CASTLE A M & CO
Form 10-K
March 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Commission File Number: 1-5415

A. M. CASTLE & CO.
(Exact name of registrant as specified in its charter)

Maryland	36-0879160
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1420 Kensington Road, Suite 220, Oak Brook, Illinois	60523
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (847) 455-7111
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock - $0.01 par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer	¨	Accelerated Filer	x
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter is $197,652,774.

The number of shares outstanding of the registrant's common stock on February 25, 2015 was 23,558,670 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Documents Incorporated by Reference	Applicable Part of Form 10-K
Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held at a time to be determined and announced in accordance with Securities Exchange Commission and New York Stock Exchange rules.	Part III

Disclosure Regarding Forward-Looking Statements

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this report and the Company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "believe," "expect," "anticipate," "intend," "predict," "plan," or similar expressions. Th statements are not guarantees of performance or results, and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements, including those risk factors identified in Item 1A "Risk Factors" of this report. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future, to reflect the occurrence of unanticipated events or for any other reason.

INDUSTRY AND MARKET DATA

In this report, we rely on and refer to information and statistics regarding the metal service center industry and general manufacturing markets. We obtained this information and these statistics from sources other than us, such as Purchasing magazine and the Institute for Supply Management, which we have supplemented where necessary with information from publicly available sources and our own internal estimates. Although we have not independently verified such information, we have used these sources and estimates and believe them to be reliable.

PART I

ITEM 1 — Business

In this annual report on Form 10-K, "the Company," "we" or "our" refer to A. M. Castle & Co., a Maryland corporation, and its subsidiaries included in the consolidated financial statements, except as otherwise indicated or as the context otherwise requires.

Business and Markets

Company Overview

The Company is a specialty metals (86% of net sales) and plastics (14% of net sales) distribution company serving customers on a global basis. The Company provides a broad range of products and value-added processing and supply chain services to a wide array of customers. The Company's metals customers are principally within the producer durable equipment, oil and gas, aerospace, heavy industrial equipment, industrial goods and construction equipment sectors of the global economy, and its plastics customers are primarily in the retail, marine and automotive sectors. Particular focus is placed on the aerospace, oil and gas, power generation, mining, heavy industrial equipment and manufacturing for metals and automotive, marine, office furniture and fixtures, safety products, life sciences applications, transportation and general manufacturing industries for plastics.

The Company's corporate headquarters is located in Oak Brook, Illinois. The Company operates out of 29 metals service centers located throughout North America (24), Europe (3) and Asia (2) and 18 plastics service centers located in the United States. The Company's service centers hold inventory and process and distribute products to both local and export markets.

Industry and Markets

Service centers act as supply chain intermediaries between primary producers, which deal in bulk quantities in order to achieve economies of scale, and end-users in a variety of industries that require specialized products in significantly smaller quantities and forms. Service centers also manage the differences in lead times that exist in the supply chain. While original equipment manufacturers ("OEM") and other customers often demand delivery within hours, the lead time required by primary producers can be as long as several months. Service centers also provide value to customers by aggregating purchasing, providing warehousing and distribution services to meet specific customer needs, including demanding delivery times and precise metal specifications.

The principal markets served by the Company are highly competitive. Competition is based on service, quality, processing capabilities, inventory availability, timely delivery, ability to provide supply chain solutions and price. The Company competes in a highly fragmented industry. Competition in the various markets in which the Company participates comes from a large number of value-added metals processors and service centers on a regional and local basis, some of which have greater financial resources and some of which have more established brand names in the local markets served by the Company.

The Company also competes to a lesser extent with primary metals producers who typically sell to larger customers requiring shipments of large volumes of metal.

In order to capture scale efficiencies and remain competitive, many primary metal producers are consolidating their operations and focusing on their core production activities. These producers have increasingly outsourced metals distribution and inventory management to metals service centers. This process of outsourcing allows them to work with a relatively small number of intermediaries rather than many end customers. As a result, metals service centers, including the Company, are now providing a range of services for their customers, including metal purchasing, processing and supply chain solutions.

Procurement

The Company purchases metals and plastics from many producers. Material is purchased in large lots and stocked at its service centers until sold, usually in smaller quantities and typically with some value-added processing services performed. The Company’s ability to provide quick delivery of a wide variety of specialty metals and plastic products, along with its processing capabilities and supply chain management solutions, allows customers to lower their own inventory investment by reducing their need to order the large quantities required by producers and their need to perform additional material processing services. Some of the Company’s purchases are covered by long-term contracts and commitments, which generally have corresponding customer sales agreements.

Orders are primarily filled with materials shipped from Company stock. The materials required to fill the balance of sales are obtained from other sources, such as direct mill shipments to customers or purchases from other distributors. Deliveries are made principally by the Company’s fleet contracted through third party logistics providers. Common carrier delivery is used in areas not serviced directly by the Company’s fleet.

As of December 31, 2014, the Company had 1,667 full-time employees. Of these full-time employees, 262 were represented by the United Steelworkers of America under collective bargaining agreements.

Business Segments

The Company distributes and performs processing on both metals and plastics. Although the distribution processes are similar, the customer markets, supplier bases and types of products are different. Additionally, the Company’s Chief Executive Officer, the chief operating decision-maker, reviews and manages these two businesses separately. As such, these businesses are considered reportable segments and are reported accordingly in the Company’s various public filings. Neither of the Company’s reportable segments has any unusual working capital requirements.

In the last three years, the percentages of total sales of the two segments were as follows:

	2014	2013	2012
Metals	86 %	87 %	90 %
Plastics	14 %	13 %	10 %
	100 %	100 %	100 %

Metals Segment

In its Metals segment, the Company’s marketing strategy focuses on distributing highly engineered specialty grades and alloys of metals as well as providing specialized processing services designed to meet very precise specifications. Core products include alloy, aluminum, nickel, stainless steel, carbon and titanium. Inventories of these products assume many forms such as plate, sheet, extrusions, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, a service center is equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, trepanning machinery, boring machinery, honing equipment, water-jet cutting equipment, stress relieving and annealing furnaces, surface grinding equipment, and sheet shearing equipment.

4

The Company's customer base is well diversified and therefore, the Company does not have dependence upon any single customer, or a few customers. Our customer base includes many Fortune 500 companies as well as thousands of medium and smaller sized firms.

The Company's broad network of locations provides same or next-day delivery to most of the segment's markets, and two-day delivery to substantially all of the remaining markets.

Plastics Segment

The Company's Plastics segment consists exclusively of a wholly-owned subsidiary that operates as Total Plastics, Inc. ("TPI"), headquartered in Kalamazoo, Michigan, and its wholly-owned subsidiaries. The Plastics segment stocks and distributes a wide variety of plastics in forms that include plate, rod, tube, clear sheet, tape, gaskets and fittings. Processing activities within this segment include cut-to-length, cut-to-shape, bending and forming according to customer specifications.

The Plastics segment's diverse customer base consists of companies in the retail (point-of-purchase), automotive, marine, office furniture and fixtures, safety products, life sciences applications, and general manufacturing industries. TPI has locations in the upper northeast, southeast and midwest regions of the U.S. from which it services a wide variety of users of industrial plastics.

Joint Venture

The Company holds a 50% joint venture interest in Kreher Steel Company, LLC ("Kreher"), a national distributor and processor of carbon and alloy steel bar products, headquartered in Melrose Park, Illinois. The Company's equity in the earnings of this joint venture is reported separately in the Company's consolidated statements of operations. Kreher is considered significant under Rule 3-09 of Regulation S-X. Therefore, its stand-alone financial statements are included in this filing.

Access to SEC Filings

The Company makes available free of charge on or through its Web site at www.amcastle.com the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"). Information on our website does not constitute part of this annual report on Form 10-K.

ITEM 1A — Risk Factors

(Dollar amounts in millions, except per share data)

Our business, financial condition, results of operations, and cash flows are subject to various risks, many of which are not exclusively within our control that may cause actual performance to differ materially from historical or projected future performance. The risks described below are not the only risks we face. Any of the following risks, as well as other risks and uncertainties not currently known to us or that we currently consider to be immaterial, could materially and adversely affect our business, financial condition, results of operations, or cash flows.

Our future operating results depend on the volatility of the prices of metals and plastics, which could cause our results to be adversely affected.

The prices we pay for raw materials, both metals and plastics, and the prices we charge for products may fluctuate depending on many factors, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions and currency fluctuations. To the extent metals and plastics prices decline, we would generally expect lower sales, pricing and possibly lower net income. Depending on the timing of the price changes and to the extent we are not able to pass on to our customers any increases in our raw materials prices, our operating results may be adversely affected. In addition, because we maintain substantial inventories of metals and plastics in order to meet short lead-times and the just-in-time delivery requirements of our customers, a reduction in our selling prices could result in lower profitability or, in some cases, losses, either of which could adversely impact our ability to remain in compliance with certain financial covenants contained in our debt instruments, as well as result in us incurring impairment charges.

We service industries that are highly cyclical, and any downturn in our customers' industries could reduce our revenue and profitability.

Many of our products are sold to customers in industries that experience significant fluctuations in demand based on economic conditions, energy prices, consumer demand, availability of adequate credit and financing, customer inventory levels, changes in governmental policies and other factors beyond our control. As a result of this volatility in the industries we serve, when one or more of our customers' industries experiences a decline, we may have difficulty increasing or maintaining our level of sales or profitability if we are not able to divert sales of our products to customers in other industries. We have made a strategic decision to focus sales resources on certain industries, specifically the aerospace, oil and gas, heavy equipment, machine tools and general industrial equipment industries. A downturn in these industries has had, and may in the future continue to have, an adverse effect on our operating results. We are also particularly sensitive to market trends in the manufacturing and oil and gas sectors of the North American economy.

A portion of our sales, particularly in the aerospace industry, are related to contracts awarded to our customers under various U.S. Government defense-related programs. Significant changes in defense spending, or in government priorities and requirements could impact the funding, or the timing of funding, of those defense programs, which could negatively impact our results of operations and financial condition. The level of U.S. spending for defense, alternative energy and other programs to which such funding is allocated, is subject to periodic congressional appropriation actions, including the sequestration of appropriations in fiscal years 2013 and after, under the Budget Control Act of 2011, and is subject to change at any time.

Our industry is highly competitive, which may force us to lower our prices and may have an adverse effect on our operating results.

The principal markets that we serve are highly competitive. Competition is based principally on price, service, quality, processing capabilities, inventory availability and timely delivery. We compete in a highly fragmented industry. Competition in the various markets in which we participate comes from a large number of value-added metals processors and service centers on a regional and local basis, some of which have greater financial resources than we do and some of which have more established brand names in the local markets we serve. We also compete to a lesser extent with primary metals producers who typically sell to very large customers requiring shipments of large volumes of metal. Increased competition could force us to lower our prices or to offer increased services at a higher cost to us, which could have an adverse effect on our operating results.

Our operating results are subject to the seasonal nature of our customers' businesses.

A portion of our customers experience seasonal slowdowns. Historically, our revenues in the months of July, November and December have been lower than in other months because of a reduced number of shipping days and holiday or vacation closures for some customers. Consequently, our sales in the first two quarters of the year are usually higher than in the third and fourth quarters. As a result, analysts and investors may inaccurately estimate the effects of seasonality on our operating results in one or more future quarters and, consequently, our operating results may fall below expectations.

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under our debt instruments.

We have substantial debt service obligations. As of December 31, 2014, we had approximately $326.7 million of total debt outstanding, excluding capital lease obligations of $1.3 million, of which $269.2 million is secured. As of December 31, 2014, we had approximately $41.2 million of additional unrestricted borrowing capacity under our revolving credit facility. In December 2014, we obtained an extension on our revolving credit facility, extending its maturity date from December 15, 2015 to December 10, 2019 (or 91 days prior to the maturity date of our Senior Secured Notes or Convertible Notes if they have not been refinanced). In January 2014, we partially exercised the accordion option under our revolving credit facility to increase the aggregate commitments by $25.0 million. As a result, our borrowing capacity increased from $100.0 million to $125.0 million. We maintain the option to exercise the accordion for an additional $25.0 million of aggregate commitments in the future, assuming we meet certain thresholds for incurring additional debt. Subject to restrictions contained in the debt instruments, we may incur additional indebtedness.

Our substantial level of indebtedness could have significant effects on our business, including the following:

- it may be more difficult for us to satisfy our financial obligations;
- our ability to obtain additional financing for working capital, capital expenditures, strategic acquisitions or general corporate purposes may be impaired;
- we must use a substantial portion of our cash flow from operations to pay interest on our indebtedness, which will reduce the funds available to use for operations and other purposes, including potentially accretive acquisitions;
- our ability to fund a change of control offer under our debt instruments may be limited;
- our substantial level of indebtedness could place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited; and
- our substantial level of indebtedness may make us more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the funds to pay our expenses and to repay our indebtedness primarily from our operations and, in the case of our indebtedness, from the refinancing thereof. Our ability to meet our expenses and make these payments therefore depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future, and our currently anticipated growth in revenue and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. If we do not have enough funds, we may be required to refinance all or part of our then existing debt, sell assets or borrow more funds, which we may not be able to accomplish on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives which could have an adverse effect on our financial condition or liquidity.

