Levinson Steel GP, Inc.
Form S-4/A
May 26, 2006
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**As filed with the Securities and Exchange Commission on May 26, 2006**

**Registration No. 333-132918**

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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## Amendment No. 1

## to

## Form S-4

## REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

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# FLAG INTERMEDIATE HOLDINGS CORPORATION

**(Exact name of registrant as specified in its charter)**

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| | | |
|---|---|---|
| **Delaware** | **5051** | **20-3779375** |
| **(State or other jurisdiction of Incorporation)** | **(Primary Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**John A. Hageman, Esq.**

**Senior Vice President and Chief Legal Officer**

**One Riverway, Suite 1100**

**Houston, Texas 77056**

**(713) 965-0990**

**(Address, including zip code, and telephone number, Including area code, of registrant s principal executive offices)**

# METALS USA, INC.

**(Exact name of registrant as specified in its charter)**

| Delaware | 5051 | 76-0533626 |
|---|---|---|
| (State or other jurisdiction of Incorporation) | (Primary Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**John A. Hageman, Esq.**

**Senior Vice President and Chief Legal Officer**

**One Riverway, Suite 1100**

**Houston, Texas 77056**

**(713) 965-0990**

**(Address, including zip code, and telephone number, Including area code, of registrant s principal executive offices)**

**SEE TABLE OF ADDITIONAL REGISTRANT GUARANTORS**

***Copies to:***

**J. Vincent Kendrick**

**Akin Gump Strauss Hauer & Feld LLP**

**1111 Louisiana Street, Suite 4400**

**Houston, Texas 77002**

**(713) 220-5839**

**Approximate date of commencement of proposed sale of securities to the public:** As promptly as practicable after the effective date of this registration statement.

If the securities being registered on this Form are offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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**The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.**

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**TABLE OF ADDITIONAL REGISTRANT GUARANTORS**

| Name | State or Other Jurisdiction of Incorporation or Organization | I.R.S. Employer Identification Number | Primary Standard Industrial Classification Code |
|---|---|---|---|
| **Subsidiary Guarantors:** | | | |
| Allmet GP, Inc | Delaware | 75-2858998 | 5051 |
| Allmet LP, Inc | Delaware | 75-2859000 | 5051 |
| Interstate Steel Supply Co. of Maryland, Inc | Maryland | 52-1684672 | 5051 |
| Intsel GP, Inc | Delaware | 98-0165917 | 5051 |
| Intsel LP, Inc | Delaware | 98-0165916 | 5051 |
| I-Solutions Direct, Inc | Delaware | 23-3026655 | 5051 |
| Jeffreys Real Estate Corporation | Delaware | 72-1396636 | 5051 |
| Jeffreys Steel Holdings, L.L.C | Alabama | None | 5051 |
| Levinson Steel GP, Inc | Delaware | 25-1862440 | 5051 |
| Levinson Steel LP, Inc | Delaware | 25-1862437 | 5051 |
| Metals Receivables Corporation | Delaware | 76-0593300 | 5051 |
| Metals USA Building Products, L.P | Texas | 75-2585164 | 5051 |
| Metals USA Carbon Flat Rolled Inc | Ohio | 34-0891223 | 5051 |
| Metals USA International Holdings, Inc | Delaware | 20-4607296 | 5051 |
| Metals USA Finance Corp | Delaware | 76-0549340 | 5051 |
| Metals USA Flat Rolled Central, Inc | Missouri | 43-1186503 | 5051 |
| Metals USA Management Co., L.P | Delaware | 76-0541394 | 5051 |
| Metals USA Plates and Shapes Southcentral, Inc | Oklahoma | 73-1309371 | 5051 |
| Metals USA Plates and Shapes Southeast, Inc | Alabama | 63-0518679 | 5051 |
| Metals USA Plates and Shapes Southwest, Limited Partnership | Connecticut | 98-0166286 | 5051 |
| Metals USA Plates and Shapes Northeast, L.P | Delaware | 25-1807253 | 5051 |
| Metals USA Realty Company | Delaware | 76-0655830 | 5051 |
| Metals USA Specialty Metals Northcentral, Inc | Delaware | 36-4219582 | 5051 |
| MUSA GP, Inc | Delaware | 76-0541470 | 5051 |
| MUSA LP, Inc | Delaware | 76-0541471 | 5051 |
| MUSA Newark, L.L.C | Delaware | 30-0345285 | 5051 |
| Queensboro, L.L.C | North Carolina | 56-2186693 | 5051 |

* The name, address of the principal executive office, including zip code, and telephone number, including area code, of the agent for service of each additional registrant is c/o Metals USA, Inc., John A. Hageman, Esq., Senior Vice President and Chief Legal Officer; One Riverway, Suite 1100, Houston, Texas 77056; The telephone number there is (713) 965-0990.

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**The information in this prospectus is not complete and may be changed. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 26, 2006.**

# Flag Intermediate Holdings Corporation

# and

# Metals USA, Inc.

**$275,000,000 aggregate principal amount of our 11 1/8% Senior Secured Notes Due 2015, which have been registered under the Securities Act of 1933 for $275,000,000 aggregate principal amount of our 11 1/8% Senior Secured Notes Due 2015**

We hereby offer, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the exchange offer ), to exchange up to $275,000,000 aggregate principal amount of our 11 1/8% Senior Secured Notes Due 2015, which we refer to as the exchange notes, for a like principal amount of our outstanding 11 1/8% Senior Secured Notes Due 2015, which we refer to as the old notes. We refer to the old notes and the exchange notes collectively as the notes. The terms of the exchange notes are identical to the terms of the old notes in all material respects, except for the elimination of some transfer restrictions, registration rights and additional interest provisions relating to the old notes. The exchange notes will be issued under the same indenture as the old notes. The exchange notes, like the old notes, will rank equally with other senior indebtedness as to payment and senior with respect all our other indebtedness, although the notes rank junior as to certain collateral securing our revolving credit facility. See Summary Summary of Terms of the Exchange Notes.

**We will exchange any and all old notes that are validly tendered and not validly withdrawn prior to 5:00 p.m. (New York City time) on , 2006, unless extended.**

We will not receive any cash proceeds from the exchange offer. You will be required to make the representations described on page 37. We have not applied, and do not intend to apply, for listing the notes on any national securities exchange or automated quotation system.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

**See Risk Factors beginning on page 25 of this prospectus for a discussion of risks that you should consider before participating in this exchange offer.**

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

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**The date of this prospectus is , 2006.**

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**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

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**This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as believes, expects, may, should, seeks, approximately, intends, plans, estimates, or anticipat expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this prospectus.

Important factors that could cause actual results to differ materially from our expectations ( cautionary statements ) are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All forward-looking information in this prospectus and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- our expectations with respect to our acquisition activity;
- our substantial indebtedness described in this prospectus;
- supply, demand, prices and other market conditions for steel and other commodities;
- the timing and extent of changes in commodity prices;
- the effects of competition in our business lines;

- the condition of the steel and metal markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions;
- the ability of our counterparties to satisfy their financial commitments;
- tariffs and other government regulations relating to our products and services;
- operational factors affecting the ongoing commercial operations of our facilities, including catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs, unanticipated changes in fuel costs or availability of fuel emission credits or workforce issues;
- our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) tightly and generate earnings and cash flow; and
- general political conditions and developments in the United States and in foreign countries whose affairs affect supply, demand and markets for steel, other metals and metal products.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

## INDUSTRY AND MARKET DATA

This prospectus includes industry data that we obtained from periodic industry publications and internal company surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. In addition, this prospectus includes market share and industry data that we prepared primarily based on our knowledge of the industry and industry data. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position relative to our competitors are approximated and based on the above-mentioned third-party data and internal analysis and estimates and have not been verified by independent sources. Unless otherwise noted, all information regarding our market share is based on the latest available data, which in some cases may be several years old, and all references to market shares refer to both revenue and volume.

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## PROSPECTUS SUMMARY

*This summary highlights all material information appearing elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that you should consider before investing in the exchange notes and you should carefully read the entire prospectus, including the financial data and related notes and the information presented under the caption Risk Factors.*

*Except as otherwise indicated herein or as the context otherwise requires, (i) references in this prospectus to Metals, we, our, and us refer to Metals USA, Inc. ( Metals USA or the Company ) and its consolidated subsidiaries, prior to the consummation of the Merger described below and to Flag Intermediate and Metals USA and its subsidiaries after the consummation of the Merger, (ii) references to the guarantors refer to Flag Intermediate and each of our domestic subsidiaries that guarantee the notes (such subsidiaries are all of our domestic operating subsidiaries as of the date of this prospectus and we do not have foreign subsidiaries as of the date of this prospectus), (iii) references to the exchange notes refer to the 11 $^{1}/8$% Senior Secured Notes Due 2015 offered hereby, (iv) references to the old notes refer to our outstanding 11 $^{1}/8$% Senior Secured Notes Due 2015 for which the exchange notes offered hereby are offered for exchange and (v) references to the notes refer to both the exchange notes and the old notes.*

### Our Company

As one of the largest metals service center businesses in the United States, we are a leading provider and distributor of value-added processed carbon steel, stainless steel, aluminum, red metals and manufactured metal components. We are an important intermediary between primary metals producers, which produce and sell large volumes of metals in a limited number of sizes and configurations, and end-users, such as contractors and original equipment manufacturers, which we refer to in this prospectus as OEMs, which often require smaller quantities of more customized products delivered on a just-in-time basis. We earn a margin over the cost of metal based upon value-added processing enhancements, which adds stability to our financial results and significantly reduces our earnings volatility relative to metals producers. In addition to our metals service center and distribution activities, we have a building products business, which supplies a range of products to the residential remodeling industry. We recently completed two acquisitions to bolster the market position and organic growth of our service center and building products businesses and have an active pipeline of additional acquisition targets. See Recent Developments. As of the date of this prospectus, we served more than 30,000 customers annually from 80 operating locations throughout the United States and Canada.

Our business is divided into three primary operating groups: Plates and Shapes Group; Flat Rolled Group; and Building Products Group:

*Plates and Shapes Group (42% of 2005 net sales).* We believe we are one of the largest distributors of metal plates and shapes in the United States. The products we sell include wide-flange beams, plate, tubing, angles, bars and other structural shapes in a number of alloy grades and sizes. Additional processing we provide includes blasting and painting, tee-splitting, cambering, leveling, cutting, sawing, punching, drilling, beveling, surface grinding, bending and shearing. The majority of our products are sold to a diversified customer base, including a number of small customers who purchase products in small order sizes and require just-in-time delivery. Our Plates and Shapes customers generally operate in a limited geographic region and are primarily in the fabrication, construction, machinery and equipment, transportation and energy industries. In May 2006, we completed the acquisition of Port City Metal Services, Inc., which we refer to in this prospectus as Port City, a high value-added plates processing facility located in Tulsa, Oklahoma, that bolsters our presence in the construction and oil-field services sector. See Recent Developments. We serve our customers from 22 metals service centers located primarily in the southern and eastern half of the United States with each center close to its metal suppliers and customers.

*Flat Rolled Group (46% of 2005 net sales).* The Flat Rolled Groups products include carbon and stainless steel, aluminum, brass and copper in a number of alloy grades and sizes. As relatively few end-users can handle metal in the form shipped by mills (sizes less than a quarter of an inch in thickness in continuous coils that typically weigh 40,000 to 60,000 pounds), substantially all materials sold by our Flat Rolled Group undergo value-added processing including precision blanking, slitting, shearing, punching, bending and leveling. Our customers are primarily in the electrical manufacturing, fabrication, furniture, appliance manufacturing, machinery and equipment and transportation industries and include many larger customers (a number of whom purchase through pricing agreements or contractual arrangements) who value the high quality products that we provide together with our customer service and reliability. We serve our customers from 12 metals service centers in the midwestern and southern regions of the United States that are located near our metal suppliers and our customers.

*Building Products Group (12% of 2005 net sales).* The Building Products Group s operations and end-markets significantly differ from those of our metals service center business. Approximately 95% of our Building Products Group sales are attributable to the residential remodeling industry. The Building Products Group primarily manufactures and sells sunrooms, roofing products, awnings and solariums for use in residential applications. Because these products are used in residential remodeling, their demand is not correlated to housing starts or interest rates, nor are their prices subject to fluctuations in the demand or price of metal. Most customers of this group are in the home improvement, construction, wholesale trade and building material industries. We believe we are one of only a few suppliers with national scale in the products we manufacture and distribute. We generally distribute our products through a network of independent distributors and home improvement contractors, and as of the date of this prospectus, we operate through 19 manufacturing locations and 27 sales and distribution facilities throughout the southern and western regions of the United States and Canada. In May 2006, we completed the acquisition of Dura-Loc Roofing System, Ltd., which we refer to in this prospectus as Dura-Loc, a metal roofing manufacturer and distributor headquartered near Toronto, Ontario, Canada that we believe broadens our footprint and solidifies our position as one of the largest stone-coated metal roofing manufacturers in North America. See Recent Developments.

**Industry Overview**

Our operations focus on two industry segments: the metals service center business, which includes the Plates and Shapes Group and the Flat Rolled Group, and the buildings products segment, which includes our Buildings Products Group:

*Metals Service Centers.* In contrast to primary metals producers, who generally produce and sell a limited number of products in large volumes, metals service centers provide customization of metals in a wide range of products and volumes as well as assist in just-in-time delivery to our customers, who are end users, such as contractors and OEMs. End-users incorporate processed metals into finished products, in some cases with little further modification. The service center industry is highly fragmented, with as many as 5,000 participants throughout North America, and generated more than $115 billion in net sales in 2005. Metals service centers accounted for approximately one quarter of U.S. steel shipments in 2005 based on volume, a market share which has been relatively constant for the last 15 years.

We believe that both primary metals producers and end-users are increasingly seeking to have their metals processing and inventory management requirements met by value-added metals service centers. Primary metals producers, as they have consolidated, increasingly require service centers and processors to perform value-added services for end customers. As a result, most end-users cannot obtain processed products directly from primary metals producers which results in over 300,000 OEMs, contractors and

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fabricators nationwide often relying on service centers. End-users have recognized that outsourcing their customized metals processing and inventory requirements has economic advantages as it allows them to reduce total production costs by shifting the responsibility for pre-production processing to service centers, which have greater efficiencies in performing these processing services.

Value-added service centers, including ourselves, have benefited from growing customer demand for inventory management and just-in-time delivery services. These supply-chain services, which are normally not provided by primary metals producers, enable end-users to reduce input costs, decrease capital required for inventory and equipment and save time, labor and other expenses.

