related costs, included in interest expense, amounted to approximately $255,000 in 2008 and $722,000 in 2007. Included in the amortization of debt-related costs in 2007 is approximately $497,000 relating to the write off of deferred loan origination costs in connection with the payoff of the subordinated notes payable (Note 5) and the write off of capitalized costs related to an interest rate cap (Note 10).

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

The estimated amortization expense for intangible assets and deferred loan origination costs subsequent to December 31, 2008 is as follows:

Year Ending	Amount
2009	$ 238,000
2010	72,000
Total	$ 310,000

Note 5 Line of Credit and Long-term Debt

The Partnership has a credit agreement (the agreement) with a bank which provides for a working capital revolving line of credit and provided for a term loan. The agreement grants the bank a first lien security interest in substantially all of the Partnership s assets.

Line of Credit

Prior to February 1, 2008, the agreement provided for maximum borrowings on the line of credit of $25,000,000.

On February 1, 2008, the existing agreement was amended and restated to refinance the previously existing line of credit and term loan (see below). The amended and restated agreement (the new agreement) provides for maximum borrowings of $60,000,000 on a line of credit through January 15, 2011. Borrowings under the line cannot exceed $30,000,000 plus 85% of eligible accounts receivable and 65% of the eligible inventory less reserves. The maximum borrowing commitment has been reduced by $7,500,000 at December 31, 2008 and will be reduced by an additional $7,500,000 at December 31, 2009.

The Partnership has the option of selecting a base interest rate plus an applicable margin or the London Interbank Offered Rate (LIBOR) plus an applicable margin for the revolving line of credit. The Partnership elected LIBOR, which is 1.423% at December 31, 2008, plus the applicable margin of 1.375%. For 2007, the Partnership elected the base rate which is prime, 7 $^{1}/4$% at December 31, 2007 minus 1 $^{3}/4$%.

The new agreement provides for the issuance of letters of credit, which are not to exceed certain amounts as defined in the agreement. At December 31, 2008, the Partnership has $2,000,000 of letters of credit outstanding.

The Partnership must pay an unused line fee on each payment date at a rate of $^{1}/8$% per annum on the daily average unused amount. The new agreement contains various covenants which, among other things, require the Partnership to maintain minimum financial ratios including a fixed coverage ratio, debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio, and tangible net worth.

Long-term Debt

Long-term debt consisted of the following at December 31:

	2008	2007
Term loan	$	$ 26,250,000
Capital lease payable	22,216	59,077
	22,216	26,309,077
Less: Current portion	22,216	6,036,861
	$	$ 20,272,216

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SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

Term Loan

The Partnership had a term loan which required a quarterly payment of $750,000 on April 1, 2007. The term loan agreement required payments of $1,500,000, plus interest, commencing on July 1, 2007. The remaining principal balance was due on April 1, 2010. On February 1, 2008, the term loan was paid off as part of the new agreement (see above).

On July 2, 2008, the new agreement was further amended and restated to provide for a new term loan in the amount of $15,000,000. The new term loan required three equal installments of $5,000,000, commencing on August 31, 2008. The final unpaid principal balance, including accrued and unpaid interest, was due and paid on December 31, 2008. The new term loan incurred interest at 2%.

Subordinated Note Payable

The Partnership had a subordinated note payable that was prepaid in full, including a prepayment fee of $600,000, on May 1, 2007 with proceeds from an increase in the Partnership s term loan of $19,500,000 and an additional draw on the Partnership s line of credit of $1,333,889.

The subordinated note was issued with 15,000 units representing limited partnership interests in the Partnership. The units were valued at $1,500,000 at the date of issuance. The subordinated note, in the face amount of $20,000,000, was discounted for the fair value of these units. The note was being accreted to its face value over its term. The subordinated note was accreted to its face value at the date of prepayment of the note. The loss on extinguishment of the debt includes approximately $929,000 related to the accretion, $600,000 related to prepayment fees and other costs of approximately $14,000.

In addition, 3,500 units were purchased by the issuer of the subordinated debt as an equity interest in the Partnership interest in 2005. The Partnership entered into a put option, which was exercisable by the subordinated debt issuer beginning May 1, 2011. The put option provided for purchase of each unit based on fair value at the date of the put notice; however, in July 2008, the subordinated debt issuer sold their ownership interest in the Partnership to a third party at a price of $7,300 per unit.

Note 6 Partners Equity

Partners equity consisted of the following at December 31, 2008 and 2007:

	Partners Capital	Retained Earnings
At December 31, 2008		
General Partner	$ 92,700	$ 698,439
Limited Partners	9,688,400	73,000,791
Total	$ 9,781,100	$ 73,699,230
At December 31, 2007		
General Partner	$ 92,700	$ 451,705
Limited Partners	9,687,400	45,617,876
Total	$ 9,780,100	$ 46,069,581

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

Employee Unit Purchase Plan

During January 2006, the Partnership established an employee unit purchase plan (the Employee Plan) for certain employees, selected at the discretion of the Board of Directors of the Partnership. Under the terms of the Employee Plan, employees had options to purchase up to 3,000 limited partnership units at a price of $100 per unit, the estimated fair value of a unit at the grant date. The employees exercised options to purchase 1,392 units before the Employee Plan and the unexercised partnership units expired on January 31, 2006.