During 2014, our 12.75% Senior Secured Notes debt rating was downgraded by Moody's Investor Services from Caa1 to Caa2, and our outlook was revised to negative by Standard & Poor's and Moody's Investor Services. In February 2015, Standard & Poor's downgraded our senior debt rating from B- to CCC+. The downgrades and outlook revisions, or any future downgrades and/or outlook revisions, could negatively impact our ability to refinance our existing debt and/or increase the cost to refinance our debt.

We may not be able to generate sufficient cash to service all of our existing debt service obligations, and may be forced to take other actions to satisfy our obligations under our debt agreements, which may not be successful.

Our annual debt service obligations until December 2016, when our Senior Secured Notes are scheduled to mature, will be primarily limited to interest payments on our outstanding debt securities, with an aggregate principal amount of $267.5 million, and on borrowings under our $125.0 million revolving credit facility, if any. We had $59.2 million of borrowings outstanding under the revolving credit facility as of December 31, 2014. Our ability to make scheduled payments on or to refinance our debt obligations depends on our future financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Our business may not generate sufficient cash flow from operations in the future and our currently anticipated levels of revenue and cash flow may not be realized, any of which could result in our being unable to repay indebtedness or to fund other liquidity needs. Therefore, we may not be able to maintain or realize a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments, capital expenditures or potentially accretive acquisitions, sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous borrowing covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of principal and interest on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or the terms thereof. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations which could have an adverse effect on our financial condition or liquidity.

Our debt instruments impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.
Our debt agreements impose, and future debt agreements may impose, operating and financial restrictions on us. These restrictions limit or prohibit, among other things, our ability to:

- incur additional indebtedness unless certain financial tests are satisfied or issue disqualified capital stock;
- pay dividends, redeem subordinated debt or make other restricted payments;
- make certain investments or acquisitions;
- issue stock of subsidiaries;
- grant or permit certain liens on our assets;
- enter into certain transactions with affiliates;
- merge, consolidate or transfer substantially all of our assets;
- incur dividend or other payment restrictions affecting certain of our subsidiaries;
- transfer, sell or acquire assets, including capital stock of our subsidiaries; and
- change the business we conduct.

These covenants could adversely affect our ability to finance our future operations or capital needs, withstand a future downturn in our business or the economy in general, engage in business activities, including future opportunities that may be in our interest, and plan for or react to market conditions or otherwise execute our business strategies. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders or holders of such indebtedness could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and may not be able to continue our operations as planned.
An additional impairment or restructuring charge could have an adverse effect on our operating results.
We continue to evaluate opportunities to reduce costs and improve operating performance. These actions could result in restructuring and related charges, including but not limited to asset impairments, employee termination costs, charges for pension benefits, and pension curtailments, which could be significant and could adversely affect our financial condition and results of operations.
We have a significant amount of long-lived assets, including goodwill and intangible assets. We review the recoverability of goodwill annually or whenever significant events or changes occur that might impair the recovery of recorded costs, making certain assumptions regarding future operating performance. We review the recoverability of definite lived intangible assets and other long-lived assets whenever significant events or changes occur which might impair the recovery of recorded costs, making certain assumptions regarding future operating performance. The results of these calculations may be affected by the current demand and any decline in market conditions for our products, as well as interest rates and general economic conditions. If impairment is determined to exist, we will incur impairment losses, which may have an adverse effect on our operating results and our ability to remain in compliance with certain financial covenants contained in our debt instruments.
We recorded a $56.2 million goodwill impairment charge in 2014. During the second quarter of 2014, we determined that an interim impairment test of our Metals segment goodwill was necessary. The results of the May 31, 2014 interim impairment analysis indicated that the Metals segment goodwill was impaired, and we recorded a $56.2 million non-cash impairment charge in the second quarter of 2014 to eliminate the Metals segment goodwill entirely. The results of our most recent annual impairment test of goodwill indicates that as of December 1, 2014 there is approximately $9.8 million (21.0%) of excess estimated fair-value over carrying value for the Plastics reporting unit.
Disruptions or shortages in the supply of raw materials could adversely affect our operating results and our ability to meet our customers’ demands.
Our business requires materials that are sourced from third party suppliers. If for any reason our primary suppliers of metals should curtail or discontinue their delivery of raw materials to us at competitive prices and in a timely manner, our operating results could suffer. Unforeseen disruptions in our supply bases could materially impact our ability to

deliver products to customers. The number of available suppliers could be reduced by factors such as industry consolidation and bankruptcies affecting metals and plastics producers, or suppliers may be unwilling or unable to meet our demand due to industry supply conditions. If we are unable to obtain sufficient amounts of raw materials from our traditional suppliers, we may not be able to obtain such raw materials from alternative sources at competitive prices to meet our delivery schedules, which could have an adverse impact on our operating results. To the extent we have quoted prices to customers and accepted orders for products prior to purchasing necessary raw materials, or have existing contracts, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials to our customers.

In some cases the availability of raw materials requires long lead times. As a result, we may experience delays or shortages in the supply of raw materials. If unable to obtain adequate and timely deliveries of required raw materials, we may be unable to timely supply customers with sufficient quantities of products. This could cause us to lose sales, incur additional costs, or suffer harm to our reputation, all of which may adversely affect our operating results.

Increases in freight and energy prices would increase our operating costs and we may be unable to pass these increases on to our customers in the form of higher prices, which may adversely affect our operating results.

We use energy to process and transport our products. The prices for and availability of energy resources are subject to volatile market conditions, which are affected by political, economic and regulatory factors beyond our control. Our operating costs increase if energy costs, including electricity, diesel fuel and natural gas, rise. During periods of higher freight and energy costs, we may not be able to recover our operating cost increases through price increases without reducing demand for our products. In addition, we typically do not hedge our exposure to higher freight or energy prices.

We operate in international markets, which expose us to a number of risks.

Although a substantial majority of our business activity takes place in the United States, we serve and operate in certain international markets, which exposes us to political, economic and currency related risks, including the following:

- potential for adverse change in the local political or social climate or in government policies, laws and regulations;
- difficulty staffing and managing geographically diverse operations and the application of foreign labor regulations;
- restrictions on imports and exports or sources of supply;
- currency exchange rate risk; and
- change in duties and taxes.

In addition to the United States, we operate in Canada, Mexico, France, the United Kingdom, Singapore, and China. An act of war or terrorism or major pandemic event could disrupt international shipping schedules, cause additional delays in importing or exporting products into or out of any of these countries, including the United States, or increase the costs required to do so. In addition, acts of crime or violence in these international markets could adversely affect our operating results. Fluctuations in the value of the U.S. dollar versus foreign currencies could reduce the value of these assets as reported in our financial statements, which could reduce our stockholders' equity. If we do not adequately anticipate and respond to these risks and the other risks inherent in international operations, it could have a material adverse impact on our operating results.

A portion of our workforce is represented by collective bargaining units, which may lead to work stoppages.

As of December 31, 2014, approximately 20% of our U.S. employees were represented by the United Steelworkers of America ("USW") under collective bargaining agreements, including hourly warehouse employees at two of our primary distribution centers in Franklin Park, Illinois and Cleveland, Ohio. As these agreements expire, there can be no assurance that we will succeed in concluding collective bargaining agreements with the USW to replace those that expire. Although we believe that our labor relations have generally been satisfactory, we cannot predict how stable our relationships with the USW will be or whether we will be able to meet the USW requirements without impacting our operating results and financial condition. The USW may also limit our flexibility in dealing with our workforce. Work stoppages and instability in our relationship with the USW could negatively impact the timely processing and shipment of our products, which could strain relationships with customers or suppliers and adversely affect our operating results. On October 1, 2014, we entered into a four year collective bargaining agreement with the USW, which covers approximately 235 employees at our Franklin Park, Illinois and Cleveland, Ohio facilities. Approximately 27 employees at our Hammond, Indiana facility are covered by a separate collective bargaining agreement with the USW through 2016.

We rely upon our suppliers as to the specifications of the metals we purchase from them.

We rely on mill or supplier certifications that attest to the physical and chemical specifications of the metals or plastics received from our suppliers for resale and generally, consistent with industry practice, do not undertake independent testing of such metals or plastics. We rely on our customers to notify us of any product that does not conform to the specifications certified by the supplier. Although our primary sources of products have been domestic suppliers, we have and will continue to purchase product from foreign suppliers when we believe it is appropriate. In the event that metal purchased from domestic suppliers is deemed to not meet quality specifications as set forth in the mill or supplier certifications or customer specifications, we generally have recourse against these suppliers for both the cost of the products purchased and possible claims from our customers. However, such recourse will not compensate us for the damage to our reputation that may arise from sub-standard products and possible losses of customers. Moreover, there is a greater level of risk that similar recourse will not be available to us in the event of claims by our customers related to products from foreign suppliers that do not meet the specifications set forth in the mill or supplier certifications. In such circumstances, we may be at greater risk of loss for claims for which we do not carry, or do not carry sufficient, insurance.

Our business could be adversely affected by a disruption to our primary distribution hubs.

Our largest facilities, in Franklin Park, Illinois, Cleveland, Ohio, Hammond, Indiana, and Houston Texas, serve as primary distribution centers that ship product to our other facilities as well as external customers. Our business could be adversely impacted by a major disruption at any of these facilities due to unforeseen developments occurring in or around the facility, such as:

- damage to or inoperability of our warehouse or related systems;
- a prolonged power or telecommunication failure;
- a natural disaster, environmental or public health issue; or
- an airplane crash or act of war or terrorism on-site or nearby (for example at the Franklin Park facility, which is located within seven miles of O'Hare International Airport (a major U.S. airport) and lies below certain take-off and landing flight patterns).

A prolonged disruption of the services and capabilities of these or other of our facilities could adversely impact our operating results.

Damage to or a disruption in our information technology systems could impact our ability to conduct business and/or report our financial performance.

Difficulties associated with the design and implementation of our ERP system could adversely affect our business, our customer service and our operating results.

We rely primarily on one information technology system to provide inventory availability to our sales and operating personnel, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades or integration with new systems could lead to business interruption that could harm our reputation, increase our operating costs and decrease profitability. In addition, any significant disruption relating to our current information technology systems, whether resulting from such things as fire, flood, tornado and other natural disasters, power loss, network failures, loss of data, security breaches and computer viruses, or otherwise, may have an adverse effect on our business, our operating results and our ability to report our financial performance in a timely manner.

The success of our business depends on the security of our networks and, in part, on the security of the network infrastructures of our third-party vendors. In connection with conducting our business in the ordinary course, we store and transmit limited amounts of customer, vendor, and employee information, including account or credit card information, and other personally identifiable information. Unauthorized or inappropriate access to, or use of, our networks, computer systems or services, whether intentional, unintentional or as a result of criminal activity, could potentially jeopardize the security of this confidential information. A number of other companies have publicly disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their networks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose employees, customers, or vendors. A party that is able to circumvent our security measures could misappropriate our proprietary information or the information of our customers, vendors, or employees, cause interruption in our operations, or damage our computers or those of our customers or vendors.

We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches, including any breach related to us or the parties with which we have commercial relationships, could damage our reputation and expose us to a risk of loss, litigation, and possible liability. We cannot give assurance that the security measures we take will be effective in preventing these types of activities. We also cannot give assurance that the security measures of our third-party vendors, including network providers, providers of customer and vendor support services, and other vendors, will be adequate. In addition to potential legal liability, these activities may adversely impact our reputation or our revenues and may interfere with our ability to provide our products and services, all of which could adversely impact our business.

We may not achieve all of the expected benefits from our restructuring and performance enhancement initiatives.

In 2013, we completed our restructuring activities that were announced in January 2013 in our Metals segment, including organizational restructuring, warehouse realignments and performance improvement programs. We continue to evaluate additional options to improve the efficiency and performance of our operations. We identified additional plant consolidations that started in 2013 and continued through 2014 and additional organizational restructuring that resulted in workforce reductions in 2014. We have made certain assumptions in estimating the anticipated impact of these restructuring and performance enhancement initiatives. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these initiatives is subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Some of our cost saving measures may not have the impact on our operating profitability that we currently project. If we are unsuccessful in implementing these initiatives or if we do not achieve our expected results, our results of operations and cash flows could be materially adversely affected.

Ownership of our stock is concentrated, which may limit stockholders' ability to influence corporate matters.

As of December 31, 2014, based on filings made with the SEC and other information made available to us as of that date, we believe two of our directors, Jonathan B. Mellin and Reuben S. Donnelley, as general partners of W. B. & Co., may be deemed to beneficially own approximately 23% of our common stock. Additionally, from time to time, the Company has experienced concentrations of ownership among institutional investors and/or hedge funds. Accordingly, Mr. Mellin and Mr. Donnelley and their affiliates, and/or any other concentrated ownership interests, may have the voting power to substantially control the outcome of matters requiring a stockholder vote including the election of directors and the approval of significant corporate matters. Such a concentration of control could adversely affect the market price of our common stock or prevent a change in control or other business combinations that might be beneficial to us.

We may not have the cash necessary to satisfy our cash obligations under our Convertible Notes.