The metals services industry has been consolidating due to the economies of scale and other advantages that the larger metals service centers enjoy. For example, primary metals producers appear to be reducing their operating costs by limiting the number of service centers with which they do business and end-users increasingly are seeking larger service centers capable of providing sophisticated processing services. We believe larger and better capitalized companies, like us, enjoy significant advantages over smaller companies in areas such as obtaining higher discounts associated with volume purchases, the ability to service customers with operations in multiple locations and the use of more sophisticated information systems.

*Building Products.* The residential remodeling industry has experienced strong and steady growth over the last ten years and, we believe, is poised for continued growth in the future. The Home Improvement Research Institute estimates that homeowners and rental property owners spend approximately $290 billion annually on remodeling their homes, which accounts for over 40% of all residential construction and improvement spending. Industry growth has been due to a number of macroeconomic and demographic factors (many of which we expect to continue), including rising disposable incomes, increased rates of house ownership and the aging of the domestic home supply. As Americans continue to improve and upgrade their homes, we believe an increasing number will turn to remodeling as a cost-effective alternative, including the installation or replacement of popular products such as pool enclosures, lattices, patio covers, sunrooms and roofing, all of which we manufacture and distribute.

**Our Competitive Strengths**

Our competitive strengths include:

*Leading Market Position Provides Platform for Growth.* We are one of the leading participants in most of the markets we serve, which gives us an excellent platform to make strategic acquisitions that will further enhance our strong market position. We have 80 operating facilities in total, which are focused by group on specific regions, giving us leading positions in each market in which we participate. The service center and building products industries are both highly fragmented, which we believe will provide us with opportunities to generate meaningful synergies through add-on acquisitions. In late- 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. We completed two acquisitions of companies focusing on higher margin plates and shapes processing and building products in our Plates and Shapes Group and Building Products Group, respectively, in the second quarter of this year and have an active pipeline of additional acquisition opportunities that we continue to explore. See Recent Developments and Risk Factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

*Margin Over Metal Creates Financial Stability.* Our metals service centers are an important intermediary between large metals producers and smaller end-users, which allows us to utilize a cost plus business model. Our cost plus business model allows us to earn a margin over the cost of metal for the value-added processing enhancements we add to our products. As a result, over time, we are able to

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pass along changes in metal prices to our customers. Given that metal costs typically and currently represent approximately 75% of our net sales, our ability to pass through changes in pricing and our cost plus business model significantly reduce the volatility of our earnings and free cash flow relative to metals producers.

*Diversified Customer Base and End-Markets.* Our three groups supply a broad range of products to a large, diversified customer base (over 30,000 customers per year) which serves a variety of end-markets and industries (as set forth in the chart below), including fabricated metal products, industry machinery & equipment, home improvement and electrical equipment, among others. The automotive sector, where we sell only to primary and secondary parts suppliers, represented less than 4% of our net sales in 2005. No single customer accounted for more than 3% of our net sales in 2005, while our ten largest customers represented less than 12% of our net sales in 2005. We are also diversified on a geographic market basis, with each of our groups focusing on distinct geographic regions, protecting us against regional fluctuations in demand.

**2005 Net Sales By Industry**

*Broad Product Offering with Superior Customer Service.* Our broad range of high-quality products and customized value-added services allows us to offer one-stop shopping to our customers, which we believe provides a significant competitive advantage over smaller service centers (which generally stock fewer products than we do). We seek strong relationships with our customers, through regular interaction between our field sales force and our customers, allowing us to better assess their supply chain requirements, offer just-in-time delivery and respond to short lead-time orders. Our ability to provide leading customer service is enhanced by the breadth of our geographic footprint, as a substantial portion of our customers are located within 250 miles of a facility, allowing us to provide critical value-added services with short turnaround times. We believe the quality of our products and timeliness and reliability of our service have resulted in increased customer loyalty and have significantly enhanced our marketing efforts to new customers.

*State-of-the-Art Processing Facilities.* Our state-of-the-art processing facilities provide a significant advantage over smaller metals service centers that do not have the capital resources to invest in value-added equipment. We recently increased our laser and plasma cutting, painting and other value-added capabilities at select locations, further increasing our ability to quickly and efficiently process metals to customer specified requirements. Our new Port City facility further increases our ability to provide high-value-added and technologically advanced plates and shapes processing. Our value-added services enable our customers to improve their manufacturing processes while also reducing their total cost of manufacturing.

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*Strong Relationships with Key Suppliers*. We have established strong relationships with large domestic and international metal suppliers. Because we are a significant customer of our major suppliers we obtain volume discounts and can obtain metal materials in periods of tight supply. For instance, our strong relationships and large purchasing volumes enabled us to maintain ample access to metal when supply became constrained during 2004. Our negotiation of purchase agreements with suppliers is centralized to leverage our buying power and global market insights.

*Skilled Inventory Management.* We manage our inventory to minimize our investment in working capital while maintaining sufficient stock to respond quickly to customer orders. Our inventory and processing services are tailored to the needs of the market where a particular service center is located and our service centers share inventory with each other, thereby improving inventory management and customer service. All of our groups utilize management information systems and computer-aided manufacturing technology to track and allocate inventory on a real-time basis. These advanced information systems combined with our strong regional footprint allow our service centers to lower their overall inventories without limiting our ability to meet our customers needs through the sharing of inventory. We believe that our decentralized inventory management processes, monitored by senior leadership with their global market insights, and our recently improved capital structure flexibility have allowed us to react more quickly than most of our competitors to changing metals prices and customer needs, thereby optimizing our use of working capital. Also, due to the countercyclical nature of cash flows in our business, by proactively managing inventory we have been able to generate significant earnings during rising metal price environments and generate significant free cash flow in declining metal price environments.

*Experienced and Proven Management Team.* We have a seasoned senior management team which, on average, has over 20 years of experience in the metals industry and has a deep understanding of the dynamics between the various levels of the supply chain. Our President and Chief Executive Officer, C. Lourenço Gonçalves, has 25 years of experience in the metals industry, including as Chief Executive Officer of California Steel Industries (the largest U.S. steel slab re-roller, which we refer to in this prospectus as CSI ) which had many of the same value chain dynamics as a service center. Under his leadership, we have implemented a number of operational improvements that have significantly improved our performance. In the last year, we have continued to attract, add and promote quality management talent. Robert McPherson became Chief Financial Officer in December 2005 and Joe Longo, David Martens and Gerard Papazian assumed their new responsibilities as the presidents of the Plates and Shapes Group East, Plates and Shapes Group West and the Building Products Group, respectively. See Management.

**Our Strategy**

Our business strategy includes focusing on the following:

*Increase Our Market Share of Higher Margin Products.* We will maintain our focus on selling higher margin products such as non-ferrous metals as well as products that require significant value-added processing or that are highly customized. This focus will enable us to further leverage our state-of-the-art processing facilities and provide higher margin value-added processing functions such as precision blanking, laser and plasma cutting and painting. We believe this will also enable us to fulfill a greater proportion of our customers processing requirements and lead to an increased stability in the demand for our products and services. Both acquisitions completed in May 2006 further this goal.

*Expand Value-Added Services Provided to Customers.* We are focused on expanding the range of our value-added services to enhance our relationships with existing customers and to build new customer relationships. We believe customers recognize the benefit from our ability to provide value-added services, including our new supply chain solutions, and that there are significant opportunities to expand the range of such services in areas such as processing equipment, inventory management and logistics systems. We believe that our size, organizational structure and operating expertise enable us to better provide these value-added services and further differentiate ourselves from smaller metals service centers.

*Execute Strategic Acquisitions to Improve Market Position.* We will continue to look for value-added businesses that we can acquire at reasonable prices. To drive this effort in late-2005, we combined experienced metals industry veterans and deal professionals to form a dedicated acquisitions team. The team has identified and closed two acquisitions to date in 2006, which have bolstered our position in the Plates and Shapes market in the south-central United States and the Building Products market in the northeastern United States. We believe that we were able to acquire these two businesses at reasonable prices and that they will generate meaningful strategic and financial synergies. Our acquisitions team is currently evaluating several additional transactions that complement the higher margin and fastest growing portions of our business. See Recent Developments and Risk Factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

*Capitalize on Changing Market Dynamics and Increasing Demands.* As one of the largest metals service centers in the U.S., we intend to use our significant resources to exploit the opportunities presented by the consolidation of steel producers and the fragmentation of our customer base. Steel producers continue to seek long-term relationships with metals service centers that have access to numerous customers, while customers are seeking relationships with metals service centers that can provide a reliable source of high-quality products combined with value-added services. In light of current economic conditions, we believe that demand for products manufactured by our customers will be robust. This increase in end-market demand will drive increased sales of our products and, when combined with the initiatives we have proactively taken to increase the value-added nature of our product mix, is expected to further enhance our profitability and free cash flow.

*Maintain Strong Focus on Inventory Management.* We will continue managing our inventory to maximize our profitability and cash flow while maintaining sufficient inventory to respond quickly to customer orders. In addition, we intend to further integrate our salespeople and operating employees into the operations of our customers to enhance our visibility into in-process orders and allow us to further improve our just-in-time delivery and customer service.

*Continue to Focus on Improving the Performance of Our Building Products Group.* In August 2004, we undertook a restructuring to focus the Building Products Group on the steadily growing residential remodeling industry. As part of this restructuring, we closed 11 underperforming locations, expanded our production capabilities and reduced the operating cost structure of the group. Since that time, the financial performance of the group has improved significantly. We expect it to become an increasingly larger part of our business as we continue to capitalize on the benefits resulting from the restructuring and take advantage of the attractive fundamentals of the residential remodeling industry.

**Risk Factors**

Despite our competitive strengths discussed elsewhere in this prospectus, investing in our notes involves substantial risk. Among others, we are exposed to risks relating to the demand for our goods and services, our supply of raw materials, the competitive and fragmented industry in which we operate and the debt component in our capital structure.

Demand for our goods and services can be adversely affected by many factors, including:

- competition;

- downturns in economic cycles, which are difficult to predict and to manage, in the numerous industries we service;

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- significant increases or decreases in the prices for the goods and services we provide to our customers; and

- impediments to our ability to provide goods and services in a timely manner.

A material interruption in our supply of raw materials could damage our customer relationships. Supply interruptions could result from, among other things, increases in demand for (or reductions in supplies of) a particular raw material or changes in our relationships with our suppliers.

We are in a highly competitive industry. Some of our competitors financial resources are more significant than ours, which can enhance our competitors ability to access reliable supplies of raw materials, offer customers lower prices and hire and maintain an effective work force.

Our business strategy contemplates a capital structure with leverage, which may be substantial from time to time. The more debt we incur, the more vulnerable we may become to economic cycles, competition and other risks related to our business and our strategy. Increases in debt result in increases in interest costs, exposure to liquidity concerns and limitations on our activities. In addition to providing for scheduled and unscheduled principal repayments, credit agreements, indentures and other credit arrangements impose restrictions on our activities, including our ability to acquire or dispose of assets, repay or incur debt, issue equity, or declare or pay dividends.

The risks described under the heading Risk Factors immediately following this summary may cause us not to realize the full benefits of our strengths or may cause us to be unable to successfully execute all or part of our strategy. You should carefully consider all the information in this prospectus, including matters set forth under the heading Risk Factors.

**The Apollo Transaction**

On November 30, 2005, Flag Acquisition Corporation, a Delaware corporation, which in turn was a wholly-owned subsidiary of Metals USA holdings Corp., which we refer to in this prospectus as Metals USA Holdings, merged with and into Metals USA, with Metals USA as the surviving company. The merger is referred to in this prospectus as the Merger. Metals USA is wholly-owned by Flag Intermediate Holdings Corporation, a Delaware corporation, which we refer to in this prospectus as Flag Intermediate, which in turn is a wholly-owned subsidiary of Metals USA Holdings. Metals USA Holdings was formed by Apollo Management V, L.P. (which we refer to in this prospectus as Apollo Management and, together with its affiliated investment management entities, Apollo V ) solely for the purpose of consummating the Merger, and it has no assets, obligations, employees or operations other than those resulting from the Merger and this offering.

In connection with the Merger, (a) Metals USA entered into a six-year $450.0 million senior secured asset-based revolving credit facility at the effective time of the Merger, which we refer to in this prospectus as the ABL facility, and (b) Flag Acquisition completed a private placement of $275.0 million aggregate principal amount of the old notes and Metals USA, pursuant to the Merger, assumed all liabilities of Flag Acquisition pursuant to the old notes.

In addition, at the effective time of the Merger, Apollo V and certain members of management of Metals USA contributed $140.0 million to Metals USA Holdings, in exchange for common stock of Metals USA Holdings. The proceeds from the issuance of the old notes, borrowings under the ABL facility, and the equity investment by Apollo V and our management members were used to pay the merger consideration to the previous equity holders of Metals USA, to pay-down certain existing debt of Metals USA, and to pay transaction expenses related to the Merger, including $6.0 million of transaction fees paid to Apollo. The issuance of the old notes, the borrowings under the ABL facility on the date of the Merger, the equity investment by Apollo V and our management members, the Merger and other related transactions are collectively referred to in this prospectus as the Transactions.

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**Ownership and Corporate Structure**

The following diagram sets forth our ownership and debt structure.

---

(1) The ABL facility provides for up to $450.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and eligible inventory, subject to certain reserves. Our borrowing base under the ABL facility was approximately $423.5 million on March 31, 2006, of which $201.9 million was drawn.

(2) The notes are guaranteed on a senior secured basis by the guarantors. The notes and the related guarantees will be secured on a first-priority lien basis by substantially all of the assets (other than accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto) of Metals USA and the guarantors and on a second-priority lien basis by the accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto of Metals USA and the guarantors.

(3) Consists of an Industrial Revenue Bond, which we refer to as an IRB, with $5.7 million principal amount outstanding as of March 31, 2006, which is payable on May 1, 2016 in one lump sum payment and $1.3 million in vendor financing and purchase money notes.

**Use of Proceeds**

We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes, we will receive in exchange the old notes in like principal amount, which will be cancelled and as such will not result in any increase in our indebtedness.

The net proceeds from the offering of the old notes, after deducting the initial purchasers fees and expenses of the offering, was $268.0 million. We used these proceeds to fund the Transactions and pay related fees and expenses.

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The following table sets forth the sources and uses of funds in connection with the Transactions.

| **Sources and Uses of Funds (in millions)** | |
|---|---|
| ABL facility(1) | $ 225.4 |
| Old notes | 275.0 |
| Debt Assumed | 7.2 |
| Contributed equity(2) | 134.0 |
| Warrants Payable | 6.4 |
| Total Sources | $ 648.0 |
| | |
| Merger consideration(3) | $ 458.7 |
| Refinance existing debt | 152.5 |
| Transaction expenses(4) | 36.8 |
| Total Uses | $ 648.0 |

(1) The ABL facility provides for up to $450.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and eligible inventory, subject to certain reserves.