The Employee Plan has a call option which provides for the Partnership to acquire the units upon the employees termination. The Employee Plan also contains a put option that provides, at the discretion of the employee, at termination of employment for other than cause as defined, to require the Partnership to purchase all of the units held by the employee. The call option and the put option provide for the purchase of each unit based on fair value as determined by the Partnership at the date of the put notice.

Employee Equity Award Plan

During January 2007, the Partnership established an employee equity award plan (the Equity Plan). The Equity Plan awarded 160 partnership units to selected employees as compensation for service. The employees were immediately vested in the award. As a condition for receiving the awards, the employees entered into a non-compete agreement with the Partnership. The partnership units were valued by the Partnership at the grant date at $1,100 per unit using a market approach for transactions involving identical unit awards.

During July 2008, the Partnership issued an additional 10 units to an employee under the Equity Plan. The employee was immediately vested in the award. As a condition for receiving the award, the employee entered into a non-compete agreement with the Partnership. The partnership units were valued by the Partnership at the grant date at $7,300 per unit using a market approach for transactions involving identical unit awards.

The Equity Plan has a call option which provides for the Partnership to acquire the units upon the employees termination. The Equity Plan also contains a put option that provides, at the discretion of the employee, at termination of employment for other than cause as defined, to require the Partnership to purchase all of the units held by the employee. The call option and the put option provide for the purchase of each unit based on a fair value as determined by the Partnership at the date of the put notice.

Other

The Partnership purchased 931 partnership units at a price of $1,100 per unit from the majority partner in January 2007 and 320 partnership units at a price of $1,200 per unit from a partner in June 2007.

Note 7 Retirement Plan

The Partnership maintains a defined contribution profit sharing plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees. The plan provides for employee elective contributions and Partnership matching contributions. Partnership matching contributions were approximately $708,000 for 2008 and $659,000 for 2007.

Note 8 Profit Sharing Plan

On January 1, 2007, the Partnership established a bonus profit sharing plan. The Partnership is required to contribute to the profit sharing plan if various pre-established goals are achieved. Partnership contributions relating to the bonus profit sharing plan were approximately $861,000 for 2008 and $825,000 for 2007.

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

Note 9 Related Party Transactions

The Partnership has sales to C/G Electrodes LLC (C/G), a related party through common ownership and control. Sales to C/G were approximately $37,936,000, excluding freight revenue of approximately $3,857,000, in 2008 and $23,420,000 in 2007. There were no outstanding receivables from C/G at December 31, 2008. Accounts receivable from C/G amounted to approximately $2,027,000 at December 31, 2007.

Note 10 Fair Value of Financial Instruments

In management s opinion, the carrying value of the Partnership s financial instruments, primarily accounts receivable, accounts payable and bank debt, approximates fair value. The carrying values of the Partnership s variable rate credit facilities approximate fair value given that the interest rates of the debt reset periodically based on market interest rates.

On May 1, 2007, the Partnership entered into an interest rate swap (the swap) with the intent of managing its exposure to fluctuations in the Partnership s variable rate debt instrument. The swap fixed the interest rate on a portion of the Partnership s variable rate debt from LIBOR to a fixed rate of 5.125%. The swap expires on May 1, 2012.

The swap is measured at fair value as determined on a discounted cash flow method using the applicable inputs from forward interest rate yield curves (Level 2 significant other observable inputs) with the differential between the forward rate and the original stated interest rate of the swap discounted back from the settlement date of the swap contract to December 31, 2008. The fair value of the swap is a liability at December 31, 2008 and 2007. The fair value of the swap resulted in unrealized losses of approximately $626,000 in 2008 and $662,100 in 2007. During 2007, unrealized losses related to the fair value of the swap were recorded in other comprehensive income (loss).

During 2008, as a result of substantive amendments to the Partnership s credit agreement (Note 5), hedge accounting was not elected for the derivative financial instrument and changes in fair value were recorded in the consolidated statements of income. Amounts previously accounted for in other comprehensive income (loss) during 2007 have been reclassified as a component of interest expense in the consolidated statements of income.

Note 11 Major Suppliers

The Partnership purchased approximately $127,380,000 in 2008 and $104,137,000 in 2007 of its raw material inventory through two brokers. Management believes that there are alternative sources that could provide these raw materials on similar terms without any interruption in business operations.

Note 12 Product Supply Agreement

In October 2006, the Partnership and one of its customers entered into a product supply agreement to provide 17,000 metric tons of needle coke during 2008 and 19,000 metric tons of needle coke during 2009 for a fixed-base price plus annual adjustment. In addition, the supply agreement contains a calculation for oil surcharges based on changes in commodity prices underlying the Partnership s raw materials.