As of December 31, 2014, we had approximately $57.5 million of aggregate principal amount outstanding under the Convertible Notes. The Convertible Notes bear cash interest semiannually at a rate of 7.0% per year, and mature on December 15, 2017. Upon the occurrence of a fundamental change (as defined in the indenture for the Convertible Notes), we may be required to repurchase some or all of the Convertible Notes for cash at a repurchase price equal to 100% of the principal amount of the Convertible Notes being repurchased, plus any accrued and unpaid interest up to but excluding the relevant fundamental change repurchase date. We may not have sufficient funds to satisfy such cash obligations and, in such circumstances, may not be able to arrange the necessary financing on favorable terms or at all. In addition, our ability to satisfy such cash obligations will be restricted pursuant to covenants contained in the indenture for the Convertible Notes and will be permitted to be paid only in limited circumstances. We may also be limited in our ability to satisfy such cash obligations by applicable law or the terms of other instruments governing our indebtedness. Our inability to make cash payments to satisfy our obligations described above would trigger an event of default under the Convertible Notes, which in turn could constitute an event of default under any of our outstanding indebtedness, thereby resulting in the acceleration of such indebtedness, the prepayment of which could further restrict our ability to satisfy such cash obligations.

The conditional conversion features of our Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion features of the Convertible Notes are triggered, holders of the Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, and we elect or are deemed to have elected cash settlement or combination settlement, we would be required to pay cash to satisfy all or a portion of our conversion obligation for such Convertible Notes, which could adversely affect our liquidity. Even if holders do not elect to convert their Convertible Notes, in the absence of sufficient availability under the revolving credit facility, we could be required under applicable accounting guidance to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability. The reclassification of all or a portion of the outstanding principal to a current liability would result in a material reduction of our net working capital.

We are vulnerable to interest rate fluctuations on our indebtedness, which could hurt our operating results.
We are exposed to various interest rate risks that arise in the normal course of business. We finance our operations with fixed and variable rate borrowings. Market risk arises from changes in variable interest rates. Under our revolving credit facility, our interest rate on borrowings is subject to changes based on fluctuations in the LIBOR and prime rates of interest. If interest rates significantly increase, we could be unable to service our debt which could have an adverse effect on our operating results or liquidity.
Commodity hedging transactions may expose us to loss or limit our potential gains.
We have entered into certain fixed price sales contracts with customers which expose us to risks associated with fluctuations in commodity prices. As part of our risk management program, we may use financial instruments from time-to-time to mitigate all or portions of these risks, including commodity futures, forwards or other derivative instruments. While intended to reduce the effects of the commodity price fluctuations, these transactions may limit our potential gains or expose us to losses. Also, should our counterparties to such transactions fail to honor their obligations due to financial distress we would be exposed to potential losses or the inability to recover anticipated gains from these transactions.
We could incur substantial costs in order to comply with, or to address any violations under, environmental and employee health and safety laws, which could adversely affect our operating results.
Our operations are subject to various environmental statutes and regulations, including laws and regulations governing materials we use and our facilities. In addition, certain of our operations are subject to international, federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury and illness, employee exposure to hazardous materials and employee complaints. Certain of our facilities are located in industrial areas, have a history of heavy industrial use and have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Currently unknown cleanup obligations at these facilities, or at off-site locations at which materials from our operations were disposed, could result in future expenditures that cannot be currently quantified but which could have a material adverse effect on our financial condition, liquidity or operating results.
We may face risks associated with current or future litigation and claims.
From time to time, we are involved in a variety of lawsuits, claims and other proceedings relating to the conduct of our business. These suits concern issues including contract disputes, employment actions, employee benefits, taxes, environmental, health and safety, personal injury and product liability matters. Due to the uncertainties of litigation, we can give no assurance that we will prevail on all claims made against us in the lawsuits that we currently face or that additional claims will not be made against us in the future. While it is not feasible to predict the outcome of all pending lawsuits and claims, we do not believe that the disposition of any such pending matters is likely to have a materially adverse effect on our financial condition or liquidity, although the resolution in any reporting period of one of more of these matters could have an adverse effect on our operating results for that period. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results.
Potential environmental legislative and regulatory actions could impose significant costs on the operations of our customers and suppliers, which could have a material adverse impact on our results of operations, financial condition and cash flows.
Climate change regulation or some form of legislation aimed at reducing greenhouse gas ("GHG") emissions is currently being considered in the United States as well as elsewhere globally. As a metals and plastics distributor, our operations do not emit significant amounts of GHG. However, the manufacturing processes of many of our suppliers and customers are energy intensive and generate carbon dioxide and other GHG emissions. Any adopted future climate change and GHG regulations may impose significant costs on the operations of our customers and suppliers and indirectly impact our operations.
The Tube Supply acquisition significantly extended our exposure in the oil and gas sector to customers who utilize non-traditional drilling techniques, including hydraulic fracturing. Hydraulic fracturing is an important and commonly

used process for the completion of natural gas, and to a lesser extent, oil wells in shale formations. Certain environmental and other groups have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. The U.S. Congress and various state and local governments are considering increased regulatory oversight of the hydraulic fracturing process, including through additional permit requirements, operational restrictions, reporting obligations and temporary or permanent bans on hydraulic fracturing in certain environmentally sensitive areas such as watersheds. We cannot predict whether such laws or regulations will be enacted and, if so, what actions any such laws or regulations would require or prohibit. Additional levels of regulatory oversight on, or otherwise limiting, the hydraulic fracturing process could subject the business and operations of our oil and gas customers to delays, increased operating costs and process prohibitions, and indirectly impact our oil and gas business through reduced demand for our products.

Until the timing, scope and extent of any future regulation becomes known, we cannot predict the effect on our results of operations, financial condition and cash flows.

We have various mechanisms in place that may prevent a change in control that stockholders may otherwise consider favorable.

In August 2012, our Board of Directors implemented a shareholder rights plan pursuant to which one purchase right was distributed as a dividend on each share of our common stock held of record as of the close of business on September 11, 2012. Upon becoming exercisable, each right would have entitled its holder to purchase from the Company one one-hundredth of a share of our Series B Junior Preferred Stock for the purchase price of $54.00. Generally, the rights would have become exercisable ten days after the date on which any person or group became the beneficial owner of 10% or more of our common stock or commenced a tender or exchange offer which, if consummated, would have resulted in any person or group becoming the beneficial owner of 10% or more of our common stock, subject to the terms and conditions set forth in the shareholder rights plan. The rights were attached to the certificates representing outstanding shares of common stock until the rights became exercisable, at which point separate certificates would have been distributed to the record holders of our common stock. If a person or group had become the beneficial owner of 10% or more of our common stock, which was referred to as an “acquiring person,” each right would have entitled its holder, other than the acquiring person, to receive upon exercise a number of shares of our common stock having a market value of two times the purchase price of the right. In August 2013, our Board of Directors extended the shareholder rights plan to August 2014, at which time it was not extended further and expired by its own terms. However, a similar or different shareholder rights plan could be implemented by the Board of Directors at any time, if the Board deemed such a plan in the best interest of the shareholders of Company. The shareholder rights plan and any new plan that may be implemented are designed to deter coercive takeover tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of our stockholders. The existence of a shareholder rights plan, however, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding common stock, and thereby adversely affect the market price of our common stock.

In August 2013, the Company elected by resolution of the Board of Directors to become subject to Section 3-803 of the Maryland General Corporation Law, or the MGCL. As a result of this election, the Board of Directors was classified into three separate classes of directors, with each class generally serving three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. The provision for a classified board could prevent a party who acquires control of a majority of our outstanding voting stock from obtaining control of our Board of Directors until the second annual stockholders meeting following the date the acquiring party obtains the controlling interest. The classified board provision could discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us and could increase the likelihood that incumbent directors will retain their positions.

In addition, our charter and by-laws and the MGCL include provisions that may be deemed to have anti-takeover effects and may delay, defer or prevent a takeover attempt that stockholders might consider to be in their best interests. For example, the MGCL, our charter and bylaws require the approval of the holders of two-thirds of the votes entitled to be cast on the matter to amend our charter (unless our Board of Directors has unanimously approved the amendment, in which case the approval of the holders of a majority of such votes is required), contain certain advance notice procedures for nominating candidates for election to our Board of Directors, and permit our Board of Directors to issue up to 9.988 million shares of preferred stock.

Furthermore, we are subject to the anti-takeover provisions of the MGCL that prohibit us from engaging in a "business combination" with an "interested stockholder" for a period of five years after the date of the transaction in which the person first becomes an "interested stockholder," unless the business combination or stockholder interest is approved in a prescribed manner. The application of these and certain other provisions of our charter or the MGCL could have the effect of delaying or preventing a change of control, which could adversely affect the market price of our common stock.

The provisions of our debt instruments also contain limitations on our ability to enter into change of control transactions. In addition, the repurchase rights in our 7.0% convertible senior notes due 2017 (“Convertible Notes”) triggered by the occurrence of a “fundamental change” (as defined in the indenture for the Convertible Notes), and the additional shares of our common stock by which the conversion rate is increased in connection with certain fundamental change transactions, as described in the indenture for the Convertible Notes, could discourage a potential acquirer.

We may not be able to realize the benefits we anticipate from our acquisitions.

We have acquired businesses and intend to continue to seek attractive opportunities to acquire other businesses in the future. Achieving the benefits of these acquisitions depends on the timely, efficient and successful execution of a number of post-acquisition events, including our integration of the acquired businesses. Factors that could affect our ability to achieve the benefits we anticipate from our acquisitions include:

- difficulties in integrating and managing personnel, financial reporting and other systems used by the acquired businesses;
- the failure of the acquired businesses to perform in accordance with our expectations;
- failure to achieve anticipated synergies between our business units and the acquired businesses;
- the loss of the acquired businesses' customers; and
- cyclicality or downturn of the acquired businesses’ customers’ industries.

The presence of any of the above factors individually or in combination could result in future impairment charges against the assets of the acquired businesses. If the acquired businesses do not operate as we anticipate, it could adversely affect our operating results and financial condition. As a result, there can be no assurance that the acquisitions will be successful or will not, in fact, adversely affect our business.

ITEM 1B — Unresolved Staff Comments

None.

ITEM 2 — Properties

The Company’s corporate headquarters are located in Oak Brook, Illinois. All properties and equipment are sufficient for the Company’s current level of activities. Distribution centers and sales offices are maintained at each of the following locations, most of which are leased, except as indicated:

Locations	Approximate Floor Area in Square Feet	
Metals Segment		
North America		
Bedford Heights, Ohio	374,400	(1)
Birmingham, Alabama	76,000	(1)
Blaine, Minnesota	65,200	(1)
Charlotte, North Carolina	116,500	(1)
Edmonton, Alberta	87,100	(3)
Fairless Hills, Pennsylvania	71,600	(1)
Franklin Park, Illinois	522,600	(1)
Grand Prairie, Texas	78,000	(1)
Hammond, Indiana (H-A Industries)	243,000	
Houston, Texas	274,000	(3)
Kennesaw, Georgia	87,500	
Lafayette, Louisiana	5,000	
Mexicali, Mexico	21,200	
Mississauga, Ontario	57,000	
Paramount, California	155,500	
Point Claire, Quebec	38,760	

Santa Cantarina, Nuevo Leon, Mexico	112,000

Locations	Approximate Floor Area in Square Feet	
Saskatoon, Saskatchewan	15,000	
Selkirk, Manitoba	50,000	(1)
Stockton, California	60,000	
Wichita, Kansas	102,000	
Worcester, Massachusetts	53,500	(1)
Europe		
Blackburn, England	62,140	
Trafford Park, England	30,000	
Montoir de Bretagne, France	38,940	
Asia		
Shanghai, China	45,700	
Singapore	76,000	
Sales Offices		
Bilbao, Spain	(Intentionally left blank)	
Fairfield, Ohio	(Intentionally left blank)	
Kansas City, Missouri	(Intentionally left blank)	
Tadlow, England	(Intentionally left blank)	
Total Metals Segment	2,918,640	
Plastics Segment		
Baltimore, Maryland	24,000	
Bronx, New York	18,500	
Cleveland, Ohio	8,580	
Cranston, Rhode Island	14,900	
Detroit, Michigan	22,000	
Elk Grove Village, Illinois	22,500	
Fairless Hills, Pennsylvania	10,000	(1)
Fort Wayne, Indiana	17,600	
Grand Rapids, Michigan	42,500	(1)
Harrisburg, Pennsylvania	13,880	
Indianapolis, Indiana	13,500	
Kalamazoo, Michigan	88,000	
Knoxville, Tennessee	16,530	
New Philadelphia, Ohio	15,700	
Pittsburgh, Pennsylvania	12,800	
Rockford, Michigan	53,650	
Tampa, Florida	17,700	
Walker, Michigan	59,630	
Total Plastics Segment	471,970	
Headquarters		
Oak Brook, Illinois	39,360	(2)
GRAND TOTAL	3,429,970	

(1) Represents owned facility.
(2) The Company’s principal executive offices do not include a distribution center.
(3) Represents two leased facilities.

15

ITEM 3 — Legal Proceedings

(Dollar amounts in millions)

The Company is party to a variety of legal proceedings and other claims, including proceedings by government authorities, which arise from the operation of its business. These proceedings are incidental and occur in the normal course of the Company's business affairs. The majority of these claims and proceedings relate to commercial disputes with customers, suppliers, and others; employment, including benefit matters; product quality; and environmental, health and safety claims. It is the opinion of management that the currently expected outcome of these proceedings and claims, after taking into account recorded accruals and the availability and limits of our insurance coverage, will not have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

During the quarter ended March 31, 2013, the Company received warranty and other claims from certain customers regarding alleged quality defects with certain alloy round bar products sold by the Company in 2012 and 2013. The Company evaluated the information provided by the customers and issued a notice of potential defect to other affected customers. The Company has incurred costs for warranty and other customer claims associated with these alleged quality defects of $1.2 million to date, of which $0.1 million and $1.1 million were included as reductions of net sales for the years ended December 31, 2014 and December 31, 2013, respectively. As of December 31, 2014, the Company is not aware of any remaining active claims for compensation as a result of the alleged quality defects. The Company is pursuing claims against the original supplier of the products. While the Company does not currently expect further claims related to the alleged quality defects, there can be no assurance that additional claims will not arise or that the Company will not incur further losses related to such claims in the future.

