WELSPUN PIPES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Hudson Cisne & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Stockholder
Welspun Pipes, Inc.
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of income, stockholder's equity and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated balance sheets in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated balance sheets that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hudson, Cisne & Co. LLP

May 1, 2013

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WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash	$ 20,488,035	$ 26,643,639
Restricted cash	501,915	493,665
Accounts receivable - trade	51,445,041	1,996,692
- related party	7,836,161	551,229
- income taxes refundable	4,625,443	-
- other	1,027,397	-
Inventories	87,452,904	80,388,221
Deferred income taxes	895,007	-
Prepaid expenses, advances and other	18,594,116	8,339,648
Total current assets	192,866,019	118,413,094
Net property, plant and equipment	195,834,751	143,958,449
Other assets	1,112,830	492,499
	$ 389,813,600	$ 262,864,042

LIABILITIES AND STOCKHOLDER'S EQUITY

	2013	2012
Current liabilities:		
Current portion of long-term debt	$ 11,546,667	$ 16,273,333
Accounts payable - trade	22,303,156	5,303,574
- related party	12,215,310	21,639,190
Notes payable - related party	5,000,000	-
Accrued interest	1,148,379	312,493
Income taxes payable	-	2,964,705
Accrued expenses	3,350,283	413,198
Preferred stock dividend payable	4,059,616	-
Deferred income taxes	-	3,103,173
Current portion of deferred revenue	96,268,166	22,911,905
Total current liabilities	155,891,577	72,921,571
Deferred income taxes	31,937,919	18,940,832
Deferred revenue	6,318,333	9,468,333
Long-term debt	85,015,000	36,561,667
Stockholder's equity:		
Common stock - $.0001 par value, 1,000 shares authorized, issued and outstanding	1	1
Preferred stock - $.0001 par value, 20,000 shares authorized, 16,000 shares issued and outstanding at March 31, 2012, $1,000 per share liquidation preference	-	16,000,000
Additional paid in capital	10,000	10,000
Retained earnings	110,640,770	108,961,638
Total stockholder's equity	110,650,771	124,971,639
	$ 389,813,600	$ 262,864,042

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2013 AND 2012

	2013	2012
Sales	$ 335,886,473	$ 354,300,346
Cost of goods sold	273,555,380	249,117,114
Gross profit	62,331,093	105,183,232
Other operating revenues:		
Insurance proceeds - business interruption	23,379,414	-
Other operating revenues	785,254	10,818,430
	86,495,761	116,001,662
Selling, general and administrative expenses	76,346,428	47,939,721
Income from operations	10,149,333	68,061,941
Other (expense) income:		
Interest income	46,762	23,838
Interest expense	(4,490,130)	(2,979,320)
Other income	4,711,890	4,583,696
Plant fire loss	(465,736)	-
Foreign exchange gain (loss)	67,042	(62,032)
Total other (expense) income	(130,172)	1,566,182
Income before income taxes	10,019,161	69,628,123
Income tax expense	4,280,413	23,596,564
Net income	$ 5,738,748	$ 46,031,559

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

YEARS ENDED MARCH 31, 2013 AND 2012

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings
Balance at April 1, 2011	$ 1	$ 16,000,000	$ 10,000	$ 62,930,079
Net income	-	-	-	46,031,559
Balance at March 31, 2012	1	16,000,000	10,000	108,961,638
Dividend - preferred stock	-	-	-	(4,059,616)
Redemption of preferred stock	-	(16,000,000)	-	-
Net income	-	-	-	5,738,748
Balance at March 31, 2013	$ 1	$ -	$ 10,000	$ 110,640,770