(2) Consists of approximately $136.1 million of cash equity contributed by investment funds associated with Apollo V, plus approximately $3.9 million of equity from management participants less $6.0 million of transaction fees paid to Apollo and accounted for as a reduction in capital.

(3) Represents payments made to or for the account of our existing equity and warrant holders.

(4) Includes underwriting discounts, professional fees, transaction fees and other payments made in connection with the Transactions.

**Recent Developments**

On May 17, 2006, Metals USA purchased all of the assets and business operations of Port City, located in Tulsa, Oklahoma, for approximately $41.3 million, which includes a $5.0 million contingent payout that may be made in 2009 or earlier, subject to certain performance criteria. Founded in 1977, Port City is a value-added processor of steel plate. Port City has experienced very strong sales growth over the past few years with sales in excess of $47 million in 2005. Port City uses cutting-edge technologies in laser, plasma and oxyfuel burning, braking and rolling, drilling and machining, and welding to service its customers. Port City s range and depth of processing capabilities are highly complementary to the capital investments we have already made in the Plates and Shapes Group and we believe positions us to be the pre-eminent plate processor in the southern United States. Port City operates out of a 486,000 square foot facility and has over 110 full-time employees. Port City s customers are predominately manufacturers of cranes and other heavy equipment, heat exchangers, and equipment specifically focused on the oil and gas industry. Port City has traditionally purchased metal from service centers and we believe we will gain immediate benefits by consolidating its metal needs into our overall purchasing process. We also expect to realize immediate benefits by selling Port City s high-value-added products through our sales force and to our existing customer base. We believe Port City is an important addition to the south-central region of our Plates and Shapes Group.

On May 12, 2006, Metals USA purchased all of the assets and operations of Dura-Loc, which has one manufacturing facility located near Toronto, Ontario, Canada and a sales and distribution facility located in California, for approximately $10.4 million Canadian dollars (or approximately U.S. $9.4 million). Dura-Loc, which was established in 1984, is one of the leading stone-coated metal roof manufacturers in North America, and Dura-Loc is also the only manufacturer of such products located in the southern and eastern half of North

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America, a market not yet fully developed for the high-end, stone-coated metal products we produce. Dura-Loc had sales of 12.8 million Canadian dollars (or approximately U.S. $11.3 million) during calendar year 2005 utilizing only one product crew. We believe this acquisition gives us significant additional capacity located in a potentially high growth market and that, by transforming Dura-Loc s production processes to our methodologies, we can reduce Dura-Loc s cost of production, further improving the benefits of the purchase. We believe the addition of Dura-Loc to our stone-coated metal roofing division, Gerard Roofing Technology, provides us with a more economic and efficient way to gain access to an expanded product mix and leverages the combined sales force and research and development personnel, thereby solidifying our position as one of the largest stone-coated metal roofing manufacturers in North America.

We refer to the acquisitions of Port City and Dura-Loc together as the recent acquisitions.

On May 23, 2006 Metals USA Holdings declared a $25 million dividend to its stockholders of record as of that date, which we paid on May 24, 2006, which we refer to in this prospectus as the May 2006 dividend.

**Principal Stockholder**

Apollo was founded in 1990 and is among the most active and successful private equity investment firms in the United States in terms of both number of investment transactions completed and aggregate dollars invested. Since its inception, Apollo has managed investments in excess of $13 billion in capital in corporate transactions in a wide variety of industries, both domestically and internationally. Companies owned or controlled by Apollo or in which Apollo has a significant equity investment include, among others, Educate, Inc., Goodman Global, Inc., Hexion Specialty Chemicals, Inc., Nalco Company and United Agri Products.

**Metals USA and Flag Intermediate**

Metals USA was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. On November 14, 2001, our predecessor company filed for voluntary protection from its creditors under Chapter 11 of the United States Bankruptcy laws. We emerged from bankruptcy as a public company on October 31, 2002. The principal executive offices of Metals USA, Inc. are at One Riverway, Suite 1100, Houston, Texas 77056, and the telephone number is (713) 965-0990.

We also maintain an internet site at http://www.metalsusa.com. **Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our securities.**

Flag Intermediate was incorporated in Delaware on November 3, 2005 in connection with the Transactions. The principal executive office and the telephone number of Flag Intermediate is the same as Metals USA.

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**Summary of Terms of the Exchange Offer**

In connection with the Merger, we entered into a registration rights agreement with the initial purchasers of the old notes. Under the agreement, we agreed to deliver to you this prospectus and to consummate the exchange offer by September 26, 2006. You are entitled to exchange in the exchange offer your old notes for exchange notes which are identical in all material respects to the old notes except that:

- the exchange notes have been registered under the Securities Act and will be freely tradable by persons who are not affiliated with us;
- the exchange notes are not entitled to registration rights which are applicable to the old notes under the registration rights agreement; and
- our obligation to pay additional interest on the old notes if the exchange offer is not consummated by September 26, 2006 does not apply to the exchange notes.

| | |
|---|---|
| The Exchange Offer | We are offering to exchange up to $275,000,000 aggregate principal amount of our registered 11 $^{1}/8$% Senior Secured Notes Due 2015, for a like principal amount of our 11 $^{1}/8$% Senior Secured Notes Due 2015, which were issued on November 30, 2005. Old notes may be exchanged only in integral multiples of $1,000. |
| Resales | Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you:<br>• are acquiring the exchange notes in the ordinary course of business; and<br>• have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in, a distribution of the exchange notes. |

In addition, each participating broker-dealer that receives exchange notes for its own account pursuant to the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activity must also acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For more information, see Plan of Distribution.

Any holder of old notes, including any broker-dealer, who

- is our affiliate,
- does not acquire the exchange notes in the ordinary course of its business, or

tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes,

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cannot rely on the position of the staff of the Commission expressed in Exxon Capital Holdings Corporation, Morgan Stanley & Co., Incorporated or similar no-action letters and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes.

| | |
|---|---|
| Expiration date; Withdrawal of tenders | The exchange offer will expire at 5:00 p.m. (New York City time) on , 2006, or such later date and time to which we extend it. We do not currently intend to extend the expiration date. We will not extend the exchange offer for more than 60 days after the effective date of this prospectus. A tender of old notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date. Upon expiration of the exchange offer, we will promptly issue exchange notes for old notes properly tendered (and not withdrawn) and accepted by us. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer. |
| Conditions to the Exchange Offer | The exchange offer is subject to customary conditions, some of which we may waive as long as we waive that condition for all participants. For more information, see The Exchange Offer Certain Conditions to the Exchange Offer. |
| Procedures for tendering old notes | If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a copy of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or the copy, together with the old notes and any other required documents, to the exchange agent at the address set forth on the cover of the letter of transmittal. If you hold old notes through The Depository Trust Company, or DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. |

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any exchange notes that you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for old notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of the exchange notes; and

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| | |
|---|---|
| | you are not our affiliate as defined in Rule 405 under the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act. |
| Guaranteed delivery procedures | If you wish to tender your old notes and your old notes are not immediately available or you cannot deliver your old notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date, you must tender your old notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offer Guaranteed Delivery Procedures. |
| Effect on holders of old notes | As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement and, accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you are a holder of old notes and do not tender your old notes in the exchange offer, you will continue to hold such old notes and you will be entitled to all the rights and limitations applicable to the old notes in the indenture, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer. |
| Consequences of failure to exchange | All untendered old notes will continue to be subject to the restrictions on transfer provided for in the old notes and in the indenture. In general, the old notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the old notes under the Securities Act. |
| Material United States Federal Income tax consequences | The exchange of old notes for exchange notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. For more information, see Material United States Federal Income Tax Consequences. |
| Use of proceeds | We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. |
| Exchange agent | Wells Fargo Bank, N.A. is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent. |

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**Summary of Terms of the Exchange Notes**

*The following summary highlights all material information contained elsewhere in this prospectus but does not contain all the information that you should consider before participating in the exchange offer. We urge you to read this entire prospectus, including the Risk Factors section and the consolidated financial statements and related notes.*

| | |
|---|---|
| Issuer | Metals USA, Inc. |
| Securities Offered | $275,000,000 aggregate principal amount of 11 $^{1}/8$% Senior Secured Notes Due 2015. |
| Maturity Date | The exchange notes mature on December 1, 2015. |
| Interest | The exchange notes bear interest at a rate per annum equal to 11 $^{1}/8$%, payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2006. |
| Guarantees | The exchange notes, like the old notes, will be jointly and severally, irrevocably and unconditionally guaranteed on a senior secured basis, subject to certain limitations described herein, by the guarantors. Under certain circumstances, subsidiaries may be released from these guarantees without the consent of the holders of the notes. See Description of the Notes Guarantees. |

On a pro forma basis after giving effect to the Transactions, our non-guarantor subsidiaries had no net sales and operating income for the year ended December 31, 2005 or the three months ended March 31, 2006 and no assets or liabilities (excluding intercompany liabilities of non-guarantor subsidiaries) as of December 31, 2005 and March 31, 2006.

| | |
|---|---|
| Collateral | The exchange notes, like the old notes, and the guarantees will be secured by a first-priority lien (subject to certain exceptions and permitted liens) on substantially all our tangible and intangible assets and those of the guarantors (in each case, other than accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto in each case held by us and the guarantors, which will secure the ABL facility on a first-priority lien basis and the notes and the guarantees on a second-priority lien basis), including the following: |

- all the capital stock of Metals USA; and
- all of the capital stock held by Metals USA, Flag Intermediate and any subsidiary guarantor (which, in the case of any first-tier foreign subsidiary, will be limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such first-tier foreign subsidiary).

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Like with the old notes, the collateral securing the exchange notes on a first-priority lien basis will not include (i) the collateral securing the ABL facility on a first-priority lien basis, (ii) certain excluded assets, (iii) those assets as to which the collateral agent representing the holders of the exchange notes reasonably determines that the costs of obtaining such a security interest are excessive in relation to the value of the security to be afforded thereby, (iv) the property securing our outstanding Industrial Revenue Bonds and the letter of credit reimbursement obligations relating thereto and (v) the property securing certain capital leases existing on the issue date or incurred thereafter and certain purchase money obligations existing on the issue date or incurred thereafter.

The exchange notes, like the old notes, and the guarantees will also be secured by a second-priority lien (subject to certain exceptions and permitted liens) on all accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto, in each case held by us and the guarantors. See  Description of the Notes  Security for the Notes.

Ranking

The exchange notes, like the old notes, and the guarantees will be our senior secured obligations. The indebtedness evidenced by the exchange notes, like the old notes, and the guarantees will rank:

- equally with all of our and the guarantors  existing and future senior indebtedness;
- junior in priority as to collateral that secures the ABL facility on a first-priority lien basis with respect to our and the guarantors  obligations under the ABL facility, any other debt incurred after November 30, 2005 that has a priority security interest relative to the notes in the collateral that secures the ABL facility, any hedging obligations related to the foregoing debt and all cash management obligations incurred with any lender under the ABL facility;
- equal in priority as to collateral that secures the notes and the guarantees on a first-priority lien basis with respect to our and the guarantors  obligations under any other *pari passu* lien obligations incurred after November 30, 2005; and
- senior to all of our and the guarantors  existing and future subordinated indebtedness.

The exchange notes, like the old notes, will also be effectively junior to the liabilities of our non-guarantor subsidiaries.

As of March 31, 2006:

- Flag Intermediate, we and our subsidiaries had $482.6 million in aggregate principal amount of senior indebtedness (including the old notes and the guarantees) outstanding (excluding unused commitments);

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- we had $1.3 million in aggregate principal amount of indebtedness junior to the old notes outstanding;

- our non-guarantor subsidiaries did not have any liabilities (excluding intercompany liabilities of non-guarantor subsidiaries).

See Description of the Notes Ranking.

| | |
|---|---|
| Optional Redemption | Prior to December 1, 2010, we may redeem some or all of the exchange notes at a redemption price equal to 100% of the principal amount of the exchange notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date plus the applicable make-whole premium.<br><br>We may redeem some or all of the exchange notes at any time on or after December 1, 2010 at the respective redemption prices described in this prospectus, plus accrued and unpaid interest and additional interest, if any, to the redemption date.<br><br>In addition, on or prior to December 1, 2008, we may redeem up to 35% of the aggregate principal amount of the exchange notes with the net proceeds of certain equity offerings at a redemption price equal to 111.13% of the principal amount of the exchange notes plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date. |
| Change of Control | If we experience a change of control and we do not redeem the exchange notes, we will be required to make an offer to repurchase the exchange notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase. |
| Intercreditor Agreement | We, the guarantors, the trustee of the exchange notes, the collateral agent representing the holders of the exchange notes and the collateral agent representing the lenders under the ABL facility entered into an intercreditor agreement on November 30, 2005. Pursuant to the terms of the intercreditor agreement, the collateral agent representing the holders of the exchange notes will determine the time and method by which the security interests in the collateral securing the exchange notes on a first-priority lien basis will be enforced and the collateral agent representing the lenders under the ABL facility will determine the time and method by which the security interests in the collateral securing the ABL facility on a first-priority lien basis will be enforced. The trustee, the collateral agent representing the holders of the exchange notes and the holders of the exchange notes will not be permitted to enforce the security interests in the collateral securing the exchange notes on a second-priority lien basis even if an event of default has occurred and the exchange notes have been accelerated except in certain specified circumstances. The collateral agent |

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representing the lenders under the ABL facility will be subject to similar restrictions with respect to its ability to enforce its second- priority security interests in the collateral securing the exchange notes on a first-priority lien basis. See Description of the Notes Security Documents and Certain Related Intercreditor Provisions Intercreditor Agreement and Risk Factors Risks Related to an Investment in the Notes.

| | |
|---|---|
| Restrictive Covenants | The indenture governing the exchange notes contains covenants that, among other things, limit our ability and the ability of certain of our subsidiaries, to: |

- incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- repurchase or redeem capital stock or subordinated indebtedness;
- pay dividends or make distributions to our stockholders;
- incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- transfer or sell assets;
- enter into transactions with our affiliates;
- grant liens on assets;
- make investments or acquisitions;
- enter into sale/leaseback transactions;
- materially impair the security interest with respect to the collateral for the benefit of the trustee and the holders of the exchange notes; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

These covenants are subject to a number of important limitations and exceptions as described under Risk Factors Risks Related to an Investment in the Notes There may not be sufficient collateral to pay all or any of the notes, and Description of the Notes Certain Covenants.