ITEM 4 — Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following selected information for each of our current executive officers (as defined by regulations of the SEC) was prepared as of February 27, 2015.

Name and Title	Age	Business Experience
Patrick R. Anderson Interim Vice President, Chief Financial Officer and Treasurer and Vice President, Corporate Controller and Chief Accounting Officer	43	Mr. Anderson began his employment with the registrant in 2007 as Vice President, Corporate Controller and Chief Accounting Officer. In September 2014, he was appointed to the position of Interim Vice President, Chief Financial Officer and Treasurer. Prior to joining the registrant, he was employed with Deloitte & Touche LLP (a global accounting firm) from 1994 to 2007.
Scott J. Dolan President and Chief Executive Officer	44	Mr. Dolan began his employment with the registrant in 2012 as President and Chief Executive Officer. Prior to joining the registrant, he served as Senior Vice President, Airport Operations and Cargo, of United Continental Holdings, Inc. (a $37 billion publicly traded provider of passenger and cargo air transportation services), and its principal wholly-owned subsidiaries, United Airlines and Continental Airlines, from 2010 to 2011. From 2004 until 2010, Mr. Dolan served as Senior Vice President, Airport Operations and President, United Cargo (2006-2010) and as Senior Vice President and President, United Cargo (2004-2006) for UAL Corporation and its principal subsidiary, United Airlines. Mr. Dolan worked at Atlas Air Worldwide Holdings, Inc. (a global airfreight company) from 2002 to 2004, where he served as Senior Vice President and Chief Operating Officer from 2003 to 2004 and as Vice President, Business Integration from 2002 to 2003.

Prior to joining Atlas Air, Mr. Dolan spent five years at General Electric Company, where he served in a variety of positions including Vice President, Operational Performance, Polar Air Cargo, a subsidiary of GE Capital Aviation Services.

Name and Title	Age	Business Experience
Marec E. Edgar Vice President, General Counsel and Secretary	39	Mr. Edgar began his employment with the registrant in April 2014, as Vice President, General Counsel and Secretary. Prior to joining the registrant, he held positions of increasing responsibility with Gardner Denver, Inc., a $2 billion global manufacturer of industrial compressors, blowers, pumps, loading arms and fuel systems, from 2004 to March 2014. Most recently, he served as Assistant General Counsel and Risk Manager and Chief Compliance Officer of Gardner Denver.
Thomas L. Garrett Vice President and President, Total Plastics, Inc.	52	Mr. Garrett began his employment with Total Plastics, Inc., a wholly owned subsidiary of the registrant, in 1988 and was appointed to the position of Controller. In 1996, he was elected to the position of Vice President and in 2001 was appointed to the position of Vice President of the registrant and President of Total Plastics, Inc.
Ronald E. Knopp Vice President, Operations	44	Mr. Knopp began his employment with the registrant in 2007 and was appointed to the position of Operations Manager of the Bedford Heights facility. In 2009, he was appointed Director of Operations for the Western Region and in 2010 served as Director of Operations for the Metals and Plate Commercial Units. In July 2013, Mr. Knopp was appointed to the position of Vice President, Operations. Prior to joining the registrant, Mr. Knopp served as Plant Manager for Alcoa, Inc., Aerospace Division (global producer of aluminum) from 2003 to 2007.
Stephen J. Letnich Chief Commercial Officer	47	Mr. Letnich began his employment with the registrant in July 2013 as Chief Commercial Officer. Prior to joining the registrant, he was employed as Vice President of Sales & Chief Marketing Officer at Central Steel and Wire Company (a metals service center) from 2011 to 2013, Vice President of Sales & Marketing at Metal Sales Manufacturing Corporation (a metal roofing and wall system manufacturer) from 2009 to 2011 and from 1994 to 2009 Mr. Letnich held various positions of increasing responsibility at Worthington Industries (a global metals company), including most recently as Vice President of Sales and Marketing from 2007 to 2009.
A. Jeffrey Zappone Interim Chief Operating Officer	48	Mr. Zappone began his consulting engagement with the registrant in February 2015, as Interim Chief Operating Officer. Mr. Zappone has over twenty years of experience in restructuring, reorganization and turnaround management. He has served as a Senior Managing Director of Conway MacKenzie, a financial and management consulting firm, since 2002. Mr. Zappone has served as a financial advisor as well as Interim Chief Executive Officer, Chief Restructuring Officer and Interim Chief Financial Officer to companies in manufacturing, distribution and service industries. His experience spans a wide range of industries including manufacturing, machining, fabrication, processing and forging metals, automotive, warehousing and distribution, transportation, aerospace, commercial finance and leasing,

retail, services, consumer products, food and beverage, paper products and solar energy.

17

PART II

ITEM 5 — Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock trades on the New York Stock Exchange under the ticker symbol "CAS". As of February 25, 2015 there were approximately 761 shareholders of record. Payment of cash dividends and repurchase of common stock are currently limited due to restrictions contained in the Company's debt agreements. No cash dividends were paid on the Company's common stock in 2014 or 2013. We may consider paying cash dividends on the Company common stock at some point in the future, subject to the limitations described above. Any future payment of cash dividends, if any, is at the discretion of the Board of Directors and will depend on the Company's earnings, capital requirements and financial condition, restrictions under the Company's debt instruments, and such other factors as the Board of Directors may consider.

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", for information regarding common stock authorized for issuance under equity compensation plans.

The table below presents shares of the Company's common stock which were acquired by the Company during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
October 1 through October 31	—	—	—	—
November 1 through November 30	—	—	—	—
December 1 through December 31	12,783	$7.98	—	—
Total	12,783	$7.98	—	—

(1) The total number of shares purchased represents shares surrendered to the Company by employees to satisfy tax withholding obligations upon vesting of restricted stock units awarded pursuant to the Company's 2008 Omnibus Incentive Plan (as amended and restated as of April 25, 2013).

Directors of the Company who are not employees may elect to defer receipt of up to 100% of their cash retainer. A director who defers board compensation may select either an interest or a stock equivalent investment option for amounts in the director's deferred compensation account. Disbursement of the stock equivalent unit account may be in shares of Company common stock or in cash as designated by the director upon the director's departure from the board or otherwise in accordance with the director's election that was made at the time of the election to defer compensation. If payment from the stock equivalent unit account is made in shares of the Company's common stock, the number of shares to be distributed will equal the number of full stock equivalent units held in the director's account. On October 1, 2014, approximately 1,812 shares were deferred as payment for board compensation. The shares were acquired at a price of $8.28 per share, which represents the closing price of the Company's common stock on the day as of which such fees would otherwise have been paid to the directors. The issuance of these shares of restricted stock units was made in reliance upon the exemptions from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended.

The following table sets forth the range of the high and low sales prices of shares of the Company's common stock for the periods indicated:

	2014		2013	
	Low	High	Low	High
First Quarter	$13.42	$15.64	$13.25	$18.74
Second Quarter	$10.87	$14.99	$15.65	$18.64

Third Quarter	$8.15	$11.87	$14.59	$17.54
Fourth Quarter	$6.16	$8.57	$13.20	$16.64

The following graph compares the cumulative total stockholder return on our common stock for the five-year period ended December 31, 2014, with the cumulative total return of the Standard and Poor's 500 Index and to a peer group index. The comparison in the graph assumes the investment of $100 on December 31, 2009. Cumulative total stockholder return means share price increases or decreases plus dividends paid, with the dividends reinvested, and reflect market capitalization weighting. The graph does not forecast future performance of our common stock. The Company has utilized the current peer group index since 2010. The Company believes this peer group provides a meaningful comparison of our stock performance, and it is consistent with the peer group used for the relative total shareholder return performance measure under the Company's long term compensation plans. The peer group index is made up of companies in the metals industry or in the industrial products distribution business, although not all of the companies included in the peer group index participate in all of the lines of business in which the Company is engaged and some of the companies included in the peer group index also engage in lines of business in which the Company does not participate. Additionally, the market capitalizations of many of the companies in the peer group are quite different from that of the Company.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among A.M. Castle & Co., the S&P 500 Index, and a Peer Group

*$100 invested on 12/31/09 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

	12/09	12/10	12/11	12/12	12/13	12/14
A. M. Castle & Co.	$100.00	$134.48	$69.10	$107.89	$107.89	$58.29
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
Peer Group (a)	100.00	121.60	110.02	111.75	130.51	117.91

(a) The Peer Group Index consists of the following companies: AEP Industries Inc.; AK Steel Holding Corp.; Allegheny Technologies Inc.; Applied Industrial Technologies Inc.; Carpenter Technology Corp.; Cliffs Natural Resources Inc.; Commercial Metals Company; Fastenal Company; Gibraltar Industries Inc.; Haynes International Inc.; Kaman Corp.; Lawson Products Inc.; MSC Industrial Direct Company Inc.; Nucor Corp.; Olin Corp.; Olympic Steel, Inc.; Quanex Building Products Corp.; Reliance Steel & Aluminum Co.; RTI International Metals Inc.; Schnitzer Steel Industries Inc.; Steel Dynamics Inc.; Stillwater Mining Company; United States Steel Corp.; and Worthington Industries Inc.

ITEM 6 — Selected Financial Data
(Dollar amounts in millions, except per share data)
The Selected Financial Data in the table below includes the results of the December 2011 acquisition of Tube Supply from the date of acquisition.

	2014	2013	2012	2011	2010
For the year ended December 31:					
Net sales	$979.8	$1,053.1	$1,270.4	$1,132.4	$943.7
Equity in earnings of joint venture	7.7	7.0	7.2	11.7	5.6
Net loss from continuing operations	(134.7)	(34.0)	(9.7)	(1.8)	(5.6)
Basic (loss) earnings per common share from continuing operations	(5.77)	(1.46)	(0.42)	(0.08)	(0.25)
Diluted (loss) earnings per common share from continuing operations	(5.77)	(1.46)	(0.42)	(0.08)	(0.25)
Cash dividends declared per common share	—	—	—	—	—
As of December 31:					
Total assets	588.0	679.8	788.8	822.3	529.4
Long-term debt, less current portion	309.4	245.6	296.2	314.2	61.1
Total debt	310.1	246.0	297.1	314.9	69.1
Total stockholders' equity	150.3	309.9	337.3	312.3	313.5

ITEM 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollar amounts in millions, except per share data)
Information regarding the business and markets of A.M. Castle & Co. and its subsidiaries (the "Company"), including its reportable segments, is included in Item 1 "Business" of this annual report on Form 10-K.
The following discussion should be read in conjunction with Item 6 "Selected Financial Data" and the Company's consolidated financial statements and related notes thereto in Item 8 "Financial Statements and Supplementary Data".
The following discussion and analysis of our financial condition and results of operations contain forward-looking statements and includes numerous risks and uncertainties, including those described under Item 1A "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" of this annual report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements.
EXECUTIVE OVERVIEW
The Company's strategy is to become the foremost global provider of metals products and services and specialized supply chain solutions to targeted global industries.
During 2014, the following significant events occurred which impacted the Company's operations and/or financial results:

- Net sales declined by 7.0% compared to 2013 due to decreased Metals segment sales volumes and pricing;
- Recorded a $56.2 million non-cash goodwill impairment charge in the second quarter of 2014 related to the Metals segment goodwill; and
- Recognized a $5.5 million gain on of the sale of fixed assets in Houston in the third quarter of 2014.

Recent Market and Pricing Trends
The Company experienced lower net sales of its Metals segment products during 2014 compared to 2013 due to lower demand in the Oil and Gas and Industrial sectors. Industry data provided by the Metals Service Center Institute ("MSCI") indicates that overall 2014 U.S. steel service center shipment volumes increased 5% compared to 2013 levels. According to MSCI data, industry sales volumes of products consistent with the Company's product mix were up 6% in 2014 compared to 2013, while the Company experienced a 1.7% decline in sales volumes of their metal products in 2014 when compared to 2013. The combination of lower demand and pricing for the Company's metals products negatively impacted the Company's Metals segment operating results during 2014.

Changes in pricing can have a more direct impact on the Company's operating results than changes in volume due to certain factors including but not limited to:

- Changes in volume typically result in corresponding changes to the Company's variable costs. However, as pricing changes occur, variable expenses are not directly impacted.
- If surcharges are not passed through to the customer or are passed through without a mark-up, the Company's profitability will be adversely impacted.

The Plastics segment experienced an increase in demand for its products in 2014 compared to 2013, reflecting strength in the automotive, marine and life science sectors. Due to the late-cycle nature of the Company's targeted customers, results typically lag the general economic cycle by a range of six to twelve months.

Current Business Outlook

Management uses the Purchasing Managers Index ('PMI') provided by the Institute for Supply Management (website is www.ism.ws) as an external indicator for tracking the demand outlook and possible trends in its general manufacturing markets. The table below shows PMI trends from the first quarter of 2012 through the fourth quarter of 2014. Generally speaking, according to the ISM, an index above 50.0 indicates growth in the manufacturing sector of the U.S. economy, while readings under 50.0 indicate contraction.