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Net income	$ 5,738,748	$ 46,031,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,189,759	12,554,744
Changes in assets and liabilities:		
Accounts receivable - trade	(49,448,349)	21,756,321
- related party	(7,284,932)	977,129
- income taxes refundable	(4,625,443)	-
- other	(1,027,397)	-
Prepaid expenses, advances and other	(10,254,468)	51,413,897
Inventories	(7,064,683)	(4,801,664)
Accounts payable - trade	16,999,582	(3,469,238)
- related party	(9,423,880)	11,142,996
Accrued interest	835,886	(385,306)
Income taxes payable	(2,964,705)	854,134
Accrued expenses	2,937,085	(900,437)
Deferred income taxes	8,998,907	3,083,005
Deferred revenue	70,206,261	(100,673,044)
Net cash provided by operating activities	25,812,371	37,584,096
Cash flows from investing activities:		
Proceeds from the sale of building and equipment	3,790,002	409,512
Purchases of property, plant and equipment	(68,476,394)	(8,576,254)
Net cash used in investing activities	(64,686,392)	(8,166,742)
Cash flows from financing activities:		
Borrowings from related party	5,000,000	-
Redemption of preferred stock	(16,000,000)	-
Long-term borrowings	77,500,000	-
Repayments of long-term borrowings	(33,773,333)	(16,323,050)
Net cash provided by (used in) financing activities	32,726,667	(16,323,050)
Net change in cash	(6,147,354)	13,094,304
Cash and restricted cash - beginning of year	27,137,304	14,043,000
Cash and restricted cash - end of year	$ 20,989,950	$ 27,137,304
Reconciliation of cash and restricted cash to the consolidated balance sheets:		
Cash	$ 20,488,035	$ 26,643,639
Restricted cash	501,915	493,665
	$ 20,989,950	$ 27,137,304

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

Nature of operations

Welspun Pipes, Inc. ("WPI") and its wholly-owned subsidiaries (collectively, the "Company"), are organized and incorporated under the laws of the State of Delaware. WPI is a wholly-owned subsidiary of Welspun Corp Limited ("WCL" or the "Parent"), a limited liability company registered in India and listed on the Indian Stock Exchange. WPI was formed as a holding company and then formed two wholly-owned subsidiary companies, Welspun Tubular, LLC and Welspun Global Trade, LLC.

Welspun Tubular, LLC ("WTL") was formed to build a pipe manufacturing plant in Little Rock, Arkansas. The plant has a manufacturing capacity of 350,000 MT of pipes sized 24 - 60 inches in diameter and up to 1 inch in wall thickness. In addition to the pipe manufacturing plant, WTL also constructed a coating and double jointing facility. The project was funded with $180 million of revenue bonds issued by the City of Little Rock, Arkansas and by financing from the Parent. Also, WTL began construction in early 2012 of a new small diameter, high frequency induction welded (HFIW) pipe plant in close proximity to the existing large diameter spiral plant. The HFIW plant began trial production in the beginning of 2013 and is expected to be in full commercial production by the end of March 2013. It has an annual capacity of 175,000 MT and has the capability of producing pipes with a diameter ranging from 6 - 20 inches.

Welspun Global Trade, LLC ("WGT") was formed to establish a marketing and sales presence in the United States. WGT is located in Houston, Texas.

Use of estimates

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

Significant estimates include the valuation of deferred tax assets, liabilities and income taxes payable which are based on temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases. It is at least reasonably possible that a change in these estimates will occur in the near future.

Principles of consolidation

The consolidated financial statements include the accounts of WPI and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Accounts receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through the establishment of a valuation allowance based on its assessments of individual accounts. Uncollectible accounts are written off through the valuation allowance. There was no valuation allowance as of March 31, 2013 and 2012.

Inventories

Inventories consist of stores and spares, raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost or market using the weighted average cost method.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Estimated useful lives by major asset classification are as follows:

Description	Estimated useful life
Buildings and land improvements	15 - 39 years
Machinery and equipment	10 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years
Computers and software	1 - 3 years

Depreciation expense totaled $12,810,090 for 2013 and $12,522,067 for 2012.

Revenue recognition

Revenue from the sale of the Company's products is generally recognized as products are shipped to customers. The Company enters into multiple-element revenue arrangements, which may include a combination of goods and services. These arrangements are separated into more than one unit of accounting if the following criteria are met:

- The delivered items have value to the customer on a stand alone basis
- There is objective and reliable evidence of the fair value of the undelivered items, and
- Delivery or performance of the undelivered items is considered probable and substantially controlled by the Company

If these criteria are met, the arrangement's revenue is allocated to the separate units of accounting based on each unit's relative fair value. If these criteria are not met, revenue is generally recognized as products are shipped to customers.

Deferred revenue primarily represents amounts received from customers in advance for unshipped orders. In 2012 and 2011, respectively, the Company also received approximately $9 million and $6.8 million from a customer for the exclusive right to store that customer's inventory and use certain land improvements of the Company for five years. These amounts will be recognized as income equally over the five year periods associated with these agreements.