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## SUMMARY HISTORICAL CONSOLIDATED AND PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Set forth below is summary historical consolidated financial data and summary unaudited pro forma condensed combined financial data of our business, as of the dates and for the periods indicated. The summary historical consolidated financial data as of December 31, 2004, and for each of the two years in the period ended December 31, 2004, for the period from January 1, 2005 to November 30, 2005 for the Predecessor Company discussed below and as of December 31, 2005 and for the period from May 9, 2005 to December 31, 2005 for the Successor Company discussed below have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. The summary historical consolidated financial data as of December 31, 2003 presented in this table have been derived from our audited consolidated financial statements not included in this prospectus. The summary historical consolidated financial data for the three months ended March 31, 2005 and 2006 have been derived from our unaudited consolidated financial statements which are included elsewhere in this prospectus. The March 31, 2005 and 2006 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of any interim period are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year, and the historical results set forth below do not necessarily indicate results expected for any future period.

The summary unaudited pro forma condensed combined statements of operations and other financial data for the year ended December 31, 2005 and the three month period ended March 31, 2006, give effect to the Transactions and the May 2006 dividend hereof, in each case as if they had occurred on January 1, 2005. The summary unaudited pro forma condensed combined balance sheet as of March 31, 2006 gives effect to the Transactions and the May 2006 dividend in each case as if they had occurred on March 31, 2006. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable.

The summary unaudited pro forma condensed combined financial data are for informational purposes only and do not purport to represent what our results of operations or financial position actually would have been if the Transactions or the May 2006 dividend had occurred at any date, and such data do not purport to project the results of operations for any future period.

After the consummation of the Transactions, Flag Intermediate and its wholly owned subsidiary Metals USA (along with its consolidated subsidiaries) are referred to collectively in this prospectus as the Successor Company . Prior to the consummation of the Transactions, Metals USA (along with its consolidated subsidiaries) is referred to collectively in this prospectus as the Predecessor Company. We applied Statement of Financial Accounting Standards No. 141, Business Combinations ( SFAS 141 ) on November 30, 2005, or the closing date of the Merger, and as a result, the merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements and footnotes are not comparable with those of the Predecessor Company.

As a result of purchase accounting, the Merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the one-month period ended December 31, 2005, the Successor Company s operating costs and expenses increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was

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recorded. For the three-month period ended March 31, 2006, the Successor Company s operating costs and expenses increased by $14.0 million ($10.8 million for cost of sales and $3.2 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded.

The pro forma adjustments relating to the Transactions are based on preliminary estimates of the fair value of the consideration provided, estimates of the fair values of assets acquired and liabilities assumed and available information and assumptions. The final determination of fair value could result in changes to the pro forma adjustments and the pro forma data included herein.

The summary historical consolidated and unaudited pro forma condensed combined financial data should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information, Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

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The summary historical consolidated and unaudited pro forma condensed combined financial data should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information, Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

| | Historical | | | | Pro Forma | Historical | | Pro Forma |
|---|---|---|---|---|---|---|---|---|
| | Predecessor Company | | | Successor Company | | Predecessor Company | Successor Company | |
| | Year Ended December 31, | | | Period from May 9, 2005 (Date of Inception) to December 31, | | Three Months Ended March 31, | | |
| | | | Period from January 1, 2005 to November 30, | | | | | |
| | 2003 | 2004 | 2005 | 2005 | 2005 | 2005 | 2006 | 2006 |
| | (In millions) | | | (In millions) | | | | |
| Operations Data: | | | | | | | | |
| Net sales(a) | $ 963.2 | $ 1,509.8 | $ 1,522.1 | $ 116.9 | $ 1,639.0 | $ 427.6 | $ 429.6 | $ 429.6 |
| Costs and expenses: | | | | | | | | |
| Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below) | 731.6 | 1,080.1 | 1,189.3 | 92.5 | 1,277.7 | 333.8 | 341.0 | 341.0 |
| Operating and delivery | 127.7 | 144.4 | 139.1 | 12.8 | 151.9 | 37.8 | 41.7 | 41.7 |
| Selling, general and administrative | 87.0 | 109.6 | 108.5 | 9.3 | 118.9 | 24.3 | 27.2 | 27.2 |
| Depreciation and amortization(b) | 0.5 | 2.0 | 3.1 | 1.4 | 16.2 | 0.7 | 4.2 | 4.2 |
| Operating income (loss) | 16.4 | 173.7 | 82.1 | 0.9 | 74.3 | 31.0 | 15.5 | 15.5 |
| Interest expense | 5.7 | 8.4 | 12.0 | 4.1 | 49.3 | 3.2 | 12.0 | 12.4 |
| Other (income) expense | (2.0) | (2.5) | (0.1) | | (0.1) | (0.2) | (0.1) | (0.1) |
| Income (loss) before taxes and discontinued operations | 12.7 | 167.8 | 70.2 | (3.2) | 25.1 | 28.0 | 3.6 | 3.2 |
| Provision (benefit) for income taxes | 5.1 | 63.3 | 26.7 | (1.2) | 10.0 | 10.7 | 1.5 | 1.3 |
| Net income (loss) before discontinued operations | 7.6 | 104.5 | 43.5 | (2.0) | 15.1 | 17.3 | 2.1 | 1.9 |
| Income (loss) from discontinued operations, net of taxes | (0.1) | | | | | | | |
| Net income (loss) | $ 7.5 | $ 104.5 | $ 43.5 | $ (2.0) | $ 15.1 | $ 17.3 | $ 2.1 | $ 1.9 |
| **Cash Flow Data:** | | | | | | | | |
| Cash flows provided by (used in) operating activities | $ 26.9 | $ (128.6) | $ 170.1 | $ 7.3 | N/A | $ (3.3) | $ (0.1) | N/A |
| Cash flows provided by (used in) investing activities | (11.8) | (16.0) | (15.8) | (434.5) | N/A | (2.8) | (3.7) | N/A |
| Cash flows provided by (used in) financing activities | (10.0) | 145.8 | (120.7) | 438.5 | N/A | 7.8 | 10.2 | N/A |
| **Other Operating Data:** | | | | | | | | |
| Shipments (in thousands of tons) | 1,288 | 1,502 | 1,332 | 107 | 1,439 | 365 | 385 | 385 |
| Capital expenditures | 17.5 | 17.4 | 15.9 | 4.4 | 20.3 | 2.8 | 3.7 | 3.7 |
| **Other Financial Data:** | | | | | | | | |
| Deficiency of earnings to fixed charges | | | | | | | | |
| Ratio of earnings to fixed charges | 2.2x | 13.3x | 5.1x | 0.3x | 1.5x | 7.1x | 1.3x | 1.2x |
| **Debt Covenant Compliance** | | | | | | | | |
| **EBITDA(c)** | $ 16.9 | $ 175.7 | $ 85.6 | $ 2.4 | $ 91.0 | $ 31.8 | $ 19.9 | $ 20.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA(c)** | $ 16.9 | $ 180.7 | $ 101.6 | $ 7.0 | $ 120.6 | $ 31.8 | $ 31.3 | $ 35.0 |

| | Predecessor Company | | Successor Company | Successor Company As of March 31 | Pro Forma |
|---|---|---|---|---|---|
| | As of December 31, | | | | |
| | 2003 | 2004 | 2005 | 2006 | |
| | (In millions) | | (In millions) | | |
| Balance Sheet Data: | | | | | |
| Cash | $ 11.4 | $ 12.6 | $ 11.3 | $ 17.7 | $ 17.7 |
| Total assets | 407.2 | 710.0 | 795.3 | 822.8 | 822.8 |
| Total debt(d) | 118.7 | 270.6 | 473.5 | 483.9 | 508.9 |
| Total liabilities(d) | 206.6 | 381.8 | 663.3 | 687.9 | 712.9 |
| Stockholders equity | 200.6 | 328.2 | 132.0 | 134.9 | 109.9 |

(a) Pro forma net sales does not reflect the net sales of Port City or Dura-Loc for the year ended December 31, 2005 or the three months ended March 31, 2006, which were $47.9 million and $14.2 million for Port City and $11.3 million and $2.3 million for Dura-Loc, respectively. The financial information from the recent acquisitions is based on unaudited financial statements for each of Port City and Dura-Loc.

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(b) Excludes depreciation expense reflected in cost of sales for the Building Products Group.

(c) EBITDA is defined as net income (loss) before interest, taxes, depreciation and amortization and is used by management, together with Adjusted EBITDA, as a measure for certain performance-based bonus plans. Adjusted EBITDA, as contemplated by our credit documents, is used by our lenders for debt covenant compliance purposes. Adjusted EBITDA is EBITDA adjusted to eliminate management fees to related parties, one-time, non-recurring charges related to the use of purchase accounting, and other non-cash income or expenses, which are more particularly defined in our credit documents and the indenture governing the notes. Our credit documents and the indenture governing the notes require us to meet or exceed specified minimum financial measures before we will be permitted to consummate certain acts, such as complete acquisitions, declare or pay dividends and incur additional indebtedness, and one of the more significant measures contained in our credit documents and the indenture governing the notes is Adjusted EBITDA. We have presented EBITDA and Adjusted EBITDA on a pro forma basis since management plans on using EBITDA and Adjusted EBITDA as a benchmark for developing its ongoing performance measures for its bonus plans and because our lenders plan on using EBITDA and Adjusted EBITDA in the manner described above. We believe that pro forma EBITDA and Adjusted EBITDA are more representative of our performance since they give the full year effect to the recent acquisitions. We also believe that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry. EBITDA and Adjusted EBITDA are not recognized terms under generally accepted accounting principles which we refer to in this prospectus as GAAP, should not be viewed in isolation and do not purport to be an alternative to net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. There are material limitations associated with making the adjustments to our earnings to calculate EBITDA and Adjusted EBITDA and using these non-GAAP financial measures as compared to the most directly comparable U.S. GAAP financial measures. For instance, EBITDA and Adjusted EBITDA do not include:

- interest expense, and because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue;
- depreciation and amortization expense, and because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue; and
- tax expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate.

Additionally, neither EBITDA nor Adjusted EBITDA are intended to be a measure of free cash flow for management s discretionary use, as neither considers certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements. Because not all companies use identical calculations, this presentation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures for other companies.

Below is a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA.

**Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA**

| | Predecessor Company | | | Successor Company | Pro Forma | Historical | | Pro Forma |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Predecessor Company | Successor Company | |
| | Year Ended December 31, | | Period from January 1, 2005 through November 30, | Period from May 9, 2005 (Date of Inception) to December 31, | Year Ended December 31, | Period from Three Months Ended March 31, | | |
| | 2003 | 2004 | 2005 | 2005 | 2005 | 2005 | 2006 | 2006 |
| | (Dollars in millions) | | | | | | | |
| **Net income (loss)** | $ 7.5 | $ 104.5 | $ 43.5 | $ (2.0) | $ 15.1 | $ 17.3 | $ 2.1 | $ 1.9 |
| Depreciation and amortization | 0.5 | 2.0 | 3.5 | 1.5 | 16.7 | 0.8 | 4.4 | 4.4 |
| Interest expense | 5.7 | 8.4 | 12.0 | 4.1 | 49.3 | 3.2 | 12.0 | 12.4 |
| Provision (benefit) for income taxes | 5.1 | 63.3 | 26.7 | (1.2) | 10.0 | 10.7 | 1.5 | 1.3 |
| Other (income) expense | (2.0) | (2.5) | (0.1) | | (0.1) | (0.2) | (0.1) | |
| Net income (loss) from discontinued operations, net of taxes | 0.1 | | | | | | | |
| **EBITDA** | 16.9 | 175.7 | 85.6 | 2.4 | 91.0 | 31.8 | 19.9 | 20.0 |
| Indenture covenant defined adjustments: | | | | | | | | |
| Inventory purchase adjustments(1) | | | | 4.1 | | | 10.8 | 10.8 |
| Stock options and grant expense(2) | | | 15.0 | 0.4 | 15.4 | | 0.3 | 0.3 |
| Write-off prepaid expenses as result of Merger(3) | | | 0.3 | | 0.3 | | | |
| Effect of acquisitions(4) | | | | | 12.0 | | | 3.6 |
| Facilities closure(5) | | 5.0 | | | | | | |
| Severance costs(6) | | | 0.7 | | 0.7 | | | |
| Management fees(7) | | | | 0.1 | 1.2 | | 0.3 | 0.3 |
| **Adjusted EBITDA** | $ 16.9 | $ 180.7 | $ 101.6 | $ 7.0 | 120.6 | $ 31.8 | $ 31.3 | $ 35.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fixed charge coverage ratio(8) | N/A | N/A | N/A | N/A | 1.01 | N/A | 1.69 | 1.71 |

(1) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Transactions, a purchase accounting increase in the fair value of inventory of $14.9 million was recorded as of December 1, 2005 with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

(2) The Predecessor Company, paid $14.6 million on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards. Those amounts were recorded as an administrative expense during the period from January 1, 2005 to November 30, 2005. The remaining stock options and grant expense represented non-cash charges to expense.

(3) These prepaid amounts were written off as a result of the Transactions.

(4) Amount represents incremental EBITDA from the recent acquisitions as if they had taken place on January 1, 2005. The financial information from the recent acquisitions is based on unaudited financial statements for each of Port City and Dura-Loc. The recent acquisitions closed after December 31, 2005 and are included in our calculation of pro forma Adjusted EBITDA as permitted by the indenture governing the notes and the credit documents governing the ABL facility. Included in such incremental EBITDA are estimated cost savings and other synergies specifically identified in connection with the recent acquisitions of $2.7 million for the year ended December 31, 2005 and $0.7 million for the three month period ended March 31, 2006. We expect to achieve these synergies during the first year of operation under Metals USA. These estimated synergies include lower feedstock costs due to leveraged purchasing and operational process improvements, lower selling expenses due to better geographic sales coverage and elimination of redundant sales positions, and improved operating results by the impact of additional value-added processing equipment that Port City recently added to its facility. EBITDA for the recent acquisitions has been added to the EBITDA targets for the 2006 performance based bonus plan for our senior officers.

(5) This amount represents $5.0 million of charges in the Building Products Group for the elimination of one layer of management and closure of eleven facilities in 2004.

(6) This amount represents severance costs of management personnel.

(7) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo or its affiliates provide us with management services. See Certain Relationships and Related Party Transactions Apollo Management Agreements.

(8) This amount represents the fixed charge coverage ratio, which we refer to in this prospectus as the FCCR as defined by the ABL facility, which is not applicable for the Predecessor Company which operated under a different revolving credit facility, or for the period from May 9, 2005 (date of inception) to December 31, 2005 of the Successor Company because the FCCR is based on a rolling four-quarter period.