YEAR	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2012	53.3	52.7	50.3	50.6
2013	52.9	50.2	55.8	56.9
2014	52.7	55.2	57.6	57.7

Material pricing and demand in both the Metals and Plastics segments of the Company's business have historically proven to be difficult to predict with any degree of accuracy. A favorable PMI trend suggests that demand for some of the Company's products and services, in particular those that are sold to the general manufacturing customer base in the U.S., could potentially be at a higher level in the near-term. The Company believes that its revenue trends typically correlate to the changes in PMI on a six to twelve month lag basis. In 2014, the Company experienced branch consolidation execution issues at certain of its plate and oil and gas facilities. As a result of these issues, revenue trends have not improved in correlation to the change in PMI on the expected six to twelve month lag basis. The Company continues to evaluate the correlation and lag of its revenue trends to PMI to determine if this is specific to the internal execution issues or a permanent change in the correlation of the two variables. The Company is cautious about its performance in the oil and gas market in 2015 due to oil price declines that have led to reduced demand and pricing in this market.

RESULTS OF OPERATIONS: YEAR-TO-YEAR COMPARISONS AND COMMENTARY

Our discussion of comparative period results is based upon the following components of the Company's consolidated statements of operations.

Net Sales —The Company derives its sales from the processing and delivery of metals and plastics. Pricing is established with each customer order and includes charges for the material, processing activities and delivery. The pricing varies by product line and type of processing. From time to time, the Company may enter into fixed price arrangements with customers while simultaneously obtaining similar agreements with its suppliers.

Cost of Materials — Cost of materials consists of the costs that the Company pays suppliers for metals, plastics and related inbound freight charges, excluding depreciation and amortization which are included in operating costs and expenses discussed below. The Company accounts for inventory primarily on a last-in-first-out ("LIFO") basis. LIFO adjustments are calculated as of December 31 of each year. LIFO adjustments are recognized during the fiscal year based on the projected year end adjustment calculation. The Company may enter into hedges to mitigate the risk associated with commodity price fluctuations. Gains and losses which result from marking the hedge contracts to market are recorded in cost of materials.

Operating Costs and Expenses — Operating costs and expenses primarily consist of:

- Warehouse, processing and delivery expenses, including occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs;
- Sales expenses, including compensation and employee benefits for sales personnel;
- General and administrative expenses, including compensation for executive officers and general management, expenses for professional services primarily related to accounting and legal advisory services, bad debt expense, data communication and computer hardware and maintenance;
- Restructuring activity, including moving costs and gain on the sale of fixed assets associated with plant consolidations, employee termination and related benefits costs associated with workforce reductions, lease termination costs and other exit costs;
- Depreciation and amortization expenses, including depreciation for all owned property and equipment, and amortization of various intangible assets; and
- Impairment of goodwill.

2014 Results Compared to 2013

Consolidated results by business segment are summarized in the following table for years 2014 and 2013.

Operating Results by Segment

	Year Ended December 31,		Favorable / (Unfavorable)	
	2014	2013	$ Change	% Change
Net Sales				
Metals	$841.7	$918.3	$(76.6)	(8.3)%
Plastics	138.1	134.8	3.3	2.4%
Total Net Sales	$979.8	$1,053.1	$(73.3)	(7.0)%
Cost of Materials				
Metals	$648.5	$683.3	$34.8	5.1%
% of Metals Sales	77.0%	74.4%		
Plastics	97.9	95.9	(2.0)	(2.1)%
% of Plastics Sales	70.9%	71.1%		
Total Cost of Materials	$746.4	$779.2	$32.8	4.2%
% of Total Sales	76.2%	74.0%		
Operating Costs and Expenses				
Metals	$287.9	$246.6	$(41.3)	(16.7)%
Plastics	33.9	34.6	0.7	2.0%
Other	10.5	8.4	(2.1)	(25.0)%
Total Operating Costs and Expenses	$332.3	$289.6	$(42.7)	(14.7)%
% of Total Sales	33.9%	27.5%		
Operating (Loss) Income				
Metals	$(94.7)	$(11.6)	$(83.1)	(716.4)%
% of Metals Sales	(11.3)%	(1.3)%		
Plastics	6.3	4.3	2.0	46.5%
% of Plastics Sales	4.6%	3.2%		
Other	(10.5)	(8.4)	(2.1)	(25.0)%
Total Operating Loss	$(98.9)	$(15.7)	$(83.2)	(529.9)%
% of Total Sales	(10.1)%	(1.5)%		

“Other” includes costs of executive, legal and elements of the finance department which are shared by both segments of the Company.

Net Sales:

Consolidated net sales were $979.8 million in 2014, a decrease of $73.3 million, or 7.0%, compared to 2013. Metals segment net sales during 2014 of $841.7 million were $76.6 million, or 8.3%, lower than 2013 reflecting lower average selling prices and demand compared to 2013. Plastics segment 2014 net sales of $138.1 million were $3.3 million, or 2.4%, higher than 2013.

Metals segment pricing declined by 5.9% compared to 2013. The pricing decline was primarily driven by average price decreases for aluminum, nickel and tubing products. Metals segment sales volumes declined by 1.7% compared to 2013. Carbon and alloy plate, tubing and aluminum products had the most significant decline in sales volumes compared to 2013. All of the Metals segment products had lower average selling prices when compared to 2013, with most average selling prices lower by 4% to 9%. The increase in Plastics segment net sales during 2014 was primarily due to strength in the automotive, marine, life science and home goods markets.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during 2014 were $746.4 million, a decrease of $32.8 million, or 4.2%, compared to 2013. Cost of materials included LIFO income of $1.1 million in 2014 and $8.6 million in 2013.

Cost of materials for the Metals segment were $648.5 million, or 77.0% as a percent of net sales, in 2014 compared to $683.3 million or 74.4% as a percent of net sales in 2013. Metals segment cost of materials included charges associated with net realized and unrealized losses for forward contracts related to the commodity hedging program of $0.3 million and $2.1 million for 2014 and 2013, respectively. Metals segment 2013 cost of materials included $1.2 million of charges related to the write off of inventory as part of the Company's restructuring activities that were announced in January 2013. Metals segment cost of materials as a percent of net sales were higher in 2014 than 2013 primarily due to increases in inventory reserves for excess and obsolete material. Cost of materials for the Plastics segment were $97.9 million, or 70.9% as a percent of net sales, in 2014 compared to $95.9 million, or 71.1% as a percent of net sales, for 2013. Plastics segment cost of materials as a percent of nets sales were lower in 2014 compared to 2013 due to supply chain and operations efficiency improvements implemented during 2014.

Operating Costs and Expenses and Operating (Loss) Income:

On a consolidated basis, operating costs and expenses increased $42.7 million, or 14.7%, from $289.6 million, or 27.5% as a percent of net sales in 2013 to $332.3 million, or 33.9% percent of net sales, during 2014.

The Company recorded a $56.2 million goodwill impairment charge during the second quarter of 2014 that is reflected in operating expenses for 2014. Management concluded during the second quarter of 2014 that an interim impairment test of its Metals segment goodwill was necessary. The results of the interim impairment analysis indicated that the Metals segment goodwill was impaired, and the Company recorded a $56.2 million non-cash impairment charge to eliminate the Metals segment goodwill. For additional detail, see Note 3 - Goodwill and Intangible Assets to the Consolidated Financial Statements.

A net gain of $3.0 million associated with the Company's restructuring activities was included in operating costs and expenses in 2014. Restructuring activities for 2014 consisted of a gain on the sale of fixed assets in Houston where the Company completed an October 2013 announced plant consolidation partially offset by: (i) employee termination and related benefits for the workforce reductions from the organizational changes announced in June 2014; (ii) moving costs associated with the plant consolidations announced in October 2013; and (iii) lease termination costs related to the restructuring activities announced in January 2013. The Company recorded restructuring charges of $9.0 million in operating costs during 2013 for the January and October 2013 announced restructuring activities related to moving costs associated with the plant consolidations, employee termination and related benefits, lease termination costs and other exit costs. For additional detail, see Note 10 - Restructuring Activity to the Consolidated Financial Statements.

In addition to the goodwill impairment and restructuring items, all other operating costs decreased by $1.5 million in 2014 compared to 2013 related to the following:

- Warehouse, processing and delivery costs decreased by $0.4 million to $140.6 million, or 14.3% as a percent of net sales, primarily as a result of the decrease in sales activity in the Metals segment and cost decreases resulting from restructuring activities, which was partially offset by higher costs from branch consolidations in locations that serve plate and oil and gas end markets and the Company's strategic local inventory deployment initiative.
- Sales, general and administrative costs decreased by $0.9 million to $112.5 million, or 11.5% as a percent of net sales, primarily due to lower payroll and benefits costs resulting from restructuring activity workforce reductions; and
- Depreciation and amortization expense decreased by $0.2 million in 2014.

Consolidated operating loss for 2014, including goodwill impairment charges of $56.2 million and a net gain from restructuring activity of $3.0 million, was $98.9 million compared to an operating loss of $15.7 million, including $9.0 million of restructuring charges, in 2013.

Other Income and Expense, Income Taxes and Net Loss:

Interest expense was $40.5 million in 2014, a decrease of $2.6 million compared to 2013. The decrease in interest expense in 2014 was due to the retirement of $15.0 million of the Company's Senior Secured Notes in the fourth quarter of 2013 which resulted in a $2.6 million loss on extinguishment of debt recorded in 2013. There was no such loss on extinguishment of debt recognized in 2014.

Other expense related to foreign currency transaction losses was $4.3 million in 2014 compared to $1.9 million for 2013. The majority of these transaction losses related to unhedged intercompany financing arrangements between the United States and the United Kingdom and Canada.

The Company recorded an income tax benefit of $1.4 million in 2014 compared to a tax benefit of $19.8 million in 2013. The Company’s effective tax rate is expressed as 'Income taxes,' which includes tax expense on the Company’s share of joint venture earnings, as a percentage of 'Loss before income taxes and equity in earnings of joint venture.' This calculation includes taxes on the joint venture income but excludes joint venture income. The effective tax rate for 2014 and 2013 was 0.9% and 32.6%, respectively. The lower effective tax rate results from changes in the geographic mix and timing of income (losses), recording valuation allowances against certain deferred tax assets in the U.S. and at certain foreign subsidiaries and the impact of goodwill impairment and restructuring charges.

Equity in earnings of the Company’s joint venture was $7.7 million in 2014 compared to $7.0 million in 2013. Improved demand and pricing for Kreher's products were the primary factors contributing to the increase in equity in earnings of the Company's joint venture.

Consolidated net loss for 2014 was $134.7 million, or $5.77 per diluted share, compared to net loss of $34.0 million, or $1.46 per diluted share, for 2013.

2013 Results Compared to 2012

Consolidated results by business segment are summarized in the following table for years 2013 and 2012.

Operating Results by Segment

	Year Ended December 31,		Favorable / (Unfavorable)	
	2013	2012	$ Change	% Change
Net Sales				
Metals	$918.3	$1,143.9	$(225.6)	(19.7)%
Plastics	134.8	126.5	8.3	6.6%
Total Net Sales	$1,053.1	$1,270.4	$(217.3)	(17.1)%
Cost of Materials				
Metals	$683.3	$836.3	$153.0	18.3%
% of Metals Sales	74.4%	73.1%		
Plastics	95.9	91.0	(4.9)	(5.4)%
% of Plastics Sales	71.1%	71.9%		
Total Cost of Materials	$779.2	$927.3	$148.1	16.0%
% of Total Sales	74.0%	73.0%		
Operating Costs and Expenses				
Metals	$246.6	$259.1	$12.5	4.8%
Plastics	34.6	32.3	(2.3)	(7.1)%
Other	8.4	11.9	3.5	29.4%
Total Operating Costs and Expenses	$289.6	$303.3	$13.7	4.5%
% of Total Sales	27.5%	23.9%		
Operating (Loss) Income				
Metals	$(11.6)	$48.5	$(60.1)	(123.9)%
% of Metals Sales	(1.3)%	4.2%		
Plastics	4.3	3.2	1.1	34.4%
% of Plastics Sales	3.2%	2.5%		
Other	(8.4)	(11.9)	3.5	29.4%
Total Operating (Loss) Income	$(15.7)	$39.8	$(55.5)	(139.4)%
% of Total Sales	(1.5)%	3.1%		

"Other" includes costs of executive, legal and elements of the finance department which are shared by both segments of the Company.

Net Sales:

Consolidated net sales were $1,053.1 million in 2013, a decrease of $217.3 million, or 17.1%, compared to 2012. Metals segment net sales during 2013 of $918.3 million were $225.6 million, or 19.7%, lower than 2012. Lower net sales were the result of a 17.9% decline in shipping volumes in 2013 compared to 2012 and pricing declines, to a lesser extent, due to market weakness. Alloy bar, tubing and carbon and alloy plate products experienced the most significant decrease in demand in 2013 compared to 2012. Overall average prices in 2013 were lower than 2012, with carbon and alloy plate, tubing and alloy bar products experiencing the largest pricing declines of 4% to 11% from 2012 levels.

Plastics segment net sales during 2013 of $134.8 million were $8.3 million, or 6.6%, higher than 2012 primarily due to increased sales volume, reflecting strength in the automotive, marine and life science sectors.