Pre-operation expenses

U.S. GAAP requires all expenses incurred prior to the start of operations to be expensed as incurred. However, interest costs incurred during a construction period and bond issuance costs are two examples of items that should be capitalized under existing U.S. GAAP. Accordingly, the Company expensed all other pre-operation expenses when incurred.

Sales taxes

Sales are reported net of taxes assessed by governmental authorities on revenue-producing transactions.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Shipping and handling costs

The Company's shipping and handling costs are included in selling, general and administrative expenses and totaled $50,220,677 for 2013 and $29,215,197 for 2012.

Advertising costs

Advertising costs are expensed when incurred and totaled $158,518 for 2013 and $167,017 for 2012.

Concentration of credit risk

At various times during the year and at year end, the Company's deposits in Arkansas banks and international financial institutions exceeded federally insured limits. At March 31, 2013, the Company's uninsured cash balances totaled $13,551,247. However, the Company does not believe that it is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

Income taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the financial and income tax bases of assets and liabilities. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of their income tax provision. The past three years of federal and state income tax returns are subject to examination by taxing authorities.

Other assets

Included in other assets at March 31, 2012 were bond issuance costs of $653,548 that were amortized over the lives of the related debt using the straight-line method. These bonds were refinanced during the current year. The previously unamortized portion of the original bond costs has been expensed in the current year. The bond issuance costs related to the newly-issued bonds are being amortized over the lives of the refinanced debt and total $1,213,996 at March 31, 2013. Accumulated amortization totaled $101,166 at March 31, 2013 and $161,049 at March 31, 2012.

Estimated future annual amortization expense at March 31, 2013 follows:

2014	$ 202,332
2015	202,332
2016	202,332
2017	202,332
2018	202,332
Thereafter	101,170
	$ 1,112,830

Statement of cash flows

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash payments for interest totaled $3,654,244 in 2013 and $3,364,626 in 2012. Cash payments for income taxes totaled $2,871,257 in 2013 and $19,659,425 in 2012.

There were no non-cash activities for 2013 or 2012.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Subsequent events

Accounting standards establish general guidelines of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has evaluated all subsequent events for potential recognition and disclosure through May 1, 2013, the date these financial statements were available to be issued.

Note 2: Inventories

Inventories are composed of the following:

	2013	2012
Raw materials	$ 70,167,590	$ 44,734,030
Work-in-process	6,276,774	6,109,606
Finished goods	2,332,738	22,272,634
Raw materials in transit	609,305	-
Stores and spares	8,066,497	7,271,951
	$ 87,452,904	$ 80,388,221

Note 3: Property, plant and equipment

The costs by major category of property, plant and equipment follows:

	2013	2012
Land	$ 4,781,981	$ 4,781,981
Land improvements	24,536,160	22,626,407
Buildings and improvements	60,485,558	49,964,835
Machinery and equipment	141,502,826	94,363,936
Furniture and fixtures	1,232,044	839,587
Vehicles	233,829	160,198
Capital work in process	2,796,529	524,136
Computers and software	760,577	711,704
Yard equipment	6,946,452	6,678,003
	243,275,956	180,650,787
Accumulated depreciation	(47,441,205)	(36,692,338)
Net property, plant and equipment	$ 195,834,751	$ 143,958,449

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Operating leases

The Company has six operating leases for equipment which require monthly payments ranging from $4,873 to $7,777 each through June 2015.

In June 2010, the Company entered into an operating lease for office space in Houston, Texas. The lease has a term of seven years and calls for monthly payments starting at $4,715 and increasing every 12 months. The monthly payments range from $4,715 through May 2011 to $5,460 through May 2017.

Future minimum lease payments at March 31, 2013 are as follows:

2014	$ 480,071
2015	94,467
2016	63,779
2017	65,268
2018	16,919
	$ 720,504

Rent expense totaled $2,149,486 for 2013 and $2,830,544 for 2012.