(d) Pro forma total debt and total liabilities do not reflect $45.7 million of funds from our ABL facility used to acquire the net assets of Port City and Dura-Loc.

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## RISK FACTORS

*Investing in our notes involves a high degree of risk. You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in our notes, or deciding whether you will or will not participate in our exchange offer. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment.*

### Risks Related to an Investment in the Notes

***Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations under the notes.***

We are highly leveraged. As of May 24, 2006, our total indebtedness was $554.9 million. We also had an additional $143.8 million available for borrowing under the ABL facility as of that date. As of March 31, 2006, we had $482.6 million of senior indebtedness outstanding, consisting of borrowings under the ABL facility, the notes and IRB, in addition to $1.3 million of junior indebtedness outstanding.

Our substantial indebtedness could have important consequences for you, including:

- it may limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow money, dispose of assets or sell equity for our working capital, capital expenditures, dividend payments, debt service requirements, strategic initiatives or other purposes;
- it may limit our flexibility in planning for, or reacting to, changes in our operations or business;
- we will be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to downturns in our business or the economy; and
- there would be a material adverse effect on our business, financial condition or results of operations if we were unable to service our indebtedness or obtain additional financing, as needed.

***Our debt agreements contain restrictions that limit our flexibility in operating our business, and we may not be able to make payments on our indebtedness, which would have a material adverse effect on our business, financial condition or results of operations.***

The ABL facility and the indenture governing the notes contains various covenants that limit our ability to engage in specified types of transactions. These covenants generally limit our and our restricted subsidiaries ability to, among other things:

- incur or guarantee additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain loans, acquisitions, capital expenditures or investments;

sell certain assets and subsidiary stock;

enter into sale and leaseback transactions;

create or incur liens;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our affiliates.

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In addition, under the ABL facility, if our borrowing availability falls below a specified threshold, we are required to satisfy and maintain a minimum fixed charge coverage ratio. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities Covenant Compliance.

Upon the occurrence of an event of default under the ABL facility, the lenders could elect to declare all amounts outstanding under the ABL facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the ABL facility could proceed against the collateral granted to them to secure the ABL facility on a first-priority lien basis. If the lenders under the ABL facility accelerate the repayment of borrowings, such acceleration could have a material adverse effect on our business, financial condition or results of operations, and, in addition, we may not have sufficient assets to repay the notes upon acceleration.

For a more detailed description on the limitations on our ability to incur additional indebtedness, please see Management s Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources Financing Activities, Certain Indebtedness and Description of the Notes Certain Covenants Limitations on Incurrence of Indebtedness and Issuance of Disqualified Stock .

***Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify some of the risks described above.***

The terms of the indenture governing the notes and the ABL facility contain restrictions on us and our subsidiaries ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future. As of March 31, 2006, we had approximately $203.1 million available for additional borrowing under the ABL facility, including the subfacility for letters of credit, and the covenants under our debt agreements, including the indenture governing the notes, would allow us to borrow a significant amount of additional indebtedness. In addition, the indenture governing the notes does not limit the amount of indebtedness that may be incurred by Flag Intermediate. The more leveraged we become, the more we, and in turn our security holders, become exposed to the risks described above.

***Because a substantial portion of our indebtedness bears interest at rates that fluctuate with changes in certain prevailing short-term interest rates, we are vulnerable to interest rate increases.***

A substantial portion of our indebtedness bears interest at rates that fluctuate with changes in certain short-term prevailing interest rates. As of March 31, 2006, we had $201.9 million of floating rate debt under the ABL facility. Additionally, we also had an additional $203.1 million available for borrowing under the ABL facility as of that date. A 1% increase in the interest rate on our floating rate debt would increase our fiscal 2006 interest expense under the ABL facility by approximately $2.0 million. If interest rates increase dramatically, we could be unable to service our debt, which could have a material adverse effect on our business, financial condition or results of operations.

***We may not be able to generate sufficient cash to service all of our indebtedness, including the notes.***

Our ability to make payments on our indebtedness, including the notes, depends on our ability to generate cash in the future. The notes, the ABL facility and our other outstanding indebtedness are expected to account for cash interest expense in fiscal 2006 of approximately $50.4 million. Accordingly, we will have to generate significant cash flows from operations to meet our debt service requirements. If we do not generate sufficient cash flow to meet our debt service and working capital requirements, we may need to seek additional financing; however, this insufficient cash flow may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all. Furthermore, Apollo has no obligation to provide us with debt or equity financing and we therefore may be unable to generate sufficient cash to service all of our indebtedness, including the notes.

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***There may not be sufficient collateral to pay all or any of the notes.***

The notes are secured on a first-priority lien basis (subject to certain exceptions and permitted liens) by substantially all of our and the guarantors assets (other than accounts, inventory and cash and proceeds and products of the foregoing and certain assets related thereto) (the Notes Collateral ), and such collateral may be shared with our future creditors. As of December 31, 2005, the book value of the Notes Collateral was approximately $171.6 million, net of accumulated depreciation. No appraisal of the fair market value of the Notes Collateral has been prepared in connection with this offering, but we have made purchase price allocations based on Management s analysis of the fair values (on the Merger date) of the assets acquired and liabilities assumed in the Merger. Obviously, the fair market value of the Notes Collateral will change over time. Based on our analysis of the fair market value of the Notes Collateral, the fair market value of the Notes Collateral is substantially less than the principal amount of the notes. The estimated fair value of our property and equipment is approximately $171.6 million. However, the Notes Collateral will not include any of our real property that has both a cost and a book value of less than $750,000 and certain real property and equipment that is subject to pre-existing liens. The estimated fair value of our property and equipment comprising the Notes Collateral is approximately $164.4 million. The remainder of the Notes Collateral consists primarily of intangible assets with an estimated fair value of $37.3 million. The actual value of the Notes Collateral at any time will depend upon market and other economic conditions. By its nature, the Notes Collateral generally will consist of illiquid assets that may have to be sold at a substantial discount in an insolvency situation and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from any sale or liquidation of the Notes Collateral will likely be insufficient to pay our obligations under the notes in full. Specifically, if the fair market value of the Notes Collateral were to equal its book value at December 31, 2005; the principal amount of the notes would have exceeded the value of the Notes Collateral by approximately $110.6 million.

The notes are also secured on a second-priority lien basis (subject to certain exceptions and permitted liens) by our and each guarantor s accounts receivable, inventory and cash and proceeds and products of the foregoing and certain assets related thereto (the ABL Collateral ). The ABL Collateral is subject to a first-priority security interest for the benefit of the lenders under the ABL facility, and may be shared with our future creditors. Although the holders of obligations secured by first-priority liens on the ABL Collateral and the holders of obligations secured by second-priority liens on the ABL Collateral, including the notes, share in the proceeds of the ABL Collateral, the holders of obligations secured by first-priority liens in the ABL Collateral are entitled to receive proceeds from any realization of the ABL Collateral to repay the obligations held by them in full before the holders of the notes and the other obligations secured by second-priority liens in the ABL Collateral receive any such proceeds. No appraisal of the fair market value of the ABL Collateral has been prepared in connection with this offering or the offering of the old notes, but we have made purchase price allocations based on preliminary estimates of the fair values of assets acquired and liabilities assumed, which are subject to change. The estimated fair value of our accounts receivable at December 31, 2005 was $172.9 million and the estimated fair value of our inventory at December 31, 2005 was $350.7 million based on our purchase price allocation. The remainder of the ABL Collateral on December 31, 2005 consisted primarily of $11.3 million in cash. Based on those amounts, the fair value of the ABL Collateral was approximately $343.5 million greater than the $191.4 million of senior secured revolving credit borrowings outstanding as of December 31, 2005. The actual value of the ABL Collateral at any time depends upon market and other economic conditions, and any such value may differ substantially from the appraised or book value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, proceeds from the sale of the ABL Collateral may not be available to satisfy amounts outstanding under the notes and other obligations secured by second-priority liens on the ABL Collateral after payment in full of all obligations secured by first-priority liens on the ABL Collateral. In such an event, the holders of the notes (to the extent not repaid from the proceeds of the sale of the Notes Collateral and ABL Collateral) would only have an unsecured claim against our remaining assets.

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In addition, the asset sale covenant and the definition of asset sale, each in the indenture governing the notes, have a number of significant exceptions pursuant to which we will be able to sell Notes Collateral without being required to reinvest the proceeds of such sale into assets that will comprise Notes Collateral or to make an offer to the holders of the notes to repurchase the notes. See Description of the Notes Certain Covenants Asset Sales and Description of the Notes Certain Definitions.

See In the event of a bankruptcy of us or any of the guarantors, holders of the notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the notes exceed the fair market value of the collateral securing the notes.

As of March 31, 2006, we had approximately $201.9 million of indebtedness outstanding under the ABL facility, with approximately $203.1 million of additional availability under the ABL facility. All indebtedness under the ABL facility is secured by first-priority liens on the ABL Collateral (subject to certain exceptions and permitted liens). In addition, under the terms of the indenture governing the notes, we may grant an additional lien on any property or asset that constitutes ABL Collateral in order to secure any obligation permitted to be incurred pursuant to the indenture. Any such additional lien may be a lien that is senior to the lien securing the notes or may be a second-priority lien that ranks *pari passu* with the lien securing the notes. In either case, any grant of additional liens on the ABL Collateral would further dilute the value of the second-priority lien on the ABL Collateral securing the notes.

***The rights of holders of the notes with respect to the ABL Collateral will be substantially limited by the terms of the intercreditor agreement.***

Under the terms of the intercreditor agreement, at any time that obligations that have the benefit of the first-priority liens on the ABL Collateral are outstanding, any actions that may be taken in respect of the ABL Collateral, including the ability to cause the commencement of enforcement proceedings against the ABL Collateral and to control the conduct of such proceedings, and the approval of amendments to, releases of ABL Collateral from the lien of, and waivers of past defaults under, the security documents, has at the direction of the holders of the obligations secured by the first-priority liens and neither the trustee nor the collateral agent, on behalf of the holders of the notes, has the ability to control or direct such actions, even if the rights of the holders of the notes are adversely affected, subject to certain exceptions. See Description of the Notes Security for the Notes and Description of the Notes Amendments and Waivers. Under the terms of the intercreditor agreement, at any time that obligations that have the benefit of the first-priority liens on the ABL Collateral are outstanding, if the holders of such indebtedness release the ABL Collateral for any reason whatsoever, including, without limitation, in connection with any sale of assets, the second-priority security interest in such ABL Collateral securing the notes will be automatically and simultaneously released without any consent or action by the holders of the notes, subject to certain exceptions. The ABL Collateral so released will no longer secure our and the guarantors obligations under the notes. In addition, because the holders of the indebtedness secured by first-priority liens in the ABL Collateral control the disposition of the ABL Collateral, such holders could decide not to proceed against the ABL Collateral, regardless of whether there is a default under the documents governing such indebtedness or under the indenture governing the notes. In such event, the only remedy available to the holders of the notes would be to sue for payment on the notes and the related subsidiary guarantees.

***The value of the collateral securing the notes may not be sufficient to secure post-petition interest.***

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us, holders of the notes will only be entitled to post-petition interest under the bankruptcy code to the extent that the value of their security interest in the collateral is greater than their pre-bankruptcy claim. Holders of the notes that have a security interest in collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the bankruptcy code. No appraisal of the fair market value of the collateral has been prepared in connection with this offering or the offering of the old notes and the value of the noteholders interest in the collateral could be less than the principal amount of the notes. See There may not be sufficient collateral to pay all or any of the notes.

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***The waiver in the intercreditor agreement of rights of marshaling may adversely affect the recovery rates of holders of the notes in a bankruptcy or foreclosure scenario.***

The notes and the guarantees are secured on a second-priority lien basis by the ABL Collateral. The intercreditor agreement provides that, at any time that obligations that have the benefit of the first-priority liens on the ABL Collateral are outstanding, the holders of the notes, the trustee under the indenture governing the notes and the collateral agent may not assert or enforce any right of marshaling accorded to a junior lienholder, as against the holders of such indebtedness secured by first-priority liens in the ABL Collateral. Without this waiver of the right of marshaling, holders of such indebtedness secured by first-priority liens in the ABL Collateral would likely be required to liquidate collateral on which the notes did not have a lien, if any, prior to liquidating the ABL Collateral, thereby maximizing the proceeds of the ABL Collateral that would be available to repay our obligations under the notes. As a result of this waiver, the proceeds of sales of the ABL Collateral could be applied to repay any indebtedness secured by first-priority liens in the ABL Collateral before applying proceeds of other collateral securing indebtedness, and the holders of notes may recover less than they would have if such proceeds were applied in the order most favorable to the holders of the notes.

***Any future pledge of collateral might be avoidable by a trustee in bankruptcy.***

Any future pledge of collateral in favor of the collateral agent, including pursuant to security documents delivered after the date of the indenture governing the notes, might be avoidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

***Rights of holders of notes in the collateral may be adversely affected by the failure to perfect security interests in certain collateral acquired in the future.***

The security interest in the collateral securing the notes includes domestic assets, both tangible and intangible, whether now owned or acquired or arising in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. Such failure may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.

***We may not be able to repurchase the notes upon a change of control.***

Upon a change of control as defined in the indenture governing the notes, we will be required to make an offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest, unless we give notice of our intention to exercise our right to redeem the notes. We may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control offer or to redeem the notes. A failure to make the applicable change of control offer or to pay the applicable change of control purchase price when due would result in a default under the indenture. The occurrence of a change of control would also constitute an event of default under the ABL facility and may constitute an event of default under the terms of our other indebtedness. The terms of the loan and security agreement governing the ABL facility limit our right to purchase or redeem certain indebtedness. In the event any purchase or redemption is prohibited, we may seek to obtain waivers from the required lenders under the ABL facility to permit the required repurchase or redemption, but we may not be able to do so. See Description of the Notes Change of Control.

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

The proceeds from the sale of the notes were applied to pay a portion of the purchase price in the Transactions. Flag Intermediate and our existing domestic operating subsidiaries guarantee the notes and certain

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of our future domestic subsidiaries may guarantee the notes. In addition, the notes and the guarantees are secured by certain collateral owned by the related guarantor. If we or any guarantor becomes a debtor in a case under the United States Bankruptcy Code or encounters other financial difficulty, under federal or state fraudulent transfer law, a court may void or otherwise decline to enforce the notes, the guaranty or the related security agreements, as the case may be. A court might do so if it found that when we issue the notes or a guarantor entered into its guaranty or, in some states, when payments became due under the notes, the guaranty or security agreements, we or such guarantor received less than reasonably equivalent value or fair consideration and either:

- were or were rendered insolvent;
- were left with inadequate capital to conduct our or its business; or
- believed or reasonably should have believed that we or it would incur debts beyond our or its ability to pay.