Cost of Materials:
Cost of materials (exclusive of depreciation and amortization) were $779.2 million in 2013, a decrease of $148.1 million, or 16.0%, compared to 2012. Material costs for the Metals segment were $683.3 million, or 74.4% as a percent of net sales, in 2013 compared to $836.3 million, or 73.1% as a percent of net sales, in 2012. The 2013 results included a $2.1 million charge associated with net realized and unrealized losses for forward contracts related to the commodity hedging program compared to a $0.4 million charge in 2012. Cost of materials for the Metals segment included a LIFO credit of $8.6 million in 2013 compared to a LIFO charge of $1.1 million in 2012. In addition, 2013 cost of materials included $1.2 million of charges related to the write off of inventory as part of the Company's restructuring activities that were announced in January 2013. The remaining decrease in cost of materials for the Metals segment was consistent with the sales volume decrease year-over-year.
Material costs for the Plastics segment were 71.1% as a percent of net sales in 2013 as compared to 71.9% in 2012 due to higher costs experienced in the automotive sector of the business, which were more than offset by an increase in revenues.
Operating Costs and Expenses and Operating (Loss) Income:
Operating costs and expenses for 2013 decreased $13.7 million, or 4.5%, compared to 2012. Operating costs and expenses for 2013, including restructuring activity charges of $9.0 million, were $289.6 million, or 27.5% as a percent of net sales, compared to $303.3 million, or 23.9% as a percent of net sales, in 2012. While operating expense dollars, including $9.0 million of restructuring charges, decreased in 2013 compared to 2012, operating expenses as a percentage of sales were 15.1% higher than 2012 primarily due to the decline in sales.
The decrease in operating expenses for 2013 compared to 2012 primarily relates to the following:

- Warehouse, processing and delivery costs decreased by $7.3 million to $140.9 million, or 13.4% as a percent of net sales, primarily as a result of the decrease in sales activity in the Metals segment in 2013 and cost decreases resulting from the 2013 restructuring activities.
- Sales, general and administrative costs decreased by $15.8 million to $113.4 million, or 10.8% as a percent of net sales, primarily as a result of a $9.0 million decline in compensation and benefits costs of which $7.7 million was attributable to the Company's 2013 restructuring activities and the remainder was due to lower other compensation and benefits;
- Restructuring activity charges increased by $9.0 million due to the restructuring actions taken during 2013. As part of the Company's efforts to adapt operations to market conditions, a restructuring plan related to the Company's organizational structure and operations was announced during January of 2013. In October 2013, the Company announced the consolidation of four additional facilities in locations where it had redundant operations as part of its continuous improvement plans to lower structural operating costs. There were no restructuring activity charges included in operating costs and expenses in 2012. The restructuring activity charges impacting operating expenses were cash charges and were in-line with the Company's expectations. For more information on the Company's restructuring activities, see Note 10 - Restructuring Activity to the Consolidated Financial Statements; and
- Depreciation and amortization expense in 2013 was $0.3 million higher than 2012.

Consolidated operating loss for 2013 was $15.7 million compared to operating income of $39.8 million in 2012.
Other Income and Expense, Income Taxes and Net Loss:
Interest expense was $43.1 million in 2013, a decrease of $13.5 million compared to 2012 as a result of the $15.6 million unrealized loss for the mark-to-market adjustment on the conversion option associated with the Convertible Notes that was recognized in 2012, partially offset by a $2.6 million loss on extinguishment of $15.0 million of the Company’s Senior Secured Notes that was recorded in 2013. There was no such loss on extinguishment of debt recognized in 2012.
Other expense related to foreign currency transaction losses was $1.9 million in 2013 compared to $1.3 million of other income related to foreign currency transaction gains for 2012. The majority of these transaction losses and gains related to unhedged intercompany financing arrangements between the United States and the United Kingdom and Canada.

26

The Company recorded an income tax benefit of $19.8 million in 2013 compared to income tax expense of $1.4 million in 2012. The Company’s effective tax rate is expressed as 'Income taxes,' which includes tax expense on the Company’s share of joint venture earnings, as a percentage of 'Loss before income taxes and equity in earnings of joint venture.' This calculation includes taxes on the joint venture income but excludes joint venture income. The effective tax rate for 2013 and 2012 was 32.6% and (9.2)%, respectively. The change in the effective tax rate for 2013 compared to 2012 was primarily the result of the non-deductibility of the unrealized loss on the conversion option associated with the convertible debt in 2012 and a change in the geographical mix of income (loss).

Equity in earnings of the Company’s joint venture was $7.0 million in 2013 compared to $7.2 million in 2012. The decrease was a result of lower demand in 2013 compared to 2012.

Consolidated net loss for 2013 was $34.0 million, or $1.46 per diluted share, compared to net loss of $9.7 million, or $0.42 per diluted share, for 2012.

Liquidity and Capital Resources

Cash and cash equivalents increased (decreased) as follows:

	Year ended December 31,		
	2014	2013	2012
Net cash (used in) from operating activities	$(75.1)	$74.4	$5.4
Net cash used in investing activities	(4.9)	(10.8)	(17.4)
Net cash from (used in) financing activities	58.2	(53.9)	2.9
Effect of exchange rate changes on cash and cash equivalents	(0.6)	(0.5)	0.2
Net (decrease) increase in cash and cash equivalents	$(22.4)	$9.2	$(8.9)

The Company’s principal sources of liquidity are cash provided by operations and available borrowing capacity to fund working capital needs and growth initiatives. Specific components of the change in working capital are highlighted below:

- During 2014, higher accounts receivable balances compared to year-end 2013 resulted in $5.8 million of cash flow use compared to a $9.3 million cash flow source for 2013. Average receivable days outstanding was 52.1 for 2014 and 51.1 days for 2013.
- During 2014, higher inventory levels compared to year-end 2013 used $26.9 million of cash compared to lower inventory levels that were an $87.3 million cash flow source in 2013. The Company's inventory levels were elevated at the end of 2012, resulting in substantial inventory reductions throughout 2013. Inventory levels increased during 2014 due to certain discrete initiatives as well as forecasting policies and purchase plans not being aligned with unfavorable changes in market dynamics. Average days sales in inventory was 174.2 days for 2014 versus 180.0 days for 2013. The Company expects normal days sales in inventory to be approximately 150 days based on historical sales. As the Company focuses on decreasing inventory in 2015 through better alignment and execution of its purchase plans with current market dynamics, it expects days sales in inventory to return to more normal levels.
- During 2014, decreases in accounts payable and accrued liabilities used $0.9 million of cash compared to the use of $3.3 million of cash in 2013. Accounts payable days outstanding was 43.0 for 2014 and 39.9 for 2013.
- The Company received its 2013 federal income tax refund of $1.5 million in October 2014, its 2012 federal tax refund of $2.6 million during October 2013 and its 2010 federal tax refund of $2.0 million during February 2012.

The Company obtained an extension on its senior secured asset based revolving credit facility (the "Revolving Credit Facility") in December 2014, which extended the maturity date from December 15, 2015 to December 10, 2019 (or 91 days prior to the maturity date of the Company's Senior Secured Notes or Convertible Notes if they have not been refinanced). In January 2014, the Company partially exercised the accordion option under the Revolving Credit Facility to increase the aggregate commitments by $25.0 million. As a result, the Company's borrowing capacity increased from $100.0 million to $125.0 million. The Company maintains the option to exercise the accordion for an additional $25.0 million of aggregate commitments in the future, assuming it meets certain thresholds for incurring additional debt.

27

Historically, the Company’s primary uses of liquidity and capital resources have been capital expenditures, payments on debt (including interest payments) and acquisitions. Management believes the Company will be able to generate sufficient cash from operations and planned working capital improvements to fund its ongoing capital expenditure programs and meet its debt obligations for at least the next twelve months. Furthermore, the Company has available borrowing capacity under the Revolving Credit Facility. The Company's debt agreements impose significant operating and financial restrictions which may prevent the Company from executing certain business opportunities such as, making acquisitions or paying dividends, among other things. The Revolving Credit Facility contains a springing financial maintenance covenant requiring the Company to maintain the ratio (as defined in the Revolving Credit Facility Loan and Security Agreement) of EBITDA to fixed charges of 1.1 to 1.0 when excess availability is less than the greater of 10% of the calculated borrowing base (as defined in the Revolving Credit Facility Loan and Security Agreement) or $12.5 million. In addition, if excess availability is less than the greater of 12.5% of the calculated borrowing base (as defined in the Revolving Credit Facility Loan and Security Agreement) or $15.6 million, the lender has the right to take full dominion of the Company’s cash collections and apply these proceeds to outstanding loans under the Revolving Credit Agreement (“Cash Dominion”). The Company's ratio of EBITDA to fixed charges was negative for the year ended December 31, 2014. At this negative ratio, the Company's current maximum borrowing capacity is $100.4 million before triggering Cash Dominion. Based on the Company’s cash projections, it does not anticipate a scenario whereby Cash Dominion would occur during the next twelve months.

Additional unrestricted borrowing capacity under the Revolving Credit Facility at December 31, 2014 was as follows:

Maximum borrowing capacity	$125.0	
Borrowings	(59.2	)
Minimum excess availability before triggering Cash Dominion	(15.6	)
Letters of credit and other reserves	(9.0	)
Additional unrestricted borrowing capacity	$41.2	

The Company is committed to maintaining a strong financial position through maintaining sufficient levels of available liquidity, managing working capital and monitoring the Company’s overall capitalization. Cash and cash equivalents at December 31, 2014 were $8.5 million with approximately $2.3 million of the Company’s consolidated cash and cash equivalents balance residing in the United States. As foreign earnings are permanently reinvested, availability under the Company’s Revolving Credit Facility would be used to fund operations in the United States should the need arise in the future.

Working capital, defined as current assets less current liabilities, and the balances of its significant components were as follows:

	December 31,		Working Capital	
	2014	2013	Increase (Decrease)	
Working capital	$291.9	$289.4	$2.5	
Inventory	236.9	214.9	22.0	
Accounts receivable	131.0	128.5	2.5	
Accrued liabilities	18.3	20.2	1.9	
Accrued payroll and employee benefits	9.3	9.9	0.6	
Cash and cash equivalents	8.5	30.8	(22.3	)
Deferred income taxes	0.7	3.2	(2.5	)

The Company monitors its overall capitalization by evaluating total debt to total capitalization. Total debt to total capitalization is defined as the sum of short-term and long-term debt, divided by the sum of total debt and stockholders’ equity. Total debt to total capitalization was 67.4% at December 31, 2014 and 44.3% at December 31, 2013. The Company plans to improve its total debt to total capitalization by reducing debt through improved inventory and supplier management. As and when permitted by term of agreements noted above, depending on market conditions, the Company may decide in the future to refinance, redeem or repurchase its debt and take other steps to reduce its debt or lease obligations or otherwise improve its overall financial position and balance sheet.

In February 2015, the Company engaged a nationally recognized consulting firm to assist the Company with enhancing its profitability as well as improving its overall liquidity. The actions that are ultimately taken to achieve these objectives

may result in future cash and/or non-cash charges. At this time, an estimate of such costs, or whether they will be incurred at all, is not available as the performance improvement plan is still in the process of being developed.

The Company's credit ratings are periodically reviewed by Moody's Investors Services and Standard and Poor's. With respect to the Company's 12.75% Senior Secured Notes, the most recent agency debt ratings are as follows:

	Senior Debt Rating	Outlook
Moody's Investors Services	Caa2	Negative
Standard & Poor's	CCC+	Negative

In October 2014, Moody's Investor Services downgraded the Company's senior debt rating to Caa2 from Caa1 and revised the Company's outlook to negative from stable. In August 2014, Standard & Poor's revised the Company's outlook to negative from stable and affirmed the Company's B- senior debt rating. In February 2015, Standard & Poor's downgraded the Company's senior debt rating to CCC+ from B- and affirmed the Company's negative outlook. While the agency debt ratings do not result in the Company being in violation of any debt covenants or require it to take any other specified actions, a ratings downgrade could negatively impact the Company's ability to refinance existing debt or increase the cost to refinance its debt. The above ratings are not a recommendation to buy, sell or hold securities. These ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Capital Expenditures

Cash paid for capital expenditures for 2014 was $12.4 million compared to $11.6 million in 2013. The expenditures during 2014 were comprised of approximately $2.0 million for new facilities located in Singapore and Mexico, $1.4 million related to facility consolidations and $1.0 million for the Company's e-commerce platform. The balance of the capital expenditures in 2014 are the result of normal equipment, building improvement and furniture and fixture upgrades throughout the year. Management believes that capital expenditures will be approximately $8.0 million to $10.0 million in 2015.

Contractual Obligations and Other Commitments

The following table includes information about the Company’s contractual obligations that impact its short-term and long-term liquidity and capital needs. The table includes information about payments due under specified contractual obligations and is aggregated by type of contractual obligation. It includes the maturity profile of the Company’s consolidated long-term debt, operating leases and other long-term liabilities.