Note 13 Commitments and Contingencies

The operations of the Partnership generate both hazardous and non-hazardous wastes. The treatment, storage, transportation and disposals of these materials are subject to various local, state and Federal laws relating to the protection of the environment.

SEADRIFT COKE, L.P. AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

The Partnership accounts for its environmental remediation expenses in accordance with Statement of Position 96-1, *Environmental Remediation Liabilities*. Environmental remediation expenses are accrued as period costs and included in results from operations when the Partnership s liability is probable and costs are reasonably estimable.

During 2007, the Partnership identified contaminated soil within their production facility. The Partnership is currently in the process of investigating the impact of this contamination and is developing a remediation plan for the affected locations at the Partnership s production facility. The Partnership has incurred costs of approximately $408,000 in 2008 and $177,000 in 2007, which are included in operating expenses, related to the investigation of the oil contamination. At this stage, the Partnership estimates the total loss that will result from remediation to be approximately $1,000,000 to be incurred over a period of up to 10 years. The Partnership has discounted the estimated liability at 6 $^1/2$% over the estimated period. The discounted amount of $800,000 is recorded in accrued expenses and other current liabilities.

Independent Auditors Report

To the Partners

Seadrift Coke, L.P. and Subsidiary

Port Lavaca, Texas

We have audited the accompanying consolidated balance sheets of Seadrift Coke, L.P. and Subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in partners equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Partnership s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seadrift Coke, L.P. and Subsidiary as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Alpern Rosenthal

Pittsburgh, Pennsylvania

March 15, 2010, except for Note 13, as to which the date is May 21, 2010

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Balance Sheets

December 31	**2009**	**2008**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,329	$ 354,000
Accounts receivable (includes related party accounts receivable of $3,686,063 in 2009 Note 9)	14,253,160	26,838,531
Inventories Note 2	15,970,063	21,626,725
Prepaid expenses and other current assets	470,554	541,249
Total Current Assets	30,697,106	49,360,505
Property, Plant and Equipment Net of accumulated depreciation Note 3	70,999,630	76,174,301
Other Assets Note 4	217,387	362,958
Total Assets	$ 101,914,123	$ 125,897,764
LIABILITIES AND PARTNERS EQUITY		
Current Liabilities		
Current portion of long-term debt Note 5	$ 12,039,578	$ 22,216
Line of credit Note 5	2,985,928	
Accounts payable	778,580	5,402,371
Accrued property taxes	1,180,580	1,093,805
Accrued vacation	466,833	619,670
Accrued expenses and other current liabilities	774,479	1,605,215
Total Current Liabilities	18,225,978	8,743,277
Long-term Liabilities		
Line of credit Note 5		31,343,470
Long-term debt net of current portion Note 5	172,464	
Interest rate swap liability Note 10	686,947	1,288,483
Commitments and contingent liabilities Note 12	800,000	800,000
Other long-term liabilities	726,613	242,204
Total Liabilities	20,612,002	42,417,434
Partners Equity Note 6		
Partners' capital	9,781,100	9,781,100
Retained earnings	71,521,021	73,699,230
Total Partners Equity	81,302,121	83,480,330
Total Liabilities and Partners Equity	$ 101,914,123	$ 125,897,764

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

SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Operations

For the Years Ended December 31	**2009**	**2008**
Net Sales		
Net sales (Includes related party net sales of $7,003,489 in 2009 and $37,936,198 in 2008 Note 9)	$ 74,309,395	$ 329,681,560
Cost of Sales (Includes related party cost of sales of $5,208,831 in 2009 and $26,614,198 in 2008 Note 9)	55,631,682	269,061,424
Gross Profit	18,677,713	60,620,136
Operating Expenses	7,044,743	13,171,965
Income From Operations	11,632,970	47,448,171
Other (Income) Expenses		
Loss on abandonment of machinery under construction Note 3	11,640,190	
Interest expense net	1,955,591	1,198,983
Fair value adjustment interest rate swap Note 10	(601,536)	1,288,483
Total Other Expenses	12,994,245	2,487,466
Net Income (Loss)	$ (1,361,275)	$ 44,960,705

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

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SEADRIFT COKE, L.P. AND SUBSIDIARY

Consolidated Statements of Changes in Partners Equity

For the Years Ended December 31, 2009 and 2008

	Partners Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total
Balance January 1, 2008	$ 9,780,100	$ 46,731,681	$ (662,100)		$ 55,849,681
Partner distributions		(18,065,156)			(18,065,156)
Partner units issued for services Note 6	1,000	72,000			73,000
Comprehensive income					
Amount reclassified to income unrealized loss on interest rate swap Note 10			662,100	$ 662,100	662,100
Net income		44,960,705		44,960,705	44,960,705
Comprehensive income				$ 45,622,805	
Balance December 31, 2008	9,781,100	73,699,230			83,480,330
Partner distributions		(816,934			