The court might also void an issuance of notes, a guaranty or security agreements, without regard to the above factors, if the court found that we issued the notes or the guarantors entered into their respective guaranty or security agreements with actual intent to hinder, delay or defraud our or their respective creditors.

A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the notes or its guaranty and security agreements, respectively, if we or a guarantor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void an issuance of notes, a guaranty or the related security agreements, you would no longer have a claim against us or the guarantors or, in the case of the security agreements, a claim with respect to the related collateral. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from us or the guarantors or, with respect to the notes, any guarantee or the collateral.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. In general, however, a court would consider us or a guarantor insolvent if:

- the sum of our or its debts, as applicable, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of our or its assets, as applicable;
- the present fair saleable value of our or its assets, as applicable, was less than the amount that would be required to pay our or its probable liability on our or its existing debts, as applicable, including contingent liabilities, as they become absolute and mature; or
- we or it could not pay our or its debts as they became due.

Each guaranty will contain a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guaranty to be a fraudulent transfer. This provision may not be effective to protect the guaranties from being voided under fraudulent transfer law, or may reduce or eliminate the guarantor s obligation to an amount that effectively makes the guaranty worthless.

***Rights of holders of notes in the collateral may be adversely affected by bankruptcy proceedings.***

The right of the collateral agent to repossess and dispose of the collateral securing the notes upon acceleration is likely to be significantly impaired by federal bankruptcy law if bankruptcy proceedings are commenced by or against us prior to or possibly even after the collateral agent has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the collateral agent, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents or profits of the collateral, even though the debtor is in default under the applicable

debt instruments, provided that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor s interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent would repossess or dispose of the collateral, or whether or to what extent holders of the notes would be compensated for any delay in payment of loss of value of the collateral through the requirements of adequate protection. Furthermore, in the event the bankruptcy court determines that the value of the collateral is insufficient to repay all amounts due on the notes, the holders of the notes would have undersecured claims as to the difference. See In the event of a bankruptcy of us or any of the guarantors, holders of the notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the notes exceed the fair market value of the collateral securing the notes. Federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorneys fees for undersecured claims during the debtor s bankruptcy case.

***In the event of a bankruptcy of us or any of the guarantors, holders of the notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the notes exceed the fair market value of the collateral securing the notes.***

In any bankruptcy proceeding with respect to us or any of the guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to the notes on the date of the bankruptcy filing was less than the then-current principal amount of the notes. Upon a finding by the bankruptcy court that the notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the notes to receive other adequate protection under federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the notes.

***Because each guarantor s liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.***

You have the benefit of the guarantees of the guarantors. However, the guarantees by the guarantors are limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, a guarantor s liability under its guarantee could be reduced to zero, depending upon the amount of other obligations of such guarantor. Further, under the circumstances discussed more fully above, a court under federal and state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the guarantor. See Federal and state statutes allow courts, under specific circumstances, to void notes, guarantees and security interests and require noteholders to return payments received. In addition, you will lose the benefit of a particular guarantee if it is released under certain circumstances described under Description of the Notes Guarantees.

***The notes are effectively subordinated to all liabilities of our non-guarantor subsidiaries and structurally subordinated to claims of creditors of all of our future foreign subsidiaries.***

The notes are structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not guarantors of the notes. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us.

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***An active trading market may not develop for the exchange notes, in which case the trading market liquidity and the market price quoted for the exchange notes could be adversely affected.***

The exchange notes are a new issue of securities with no established trading market and will not be listed on any securities exchange or automated dealer quotation system. The liquidity of the trading market in the exchange notes, and the market price quoted for the exchange notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you cannot be sure that an active trading market will develop for the exchange notes. In addition, if a large amount of old notes are not tendered or are tendered improperly, the limited amount of exchange notes that would be issued and outstanding after we consummate the exchange offer would reduce liquidity and could lower the market price of those exchange notes.

**Risks Related to Our Business**

***Our business, financial condition and results of operations are heavily impacted by varying metals prices.***

We principally use steel, aluminum and various specialty metals as feedstock. The metals industry as a whole is cyclical and at times pricing and availability of our feedstock can be volatile due to numerous factors beyond our control, including domestic and international economic conditions, labor costs, production levels, competition, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us, and may, therefore, adversely affect our net sales, operating margin and net income. Metal costs typically represent approximately 75% of our net sales. Our service centers maintain substantial inventories of metal to accommodate the short lead-times and just-in-time delivery requirements of our customers. Accordingly, we purchase metal in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers, which we base on information derived from customers, market conditions, historic usage and industry research. Our commitments for metal purchases are generally at prevailing market prices in effect at the time we place our orders. We have no substantial long-term, fixed-price purchase contracts. When raw material prices rise, we may not be able to pass the price increase on to our customers. When raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent we reduce existing inventory quantities, lower margins. There have been historical periods of rapid and significant movements in the prices of metal both upward and downward. Any limitation on our ability to pass through any price increases to our customers could have a material adverse effect on our business, financial condition or results of operations.

Changes in metal prices also affect our liquidity because of the time difference between our payment for our raw materials and our collection of cash from our customers. We sell our products and typically collect our accounts receivable within 45 days after the sale; however, we tend to pay for replacement materials (which are more expensive when metal prices are rising) over a much shorter period, in part to benefit from early-payment discounts. As a result, when metal prices are rising, we tend to draw more on our ABL facility to cover the cash flow cycle from our raw material purchases to cash collection. This cash requirement for working capital is higher in periods when we are increasing inventory quantities as we did at the end of 2004. Our liquidity is thus adversely affected by rising metal prices. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Operating and Investing Activities.

***Our operating results could be negatively affected during economic downturns.***

The businesses of many of our customers are, to varying degrees, cyclical and have historically experienced periodic downturns due to economic conditions, energy prices, consumer demand and other factors beyond our control. These economic and industry downturns have been characterized by diminished product demand, excess capacity and, in some cases, lower average selling prices. Therefore, any significant downturn in one or more of the markets that we serve, one or more of the end-markets that our customers serve or in economic conditions in general could result in a reduction in demand for our products and could have a material adverse effect on our business, financial condition or results of operations. Additionally, as an increasing amount of our customers relocate their manufacturing facilities outside of the United States, we may not be able to maintain our level of sales to those customers. As a result of the depressed economic conditions and reduction in construction in the northeastern United States in the years 2000 through the middle of 2002, our customers in such geographic areas had lower demand for our products. While we supply a broad range of products to a large diversified customer base which serves a diverse set of end-markets, concurrent reduced demand in a number of these markets combined with the foreign relocation of some of our customers could have an adverse effect on our business, financial condition or results of operations.

Although we do not generally sell any of our products directly to customers abroad, a large part of our financial performance is dependent upon a healthy economy beyond the United States. Our customers sell their products abroad and some of our suppliers buy feedstock abroad. As a result, our business is affected by general economic conditions and other factors outside the United States, primarily in Europe and Asia. Our suppliers access to metal, and therefore our access to metal, is additionally affected by such conditions and factors. Similarly, the demand for our customers products, and therefore our products, is affected by such conditions and factors. These conditions and factors include further increased prices of steel, enhanced imbalances in the world s iron ore, coal and steel industries, a downturn in world economies, increases in interest rates, unfavorable currency fluctuations, including the weak U.S. dollar, or a slowdown in the key industries served by our customers. In addition, demand for the products of our Building Products Group could be adversely affected if consumer confidence falls since the results for that group depend on a strong residential remodeling industry, which in turn has been partially driven by relatively high consumer confidence.

***We rely on metal suppliers in our business and purchase a significant amount of metal from a limited number of suppliers. Termination of one or more of our relationships with any of those suppliers could have a material adverse effect on our business, financial condition or results of operations because we may be unable to obtain metal from other sources in a timely manner or at all.***

We use a variety of metals in our business. Our operations depend upon obtaining adequate supplies of metal on a timely basis. We purchase most of our metal from a limited number of metal suppliers. As of March 31, 2006, the top three metals producers represent a significant portion of our total metal purchasing cost. Termination of one or more of our relationships with any of these major suppliers could have a material adverse effect on our business, financial condition or results of operations if we were unable to obtain metal from other sources in a timely manner or at all.

In addition, the domestic metals production industry has experienced consolidation in recent years. As of March 31, 2006, the top three metals producers together control over 60% of the domestic flat rolled steel market. Further consolidation could result in a decrease in the number of our major suppliers or a decrease in the number of alternative supply sources available to us, which could make it more likely that termination of one or more of our relationships with major suppliers would result in a material adverse effect on our business, financial condition or results of operations. Consolidation could also result in price increases for the metal that we purchase. Such price increases could have a material adverse effect on our business, financial condition or results of operations if we were not able to pass these price increases on to our customers.

***Intense competition among many competitors could adversely affect our profitability.***

We are engaged in a highly fragmented and competitive industry. We compete with a large number of other value-added metals processors/service centers on a regional and local basis, some of which may have greater financial resources than us. We also compete, to a much lesser extent, with primary metals producers, who typically sell to very large customers requiring regular shipments of large volumes of metals. One competitive factor, particularly in the ferrous Flat Rolled business, is price. We may be required in the future to reduce sales volumes to maintain our level of profitability. Increased competition in any of our businesses could have a material adverse effect on our business, financial condition or results of operations.

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***A failure to retain our key employees could adversely affect our business.***

We are dependent on the services of our President and Chief Executive Officer, Mr. C. Lourenço Gonçalves, and other members of our senior management team to remain competitive in our industry. There is a risk that we will not be able to retain or replace these key employees. While our current key employees are subject to employment conditions or arrangements that contain post-employment non-competition provisions, these arrangements permit the employees to terminate their employment without notice. The loss of any member of our senior management team could have a material adverse effect on our business, financial condition or results of operations.

From time to time, there are shortages of qualified operators of metals processing equipment. In addition, during periods of low unemployment, turnover among less-skilled workers can be relatively high. Any failure to retain a sufficient number of such employees in the future could have a material adverse effect on our business, financial condition or results of operations.

***We are subject to litigation that could strain our resources and distract management.***

We are a defendant in numerous lawsuits. These suits concern issues including product liability, contract disputes, employee-related matters and personal injury matters. While it is not feasible to predict the outcome of all pending suits and claims, the ultimate resolution of these matters as well as future lawsuits could have a material adverse effect on our business, financial condition, results of operations or reputation.

***Environmental costs could decrease our net cash flow and adversely affect our profitability.***

Our operations are subject to extensive regulations governing waste disposal, air and water emissions, the handling of hazardous substances, remediation, workplace exposure and other environmental matters. We believe that we are in substantial compliance with all such laws and do not currently anticipate that we will be required to expend any substantial amounts in the foreseeable future in order to meet current environmental or workplace health and safety requirements. However, some of the properties we own or lease are located in areas with a history of heavy industrial use, and are near sites listed on the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, National Priority List. CERCLA establishes joint and several responsibility for cleanup without regard to fault for persons who have arranged for disposal of hazardous substances at sites that have become contaminated and for persons who own or operate contaminated facilities. We have a number of properties located in or near industrial or light industrial use areas; accordingly, these properties may have been contaminated by pollutants which would have migrated from neighboring facilities or have been deposited by prior occupants. Some of our properties are affected by contamination from leaks and drips of cutting oils and similar materials used in our business and we have removed and restored such known impacted soils pursuant to applicable environmental laws. The costs of such clean-ups to date have not been material. We are not currently subject to any claims and have not received any notices with respect to cleanup or remediation under CERCLA or similar laws for contamination at our leased or owned properties or at any off-site location. However, it is possible that we could be notified of such claims in the future. It is also possible that we could be identified by the Environmental Protection Agency, a state agency or one or more third parties as a potentially responsible party under CERCLA or under analogous state laws. If so, we could incur substantial litigation costs in defense of such claims.

***Adverse developments in our relationship with our unionized employees could adversely affect our business.***

As of the date of this prospectus, approximately 300 of our employees (11%) at various sites are members of unions. Our relationship with these unions generally has been satisfactory. Within the last five years, a single work stoppage occurred at one facility, which involved approximately 30 employees and lasted approximately 30 days. Any work stoppages in the future could have a material adverse effect on our business, financial condition or results of operations.

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We are currently a party to nine collective bargaining agreements with such unions, which expire at various times, including one of which that will expire in 2006 (which covers approximately 1% of our employees). Collective bargaining agreements for all of our union employees expire in each of the next three years. Historically, we have succeeded in negotiating new collective bargaining agreements without a strike. However, no assurances can be given that we will succeed in negotiating new collective bargaining agreements to replace the expiring ones without a strike. Any strikes in the future could have a material adverse effect on our business, financial condition or results of operations. See Business Employees.

***Metals USA s predecessor company we emerged from Chapter 11 Reorganization in 2002 and may not be able to achieve profitability on a consistent basis.***

Our predecessor company sought protection under Chapter 11 of the Bankruptcy Code in November 2001. Our predecessor company incurred operating losses of $2.6 million and $390.5 million during the ten-month period ended October 31, 2002 and the fiscal year ended December 31, 2001, respectively. Approximately $386.0 million of the 2001 net loss was attributable to write-downs associated with the carrying value of our predecessor company s goodwill and property and equipment to their then estimated recoverable values. We incurred an operating loss of $0.9 million for the two-month period ended December 31, 2002. Our predecessor company s equity ownership, board of directors and a portion of its senior management was replaced in connection with our reorganization. While our current senior management has concentrated on improving our profitability, we may not be able to sustain profitability or achieve growth in our operating performance.

***Our historical financial information is not comparable to our current financial condition and results of operations because of our use of fresh start accounting in 2002 and purchase accounting in connection with the Transactions and the recent acquisitions.***

It may be difficult for you to compare both our historical and future results to our results for the fiscal year ended December 31, 2005. The Transactions were accounted for utilizing purchase accounting, which resulted in a new valuation for the assets and liabilities of Metals USA to their fair values. This new basis of accounting began on November 30, 2005. Allocations are subject to valuations as of the closing date of the Merger. The allocation of the excess purchase price over the book value of the net assets acquired in the Transactions have been based, in part, on preliminary information which continues to be subject to adjustment upon obtaining complete valuation information. While, in order to facilitate comparison of our results, we have presented, in certain places in this prospectus, combined 2005 Predecessor and Successor statements of operations, such a presentation is not permitted by GAAP. In addition, the recent acquisitions are, and we expect future acquisitions will be, also accounted for using purchase accounting and therefore similar limitations regarding comparability of historical and future results could arise. Under the purchase method of accounting, the operating results of each of the acquired businesses, including the recent acquisitions, are included in our financial statements only from the date of the acquisitions.