At December 31, 2014, the Company’s contractual obligations, including estimated payments by period, were as follows:

Payments Due In	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Long-term debt obligations (excluding capital lease obligations) (a)	$326.7	$—	$267.5	$59.2	$—
Interest payments on debt obligations (b)	74.8	32.7	38.5	3.6	—
Capital lease obligations	1.3	0.8	0.5	—	—
Operating lease obligations	78.4	14.1	23.8	17.1	23.4
Purchase obligations (c)	285.1	260.7	24.4	—	—
Other (d)	5.5	5.5	—	—	—
Total	$771.8	$313.8	$354.7	$79.9	$23.4

a) Borrowings outstanding on the Company's Revolving Credit Facility due December 10, 2019 will become due 91 days prior to the maturity date of the Company's $210.0 million Senior Secured Notes due December 15, 2016 or $57.5 million Convertible Notes due December 15, 2017 if they have not been refinanced.

b) Interest payments on debt obligations represent interest on all Company debt outstanding as of December 31, 2014. The interest payment amounts related to the variable rate component of the Company's debt assume that interest will be paid at the rates prevailing at December 31, 2014. Future interest rates may change and actual interest payments could differ from those disclosed in the table above.

c) Purchase obligations consist of raw material purchases made in the normal course of business. The Company has contracts to purchase minimum quantities of material with certain suppliers. For each contractual purchase obligation, the Company generally has a purchase agreement from its customer for the same amount of material over the same time period.

d) Other is comprised of deferred revenues that represent commitments to deliver products.

The table and corresponding footnotes above do not include $30.8 million of non-current liabilities recorded on the consolidated balance sheets. These non-current liabilities consist of $18.7 million of liabilities related to the Company’s non-funded pension and postretirement benefit plans for which payment periods cannot be determined. Non-current liabilities also include $8.4 million of deferred income taxes and $3.7 million of other non-current liabilities, which were excluded from the table as the amounts due and timing of payments (or receipts) at future contract settlement dates cannot be determined.

Pension Funding

The Company’s funding policy on its defined benefit pension plans is to satisfy the minimum funding requirements of the Employee Retirement Income Security Act (“ERISA”). Future funding requirements are dependent upon various factors outside the Company’s control including, but not limited to, fund asset performance and changes in regulatory or accounting requirements. Based upon factors known and considered as of December 31, 2014, the Company does not anticipate making significant cash contributions to the pension plans in 2015.

The investment target portfolio allocation for the Company-sponsored pension plans and supplemental pension plan focuses primarily on corporate fixed income securities that match the overall duration and term of the Company’s pension liability structure. Refer to “Retirement Plans” within Critical Accounting Policies and Note 9 - Employee Benefit Plans to the Consolidated Financial Statements for additional details regarding other plan assumptions.

Off-Balance Sheet Arrangements

With the exception of letters of credit and operating lease financing on certain equipment used in the operation of the business, it is not the Company’s general practice to use off-balance sheet arrangements, such as third-party special-purpose entities or guarantees of third parties.

As of December 31, 2014, the Company had $5.8 million of irrevocable letters of credit outstanding which primarily consisted of $3.0 million for collateral associated with commodity hedges and $1.8 million for compliance with the insurance reserve requirements of its workers’ compensation insurance carriers.

The Company is party to a multi-employer pension plan in Ohio. If the Company elects to withdraw from the Ohio multi-employer pension plan in the future, it could potentially incur a withdrawal liability at that time. The Ohio multi-employer pension plan withdrawal liability was estimated to be $5.4 million as of December 31, 2014. The Company was party to a multi-employer pension plan in California. In 2013, in connection with the January 2013 restructuring plan, the

Company closed its facility in Gardena, California and elected to withdraw from the California multi-employer pension plan. The Company incurred a withdrawal liability of $0.7 million which was charged to expense in 2013 within "Restructuring activity" in the Consolidated Statement of Operations.
Obligations of the Company associated with its leased equipment are disclosed under the Contractual Obligations and Other Commitments section.
Critical Accounting Policies
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and include amounts that are based on management’s estimates, judgments 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 revenue and expenses during the reporting period. The following is a description of the Company’s accounting policies that management believes require the most significant judgments and estimates when preparing the Company’s consolidated financial statements:
Revenue Recognition — Revenue from the sale of products is recognized when the earnings process is complete and when the title and risk and rewards of ownership have passed to the customer, which is primarily at the time of shipment. Revenue recognized other than at time of shipment represented less than 2% of the Company’s consolidated net sales for the years ended December 31, 2014, 2013 and 2012. Revenue from shipping and handling charges is recorded in net sales. Provisions for allowances related to sales discounts and rebates are recorded based on terms of the sale in the period that the sale is recorded. Management utilizes historical information and the current sales trends of the business to estimate such provisions. Actual results could differ from these estimates. The provisions related to discounts and rebates due to customers are recorded as a reduction within net sales in the Company’s consolidated statements of operations and comprehensive loss.
The Company maintains an allowance for doubtful accounts related to the potential inability of our customers to make required payments. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific identification of customer receivable balances for which collection is unlikely. The provision for doubtful accounts is recorded in sales, general and administrative expense in the Company’s consolidated statements of operations and comprehensive loss. Estimates of doubtful accounts are based on historical write-off experience as a percentage of net sales and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot be certain that the rate of future credit losses will be similar to past experience.
The Company also maintains an allowance for credit memos for estimated credit memos to be issued against current sales. Estimates of allowance for credit memos are based upon the application of a historical issuance lag period to the average credit memos issued each month. If actual results differ significantly from historical experience, there could be a negative impact on the Company’s operating results.
Income Taxes — The Company’s income tax expense, deferred tax assets and liabilities and reserve for uncertain tax positions reflect management’s best estimate of taxes to be paid. The Company is subject to income taxes in the U.S. and several foreign jurisdictions. The determination of the consolidated income tax expense requires judgment and estimation by management. It is possible that actual results could differ from the estimates that management has used to determine its consolidated income tax expense.
The Company accounts for deferred income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.
Valuation allowances are recorded against deferred tax assets when it is more likely than not that the amounts will not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and recent results of operations. In the event the Company determines it would not be able to realize its deferred tax assets, a valuation allowance is recorded, which increases the provision for income taxes in the period in

which that determination is made.

The Company continued to generate losses at a number of its foreign subsidiaries in 2014. The larger than expected 2014 losses, when combined with prior losses and future income projections, indicated that it was more likely than not that deferred tax assets of these foreign subsidiaries would not be realized. During 2014, a valuation allowance of $2.7 million was recorded against all the previously existing deferred tax assets of these subsidiaries. The deferred tax assets of these foreign subsidiaries are comprised primarily of net operating loss carry forwards. Additionally, losses generated by these foreign subsidiaries during the year ended December 31, 2014 were not benefited nor are future losses expected to be benefited until these subsidiaries return to profitability and evidence suggests that it is more likely than not that the deferred tax assets will be realized. The impact on the income tax provision of not benefiting the losses was approximately $2.1 million for the year ended December 31, 2014.

In the U.S., the Company was in a net deferred tax asset position as of December 31, 2014. The Company did not have sufficient sources of projected income to cover the net deferred tax asset as of December 31, 2014. Therefore, the Company recorded a valuation allowance and did not provide a tax benefit on a portion of the losses generated by the U.S. during the year ended December 31, 2014. The impact on the income tax provision of not benefiting the losses was approximately $28.1 million for the year ended December 31, 2014. Continued operating losses in future periods and changes to the sources of income identified to utilize the U.S. deferred tax assets that differ significantly from current estimates may result in additional benefits not being recognized and a valuation allowance being recorded against the remaining U.S. deferred tax assets. The Company did not record valuation allowances against its U.S. deferred tax assets for the year ended December 31, 2013 as the U.S. had sufficient deferred tax liabilities to cover net operating losses.

The valuation allowances in the U.S. and at certain foreign subsidiaries will not be reversed until the Company returns to profitability and determines that it is more likely than not that its deferred tax assets will be realized.

The Company had undistributed earnings of foreign subsidiaries of approximately $48.6 million at December 31, 2014, for which deferred taxes have not been provided. Such earnings are considered indefinitely invested in the foreign subsidiaries. If such earnings were repatriated, additional tax expense may result, although due to the potential availability of foreign tax credits and other items, the calculation of such potential taxes is not practicable.

The Company’s investment in the joint venture is through a 50% interest in a limited liability corporation (LLC) taxed as a partnership. The joint venture has two subsidiaries organized as individually taxed C-Corporations. The Company includes in its income tax provision the income tax liability on its share of the income of the joint venture and its subsidiaries. The income tax liability of the joint venture itself is generally treated as a current income tax expense and the income tax liability associated with the profits of the two subsidiaries of the joint venture is treated as deferred income tax expense. The Company cannot independently cause a dividend to be declared by one of the subsidiaries of the joint venture, therefore no benefit of a dividend received deduction can be recognized in the Company's tax provision until a dividend is declared. If one of the C-Corporation subsidiaries of the joint venture declares a dividend payable to the joint venture, the Company recognizes a benefit for the 80% dividends received deduction on its 50% share of the dividend.

For uncertain tax positions, the Company applies the provisions of relevant authoritative guidance, which requires application of a “more likely than not” threshold to the recognition and derecognition of tax positions. The Company’s ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company’s effective tax rate as well as impact operating results. Although the Company believes that the positions taken on previously filed tax returns are reasonable, it has established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken, which could result in additional liabilities for taxes and interest.

Retirement Plans — The Company values retirement plan liabilities based on assumptions and valuations established by management. Future valuations are subject to market changes, which are not in the control of the Company and could differ materially from the amounts currently reported. The Company evaluates the discount rate and expected return on assets at least annually and evaluates other assumptions involving demographic factors, such as retirement age, mortality and turnover periodically, and updates them to reflect actual experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are expressed as the present value of future cash payments which are discounted using the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent-year pension expense; higher discount rates decrease present values and subsequent-year pension expense. Discount rates used for determining the Company’s projected benefit obligation for its pension plans were 3.75% and 4.50% at December 31, 2014 and 2013, respectively.

The Company’s pension plan asset portfolio as of December 31, 2014 is primarily invested in fixed income securities with a duration of approximately 12 years. The assets generally fall within Level 2 of the fair value hierarchy. Assets in the Company’s pension plans have earned approximately 10% since 2008 when the Company changed its target investment allocation to focus primarily on fixed income securities. The target investment asset allocation for the pension plans’ funds focuses primarily on corporate fixed income securities that match the overall duration and term of the Company’s pension liability structure. As of December 31, 2014, there was a funding deficit of approximately 5% compared to a funding surplus of approximately 7% at December 31, 2013. The change in the funded status compared to the prior year was due to an increase in the projected benefit obligation at December 31, 2014 relating to a decrease in the discount rate, adoption of the newly issued mortality assumptions and changes in censuses data. This increase in the projected benefit obligation was partially offset by increases in the fair value of the plan assets as of December 31, 2014.

To determine the expected long-term rate of return on the pension plans’ assets, current and expected asset allocations are considered, as well as historical and expected returns on various categories of plan assets.

The Company used the following weighted-average discount rates and expected return on plan assets to determine the net periodic pension cost:

	2014		2013	
Discount rate	4.50	%	3.50 - 3.75%	
Expected long-term rate of return on plan assets	5.25	%	5.25	%

Holding all other assumptions constant, the following table illustrates the sensitivity of changes to the discount rate and long-term rate of return assumptions on the Company’s net periodic pension cost (amounts in millions):

	Impact on 2014 Expenses - increase (decrease)
50 basis point decrease in discount rate	$0.9
50 basis point increase in discount rate	$(0.8)
50 basis point decrease in expected return on assets	$0.8

Goodwill and Other Intangible Assets Impairment — The Company tests goodwill for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company assesses, at least quarterly, whether any triggering events have occurred.

A two-step method is used for determining goodwill impairment. The first step is performed to identify whether a potential impairment exists by comparing each reporting unit’s fair value to its carrying value. If the carrying value of a reporting unit exceeds its fair value, the next step it to measure the amount of impairment loss, if any.

The determination of the fair value of the reporting units requires significant estimates and assumptions to be made by management. The fair value of each reporting unit is estimated using a combination of an income approach, which estimates fair value based on a discounted cash flow analysis using historical data, estimates of future cash flows and discount rates based on the view of a market participant, and a market approach, which estimates fair value using market multiples of various financial measures of comparable public companies. In selecting the appropriate assumptions the Company considers: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industry in which the Company competes; discount rates; terminal growth rates; long-term projections of future financial performance; and relative weighting of income and market approaches. The long-term projections used in the valuation are developed as part of the Company’s annual long-term planning process. The discount rates used to determine the fair values of the reporting units are those of a hypothetical market participant which are developed based upon an analysis of comparable companies and include adjustments made to account for any individual reporting unit specific attributes such as, size and industry.

During the second quarter of 2014, the Company concluded that under FASB Accounting Standards Codification (“ASC”) 350, "Intangibles - Goodwill and Other," its unfavorable operating results could be indicators of impairment of its Metals reporting unit's goodwill and, therefore, performed an interim impairment analysis as of May 31, 2014 using the two-step quantitative analysis. Under the first step, the Company determined that the carrying value of the

Metals

33

reporting unit exceeded its estimated fair value requiring the Company to perform the second step of the analysis. The second step of the analysis included allocating the calculated fair value (determined in the first step) of the Metals reporting unit to its assets and liabilities to determine an implied goodwill value. The result of the second step was that the goodwill of the Metals reporting unit was impaired and a $56.2 million non-cash impairment charge ($13.9 million of which is deductible for tax purposes) was recorded during the three-month period ended June 30, 2014 to eliminate the Metals reporting unit goodwill. No interim impairment analysis was performed for the Plastics reporting unit as of May 31, 2014 as there were no indicators of impairment for the Plastics reporting unit.