Note 5: Long-term debt

Long-term debt consists of the following at March 31:

	2013	2012
City of Little Rock, Arkansas, Series 2007 - A, revenue bonds (A)	$ 9,291,667	$ 9,680,000
EXIM Bank loan (B)	-	27,500,000
Bank of India loan, 2007-C (C)	3,770,000	5,655,000
State Bank of India loan, 2007-C (D)	6,000,000	10,000,000
Standard Chartered Bank loan, 2012 - C (E)	28,750,000	-
Standard Chartered Bank loan, 2012 - D (F)	22,500,000	-
Bank of Baroda loan, 2012-A (G)	26,250,000	-
	96,561,667	52,835,000
Current maturities	(11,546,667)	(16,273,333)
Long-term debt	$ 85,015,000	$ 36,561,667

(A) Bonds guaranteed by the Arkansas Development Finance Authority and the Arkansas Economic Development Commission are due through August 2027; payable $82,172 monthly, including interest, at 5.75%, secured by the Company's property, plant and equipment.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Long-term debt

(B) Note maturing on November 1, 2014. Principal of $2,500,000 payable quarterly plus interest which accrues at 3.00% over the six-month LIBOR rate (3.73% as of March 31, 2012). The note is secured by the property, plant and equipment of Welspun Tubular, LLC, and guaranteed by the Parent. The note was refinanced during the year with the Standard Chartered Bank loan, 2012-D.

(C) Note maturing on December 31, 2014. Interest accrues at 2.00% over the one-year LIBOR rate (2.75% as of March 31, 2013), payable in annual principal installments of $1,885,000. Interest is adjusted and payable annually. Secured by a pledge of secured bonds issued by the City of Little Rock in the name of the borrower, and guaranteed by the Parent.

(D) Note maturing June 30, 2014. Interest accrues at 2.25% over the six-month LIBOR rate (2.71% as of March 31, 2013), payable in semi-annual principal installments of $2,000,000. Secured by a pledge of the bonds issued by the City of Little Rock, and guaranteed by the Parent.

(E) Note maturing on August 24, 2018. Interest accrues at 3.78% over the three-month LIBOR rate (4.07% as of March 31, 2013), payable in quarterly principal installments of $2,053,571. The note is secured by the Company's property, plant and equipment.

(F) Note maturing on November 8, 2018. Interest accrues at 3.07% over the three-month LIBOR rate (3.36% as of March 31, 2013), payable in quarterly principal installments of $1,607,143. The note is secured by the Company's property, plant and equipment.

(G) Note maturing on November 30, 2017. Interest accrues at 4.00% over the six month LIBOR rate (4.46% as of March 31, 2013), payable in semi-annual principal installments of $2,625,000. The note is secured by the property, plant and equipment of Welspun Tubular, LLC, and guaranteed by the Parent.

Notes (C), (D), (E), (F) and (G) contain restrictive covenants including a minimum net worth requirement and a net earnings requirement. These covenants also include restrictions on borrowings from others and a restriction on prepayment of the subordinated debt. Under the note agreements, the Company has ninety days to recover from any noncompliance with covenants or restrictions that are not met.

Maturities of long-term debt at March 31, 2013 are:

2014	$ 11,546,667
2015	9,571,667
2016	18,747,382
2017	20,382,857
2018	20,412,857
Thereafter	15,900,237
	$ 96,561,667

Note 6: Available line of credit

At March 31, 2013, the Company has a $25,000,000 bank line of credit available with an interest rate at 2.75% over the ninety day LIBOR rate (3.04% as of March 31, 2013), subject to a floor of 3.75%. The line of credit matures in July 2013 and is secured by inventory and accounts receivable. At March 31, 2013, $25,000,000 was available under this line of credit.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Income taxes

There are significant items such as depreciation expense that are treated differently for financial reporting versus income tax reporting. Deferred income taxes are provided for on these items. The Company also has several income tax credits from the State of Arkansas. These credits are not included in deferred tax assets.

Income tax expense consists of:

	2013	2012
Current provision (benefit)	$ (4,718,494)	$ 20,513,558
Deferred provision	8,998,907	3,083,006
	$ 4,280,413	$ 23,596,564

Income tax expense varies from the statutory U.S. tax rate primarily due to the deduction for domestic production activities, state income taxes, utilization of net operating loss carrybacks and non-deductible expenses.

Total gross deferred tax assets and gross deferred tax liabilities as of March 31, 2013 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 2,447,470	$ 6,795,104
Gross deferred tax liabilities	(1,552,463)	(38,733,023)
	$ 895,007	$ (31,937,919)

Total gross deferred tax assets and gross deferred tax liabilities as of March 31, 2012 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 1,746,705	$ 8,541,810
Gross deferred tax liabilities	(4,849,878)	(27,482,642)
	$ (3,103,173)	$ (18,940,832)

Note 8: Related party transactions

The accounts receivable - related party as of March 31, 2013 and 2012 is related to related party transactions on transportation costs, coating, and fixed assets sold to WCL or its subsidiaries.