In addition, as a result of our emergence from bankruptcy on October 31, 2002, we were subject to Fresh-Start Reporting. Accordingly, our financial information as of any date or for periods after November 1, 2002 is not comparable to our historical financial information before November 1, 2002. This is primarily because the Fresh-Start Reporting purchase price allocations required us to reduce the carrying value of the property and equipment we owned at November 1, 2002 to zero. Accordingly, our historical operating results may be of limited use in evaluating our historical performance and comparing it to other periods.

***We are controlled by an affiliate of Apollo and its interests as an equity holder may conflict with yours as a creditor.***

Flag Intermediate, which is a wholly owned subsidiary of Metals USA Holdings, owns all of our common stock. Metals USA Holdings is an affiliate of, and is controlled by, Apollo V and its affiliates. Accordingly, Apollo V and its affiliates have the power to control us. The interests of Apollo V and its affiliates may not always be aligned with yours. For example, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions, that, in their judgment, could enhance their equity investment, even though these transactions might involve risks to the holders of the notes if the transactions resulted in our being more highly leveraged or significantly changed the nature of our business operations or strategy. In addition, if we encounter financial difficulties, or if we are unable to pay our debts as they mature, the interests of our equity holders might conflict with those of the holders of the notes. In that situation, for example, the holders of the notes might want us to raise additional equity from Metals USA Holdings or other investors to reduce our leverage and pay our debts, while Metals USA Holdings might not want to increase their investment in us or have their ownership diluted and instead choose to take other actions, such as selling our assets. Furthermore, Apollo V and its affiliates have no continuing obligation to provide us with debt or equity financing. Additionally, Apollo V and certain of its affiliates are in the business of making investments in companies and currently hold, and may from time to time in the future acquire, controlling interests in businesses engaged in the metals service industry that complement or directly or indirectly compete with certain portions of our business. Further, if they pursue such acquisitions in the metals service industry, those acquisition opportunities may not be available to us. So long as Apollo V and its affiliates continue to indirectly own a significant amount of our equity, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our business decisions.

***We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.***

We recently completed two acquisitions to bolster the market position and organic growth of our service center and building products businesses. See Prospectus Summary Recent Developments. It is our intention to make additional acquisitions in our core markets that will improve our market share of higher margin products and increase the growth of our business.

We may not be able to identify suitable acquisition candidates, and the expense incurred in consummating acquisitions of related businesses, or our failure to integrate such businesses successfully into our existing businesses, could affect our growth or result in our incurring unanticipated expenses and losses. Furthermore, we may not be able to realize any anticipated benefits from acquisitions. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the risks associated with our acquisition strategy, which could have an adverse effect on our business, financial condition and results of operations, include:

- potential disruption of our ongoing business and distraction of management;
- unexpected loss of key employees or customers of the acquired company;
- conforming the acquired company s standards, processes, procedures and controls with our operations;
- coordinating new product and process development;
- hiring additional management and other critical personnel;
- encountering unknown contingent liabilities which could be material; and
- increasing the scope, geographic diversity and complexity of our operations.

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## THE EXCHANGE OFFER

**Purpose and Effect of the Exchange Offer**

We entered into a registration rights agreement with the initial purchasers of the old notes, in which we agreed to file a registration statement relating to an offer to exchange the old notes for the exchange notes. The registration statement of which this prospectus forms a part was filed in compliance with this obligation. We also agreed to use our commercially reasonable efforts to file the registration statement with the SEC and to cause it to become effective under the Securities Act. The exchange notes will have terms substantially identical to the old notes except that the exchange notes will not contain terms with respect to transfer restrictions and registration rights and additional interest payable for the failure to consummate the exchange offer by September 26, 2006. Old notes in an aggregate principal amount of $275,000,000 were issued on November 30, 2005.

Under the circumstances set forth below, we will use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old notes and to keep the shelf registration statement effective up to two years after the effective date of the shelf registration statement. These circumstances include:

- if the exchange offer is not permitted by applicable law or SEC policy;
- if the exchange offer has not been consummated on or before September 26, 2006;
- if any initial purchaser so requests on or prior to the 60th day after the consummation of the registered exchange offer with respect to the old notes not eligible to be exchanged for the exchange notes and held by it following the consummation of the exchange offer; or
- if any holder that participates in the exchange offer does not receive freely transferable exchange notes in exchange for tendered old notes and so requests on or prior to the 60th day after the consummation of the registered exchange offer.

Each holder of old notes that wishes to exchange such old notes for transferable exchange notes in the exchange offer will be required to make the following representations:

- any exchange notes to be received by it will be acquired in the ordinary course of its business;
- it has no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution (within the meaning of Securities Act) of the exchange notes in violation of the Securities Act;
- it is not our affiliate, as defined in Rule 405 under the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act; and
- if such holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the exchange notes.

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

**Resale of Exchange Notes**

Based on interpretations of the SEC staff set forth in no-action letters issued to unrelated third parties, we believe that exchange notes issued in the exchange offer in exchange for old notes may be offered for resale,

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resold and otherwise transferred by any exchange note holder without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- such holder is not an affiliate of ours within the meaning of Rule 405 under the Securities Act;
- such exchange notes are required in the ordinary course of the holder s business; and
- the holder does not intend to participate in the distribution of such exchange notes.

Any holder who tenders in the exchange offer with the intention of participating in any manner in a distribution of the exchange notes:

- cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters: and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

If, as stated above, a holder cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters, any effective registration statement used in connection with a secondary resale transaction must contain the selling security holder information required by Item 507 of Regulation S-K under the Securities Act.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the old notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Please read the section captioned Plan of Distribution for more details regarding these procedures for the transfer of exchange notes. We have agreed that, for a period of 180 days after the exchange offer is consummated, we will make this prospectus available to any broker-dealer for use in connection with any resale of the exchange notes.

**Terms of the Exchange Offer**

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to the expiration date. We will issue up to $275,000,000 in principal amount of exchange notes, in the aggregate, in exchange for an equal principal amount of the old notes surrendered under the exchange offer. Old notes may be tendered for the exchange notes only in integral multiples of $1,000.

The form and terms of the exchange notes will be substantially identical to the form and terms of the old notes except that the exchange notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any additional interest upon our failure to fulfill our obligations under the registration rights agreement to file, and cause to become effective, a registration statement. The exchange notes will evidence the same debt as the old notes. The exchange notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the old notes. Consequently, each series of notes will be treated as a single class of debt securities under the applicable indenture.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange.

As of the date of this prospectus, $275,000,000 aggregate principal amount of the old notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

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We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (or the Exchange Act ), and the rules and regulations of the SEC. Old notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the old notes.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to such holders. Subject to the terms of the registration rights agreements, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under the caption Certain Conditions to the Exchange Offer.

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees, or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than those transfer taxes described below, in connection with the exchange offer. It is important that you read the section labeled Fees and Expenses below for more details regarding fees and expenses incurred in the exchange offer.

**Expiration Date; Extensions; Amendments**

The exchange offer will expire 5:00 p.m. (New York City time) on , 2006, unless we extend it in our sole discretion. However, we will not extend the exchange offer for more than 60 days after the effective date of this prospectus.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing. In addition, we will notify the registered holders of old notes, in writing, by public announcement or both, of the extension no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any old notes before expiration or termination of the exchange offer, including any extensions;
- to extend the exchange offer or to terminate the exchange offer and to refuse to accept old notes not previously accepted if any of the conditions set forth below under Certain Conditions to the Exchange Offer have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or
- subject to the terms of the registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by giving notice or public announcement thereof to the registered holders of old notes. Holders of old notes that tender before or after the offer is extended will have until the new expiration date to withdraw their notes. If we amend the exchange offer in a manner that we determine to constitute a material change, including a waiver of what we determine to be a material condition, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of old notes of such amendment and extend the exchange offer for a period deemed adequate by us to permit holders to withdraw their old notes. In any event the extension will be at least five business days. If we amend the exchange offer to condition our offer on valid tenders from a specified percentage of old notes or increase or decrease this percentage we will extend the exchange offer by at least 10 days. If we terminate this exchange offer as provided in this prospectus before accepting any old notes for

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exchange or if we amend the terms of this exchange offer in a manner that constitutes a material change in the information set forth in the registration statement of which this prospectus forms a part, we will promptly file a post-effective amendment to the registration statement of which this prospectus forms a part and, if necessary, recirculate a revised prospectus. In addition, we will in all events comply with our obligation to promptly issue exchange notes for all old notes properly tendered and accepted for exchange in the exchange offer upon expiration of the exchange offer and will return old notes not accepted for exchange promptly upon termination or expiration of the exchange offer.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we shall not have any obligation to publish, advertise, or otherwise communicate any such public announcement, other than by issuing a timely press release to a financial news service.

**Certain Conditions to the Exchange Offer**

Despite any other terms of the exchange offer, we will not be required to accept for exchange, or exchange any exchange notes for, any old notes, and we may terminate the exchange offer as provided in this prospectus before accepting any old notes for exchange if in our reasonable judgment:

- the exchange notes to be received will not be tradable by the holder without restriction under the Securities Act or the Exchange Act, and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;

- the exchange offer, or the making of any exchange by a holder of old notes, would violate applicable law or any applicable interpretation of the staff of the SEC; or

- any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.

In addition, we will not be obligated to accept for exchange the old notes of any holder that has not made:

- the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Plan of Distribution; an

- such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

We expressly reserve the right, at any time or at various times on or prior to the scheduled expiration date of the exchange offer, to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any old notes by giving oral or written notice of such extension to the registered holders of the old notes. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange unless they have been previously withdrawn. We will return any old notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer on or prior to the scheduled expiration date of the exchange offer, and to reject for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give notice of or publicly announce any extension, amendment, non-acceptance or termination to the registered holders of the old notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date. We will in all events comply with our obligation to promptly issue exchange notes for all old notes properly tendered

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and accepted for exchange in the exchange offer upon expiration of the exchange offer or to promptly return old notes not accepted for exchange upon termination or expiration of the exchange offer.

These conditions are for our sole benefit and we may, in our sole discretion, assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times (provided that, if we waive a condition for one participant in the exchange offer, we must waive that condition for participants). All conditions to the exchange offer, however, must be satisfied or waived by us prior to the expiration of the exchange offer.

In addition, we will not accept for exchange any old notes tendered, and will not issue exchange notes in exchange for any such old notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended.

**Procedures for Tendering**

Only a holder of old notes may tender such old notes in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with DTC s Automated Tender Offer Program procedures described below.

In addition, either:

- the exchange agent must receive old notes along with the letter of transmittal;

- the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such old notes into the exchange agent s account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent s message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under Exchange Agent prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of old notes, the letter of transmittal and all other required documents to the exchange agent is at the holder s election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send us the letter of transmittal or old notes. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it

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to tender on the owners behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its old notes, either:

- make appropriate arrangements to register ownership of the old notes in such owner s name; or
- obtain a properly completed bond power from the registered holder of old notes.

Depending on the facts and circumstances applicable to a particular beneficial owner, including the nominee in whose name the notes are registered and applicable state laws, the transfer of registered ownership may take an indeterminable amount of time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another eligible institution within the meaning of Rule 17Ad-15 under the Exchange Act, unless the old notes tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or
- for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed on the old notes, such old notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder s name appears on the old notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC s system may use DTC s Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the old notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent s message to the exchange agent. The term agent s message means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering old notes that are the subject of such book-entry confirmation;
- such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent s message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and
- the agreement may be enforced against such participant.

We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tenders as to particular old notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding

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on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to the tendering holder, unless otherwise provided in the letter of transmittal, promptly following the expiration or termination date.

In all cases, we will issue exchange notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- old notes or a timely book-entry confirmation of such old notes into the exchange agent s account at DTC; and

- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent s message.

By signing the letter of transmittal, each tendering holder of old notes will represent that, among other things:

- any exchange notes that the holder receives will be acquired in the ordinary course of its business;

- the holder has no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;

- if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the exchange notes; and

- the holder is not our affiliate, as defined in Rule 405 of the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

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

**Book-Entry Transfer**

The exchange agent will make a request to establish an account with respect to the old notes at DTC for purposes of the exchange offer promptly after the date of this prospectus and any financial institution participating in DTC s system may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. Holders of old notes who are unable to deliver confirmation of the book-entry tender of their old notes into the exchange agent s account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their old notes according to the guaranteed delivery procedures described below.

**Guaranteed Delivery Procedures**

Holders wishing to tender their old notes but whose old notes are not immediately available or who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date may tender if:

the tender is made through an eligible institution;

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- prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent s message and notice of guaranteed delivery:
  - setting forth the name and address of the holder, the registered number(s) of such old notes and the principal amount of old notes tendered;
  - stating that the tender is being made thereby;
  - guaranteeing that, within three (3) New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the old notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered old notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three (3) New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

**Withdrawal of Tenders**

Except as otherwise provided in this prospectus, holders of old notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal, which notice may be by telegram, telex, facsimile transmission or letter, at one of the addresses set forth below under Exchange Agent ; or
- holders must comply with the appropriate procedures of DTC s Automated Tender Offer Program system.

Any such notice of withdrawal must:

- specify the name of the person who tendered the old notes to be withdrawn;
- identify the old notes to be withdrawn, including the principal amount of such old notes; and
- where certificates for old notes have been transmitted, specify the name in which such old notes were registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and
- a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution

If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt of such notices, and our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been validly tendered for exchange

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for purposes of the exchange offer. Any old notes that have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of old notes tendered by book-entry transfer into the exchange agent s account at DTC according to the procedures described above, such old notes will be credited to an account maintained with DTC for old notes) promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under Procedures for Tendering above at any time prior to the expiration date.

**Exchange Agent**

Wells Fargo Bank, N.A. has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

| | | |
|---|---|---|
| *By Overnight Courier or Mail:*<br>**Wells Fargo Bank, N.A.**<br>Corporate Trust Operations<br>MAC N9303-121<br>6th & Marquette Avenue<br>Minneapolis, MN 55479<br>Attn: Reorg<br>*(if by mail, registered or certified recommended)* | *By Registered or Certified Mail:*<br>**Wells Fargo Bank, N.A**<br>Corporate Trust Operations<br>MAC N9303-121<br>P.O. Box 1517<br>Minneapolis, MN 55480<br>Attn: Reorg | *By Hand:*<br>**Wells Fargo Bank, N.A.**<br>Corporate Trust Services<br>Northstar East Bldg. 12th Floor<br>608 2nd Avenue South<br>Minneapolis, MN 55402<br>Attn: Reorg |
| *By Facsimile:*<br>(612) 667-6282<br>Attn: Bondholder Communications | | *To Confirm by Telephone:*<br>(800) 344-5128; or<br>(612) 667-9764<br>Attn: Bondholder Communications |

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

**Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offer include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and

related fees and expenses.