The valuation of goodwill for the second step of the goodwill impairment analysis is considered a Level 3 fair value measurement, which means that the valuation of the assets and liabilities reflect the Company's own assumptions about the assumptions that market participants would use in pricing the assets and liabilities. The projections used in the determination of the Metals reporting unit's fair value were based on estimates and assumptions that required significant judgment, and actual results may differ from assumed and estimated amounts. The impairment of the Metals reporting unit's goodwill was primarily driven by the valuation effects of the continued divergence of the Metals reporting unit's forecast versus its actual results. Specifically, in determining the fair value of the Metals reporting unit for goodwill impairment testing purposes, the Company decreased its long-term estimates of the reporting unit's operating results and cash flows and included a Company specific risk premium of 1% into its discount rate of 13% to account for the unquantified risk that may still be present in the decreased forecast.

The Company completed its December 1, 2014 annual goodwill impairment test for its Plastics reporting unit. No annual goodwill impairment testing was performed for the Metals reporting unit as of December 1, 2014, since the Metals reporting unit goodwill was completely written off as a result of the May 31, 2014 interim goodwill impairment testing and the Metals reporting unit had no indefinite lived intangible assets. As of December 1, 2014, the Plastics reporting unit had a goodwill balance of approximately $13.0 million and no indefinite lived intangible assets. A combination of the income approach and the market approach was utilized to estimate the reporting unit's fair value. The Plastics reporting unit had an estimated fair value that exceeded its carrying value by 21.0%. Under the income approach, the following key assumptions were used in the Plastics reporting unit discounted cash flow analysis:

Discount rate	12.0	%
5-year revenue CAGR	3.6	%
Terminal growth rate	2.0	%

Under the market approach, the Company used a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") of 5.5 for the Plastics reporting unit. The Company considers several factors in estimating the EBITDA multiple including a reporting unit's market position, gross and operating margins and prospects for growth, among other factors.

If the Plastics reporting unit's carrying value exceeded its fair value, additional valuation procedures would have been required to determine whether the reporting unit's goodwill was impaired, and to the extent goodwill was impaired, the magnitude of the impairment charge.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the Plastics reporting unit, the amount of the goodwill impairment charge, or both. Future declines in the overall market value of the Company's equity may also result in a conclusion that the fair value of the Plastics reporting unit has declined below its carrying value.

The majority of the Company's recorded intangible assets were acquired as part of the Transtar and Tube Supply acquisitions in September 2006 and December 2011, respectively, and consist of customer relationships, non-compete agreements, trade names and developed technology. The initial values of the intangible assets were based on a discounted cash flow valuation using assumptions made by management as to future revenues from select customers, the level and pace of attrition in such revenues over time and assumed operating income amounts generated from such revenues. The intangible assets are amortized over their useful lives, which are 4 to 12 years for customer relationships, 3 years for non-compete agreements, 1 to 10 years for trade names and 3 years for developed technology. Useful lives are estimated by management and determined based on the timeframe over which a significant portion of the estimated future cash flows are expected to be realized from the respective intangible assets. Furthermore, when certain conditions or certain triggering events occur, a separate test for impairment, which is included in the impairment test for long-lived assets discussed below, is performed. If the intangible asset is deemed to be impaired, such asset will be written down to its fair value. See Note 3 - Goodwill and Intangible Assets to the Consolidated Financial Statements for detailed information on goodwill and intangible assets.

Long-Lived Assets — The Company’s long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset or asset group. If future net cash flows are less than the carrying value, the asset or asset group may be impaired. If such assets are impaired, the impairment charge is calculated as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset’s residual value, if any. The Company derives the required undiscounted cash flow estimates from historical experience and internal business plans.

Due to continued net losses and lower than projected cash flows, the Company tested its long-lived assets for impairment at May 31, 2014 and December 31, 2014. The cash flows from the Company's long-lived assets exceeded their carrying values, and the Company concluded that no impairment existed at May 31, 2014 or December 31, 2014 and the remaining useful lives of its long-lived assets were appropriate. The Company will continue to monitor its long-lived assets for impairment.

Share-Based Compensation — The Company offers share-based compensation to executives, other key employees and directors. Share-based compensation expense is recognized ratably over the vesting period or performance period, as appropriate, based on the grant date fair value of the stock award. The Company may either issue shares from treasury or new shares upon share option exercise or award issuance. Management estimates the probable number of awards which will ultimately vest when calculating the share-based compensation expense for its long-term compensation plans ("LTC Plans"). As of December 31, 2014, the Company’s weighted average forfeiture rate is approximately 49.1%. The actual number of awards that vest may differ from management’s estimate.

Stock options and non-vested shares generally vest in two to three years for executives and employees and three years for directors. Stock options have an exercise price equal to the market price of the Company’s stock on the grant date (options granted prior to 2010) or the average closing price of the Company’s stock for the ten trading days preceding the grant date (options granted in 2010) and have a contractual life of eight to ten years. Stock options are valued using a Black-Scholes option-pricing model. Non-vested shares are valued based on the market price of the Company's stock on the grant date. The Company has not granted stock options since the 2010 LTC Plan

Under the 2014, 2013 and 2012 LTC Plans, the total potential award is comprised of restricted share units ("RSUs") which are time vested and performance share units ("PSUs") which are based on the Company's performance compared to target goals. The PSUs awarded are based on two independent conditions, the Company’s relative total shareholder return (“RTSR”), which represents a market condition, and Company-specific target goals for Return on Invested Capital (“ROIC”) as defined in the LTC Plans. RSUs generally vest in three years. RSU and ROIC PSU awards are valued based on the market price of the Company's stock on the grant date, and the value of RTSR PSU awards is estimated using a Monte Carlo simulation model.

The grant date fair value of RTSR PSU awards under the active LTC Plans were estimated using a Monte Carlo simulation with the following assumptions:

	2014		2013		2012	
Expected volatility	40.8	%	59.5	%	85.0	%
Risk-free interest rate	0.79	%	0.38	%	0.40	%
Expected life (in years)	2.77		2.82		2.81	
Expected dividend yield	—		—		—	

35

PSU awards under the 2012 LTC Plan were granted to the Company's CEO in October 2012 in connection with the commencement of his employment. The grant date fair value of the RTSR PSU awards granted to the CEO were estimated using a Monte Carlo simulation with the following assumptions:

	2012	
Expected volatility	60.7	%
Risk-free interest rate	0.34	%
Expected life (in years)	2.21	
Expected dividend yield	—	

RTSR is measured against a group of peer companies either in the metals industry or in the industrial products distribution industry (the "RTSR Peer Group") over a three-year performance period as defined in the LTC Plans. The threshold, target and maximum performance levels for RTSR are the 25th, 50th and 75th percentile, respectively, relative to RTSR Peer Group performance. Compensation expense for RTSR PSU awards is recognized regardless of whether the market condition is achieved to the extent the requisite service period condition is met.

ROIC is measured based on the Company's average actual performance versus Company-specific goals as defined in each of the LTC Plans over a three-year performance period. Compensation expense recognized is based on management's expectation of future performance compared to the pre-established performance goals. If the performance goals are not expected to be met, no compensation expense is recognized for the ROIC PSU awards and any previously recognized compensation expense is reversed.

Final RTSR and ROIC PSU award vesting will occur at the end of the three-year performance period, and distribution of PSU awards granted under the LTC Plans are determined based on the Company's actual performance versus the target goals for a three-year performance period, as defined in each plan. Partial awards can be earned for performance that is below the target goal, but in excess of threshold goals; and award distributions up to twice the target can be achieved if the target goals are exceeded.

Unless covered by a specific change-in-control or severance arrangement, participants to whom RSUs, PSUs, stock options and non-vested shares have been granted must be employed by the Company on the vesting date or at the end of the performance period, as appropriate, or the award will be forfeited.

Fair Value of Financial Instruments — The three-tier value hierarchy the Company utilizes, which prioritizes the inputs used in the valuation methodologies, is:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants.

The fair value of cash, accounts receivable and accounts payable approximate their carrying values. The fair value of cash equivalents are determined using the fair value hierarchy described above. Cash equivalents consisting of money market funds are valued based on quoted prices in active markets and as a result are classified as Level 1.

The Company's pension plan asset portfolio as of December 31, 2014 and 2013 is primarily invested in fixed income securities, which generally fall within Level 2 of the fair value hierarchy. Fixed income securities are valued based on evaluated prices provided to the trustee by independent pricing services. Such prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Fair value disclosures for the Senior Secured Notes are determined based on recent trades of the bonds and fall within Level 2 of the fair value hierarchy. The fair value of the Convertible Notes, which fall within Level 3 of the fair value hierarchy, is determined based on similar debt instruments that do not contain a conversion feature, as well as other factors related to the callable nature of the notes. The estimated fair value of the Company's debt outstanding under its revolving credit facilities, which fall within Level 3 of the fair value hierarchy, assumes the current amount of debt outstanding at the end of the year was outstanding until the maturity of the Company's facility in December 2019.

36

Fair value of commodity hedges is based on information which is representative of readily observable market data. Derivative liabilities associated with commodity hedges are classified as Level 2 in the fair value hierarchy.

Recent Accounting Pronouncements

See Note 1 - Basis of Presentation and Significant Accounting Policies to the Consolidated Financial Statements for detailed information on recent accounting pronouncements.

ITEM 7A — Quantitative and Qualitative Disclosures about Market Risk

(Dollar amounts in millions)

The Company is exposed to interest rate, commodity price, and foreign exchange rate risks that arise in the normal course of business.

Interest Rate Risk — The Company is exposed to market risk related to its fixed rate and variable rate long-term debt. We do not utilize derivative instruments to manage exposure to interest rate changes. The market value of the Company's $267.5 million of fixed rate long-term debt may be impacted by changes in interest rates.

The Company's interest rates on borrowings under its $125 million revolving credit facility are subject to changes in the LIBOR and prime interest rates. There were $59.2 million borrowings under the Company's revolving credit agreement as of December 31, 2014. A hypothetical 100 basis point increase on the Company's variable rate debt would result in $0.2 million of additional interest expense on an annual basis based on interest expense incurred on the revolving credit facility in 2014.

Commodity Price Risk — The Company's raw material costs are comprised primarily of engineered metals and plastics. Market risk arises from changes in the price of steel, other metals and plastics. Although average selling prices generally increase or decrease as material costs increase or decrease, the impact of a change in the purchase price of materials is more immediately reflected in the Company's cost of materials than in its selling prices. The ability to pass surcharges on to customers immediately can be limited due to contractual provisions with those customers. Therefore, a lag may exist between when the surcharge impacts net sales and cost of materials, respectively, which could result in a higher or lower operating profit.

The Company has a commodity hedging program to mitigate risks associated with certain commodity price fluctuations. If the commodity prices hedged were to decrease hypothetically by 100 basis points, the 2014 unrealized loss recorded in cost of materials would have increased by approximately $0.1 million.

Foreign Currency Risk — The Company conducts the majority of its business in the United States but also has operations in Canada, Mexico, France, the United Kingdom, Spain, China and Singapore. The Company's results of operations historically have not been materially affected by foreign currency transaction gains and losses and, therefore, the Company has no financial instruments in place for managing the exposure to foreign currency exchange rates. The Company recognized $4.3 million of foreign currency transaction losses during the year ended December 31, 2014.

As a result of the financing arrangements entered into during December 2011, the Company has certain outstanding intercompany borrowings denominated in the U.S. dollar at its Canadian and United Kingdom subsidiaries. These intercompany borrowings are not hedged and may cause foreign currency exposure, which could be significant, in future periods if they remain unhedged.

ITEM 8 — Financial Statements and Supplementary Data
(Amounts in thousands, except par value and per share data)
Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31,		
	2014	2013	2012
Net sales	$979,837	$1,053,066	$1,270,368
Costs, expenses and (gains):			
Cost of materials (exclusive of depreciation and amortization)	746,443	779,208	927,287
Warehouse, processing and delivery expense	140,559	140,934	148,256
Sales, general and administrative expense	112,465	113,405	129,162
Restructuring activity, net	(2,960)	9,003	—
Depreciation and amortization expense	26,044	26,188	25,867
Impairment of goodwill	56,160	—	—
Operating (loss) income	(98,874)	(15,672)	39,796
Interest expense, net	(40,548)	(40,542)	(41,090)
Interest expense - unrealized loss on debt conversion option	—	—	(15,597)
Loss on extinguishment of debt	—	(2,606)	—
Other (expense) income, net	(4,323)	(1,924)	1,349
Loss before income taxes and equity in earnings of joint venture	(143,745)	(60,744)	(15,542)
Income taxes	1,353	19,795	(1,430)
Loss before equity in earnings of joint venture	(142,392)	(40,949)	(16,972)
Equity in earnings of joint venture	7,691	6,987	7,224
Net loss	(134,701)	(33,962)	(9,748)
Basic loss per share	$(5.77)	$(1.46)	$(0.42)
Diluted loss per share	$(5.77)	$(1.46)	$(0.42)
Dividends per common share	$—	$—	$—
Comprehensive loss:			
Foreign currency translation adjustments	$(5,377)	$(2,295)	$2,369
Change in unrecognized pension and postretirement benefit costs, net of tax effect of $0, $2,953 and $2,312	(21,445)	4,623	(3,616)
Other comprehensive (loss) income	(26,822)	2,328	(1,247)
Net loss	(134,701)	(33,962	