At March 31, 2013, the Company had a total of $16,200,000 in payments to WCL for the purchase of steel that is contained in prepaid expenses, advances and other.

Accounts payable - related party results from raw material purchases from WCL. Total raw material purchases from WCL were $164,340,533 during 2013 and $182,994,324 during 2012.

The Company had remaining inventory purchase commitments from WCL for $108,296 and $989,464 as of March 31, 2013 and 2012.

Note 8: Related party transactions (continued)

During 2013 and 2012, the Company paid $473,090 and $768,464, respectively, to WCL for guarantee fees relating to long-term debt. These amounts have been recognized as interest expense. As of March 31, 2013, these guarantee fees are included in accrued interest.

The Company paid $1,402,581 and $6,504,611 in 2013 and 2012, respectively, to WCL for assignment fees. These fees represent a 1.50% commission for the amounts invoiced to date on the Company's two largest projects.

During 2012, the Company received $5,233,860 from WCL for pipe movement logistic costs. This amount is included in other operating revenues in the consolidated statements of income.

On February 15, 2013, the Company borrowed $5,000,000 from WCL on a note that matures on February 15, 2014. Interest accrues at 6% with principal and interest payable on demand by WCL after the expiration of six months from the drawdown date.

Since 2007, the City of Little Rock, Arkansas, has issued $262,500,000 in industrial revenue bonds to fund the construction of the Company's manufacturing facilities. Welspun Tubular, LLC is the borrower of the bond proceeds. Welspun Pipes, Inc. purchased $251,000,000 of these bonds using proceeds from loans obtained from WCL, EXIM Bank, Bank of India, State Bank of India, Standard Charter Bank, and Bank of Baroda. As disclosed in Note 5, some of these loans are secured by the City of Little Rock bonds and have been guaranteed by WCL. Substantially all the indebtedness and related investment associated with these bonds were eliminated in consolidation.

Note 9: Other income

Included in other income are amounts the Company received for the exclusive storage and handling of bare pipes. The amounts totaled $3,150,000 and $2,825,000 for 2013 and 2012, respectively.

Note 10: Concentrations

As disclosed in Note 1, the Company's operations are focused on large projects relating to supplying steel pipes for the transportation of oil and gas. These projects generally span a period of several months, and sometimes several years. While the Company has multiple clients and projects, 77% of the revenues during 2013 have been generated from two projects and relate to two specific customers, and 91% of the revenues during 2012 were generated from two projects and relate to two specific customers. The Company does not manufacture for stock and all production to date has been related to specific projects. Accordingly, the Company establishes delivery schedules with various clients based on their implementation plan, which normally extends several months for a specific project.

Note 11: Employee benefit plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees upon hire. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. During the plan years ended December 31, 2012 and 2011, the Company contributed a 100% match of employee deferrals up to 3% of the participant's salary. These matching contributions vest 20% after two years of service and 20% for each additional year of service and are fully vested after six years of service. Total retirement plan contributions by the Company for 2013 and 2012 were $365,162 and $297,343, respectively.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Fair value

Accounting standards define 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. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following are the three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company's only financial assets, cash and restricted cash, are measured using Level 1 inputs. At March 31, 2013 and 2012, cash and restricted cash totaled $20,989,950 and $27,137,304, respectively, which is reflected at its stated value. The Company did not have any financial liabilities required to be reported at fair value at March 31, 2013 or 2012.

Note 13: Commitments

During the current year, the Company received a $4,500,000 grant from the City of Little Rock (the "City") to help fund the acquisition of new equipment used in the new plant placed in service in the current year. The ultimate purpose of the grant is to create employment opportunities for Arkansas residents. Under the terms of the grant, the Company will be tested by the City beginning December 31, 2013 and annually thereafter through December 31, 2016 to determine if the job creation required by the grant has taken place. If the Company fails to meet the grant's employment thresholds at any testing date, they will be required to repay the City $22,500 for each unfilled position on that date, with the repayment not to exceed the original $4,500,000 grant received.