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**Transfer Taxes**

In general, we will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of old notes tendered;

- tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

In addition, holders who instruct us to register exchange notes in the name of, or request that old notes not tendered or not accented in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer taxes.

**Consequences of Failure to Exchange**

Holders of old notes who do not exchange their old notes for exchange notes under the exchange offer, including as a result of failing to timely deliver old notes to the exchange agent, together with all required documentation, including a properly completed and signed letter of transmittal, will remain subject to the restrictions on transfer of such old notes:

- as set forth in the legend printed on the old notes as a consequence of the issuance of the old notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

- otherwise as set forth in the offering a memorandum distributed in connection with the private offering of the old notes.

In addition, you will no longer have any registration rights or be entitled to additional interest with respect to the old notes. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes.

In general, you may not offer or sell the old notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the old notes under the Securities Act. Based on interpretations of the SEC staff, exchange notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by their holders, other than any such holder that is our affiliate within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the exchange notes in the ordinary course of the holders business and the holders have no arrangement or understanding with respect to the distribution of the exchange notes to be acquired in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes:

- could not rely on the applicable interpretations of the SEC; and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

After the exchange offer is consummated, if you continue to hold any old notes, you may have difficulty selling them.

**Accounting Treatment**

We will record the exchange notes in our accounting records at the same carrying value as the old notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. We will defer the costs of this exchange offer and amortize these costs to interest expense over the term of the notes.

**Other**

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered old notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

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## USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes, we will receive in exchange the old notes in like principal amount, which will be cancelled and as such will not result in any increase in our indebtedness.

The net proceeds from the offering of the old notes, after deducting the initial purchasers fees and expenses of the offering, was $268.0 million. We used these proceeds to fund the Transactions and pay related fees and expenses.

The following table sets forth the sources and uses of funds in connection with the Transactions.

| **Sources and Uses of Funds (in millions)** | |
|---|---|
| ABL facility(1) | $ 225.4 |
| Old notes | 275.0 |
| Debt Assumed | 7.2 |
| Contributed equity(2) | 134.0 |
| Warrants Payable | 6.4 |
| Total Sources | $ 648.0 |
| Merger consideration(3) | $ 458.7 |
| Refinance existing debt | 152.5 |
| Transaction expenses(4) | 36.8 |
| Total Uses | $ 648.0 |

(1) The ABL facility provides for up to $450.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and eligible inventory, subject to certain reserves.
(2) Consists of approximately $136.1 million of cash equity contributed by investment funds associated with Apollo V, plus approximately $3.9 million of equity from management participants, less $6.0 million of transaction fees paid to Apollo V and accounted for as a reduction in capital.
(3) Represents payments made to or for the account of equity and warrant holders.
(4) Includes underwriting discounts, professional fees, transaction fees and other payments made in connection with the Transactions.

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## CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization as of March 31, 2006:

- on a historical basis; and
- to give effect to the $25 million dividend Metals USA Holdings declared on May 23, 2006, and paid on May 24, 2006, to our stockholders of record as of May 23, 2006.

This table should be read together with Use of Proceeds, Selected Historical Consolidated Financial Data, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the combined financial statements and notes to those statements, in each case, included elsewhere in this prospectus.

| | As of March 31, 2006 | |
|---|---|---|
| | Historical | Pro Forma for May 2006 Dividend |
| | (In millions) | |
| Cash and cash equivalents | $ 17.7 | $ 17.7 |
| Total long-term debt: | | |
| ABL facility(1)(2) | $ 201.9 | $ 226.9 |
| Old notes | 275.0 | 275.0 |
| Other(3) | 7.0 | 7.0 |
| Total long-term debt | 483.9 | 508.9 |
| Stockholders equity | 134.9 | 109.9 |
| Total capitalization | $ 618.8 | $ 618.8 |

(1) The ABL facility provides for up to $450.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and eligible inventory, subject to certain reserves. Our borrowing base under the ABL facility was approximately $423.5 million on March 31, 2006, of which $201.9 million was drawn and $18.5 million reserved for letters of credit leaving $203.1 million borrowing availability.

(2) We used $36.3 million and $9.4 million of funds from our ABL facility to acquire the net assets of Port City and Dura-Loc, respectively, which is not reflected herein.

(3) Consists of an IRB with $5.7 million principal amount outstanding as of March 31, 2006, which is payable on May 1, 2016 in one lump sum payment and $1.3 million in vendor financing and purchase money notes.

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## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial statements have been developed by applying pro forma adjustments to our historical audited and unaudited consolidated statements of operations and our historical unaudited consolidated balance sheet included elsewhere in this prospectus. Each of the unaudited pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2006 gives effect to the May 2006 dividend as if it had occurred on such date. The unaudited pro forma condensed consolidated statements of operations for the fiscal year ended December 31, 2005 and for the three month period ended March 31, 2006 each gives effect to the Transactions, and the May 2006 dividend in each case as if they occurred on January 1, 2005.

**The summary unaudited pro forma condensed combined financial information are for informational purposes only and do not purport to represent what our results of operations or financial position actually would have been if the Transactions or the May 2006 dividend had occurred at any date, and such data do not purport to project the results of operations for any future period.**

The historical financial results included in the following pro forma condensed combined financial statements are derived from the Predecessor Company consolidated statement of operations for the period from January 1, 2005 to November 30, 2005, the Successor Company consolidated statement of operations for the period from May 9, 2005 (date of inception) to December 31, 2005, the Successor Company unaudited consolidated statement of operations for the period ending March 31, 2006 and the Successor Company unaudited consolidated balance sheet as of March 31, 2006.

For the following unaudited pro forma condensed consolidated statement of operations for the fiscal year ended December 31, 2005 we have combined into one column the 2005 Predecessor and Successor consolidated statements of operations merely by adding the two columns without any pro forma assumptions. We believe the Predecessor/Successor split of our results for the fiscal year ended December 31, 2005 make it difficult for an investor to compare our historical and future results. GAAP does not allow for such combination of the Predecessor Company s and the Successor Company s financial results; however, we believe the combined results provide information that is useful in evaluating our financial performance since the Transactions do not affect the operational activities of Metals USA.

The Merger was accounted for as a purchase, with the Successor Company applying purchase accounting on the closing date of the Merger. As a result, the merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the one-month period ended December 31, 2005, the Successor Company s operating costs and expenses increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements are not comparable with those of the Predecessor Company.

The pro forma adjustments relating to the Transactions are based on preliminary estimates of the fair value of the consideration provided, estimates of the fair values of assets acquired and liabilities assumed and available information and assumptions. The final determination of fair value could result in changes to the pro forma adjustments and the pro forma data included herein.

The unaudited pro forma condensed combined financial data should be read in conjunction with Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

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**Flag Intermediate Holdings Corporation**

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**

**as of March 31, 2006**

| | Historical As of March 31, 2006 (In millions) | Adjustments for May 2006 Dividend | Pro Forma |
|---|---|---|---|
| Cash | $ 17.7 | $ | $ 17.7 |
| Accounts receivable | 204.2 | | 204.2 |
| Inventories | 347.9 | | 347.9 |
| Prepaid expenses and other | 29.8 | | 29.8 |
| Total current assets | 599.6 | | 599.6 |
| Property, plant and equipment | 172.9 | | 172.9 |
| Goodwill | 13.3(a) | | 13.3 |
| Other assets, net | 37.0 | | 37.0 |
| Total assets | $ 822.8 | $ | $ 822.8 |
| Accounts payable | $ 81.2 | $ | $ 81.2 |
| Accrued liabilities | 49.3 | | 49.3 |
| Current maturities of long term debt | 0.6 | | 0.6 |
| Total current liabilities | 131.1 | | 131.1 |
| Revolving credit facility | 201.9 | 25.0(j) | 226.9 |
| Senior secured notes | 275.0 | | 275.0 |
| Other long term debt | 6.4 | | 6.4 |
| Other non-current liabilities | 73.5 | | 73.5 |
| Total liabilities | 687.9 | 25.0 | 712.9 |
| Common stock | | | |
| Paid-in-Capital | 134.8 | (24.9)(j) | 109.9 |
| Retained earnings | 0.1 | (0.1)(j) | |
| Total equity | 134.9 | (25.0) | 109.9 |
| Total liabilities and equity | $ 822.8 | $ | $ 822.8 |

See notes to unaudited pro forma condensed consolidated financial data.

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**Flag Intermediate Holdings Corporation**

**Unaudited Pro Forma Condensed Consolidated Statements of Operations**

**For the Twelve Month Period Ended December 31, 2005**

| | Historical Predecessor Company Period from January 1, 2005 to November 30, 2005 | Historical Successor Company Period from May 9, 2005 (Date of Inception) to December 31, 2005 | Combined 2005 | Adjustments for Transactions | Pro Forma for Transactions | Adjustments for May 2006 Dividend | Pro Forma |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Net sales | $ 1,522.1 | $ 116.9 | $ 1,639.0 | $ | $ 1,639.0 | $ | $ 1,639.0 |
| Costs and expenses: | | | | | | | |
| Cost of sales | 1,189.3 | 92.5 | 1,281.8 | (4.1)(b) | 1,277.7 | | 1,277.7 |
| Operating and delivery | 139.1 | 12.8 | 151.9 | | 151.9 | | 151.9 |
| Selling, general and administrative(i) | 108.5(h) | 9.3 | 117.8 | 1.1(c) | 118.9 | | 118.9 |
| Depreciation and amortization | 3.1 | 1.4 | 4.5 | 11.7(d)(e) | 16.2 | | 16.2 |
| Operating income (loss) | 82.1 | 0.9 | 83.0 | (8.7) | 74.3 | | 74.3 |
| Interest expense | 12.0 | 4.1 | 16.1 | 31.8(f) | 47.9 | 1.4(k) | 49.3 |
| Other (income) expense | (0.1) | | (0.1) | | (0.1) | | (0.1) |
| Income (loss) before taxes | 70.2 | (3.2) | 67.0 | (40.5) | 26.5 | (1.4) | 25.1 |
| Provision (benefit) for income taxes | 26.7 | (1.2) | 25.5 | (14.9)(g) | 10.6 | (0.6)(g) | 10.0 |
| Net income(k) | $ 43.5 | $ (2.0) | $ 41.5 | $ (25.6) | $ 15.9 | $ (0.8) | $ 15.1 |

See notes to unaudited pro forma condensed consolidated financial data.

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**Flag Intermediate Holdings Corporation**

**Unaudited Pro Forma Condensed Consolidated Statements of Operations**

**For the Three Month Period Ended March 31, 2006**

| | Historical Period from January 1, 2006 to March 31, 2006 (In millions) | Adjustments for May 2006 Dividend | Pro Forma |
|---|---|---|---|
| Net sales | $ 429.6 | $ | $ 429.6 |
| Costs and expenses: | | | |
| Cost of sales | 341.0 | | 341.0 |
| Operating and delivery | 41.7 | | 41.7 |
| Selling, general and administrative(i) | 27.2 | | 27.2 |
| Depreciation and amortization | 4.2 | | 4.2 |
| Operating income (loss) | 15.5 | | 15.5 |
| Interest expense | 12.0 | 0.4(k) | 12.4 |
| Other (income) expense | (0.1) | | (0.1) |
| Income (loss) before taxes | 3.6 | (0.4) | 3.2 |
| Provision (benefit) for income taxes | 1.5 | (0.2)(g) | 1.3 |
| Net income | $ 2.1 | $ (0.2) | $ 1.9 |

See notes to unaudited pro forma condensed consolidated financial data.

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**NOTES TO UNAUDITED PRO FORMA CONDENSED**

**CONSOLIDATED FINANCIAL DATA**

**(Dollars in millions)**

(a) The Transactions were consummated on November 30, 2005. The total acquisition costs were allocated to the acquired assets and assumed liabilities of Metals USA based upon estimates of their respective fair values as of the closing date of the Merger using valuation and other studies. Below is a summary of the Transactions:

| | | |
|---|---|---|
| Historical net assets acquired | | $ 326.2 |
| Purchase price adjustments: | | |
| Inventories | 14.9 | |
| Land | 10.8 | |
| Machinery and equipment | 107.8 | |
| Intangibles (customer lists) | 22.2 | |
| Deferred tax liability | (64.8) | |
| Other long-term liabilities | (3.1) | |
| Total purchase price adjustments | 87.8 | 87.8 |
| Fair value of net assets acquired | | 414.0 |
| Acquisition costs, net of cash acquired | | 430.1 |
| Goodwill | | $ 16.1 |

Recognition of certain tax benefits for the period from December 1, 2005 through March 31, 2006, along with other adjustments, resulted in the reduction of goodwill to $13.3.

(b) As a result of management s analysis and evaluation of the replacement cost of inventory as of the closing date of the Merger, a purchase price adjustment of $14.9 (see note (a) above) was recorded with $4.1 of that amount charged to cost of sales in December 2005. This credit reflects the elimination of the $4.1 non-recurring charge from the pro forma results.

(c) Upon completion of the Transactions, we entered into a management agreement with Apollo pursuant to which Apollo provides us with management services and receives an annual management fee equal to $2.0, payable on March 15 of every year, starting on March 15, 2006. Apollo elected to waive $0.5 of the annual management fee, subject to revocation. In addition, Apollo is entitled to receive a transaction fee in connection with certain subsequent financing, acquisition, disposition and change of control transactions with a value of $25.0 or more, equal to 1% of the gross transaction value of any such transaction. Deferred management fees of $8.6 million were recorded as a current asset, and have been amortized monthly using the straight-line method over the term of the management agreement. The payment obligation under the agreement had been recorded as a current liability of $8.6, at the present value of minimum future annual payments of $1.5.

This adjustment reflects the management fee expense for the period January 1, 2005 through November 30, 2005, the periods in which the management fee is not reflected in the historical information. The related adjustment to interest expense is reflected in note (f).

(d) Represents $4.4 of additional depreciation as a result of the purchase price adjustments of $107.8 recorded for buildings and machinery and equipment as described in note (a) above. The increase in depreciation expense is calculated using an estimated useful life of 30 years for buildings and 10 years for machinery and equipment.

(e) Represents $7.3 of additional amortization as a result of the purchase price adjustments of $22.2 allocated to customer lists as described in note (a) above. Customer lists are amortized over periods ranging from three to five years.

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(f) Represents an increase in the interest expense as a result of the notes, the ABL facility, related issuance costs, and the elimination of interest costs attributable to the old revolving credit facility as follows: